



**Rui Kang Pharmaceutical Group Investments Limited**

**銳康藥業集團投資有限公司**

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

**Third Quarterly Report 2016**

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

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

## UNAUDITED THIRD QUARTERLY RESULTS

The board ("Board") of directors ("Directors") of Rui Kang Pharmaceutical Group Investments Limited ("Company") presents the unaudited condensed consolidated third quarterly results of the Company and its subsidiaries (collectively, the "Group") for the three months and nine months ended 30 September 2016, together with the comparative unaudited figures for the corresponding periods in 2015, as follows:

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

FOR THE THREE MONTHS AND NINE MONTHS ENDED 30 SEPTEMBER 2016

		Three months ended 30 September		Nine months ended 30 September	
	Notes	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited) (Restated)	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited) (Restated)
<b>Continuing operations</b>					
<b>Gross proceeds</b>	3	<b>22,327</b>	24,923	<b>103,278</b>	72,377
<b>Turnover</b>	3	<b>22,205</b>	5,569	<b>56,290</b>	21,567
Cost of sales		<b>(13,644)</b>	(4,453)	<b>(35,871)</b>	(14,839)
<b>Gross profit</b>		<b>8,561</b>	1,116	<b>20,419</b>	6,728
Other income and gain/(loss)	4	<b>(9,323)</