



INTERIM REPORT 2016



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

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UNAUDITED INTERIM RESULTS

The board (“**Board**”) of directors (“**Directors**”) of Rui Kang Pharmaceutical Group Investments Limited (“**Company**”) presents the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively, the “**Group**”) for the three months and six months ended 30 June 2016, together with the comparative unaudited figures for the corresponding period in 2015, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE THREE MONTHS AND SIX MONTHS ENDED 30 JUNE 2016

	Notes	Three months ended 30 June		Six months ended 30 June	
		2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited) (Restated)	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited) (Restated)
Continuing operations					
Gross proceeds	3, 4	50,789	31,932	80,951	47,454
Turnover	3, 4	17,514	4,020	34,085	15,998
Cost of sales		(10,702)	(3,040)	(22,227)	(10,386)
Gross profit		6,812	980	11,858	5,612
Other income and gain/(loss)	5	(7,914)	6,237	(6,636)	18,188
Selling and distribution expenses		(4,509)	(1,183)	(9,277)	(3,016)
Administrative expenses		(17,065)	(8,618)	(28,645)	(16,288)
(Loss)/profit from operations		(22,676)	(2,584)	(32,700)	4,496
Finance costs	6	(825)	(98)	(1,586)	(134)
Reversal of loss/(loss) on disposal of assets held for sale	21	795	–	–	(986)
Share of profit of associates		1,867	555	2,239	995
Share of profit/(loss) of a joint venture		65	(4,310)	(76)	(3,697)
(Loss)/profit before tax	7	(20,774)	(6,437)	(32,123)	674
Income tax expenses	8	(60)	–	(92)	–
(Loss)/profit for the period from continuing operations		(20,834)	(6,437)	(32,215)	674
Discontinued operation					
(Loss)/profit for the period from discontinued operation	20	–	(6,574)	35,526	(6,379)
(Loss)/profit for the period		(20,834)	(13,011)	3,311	(5,705)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE THREE MONTHS AND SIX MONTHS ENDED 30 JUNE 2016

	Notes	Three months ended 30 June		Six months ended 30 June	
		2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited) (Restated)	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited) (Restated)
(Loss)/profit for the period		(20,834)	(13,011)	3,311	(5,705)
Other comprehensive income/(loss) for the period					
Items that may be reclassified subsequently to profit or loss:					
Exchange differences arising on translation of foreign operations		(1,418)	242	(1,198)	(22)
Release of exchange difference upon disposal of assets held for sale	21	(1,077)	–	–	14
Release of exchange difference upon disposal of discontinued operation	20	–	–	(24,802)	–
Share of exchange differences of investments in associates		30	(112)	252	(113)
Share of exchange difference of investment in a joint venture		(239)	92	(289)	(1)
Other comprehensive (loss)/income for the period, net of tax		(2,704)	222	(26,037)	(122)
Total comprehensive loss for the period		(23,538)	(12,789)	(22,726)	(5,827)
(Loss)/profit for the period attributable to:					
Owners of the Company					
– From continuing operations		(17,639)	(6,025)	(28,595)	1,061
– From discontinued operation		–	(6,574)	35,526	(6,379)
Non-controlling interests					
– From continuing operations		(3,195)	(412)	(3,620)	(387)
		(20,834)	(13,011)	3,311	(5,705)
Total comprehensive loss for the period attributable to:					
Owners of the Company		(19,823)	(12,503)	(18,701)	(5,450)
Non-controlling interests		(3,715)	(286)	(4,025)	(377)
		(23,538)	(12,789)	(22,726)	(5,827)



CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE THREE MONTHS AND SIX MONTHS ENDED 30 JUNE 2016

	Notes	Three months ended 30 June		Six months ended 30 June	
		2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited) (Restated)	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited) (Restated)
(Loss)/earnings per share					
– Continuing and discontinued operations (HK\$)	10				
– Basic and diluted		(0.027)	(0.079)	0.011	(0.034)
(Loss)/earnings per share					
– Continuing operations (HK\$)	10				
– Basic and diluted		(0.027)	(0.038)	(0.043)	0.007
(Loss)/earnings per share					
– Discontinued operation (HK\$)	10				
– Basic and diluted		–	(0.041)	0.054	(0.041)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2016

		30 June 2016 HK\$'000 (Unaudited)	31 December 2015 HK\$'000 (Audited)
	Notes		
NON-CURRENT ASSETS			
Property, plant and equipment		44,705	31,005
Prepaid lease payments		8,317	8,619
Goodwill		29,411	29,411
Intangible assets		57,711	58,570
Investment in a joint venture		13,143	–
Investments in associates		42,760	12,319
Available-for-sale financial assets		3,600	3,600
		199,647	143,524
CURRENT ASSETS			
Prepaid lease payments		235	240
Inventories		10,736	9,705
Trade receivables	11	15,008	22,529
Loan receivables	12	11,618	6,025
Deposits, prepayments and other receivables	13	19,825	49,095
Tax recoverable		275	466
Held for trading securities		75,675	54,793
Cash and cash equivalents		31,181	75,234
		164,553	218,087
Assets classified as held for sale	21	–	116,407
		164,553	334,494



CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2016

	Notes	30 June 2016 HK\$'000 (Unaudited)	31 December 2015 HK\$'000 (Audited)
CURRENT LIABILITIES			
Trade payables	14	5,578	4,270
Other payables and accruals	15	20,577	28,475
Other borrowings		16,047	1,917
Tax payable		73	71
		42,275	34,733
Liabilities associated with assets classified as held for sale	21	–	98,535
		42,275	133,268
NET CURRENT ASSETS		122,278	201,226
TOTAL ASSETS LESS CURRENT LIABILITIES		321,925	344,750
NON-CURRENT LIABILITY			
Deferred tax liabilities		1,911	2,012
NET ASSETS		320,014	342,738
CAPITAL AND RESERVES			
Share capital		65,699	65,699
Reserves		237,667	255,359
Equity attributable to owners of the Company		303,366	321,058
Non-controlling interests		16,648	21,680
TOTAL EQUITY		320,014	342,738

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2016

	Attributable to owners of the Company										Non-controlling interests	Total
	Share capital	Share premium	Share option reserves	Special reserve	Other reserves	Statutory surplus reserve fund	Statutory enterprise expansion fund	Exchange reserves	Accumulated losses	Sub-total		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (Note a)	HK\$'000 (Note b)	HK\$'000 (Note c)	HK\$'000 (Note d)	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2015 (Audited)	10,066	113,728	3,385	235,391	-	15,479	3,098	23,675	(235,542)	169,270	28,643	197,913
Loss for the period	-	-	-	-	-	-	-	-	(5,318)	(5,318)	(387)	(5,705)
Other comprehensive												
(loss)/income for the period:												
Exchange differences arising on translation of foreign operations	-	-	-	-	-	-	-	(32)	-	(32)	10	(22)
Release of exchange difference upon disposal of assets held for sale (Note 21(b))	-	-	-	-	-	-	-	14	-	14	-	14
Share of exchange differences of investments in associates	-	-	-	-	-	-	-	(113)	-	(113)	-	(113)
Share of exchange difference of an investment in a joint venture	-	-	-	-	-	-	-	(1)	-	(1)	-	(1)
Other comprehensive (loss)/income for the period, net of tax	-	-	-	-	-	-	-	(132)	-	(132)	10	(122)
Total comprehensive loss for the period	-	-	-	-	-	-	-	(132)	(5,318)	(5,450)	(377)	(5,827)
Issue of ordinary shares	2,578	30,422	-	-	-	-	-	-	-	33,000	-	33,000
Less: Shares issue expenses	-	(180)	-	-	-	-	-	-	-	(180)	-	(180)
At 30 June 2015 (Unaudited)	12,634	143,970	3,385	235,391	-	15,479	3,098	23,543	(240,860)	196,640	28,266	224,906



CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2016

	Attributable to owners of the Company										Non-controlling interests	Total
	Share capital HK\$'000	Share premium HK\$'000	Share option reserves HK\$'000	Special reserve HK\$'000 (Note a)	Other reserves 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		
At 1 January 2016 (Audited)	65,699	270,972	3,385	235,391	3,154	15,479	3,098	21,691	(297,811)	321,058	21,680	342,738
Profit/(loss) for the period	-	-	-	-	-	-	-	-	6,931	6,931	(3,620)	3,311
Other comprehensive (loss)/income for the period:												
Exchange differences arising on translation of foreign operations	-	-	-	-	-	-	-	(793)	-	(793)	(405)	(1,198)
Release of exchange difference upon disposal of discontinued operation (Note 20)	-	-	-	-	-	-	-	(24,802)	-	(24,802)	-	(24,802)
Share of exchange differences of investments in associates	-	-	-	-	-	-	-	252	-	252	-	252
Share of exchange difference of an investment in a joint venture	-	-	-	-	-	-	-	(289)	-	(289)	-	(289)
Other comprehensive loss for the period, net of tax	-	-	-	-	-	-	-	(25,632)	-	(25,632)	(405)	(26,037)
Total comprehensive (loss)/income for the period	-	-	-	-	-	-	-	(25,632)	6,931	(18,701)	(4,025)	(22,726)
Changes in ownership interests in subsidiaries without loss of control (Note 23)	-	-	-	-	1,009	-	-	-	-	1,009	(1,007)	2
Transfer upon disposal of subsidiaries	-	-	-	(22,443)	-	(15,479)	(3,098)	-	41,020	-	-	-
Lapse of share options	-	-	(3,385)	-	-	-	-	-	3,385	-	-	-
At 30 June 2016 (Unaudited)	65,699	270,972	-	212,948	4,163	-	-	(3,941)	(246,475)	303,366	16,648	320,014

*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 six months ended 30 June 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 reserves arose from the deemed disposal of partial interests in subsidiaries through issue and allotment of new shares by the then subsidiaries to certain independent third parties.
- (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.



CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2016

	Six months ended 30 June	
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Net cash used in operating activities	(29,904)	(25,223)
Net cash (used in)/generated from investing activities	(30,064)	206
Net cash generated from financing activities	12,070	33,819
Net (decrease)/increase in cash and cash equivalents	(47,898)	8,802
Cash and cash equivalents at beginning of the period	78,237	42,776
Effect of foreign exchange rate changes	842	(39)
Cash and cash equivalents at end of the period	31,181	51,539

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM RESULTS

1. GENERAL INFORMATION

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

The issued shares of the Company ("**Shares**") have been listed on the Growth Enterprise Market ("**GEM**") of The Stock Exchange of Hong Kong Limited ("**Stock Exchange**") since 17 June 2004.

The principal 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 interim results of the Group for the six months ended 30 June 2016 have been prepared in accordance with Hong Kong Accounting Standard ("**HKAS**") 34 Interim Financial Reporting issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") as well as with the applicable disclosure requirements of Chapter 18 of the Rules Governing the Listing of Securities on GEM of the Stock Exchange ("**GEM Listing Rules**").

The unaudited condensed consolidated interim results of the Group for the six months ended 30 June 2016 and selected explanatory notes thereon do not include all of the information required for full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") and should be read in conjunction with the Group's annual report for the year ended 31 December 2015.

The unaudited condensed consolidated interim results of the Group for the six months ended 30 June 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 interim results of the Group for the six months ended 30 June 2016 are consistent with those applied in the Group'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 interim results.



NEW AND AMENDED STANDARDS ADOPTED BY THE GROUP

The following new amendments to standards and interpretations are mandatory for accounting periods beginning on or after 1 January 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 interim results.

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

Amendments to HKFRS 10 and HKAS 28	Sale or contribution of Assets between an Investor and its Associate or Joint Venture ³
HKFRS 9	Financial Instruments ¹
HKFRS 15	Revenue from Contracts with Customers ¹
HKFRS 16	Leases ²

¹ Effective for annual periods beginning on or after 1 January 2018

² Effective for annual periods beginning on or after 1 January 2019

³ Available for application – the mandatory effective date will be determined when the outstanding phases of amendments to HKFRS 10 and HKAS 28 are finalised

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

3. SEGMENT INFORMATION

The Group is principally engaged in (i) manufacture, research and development, sale and distribution of 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.

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

Segment turnover and results

For the six months ended 30 June 2016

	Manufacturing and sale of health related and pharmaceutical products HK\$'000 (Unaudited)	Provision of medical laboratory testing services and health check services HK\$'000 (Unaudited)	Trading of financial assets at fair value through profit or loss HK\$'000 (Unaudited)	Others HK\$'000 (Unaudited)	Continuing operations HK\$'000 (Unaudited)	Discontinued operation HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
Gross proceeds							
Segment turnover (Note)	7,003	26,611	46,866	471	80,951	23,263	104,214
Segment results	(9,822)	(3,087)	(14,385)	251	(27,043)	1,598	(25,445)
Other income and gain/(loss)					6,647	322	6,969
Finance costs					(1,586)	(573)	(2,159)
Share of profit of associates					2,239	-	2,239
Share of loss of a joint venture					(76)	-	(76)
Gain on disposal of discontinued operation					-	34,230	34,230
Unallocated corporate expenses					(12,304)	-	(12,304)
(Loss)/profit before tax					(32,123)	35,577	3,454
Income tax expenses					(92)	(51)	(143)
(Loss)/profit for the period					(32,215)	35,526	3,311



For the six months ended 30 June 2015

	Manufacturing and sale of health related and pharmaceutical products <i>HK\$'000</i> (Unaudited) (Restated)	Provision of medical laboratory testing services and health check services <i>HK\$'000</i> (Unaudited) (Restated)	Trading of financial assets at fair value through profit or loss <i>HK\$'000</i> (Unaudited) (Restated)	Others <i>HK\$'000</i> (Unaudited) (Restated)	Continuing operations <i>HK\$'000</i> (Unaudited) (Restated)	Discontinued operation <i>HK\$'000</i> (Unaudited) (Restated)	Total <i>HK\$'000</i> (Unaudited) (Restated)
Gross proceeds							
Segment turnover (Note)	15,998	–	31,456	–	47,454	37,763	85,217
Segment results	(1,001)	–	17,309	–	16,308	(5,079)	11,229
Other income and gain/(loss)					24	108	132
Finance costs					(134)	(1,409)	(1,543)
Loss on disposal of assets held for sale					(986)	–	(986)
Share of profit of associates					995	–	995
Share of loss of a joint venture					(3,697)	–	(3,697)
Unallocated corporate expenses					(11,836)	–	(11,836)
Profit/(loss) before tax					674	(6,380)	(5,706)
Income tax credit					–	1	1
Profit/(loss) for the period					674	(6,379)	(5,705)

Note: Reconciliation of total segment turnover to the Group's turnover from continuing operations:

	Six months ended 30 June	
	2016 <i>HK\$'000</i> (Unaudited)	2015 <i>HK\$'000</i> (Unaudited) (Restated)
Gross proceeds	80,951	47,454
Less: Gross proceeds from trading securities	(46,866)	(31,456)
Turnover	34,085	15,998

Segment assets and liabilities
As at 30 June 2016

	Manufacturing and sale of health related and pharmaceutical products <i>HK\$'000</i> (Unaudited)	Provision of medical laboratory testing services and health check services <i>HK\$'000</i> (Unaudited)	Trading of financial assets at fair value through profit or loss <i>HK\$'000</i> (Unaudited)	Others <i>HK\$'000</i> (Unaudited)	Total <i>HK\$'000</i> (Unaudited)
Assets					
Segment assets	52,492	114,828	85,439	21,151	273,910
Unallocated corporate assets					90,290
Total assets					364,200
Liabilities					
Segment liabilities	10,757	6,153	202	119	17,231
Unallocated corporate liabilities					26,955
Total liabilities					44,186



As at 31 December 2015

	Manufacturing and sale of health related and pharmaceutical products <i>HK\$'000</i> (Audited)	Provision of medical laboratory testing services and health check services <i>HK\$'000</i> (Audited)	Trading of financial assets at fair value through profit or loss <i>HK\$'000</i> (Audited)	Others <i>HK\$'000</i> (Audited)	Total <i>HK\$'000</i> (Audited)
Assets					
Segment assets	55,840	103,376	96,260	15,804	271,280
Assets classified as held for sale					116,407
Unallocated corporate assets					90,331
Total assets					478,018
Liabilities					
Segment liabilities	7,032	9,436	2,805	124	19,397
Liabilities associated with assets classified as held for sale					98,535
Unallocated corporate liabilities					17,348
Total liabilities					135,280

Other segment information

For the six months ended 30 June 2016

	Manufacturing and sale of health related and pharmaceutical products HK\$'000 (Unaudited)	Provision of medical laboratory testing services and health check services HK\$'000 (Unaudited)	Trading of financial assets at fair value through profit or loss HK\$'000 (Unaudited)	Others HK\$'000 (Unaudited)	Continuing operations HK\$'000 (Unaudited)	Discontinued operation HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
Capital expenditures	1,354	197	-	17	1,568	135	1,703
Share of profit of associates	-	-	-	(2,239)	(2,239)	-	(2,239)
Share of loss of a joint venture	-	-	-	76	76	-	76
Amortisation of prepaid lease payments	119	-	-	-	119	23	142
Amortisation of intangible assets	-	612	-	-	612	-	612
Depreciation of property, plant and equipment	897	1,506	-	226	2,629	288	2,917
Fixed assets written off	-	4	-	-	4	-	4
Impairment loss recognised on trade receivables	5,013	-	-	-	5,013	31	5,044

For the six months ended 30 June 2015

	Manufacturing and sale of health related and pharmaceutical products HK\$'000 (Unaudited) (Restated)	Provision of medical laboratory testing services and health check services HK\$'000 (Unaudited) (Restated)	Trading of financial assets at fair value through profit or loss HK\$'000 (Unaudited) (Restated)	Others HK\$'000 (Unaudited) (Restated)	Continuing operations HK\$'000 (Unaudited) (Restated)	Discontinued operation HK\$'000 (Unaudited) (Restated)	Total HK\$'000 (Unaudited) (Restated)
Capital expenditures	205	-	-	41	246	288	534
Share of profit of associates	-	-	-	(995)	(995)	-	(995)
Share of loss of a joint venture	-	-	-	3,697	3,697	-	3,697
Amortisation of prepaid lease payments	127	-	-	-	127	58	185
Depreciation of property, plant and equipment	1,276	-	-	540	1,816	688	2,504
Net loss on disposal of property, plant and equipment	-	-	-	-	-	45	45



4. 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 receivables from sales of goods and provision of medical laboratory services and health check services less sales tax and discounts, if any, and sales proceeds arising from financial assets at fair value through profit and loss ("FVTPL"), during the three months and six months ended 30 June 2016.

5. OTHER INCOME AND GAIN/(LOSS)

	Three months ended 30 June		Six months ended 30 June	
	2016	2015	2016	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
		(Restated)		(Restated)
Continuing operations				
Net (loss)/gain on financial assets at FVTPL (Note a)	(13,826)	6,171	(13,283)	18,164
Dividend income	4,198	49	4,198	49
Forfeiture of consideration received	1,360	—	1,360	—
Interest income	25	12	55	28
Government grant (Note b)	—	—	596	—
Sundry income	278	84	471	84
Fixed assets written off	(4)	—	(4)	—
Exchange gains/(losses), net	55	(79)	(29)	(137)
	(7,914)	6,237	(6,636)	18,188
	Three months ended 30 June		Six months ended 30 June	
	2016	2015	2016	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
		(Restated)		(Restated)
Discontinued operation				
Interest income	—	5	—	49
Sundry income	—	96	359	236
Net loss on disposal of property, plant and equipment	—	(45)	—	(45)
Exchange losses, net	—	(93)	(37)	(132)
	—	(37)	322	108

Notes:

- (a) Net (loss)/gain on financial assets at FVTPL consists of net unrealised loss on fair value changes of approximately HK\$7,863,000 (six months ended 30 June 2015: net unrealised gain on fair value changes of approximately HK\$4,091,000) and net realised loss of approximately HK\$5,420,000 (six months ended 30 June 2015: net realised gain of approximately HK\$14,073,000) for the six months ended 30 June 2016.
- (b) The government grant was received as incentive subsidy by a subsidiary of the Company in the PRC as a result of its developed pharmaceutical product being registered in the Chinese Pharmacopoeia (2015 Edition) during the six months ended 30 June 2016 (six months ended 30 June 2015: HK\$ Nil). There is no specific condition attached to the grant.

6. FINANCE COSTS

	Three months ended 30 June		Six months ended 30 June	
	2016	2015	2016	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
		(Restated)		(Restated)
Continuing operations				
Interest expenses:				
– Other borrowings	825	98	1,586	134
Discontinued operation				
Interest expenses:				
– Bank borrowings	–	247	312	617
– Other borrowings	–	463	261	792
	–	710	573	1,409



7. (LOSS)/PROFIT BEFORE TAX

	Three months ended 30 June		Six months ended 30 June	
	2016	2015	2016	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited) (Restated)	(Unaudited)	(Unaudited) (Restated)

(Loss)/profit before tax has been arrived at
after charging:

Continuing operations

Staff costs (including Directors' emoluments):

– Salaries and other benefits	8,915	4,325	18,446	7,454
– Retirement benefits scheme contributions	459	217	988	448
	9,374	4,542	19,434	7,902

Amortisation of prepaid lease payments	59	63	119	127
Amortisation of intangible assets	306	–	612	–
Cost of inventories recognised as expenses	4,612	3,040	9,517	10,386
Depreciation of property, plant and equipment	1,303	912	2,629	1,816
Impairment loss recognised on trade receivables	–	–	5,013	–
Operating lease charges – minimum lease payments:				
– Office premises, warehouses and staff quarters	1,926	244	4,026	852

Discontinued operation

Staff costs

– Salaries and other benefits	–	1,607	2,756	3,079
– Retirement benefits scheme contributions	–	523	321	936
	–	2,130	3,077	4,015

Amortisation of prepaid lease payments	–	29	23	58
Cost of inventories recognised as expenses	–	14,514	15,396	27,100
Depreciation of property, plant and equipment	–	342	288	688
Impairment loss recognised on trade receivables	–	–	31	–
Operating lease charges – minimum lease payments:				
– Office premises, warehouses and staff quarters	–	–	83	–

8. INCOME TAX EXPENSES

	Three months ended 30 June		Six months ended 30 June	
	2016	2015	2016	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
		(Restated)		(Restated)
Continuing operations				
The amount comprises:				
Current tax:				
– Hong Kong Profits Tax	110	–	193	–
Deferred tax:				
– Current period	(50)	–	(101)	–
	60	–	92	–
Discontinued operation				
The amount comprises:				
Current tax:				
– The PRC Enterprise Income Tax	–	(2)	51	(1)
	–	(2)	51	(1)

Hong Kong Profits Tax is calculated at the tax rate of 16.5% of the estimated assessable profits arising in Hong Kong during the six months ended 30 June 2016. No provision for Hong Kong Profits Tax has been made as the Group has no assessable profit in Hong Kong during the six months ended 30 June 2015.

The subsidiaries in the PRC are subject to the PRC Enterprise Income Tax at the tax rate of 25% for the six months ended 30 June 2016 and 2015, except for a subsidiary, 貴州雙升製藥有限公司 (in English, for identification purpose only, Guizhou Shuang Sheng Pharmaceutical Co., Ltd.) (formerly known as 貴陽舒美達製藥廠有限公司 (in English, for identification purpose only, Guiyang Shu Mei Da Pharmaceutical Co., Ltd.)), which is accredited with high and new technology enterprise status and thus enjoys a preferential tax rate of 15% for the six months ended 30 June 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.

9. DIVIDEND

The Board does not recommend the payment of any dividend for the six months ended 30 June 2016 (six months ended 30 June 2015: HK\$Nil).



10. (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 six months ended 30 June 2016 and 2015.

Continuing and discontinued operations

	Three months ended 30 June		Six months ended 30 June	
	2016 (Unaudited)	2015 (Unaudited) (Restated)	2016 (Unaudited)	2015 (Unaudited) (Restated)
(Loss)/profit for the period attributable to owners of the Company (HK\$'000)	(17,639)	(12,599)	6,931	(5,318)
Weighted average number of ordinary shares in issue ('000)	656,987	160,384	656,987	156,406
Basic (loss)/earnings per share (HK\$)	(0.027)	(0.079)	0.011	(0.034)

Continuing operations

	Three months ended 30 June		Six months ended 30 June	
	2016 (Unaudited)	2015 (Unaudited) (Restated)	2016 (Unaudited)	2015 (Unaudited) (Restated)
(Loss)/profit for the period attributable to owners of the Company (HK\$'000)	(17,639)	(12,599)	6,931	(5,318)
Less: (loss)/profit for the period attributable to owners of the Company from discontinued operation (HK\$'000)	–	(6,574)	35,526	(6,379)
(Loss)/profit for the period attributable to owners of the Company from continuing operations (HK\$'000)	(17,639)	(6,025)	(28,595)	1,061
Weighted average number of ordinary shares in issue ('000)	656,987	160,384	656,987	156,406
Basic (loss)/earnings per share (HK\$)	(0.027)	(0.038)	(0.043)	0.007

Discontinued operation

	Three months ended 30 June		Six months ended 30 June	
	2016 (Unaudited)	2015 (Unaudited) (Restated)	2016 (Unaudited)	2015 (Unaudited) (Restated)
(Loss)/profit for the period attributable to owners of the Company from discontinued operation (HK\$'000)	–	(6,574)	35,526	(6,379)
Weighted average number of ordinary shares in issue ('000)	656,987	160,384	656,987	156,406
Basic (loss)/earnings per share (HK\$)	–	(0.041)	0.054	(0.041)

Weighted average number of ordinary shares ('000)

	Six months ended 30 June	
	2016 (Unaudited)	2015 (Unaudited) (Restated)
Issued ordinary shares at 1 January (<i>Notes a and b</i>)	656,987	100,562
Effect of shares issued under subscription on 23 January 2015 (<i>Note c</i>)	–	22,648
Effect of rights issue on 18 September 2015 (<i>Note d</i>)	–	33,196
Weighted average number of ordinary shares at 30 June	656,987	156,406

	Three months ended 30 June	
	2016 (Unaudited)	2015 (Unaudited) (Restated)
Issued ordinary shares at 1 April (<i>Note a</i>)	656,987	126,344
Effect of rights issue on 18 September 2015 (<i>Note d</i>)	–	34,040
Weighted average number of ordinary shares at 30 June	656,987	160,384

*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 six months ended 30 June 2016 and for the three months and six months ended 30 June 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 six months ended 30 June 2015 to reflect the impact of the share consolidation which became effective on 1 April 2015.
- (c) On 14 November 2014, the Company, as issuer, and China Wah Yan Healthcare Limited (formerly known as China Renji Medical Group Limited) (“**China Wah Yan**”), the shares of which are listed on the Main Board of the Stock Exchange (Stock code: 648), as subscriber, entered into a subscription agreement pursuant to which China Wah Yan 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 (“**Rights Shares**”) for every one share of the Company then 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 completion of the Rights Issue took place on 18 September 2015. 1,010,749,200 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. 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 of the Company dated 26 August 2015.

No diluted (loss)/earnings per share has been presented for the three months and six months ended 30 June 2016 and 2015 as there was no dilutive potential ordinary share outstanding during the periods.

11. TRADE RECEIVABLES

	30 June 2016 HK\$'000 (Unaudited)	31 December 2015 HK\$'000 (Audited)
Trade receivables	20,050	22,645
Less: Allowance for bad and doubtful debts	(5,042)	(116)
	15,008	22,529

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

	30 June 2016 HK\$'000 (Unaudited)	31 December 2015 HK\$'000 (Audited)
0 to 90 days	10,010	14,368
91 to 180 days	1,935	1,691
181 to 365 days	1,351	2,526
Over 365 days	1,712	3,944
	15,008	22,529

Ageing analysis of trade receivables past due but not impaired:

	30 June 2016 HK\$'000 (Unaudited)	31 December 2015 HK\$'000 (Audited)
Less than 90 days past due	1,935	1,691
91 to 275 days past due	1,351	2,526
Over 275 days past due	1,712	3,944
	4,998	8,161

**12. LOAN RECEIVABLES**

	30 June 2016 HK\$'000 (Unaudited)	31 December 2015 HK\$'000 (Audited)
Fixed rate loan receivables	11,618	6,025

The loan receivables are neither past due nor impaired at the end of the reporting period. As at 30 June 2016, loan receivables are unsecured, interest bearing ranged from 8% to 10% (31 December 2015: 8%) per annum and repayable within one year (31 December 2015: one year).

13. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	30 June 2016 HK\$'000 (Unaudited)	31 December 2015 HK\$'000 (Audited)
Rental deposits	2,361	2,344
Prepayments	3,448	3,016
Other receivables	7,853	5,868
Cash held in margin accounts with stock brokers	6,163	37,867
	19,825	49,095

14. TRADE PAYABLES

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

	30 June 2016 HK\$'000 (Unaudited)	31 December 2015 HK\$'000 (Audited)
0 to 90 days	3,358	2,591
91 to 180 days	738	1,224
181 to 365 days	1,426	443
Over 365 days	56	12
	5,578	4,270

15. OTHER PAYABLES AND ACCRUALS

		30 June 2016 HK\$'000 (Unaudited)	31 December 2015 HK\$'000 (Audited)
	<i>Note</i>		
Accrued expenses		2,803	7,212
Receipt in advance		245	153
Other payables	(a)	17,529	21,110
		20,577	28,475

Note:

- (a) As at 31 December 2015, other payables include approximately HK\$2,485,000 of margin payable from the securities margin trading account with interest rate of 8.25% per annum. During the six months ended 30 June 2016, such margin payable was settled in full.

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

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

	30 June 2016 HK\$'000 (Unaudited)	31 December 2015 HK\$'000 (Audited)
Within one year	4,663	5,990
In the second to fifth year inclusive	4,436	3,044
Over five years	1,016	–
	10,115	9,034

Leases are negotiated and rentals are fixed for terms of 1 year to 8 years for the six months ended 30 June 2016 (for the year ended 31 December 2015: 1 year to 3 years).



Operating lease commitments – the Group as a lessor

At the end of the reporting period, the Group as a lessor had total future minimum lease receivables under non-cancellable operating leases which fall due as follows:

Land and buildings

	30 June 2016 HK\$'000 (Unaudited)	31 December 2015 HK\$'000 (Audited)
Within one year	–	87

17. CAPITAL COMMITMENT

	30 June 2016 HK\$'000 (Unaudited)	31 December 2015 HK\$'000 (Audited)
Authorised but not contracted for	25,438	25,438

On 29 September 2013, the Group has established an indirect wholly-owned wholly foreign-owned enterprise ("WFOE") in Guizhou Province, the PRC, pursuant to the cooperation agreement dated 28 June 2013 entered into with 貴州紅花崗區經濟開發區委員會 (in English, for identification purpose, Guizhou Hong Hua Gang District Economic Development District Management Committee) in relation to the cooperation for the investment and construction of a pharmaceutical factory in Hong Hua Gang Economic Development District, Guizhou Province, the PRC. The registered capital of the WFOE is RMB30,000,000 and the Group has paid the registered capital of RMB10,000,000. The remaining capital commitment was RMB20,000,000 (equivalent to approximately HK\$25,438,000).

18. PLEDGE OF ASSETS

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

	30 June 2016 HK\$'000 (Unaudited)	31 December 2015 HK\$'000 (Audited)
Property, plant and equipment (<i>Note</i>)	–	4,401
Prepaid lease payments (<i>Note</i>)	–	4,214
Held for trading securities	75,675	54,793
Cash held in margin accounts with stock brokers	6,163	29,456
	81,838	92,864

Note:

These assets related to discontinued operation.

19. RELATED PARTY TRANSACTIONS

Key management personnel remuneration

	Three months ended		Six months ended	
	30 June		30 June	
	2016	2015	2016	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Short-term employee benefits	741	723	1,481	1,459
Post-employment benefits	9	9	18	20
	750	732	1,499	1,479

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

20. DISCONTINUED OPERATION

On 17 December 2015, the Company, as vendor, entered into a sale and purchase agreement with Mr. Yang Shunfeng, a director of certain subsidiaries of Wallfaith Company Limited ("Wallfaith"), as purchaser, to dispose of the entire 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 (loss)/profit for the period from discontinued operation was analysed as follows:

	Three months ended		Six months ended	
	30 June		30 June	
	2016	2015	2016	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
(Loss)/profit for the period from discontinued operation	–	(6,574)	1,296	(6,379)
Gain on disposal of the Wallfaith Group for the period	–	–	34,230	–
	–	(6,574)	35,526	(6,379)



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:

	Three months ended 30 June		Six months ended 30 June	
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)	2016 HK\$'000 (Audited)	2015 HK\$'000 (Unaudited)
Turnover	–	16,288	23,263	37,763
Cost of sales	–	(14,514)	(15,396)	(27,100)
Gross profit	–	1,774	7,867	10,663
Other income and gain/(loss)	–	(37)	322	108
Selling and distribution expenses	–	(5,804)	(4,746)	(12,006)
Administrative expenses	–	(1,799)	(1,523)	(3,736)
(Loss)/profit from operation	–	(5,866)	1,920	(4,971)
Finance costs	–	(710)	(573)	(1,409)
(Loss)/profit before taxation	–	(6,576)	1,347	(6,380)
Income tax credit/(expenses)	–	2	(51)	1
(Loss)/profit for the period	–	(6,574)	1,296	(6,379)

Cash flows of the Wallfaith Group for the periods, which have been included in the condensed consolidated statement of cash flows, were as follows:

	Six months ended 30 June	
	2016 HK\$'000 (Audited)	2015 HK\$'000 (Unaudited)
Net cash inflow from operating activities	2,278	62
Net cash outflow from investing activities	(135)	(150)
Net cash (outflow)/inflow from financing activities	(573)	1,126
Net cash inflow	1,570	1,038

Note:

The summarised statement of profit or loss and other comprehensive income and summarised statement of cash flows of the Wallfaith Group for the six months ended 30 June 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.

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:

16 March 2016

HK\$'000

(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

Total assets	100,684
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Trade payables	17,336
Other payables and accruals	59,775
Bank borrowings	18,001

Total liabilities	95,112
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Net assets disposed of	5,572
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Six months ended**30 June 2016**

HK\$'000

(Unaudited)

Gain on disposal of the Wallfaith Group:

Consideration	15,000
Release of exchange difference upon disposal	24,802
Less: Net assets disposed of	(5,572)
	34,230

Net cash inflow arising on disposal:

Consideration received in cash and cash equivalents	15,000
Cash and cash equivalents disposed of	(4,512)
	10,488



The major classes of assets and liabilities classified as held for sale of the Wallfaith Group as at 31 December 2015 which have been presented separately in the condensed consolidated statement of financial position, are as follows:

	31 December 2015 HK\$'000 (Audited)
Property, plant and equipment	13,242
Prepaid lease payments	4,214
Inventories	59,886
Trade receivables	16,105
Deposits, prepayments and other receivables	6,411
Tax recoverable	38
Cash and cash equivalents	3,003
Assets classified as held for sale	102,899
Trade payables	22,314
Other payables and accruals	58,317
Bank borrowings	17,904
Liabilities associated with assets classified as held for sale	98,535
Net assets classified as held for sale	4,364

Note:

Excluded in other payables and accruals is the balance owed by the Wallfaith Group to the Company of approximately HK\$41,767,000 as at 31 December 2015. The Company undertook to Mr. Yang Shunfeng, the vendor of the disposal of the Wallfaith Group, to effect the completion of the capitalisation of such sum for the allotment and issue, credited as fully paid, of one share of Wallfaith by Wallfaith to the Company before the completion, which took place on 16 March 2016.

21. ASSETS HELD FOR SALE

	30 June 2016 HK\$'000 (Unaudited)	31 December 2015 HK\$'000 (Audited)
Assets classified as held for sale		
The Wallfaith Group (<i>Note 20</i>)	–	102,899
Allied View (<i>Note a</i>)	–	13,508
The Magical Bloom Group (<i>Note b</i>)	–	–
	–	116,407

	30 June 2016 HK\$'000 (Unaudited)	31 December 2015 HK\$'000 (Audited)
Liabilities associated with assets classified as held for sale		
The Wallfaith Group (Note 20)	–	98,535
Allied View (Note a)	–	–
The Magical Bloom Group (Note b)	–	–
	–	98,535

(a) **Allied View**

Allied View International Limited (“**Allied View**”) holds 6.136% of the total issued share capital of Trillion Epoch Limited (“**Trillion Epoch**”), which, in turn, holds 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.

On 28 January 2016, Dynasty Well Limited (“**Dynasty**”), a direct wholly-owned subsidiary of the Company, as vendor, entered into a sale and purchase agreement with an independent third party, Mr. Jiang Lin (“**Mr. Jiang**”), as purchaser, to dispose of the entire issued share capital in Allied View and the entire sum owed by Allied View to the Company (“**Sale Loan**”) at a cash consideration of HK\$13,600,000. The original completion of the disposal took place on the same date. 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, Dynasty and Mr. Jiang entered into a supplemental agreement to extend the payment date of the consideration to 31 May 2016 and pursuant to which Mr. Jiang agreed to pay (i) 10% of the consideration in cash (i.e. HK\$1,360,000) (“**First Part Consideration**”) within 10 days from the date of the signing of the supplemental agreement, and (ii) the remaining amount of the consideration (i.e. HK\$12,240,000) (“**Second Part Consideration**”) on or before 31 May 2016. The First Part Consideration was paid by Mr. Jiang to Dynasty according to the supplemental agreement. Details of the supplemental agreement are disclosed in the announcement of the Company dated 26 February 2016.

The major classes of assets and liabilities classified as held for sale of Allied View as at 31 December 2015 which have been presented separately in the condensed consolidated statement of financial position, are as follows:

	31 December 2015 HK\$'000
Investment in a joint venture	13,508
Assets classified as held for sale	13,508
Other payable (Note)	–
Liabilities associated with assets classified as held for sale	–
Net assets classified as held for sale	13,508



Note:

Excluded in other payables and accruals is the balance owed by Allied View to the Company of approximately HK\$29,027,000 as at 31 December 2015, which was assigned to Mr. Jiang by Dynasty as the Sale Loan. As at the original date of completion of the disposal of Allied View (i.e. 28 January 2016), the Sale Loan amounted to HK\$29,030,520.

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

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

As Mr. Jiang failed to settle the Second Part Consideration in full by 31 May 2016, the Company retained the First Part Consideration and Mr. Jiang reversed the disposal to the effect that all interests in the entire issued share capital in Allied View and the Sale Loan were reverted back to the Group at HK\$Nil consideration ("**Reversal**") on 1 June 2016. Details of the Reversal are disclosed in the announcement of the Company dated 31 May 2016. Following the completion of the Reversal, Allied View became a wholly-owned subsidiary of the Company and the financial results of Allied View are consolidated into the unaudited condensed consolidated interim results of the Group as if the disposal had never taken place.

(b) The Magical Bloom Group

On 31 December 2014, Icy Snow Limited, a direct wholly-owned subsidiary of the Company, as vendor, entered into a sale and purchase agreement with four independent third parties, as purchasers, 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, 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 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 manufacture 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 (i.e. 30 January 2015) were as follows:

	30 January 2015 HK\$'000
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
Assets classified as held for sale	41,044
Trade payables	13,045
Other payables and accruals	8,610
Liabilities associated with assets classified as held for sale	21,655
Net assets classified as held for sale	19,389



Six months ended
30 June 2015
HK\$'000

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 of	(3,645)
	8,955

22. ACQUISITION OF ASSETS THROUGH ACQUISITION OF A SUBSIDIARY

On 22 April 2016, DVF Holdco Limited (“**DVF**”), an indirect non-wholly owned subsidiary of the Company, as purchaser, and Mr. Wong So Nam (“**Mr. Wong**”), an independent third party, as vendor, entered into a sale and purchase agreement, pursuant to which DVF conditionally agreed to acquire, and Mr. Wong 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 completion of the acquisition took place on 23 May 2016 and the final consideration paid by DVF was HK\$14,888,000. The principal business of T.F. Industries is property holding and the principal asset is an industrial unit which has been occupied by the Group for operating the laboratory testing business upon the completion of the acquisition. Details of the acquisition of T.F. Industries are disclosed in the announcement of the Company dated 22 April 2016. The acquisition-related direct costs were approximately HK\$318,000.

The consideration was determined based on the fair value of such industrial unit as at 31 March 2016. The acquisition was treated as an acquisition of assets as the transaction involved the acquisition of an industrial unit in a building constructed on a leasehold land in Hong Kong only.

T.F. Industries
HK\$'000

**Assets acquired and liabilities recognised at the date of acquisition
are as follows:**

Property, plant and equipment	15,210
Deposits	4
Other payables	(12,420)

Net assets acquired	2,794
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Consideration satisfied by:

Cash and cash equivalents	15,206
Less: Assignment of debts	(12,412)
	2,794

Net cash outflow arising on acquisition:

Consideration paid in cash	(15,206)
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23. CHANGES IN OWNERSHIP INTERESTS IN SUBSIDIARIES WITHOUT LOSS OF CONTROL

On 31 May 2016, Huge Profit Trading Limited (“**Huge Profit**”), a then direct wholly-owned subsidiary of the Company, as issuer, entered into a subscription agreement with an independent third party, Wise Health Investments Limited (“**Wise Health**”), as subscriber, pursuant to which Huge Profit agreed to issue, and Wise Health agreed to subscribe for, 220 new shares of Huge Profit, representing 22% of the issued share capital in Huge Profit, at a total subscription price of HK\$1,716. The completion of the subscription took place on the same date, and the Group’s equity interests in Huge Profit are diluted from 100% to 78%. An amount of approximately HK\$1,007,000 (being the proportionate share of the then carrying amount of the net liabilities of Huge Profit) has been transferred and debited to non-controlling interests. The difference of approximately HK\$1,009,000 between the increase in the non-controlling interests and the consideration received has been credited to other reserves.

24. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

The following table provides an analysis of financial instruments that are measured at fair value at the end of each reporting period for recurring measurement, grouped into Level 1 to 3 based on the degree to which the fair value is observable in accordance to the Group’s accounting policy.

Financial assets	Fair value		Fair value hierarchy	Valuation technique(s) and key input(s)
	30 June 2016 HK\$'000 (Unaudited)	31 December 2015 HK\$'000 (Audited)		
Held for trading securities	75,675	54,793	Level 1	Quoted bid prices in an active market



There were no transfers between the different levels of the fair value hierarchy for the six months ended 30 June 2016 and the year ended 31 December 2015.

The Directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the unaudited condensed consolidated interim results approximate their fair values.

25. EVENTS AFTER THE END OF THE REPORTING PERIOD

- (a) On 15 July 2016, Angel Rise International Limited ("**Angel Rise**"), an indirect wholly-owned subsidiary of the Company, as purchaser, entered into the sale and purchase agreement with an independent third party, JFA Capital, as vendor, pursuant to which Angel Rise has conditionally agreed to acquire, and JFA Capital has conditionally agreed to sell, 400 shares of C&C International Healthcare Group Limited ("**C&C**"), representing 4% of its issued share capital, at a cash consideration of HK\$19,416,800. C&C, its subsidiaries and various joint venture companies are principally engaged in provision of contracted medical schemes for integrated medical and healthcare check-up services. Details of the acquisition of C&C are disclosed in the announcement of the Company dated 15 July 2016. As at the date of this report, the completion of the acquisition has not yet taken place. Following the completion of the acquisition, C&C will be accounted for as an available-for-sale financial asset of the Group.
- (b) On 22 July 2016, the Company and Supreme China Securities Limited ("**Supreme**") entered into a placing agreement ("**Placing Agreement**"), pursuant to which Supreme has conditionally agreed to place, on a best endeavours basis, up to 131,380,000 shares ("**Placing Shares**"), to not less than six places who and whose beneficial owners are independent third parties at a price of HK\$0.169 per Placing Share ("**Placing**"), which represented (i) a discount of 18.75% to the closing price of HK\$0.208 per Share as quoted on the Stock Exchange on the date of the Placing Agreement; and (ii) a discount of approximately 17.32% to the average closing price of HK\$0.2044 per Share as quoted on the Stock Exchange for the five consecutive trading days immediately prior to the date of the Placing Agreement. Details of the Placing are disclosed in the announcement of the Company dated 22 July 2016. As at the date of this report, the completion of the Placing has not yet taken place.

26. 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 six months ended 30 June 2016, the Group modified the 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 to reflect more appropriately the nature of expenses by function. Comparative amounts in the 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, as vendor, entered into a sale and purchase agreement with Mr. Yang Shunfeng, a director of certain subsidiaries of Wallfaith, as purchaser, to dispose of the entire equity interests in the Wallfaith Group at a cash consideration of HK\$15,000,000. The resolution approving the 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, a direct wholly-owned subsidiary of the Company, as vendor, entered into a sale and purchase agreement with an independent third party, Mr. Jiang, as purchaser, 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 original completion of the disposal took place on the same date. 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, Dynasty and Mr. Jiang entered into a supplemental agreement to extend the payment date of the consideration to 31 May 2016, and pursuant to which Mr. Jiang agreed to pay (i) the First Part Consideration within 10 days from the date of the signing of the supplemental agreement, and (ii) the Second Part Consideration on or before 31 May 2016. The First Part Consideration was paid by Mr. Jiang to Dynasty according to the supplemental agreement. Details of the supplemental agreement are disclosed in the announcement of the Company dated 26 February 2016. As Mr. Jiang failed to settle the Second Part Consideration in full by 31 May 2016, the Company retained the First Part Consideration and Mr. Jiang executed the Reversal on 1 June 2016. Allied View became a wholly-owned subsidiary of the Company upon the completion of the Reversal. Details of the Reversal are disclosed in the announcement of the Company dated 31 May 2016.

Acquisition of a subsidiary

On 22 April 2016, DVF, an indirect non-wholly owned subsidiary of the Company, as purchaser, and Mr. Wong, an independent third party, as vendor, 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 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 completion of the acquisition took place on 23 May 2016 and the final consideration paid by DVF was HK\$14,888,000. The principal business of T.F. Industries is property holding and the principal asset is an industrial unit which has been occupied by the Group for operating the laboratory testing business upon the completion of the acquisition. Details of the acquisition of T.F. Industries are disclosed in the announcement of the Company dated 22 April 2016.

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 Mr. Yip Hai Tak, an independent third party, to acquire approximately 27.80% of the issued share capital in the 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 date, and each member of the Ultimate Synergy Group is owned as to approximately 27.80% by Exquisite and has become an associate of the Group 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, China Wah Yan proposed to the Board that China Wah Yan 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 China Wah Yan 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**”). 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 on 11 May 2016. The minimum public float of the Company was restored on 27 May 2016 by way of disposal of the Shares by China Wah Yan on the Stock Exchange, details of which are disclosed in the announcement of the Company dated 27 May 2016.

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, 11 May 2016 and 25 May 2016, and the composite document in respect of the Voluntary Securities Exchange Offers dated 20 April 2016 jointly published by China Wah Yan and the Company.

FINANCIAL REVIEW

During the six months ended 30 June 2016 (“**2016 Interim 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 the entire 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 the 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 from 1 January 2016 to 16 March 2016, as compared with loss of approximately HK\$6,379,000 for the six months ended 30 June 2015 (“**2015 Interim Period**”). The significant turnaround from loss to profit from discontinued operation was mainly attributable to the gain on disposal of discontinued operation of approximately HK\$34,230,000 upon the 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).

Continuing operations

Turnover

During the 2016 Interim Period, the Group achieved a turnover of approximately HK\$34,085,000 (2015 Interim Period: HK\$15,998,000) from continuing operations, representing a significant increase of approximately 113.06% as compared with the turnover for the 2015 Interim 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 Interim 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 “21. ASSETS HELD FOR SALE” above, and the Deconsolidation led to a decrease in turnover in the manufacture and sale of health related and pharmaceutical products segment. During the period from 1 January 2015 to 30 January 2015, Shimalong generated a turnover of approximately HK\$6,613,000.

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 Interim Period as compared with 2015 Interim Period. The total turnover of this segment significantly decreased from approximately HK\$15,998,000 for the 2015 Interim Period to approximately HK\$7,003,000 for the 2016 Interim 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 Interim Period while one month of turnover of Shimalong of approximately HK\$6,613,000 was recognised in the 2015 Interim 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\$26,611,000 during the 2016 Interim Period (2015 Interim 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 Interim 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 raised HK\$20 million for the money lending business through the Rights Issue, approximately HK\$16.4 million of which has been utilised as intended as at 30 June 2016. The money lending business commenced in the fourth quarter of 2015. The money lending business recorded an interest income of approximately HK\$471,000 for the 2016 Interim Period. 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 (included in other income and gain/(loss))

The Group's investment portfolio comprises investments in listed securities in Hong Kong and Australia. This business segment recorded a net loss on financial assets at FVTPL during the 2016 Interim Period amounting to approximately HK\$13,283,000 (2015 Interim Period: net gain of approximately HK\$18,164,000), such turnaround of net gain for the 2015 Interim Period to net loss for the 2016 Interim Period was mainly due to the recent unstable global equity market and volatile financial market in Hong Kong as a result of the referendum of the United Kingdom for its withdrawal from the European Union in late June 2016.



Gross profit and gross profit margin

The Group recorded an increase in the gross profit from continuing operations in the 2016 Interim Period of approximately HK\$11,858,000 when compared with that of approximately HK\$5,612,000 in the 2015 Interim Period. However, the gross profit margin for the 2016 Interim Period was approximately 34.79%, representing a slight decrease by approximately 0.29 percentage point when compared with the gross profit margin of approximately 35.08% for the 2015 Interim Period. The slight decrease in gross profit margin was mainly attributable to the higher fixed costs for laboratory 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 Interim Period from continuing operations were approximately HK\$9,277,000 (2015 Interim Period: HK\$3,016,000), representing an increase of approximately HK\$6,261,000 or 2.1 times compared with such expenses for the 2015 Interim 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 fourth quarter of 2015. This new business segment incurred selling and distribution expenses of approximately HK\$5,036,000 in the 2016 Interim Period, which includes (i) staff costs of approximately HK\$2,992,000; and (ii) rental expenses in respect of medical laboratory and health check centres of approximately HK\$1,470,000, however, such expenses were absent during the 2015 Interim Period.

Administrative expenses

The administrative expenses for the 2016 Interim Period from continuing operations were approximately HK\$28,645,000, representing an increase of approximately 75.87%, as compared with that of approximately HK\$16,288,000 for the 2015 Interim Period. The provision of medical laboratory testing services and health check services segment incurred administrative expenses of approximately HK\$6,815,000 in the 2016 Interim Period, including (i) staff costs of approximately HK\$2,242,000; (ii) rental expenses of approximately HK\$1,200,000; (iii) depreciation of property, plant and equipment of approximately HK\$814,000; and (iv) amortisation of intangible assets of approximately HK\$612,000, which were absent during the 2015 Interim Period.

In addition, the increase of such administrative expenses was also mainly due to the fact that (i) higher legal and professional fees of approximately HK\$3,556,000 (2015 Interim Period: HK\$1,833,000) incurred for merger and acquisition projects and other corporate finance activities; and (ii) impairment loss on trade receivables of approximately HK\$5,013,000 was recognised during the 2016 Interim Period (as opposed to HK\$Nil for the 2015 Interim Period) as certain trade debts had been long overdue and the possibility of recovery was considered as remote.

Loss from continuing operations for the 2016 Interim Period

The Group recorded a net loss from continuing operations of approximately HK\$32,215,000 for the 2016 Interim Period (2015 Interim Period: net profit of approximately HK\$674,000). The turnaround from net profit for the 2015 Interim Period to net loss of the Group for the 2016 Interim Period was mainly due to (i) significant turnaround from net gain on financial assets at FVTPL amounting to approximately HK\$18,164,000 during the 2015 Interim Period to net loss of approximately HK\$13,283,000 during the 2016 Interim Period; and (ii) impairment loss on trade receivables of approximately HK\$5,013,000, which was recognised during the 2016 Interim Period (as opposed to HK\$Nil for the 2015 Interim Period) as certain debts had been long overdue and the recoverability was considered as remote.

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.

Identifying 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 Group'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 distribution agreements of the health related products to enlarge the products lists of the Group.

FINANCIAL RESOURCES AND LIQUIDITY

As at 30 June 2016, the Group held cash and bank balances of approximately HK\$31,181,000 (31 December 2015: HK\$75,234,000) relating to continuing operations, and held cash and bank balances of approximately HK\$Nil (31 December 2015: HK\$3,003,000) relating to discontinued operation.

As at 30 June 2016, the Group had unsecured other borrowings of approximately HK\$16,047,000 (31 December 2015: HK\$1,917,000) relating to continuing operations, of which (i) RMB742,000 (equivalent to approximately HK\$867,000) (31 December 2015: RMB700,000 (equivalent to approximately HK\$836,000)) which carried a fixed interest rate of 12% per annum and is repayable within one year; (ii) RMB942,000 (equivalent to approximately HK\$1,100,000) (31 December 2015: RMB906,000 (equivalent to approximately HK\$1,081,000)) which carried a fixed interest rate of 8% per annum and is repayable within one year; and (iii) HK\$14,080,000 (31 December 2015: HK\$Nil) which carried a fixed interest rate of 11% per annum and is repayable within one year, respectively. As at 30 June 2016, the Group had secured bank borrowings of approximately HK\$Nil (31 December 2015: HK\$17,904,000) relating to discontinued operation, which carried interest floating at 135% of the prime rate offered by the People's Bank of China.

As at 30 June 2016, total assets of the Group (including assets classified as held for sale) were approximately HK\$364,200,000 (31 December 2015: HK\$478,018,000), whereas total liabilities (including liabilities associated with assets classified as held for sale) were approximately HK\$44,186,000 (31 December 2015: HK\$135,280,000). The gearing ratio of the Group, calculated as total liabilities over total assets, was approximately 12.13% (31 December 2015: 28.30%). Current ratio (defined as total current assets (including assets classified as held for sale) divided by total current liabilities (including liabilities associated with assets classified as held for sale)) was 3.89 times (31 December 2015: 2.51 times).



MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES AND AFFILIATED COMPANIES

Except for the acquisition of a subsidiary, 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 Interim Period.

FOREIGN EXCHANGE AND INTEREST RATE EXPOSURE

During the 2016 Interim Period, the business activities of the Group were mainly denominated in Hong Kong dollars and Renminbi.

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

OPERATING LEASE COMMITMENTS

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

CAPITAL COMMITMENT

Details of capital commitment are stated in note 17 to the unaudited condensed consolidated interim results.

PLEDGE OF ASSETS

As at 30 June 2016, the Group had no secured other borrowings (31 December 2015: HK\$Nil) relating to continuing operations. As at 31 December 2015, the Group’s bank borrowings were secured by charges on its prepaid lease payments and certain buildings held by the Wallfaith Group with the carrying amounts of approximately HK\$4,214,000 and HK\$4,401,000 respectively. The relevant assets and liabilities were relating to discontinued operation, reclassified as assets held for sale and liabilities associated with assets classified as held for sale as at 31 December 2015 and subsequently disposed on 16 March 2016.

As at 30 June 2016, held for trading securities and cash held in margin accounts with stock brokers held by the Group relating to continuing operations with carrying amounts of approximately HK\$75,675,000 (31 December 2015: HK\$54,793,000) and HK\$6,163,000 (31 December 2015: HK\$29,456,000) respectively have been charged in favour of the brokerage firms as collaterals for the Group’s liabilities in respect of its securities margin trading accounts.

Details of the pledge of assets are set out in note 18 to the unaudited condensed consolidated interim results.



CONTINGENT LIABILITIES

As at 30 June 2016 and 31 December 2015, the Group had no contingent liabilities.

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2016, the Group had approximately 211 employees (30 June 2015: 101 employees) which were located in the PRC and Hong Kong from continuing operations. As at 30 June 2015, the Group had approximately 307 employees from discontinued operation which were all located in the PRC. Total staff costs for the 2016 Interim Period was approximately HK\$22,511,000 (2015 Interim Period: HK\$11,917,000) for both continuing and discontinued operations. The total staff costs from continuing operations recorded approximately HK\$19,434,000 for the 2016 Interim Period (2015 Interim Period: HK\$7,902,000).

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 condensed consolidated statement of profit or loss and other comprehensive income for the 2016 Interim Period were approximately HK\$1,309,000 (2015 Interim Period: HK\$1,384,000) for both continuing and discontinued operations. The total contributions payable from continuing operations shared approximately HK\$988,000 for the 2016 Interim Period (2015 Interim Period: HK\$448,000).

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

As at 30 June 2016, none of the Directors nor the chief executive of the Company had, as at 30 June 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 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.

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

As at 30 June 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	492,723,891	75.00%

Note:

As at 30 June 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 30 June 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 THE COMPANY'S SECURITIES

Except for the share options which were lapsed during the 2016 Interim Period as disclosed in the section headed "SHARE OPTION SCHEME" below, at no time during the 2016 Interim Period was the Company or any of its subsidiaries, or any of its fellow subsidiaries, a party to any arrangement to enable the Directors or chief executive of the Company or their respective associates (as defined in the GEM Listing Rules) to have any right to subscribe for securities of the Company or any of its associated corporations as defined in the SFO or to acquire benefits by means of acquisition of share in, or debentures of, the Company or any other body corporate.



SHARE OPTION SCHEME

The Company 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.

	Date of grant	Exercisable period	Exercise price per share HK\$	Number of share options		
				Outstanding as at 1 January 2016	Lapsed during the 2016 Interim Period	Outstanding as at 30 June 2016
Directors	28 August 2014	1 January 2015 to 31 December 2016	1.2674	1,018,620	(1,018,620)	–
Employees and service providers	28 August 2014	1 January 2015 to 31 December 2016	1.2674	5,269,675	(5,269,675)	–
Exercisable options				6,288,295	(6,288,295)	–
Weighted average exercise price (HK\$)				1.2674	1.2674	–

Notes:

- 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 respectively for the 2016 Share Consolidation with effect from 23 February 2016.
- During the 2016 Interim Period, no share option was granted, exercised and cancelled. As the Voluntary Securities Exchange Offers have become unconditional in all respects on 11 May 2016, any share options which remain outstanding upon the close of the Voluntary Securities Exchange Offers (i.e. 25 May 2016) lapsed.

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 Interim Period.



COMPLIANCE WITH CODE OF CONDUCT FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

CODE ON CORPORATE GOVERNANCE PRACTICES

The Board believes that corporate governance is essential to the success of the Company. The Board is committed to maintaining corporate governance with high standard and ensuring compliance of the legal and regulatory requirements. The Company has put in place governance practices with emphasis on the integrity, quality of disclosures, transparency and accountability for the shareholders of the Company. Throughout the 2016 Interim Period, the Company has complied with the code provisions in the Corporate Governance Code ("**CG Code**") as set out in Appendix 15 to the GEM Listing Rules save for the deviation from code provision E.1.2 of the CG Code as disclosed below.

Under code provision E.1.2 of the CG Code, the chairman of the Company 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 31 May 2016 ("**2016 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 of the Company and the executive Director, and Mr. Lei Kin Keong, the company secretary and the financial controller of the Company, attended the 2016 AGM to answer questions and communicate with the shareholders of the Company present thereat.

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 Interim Period.

AUDIT COMMITTEE

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



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

SUFFICIENCY OF PUBLIC FLOAT

Based on the information 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.

By the order of the Board

Rui Kang Pharmaceutical Group Investments Limited

LEUNG Pak Hou Anson

Executive Director

Hong Kong, 9 August 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.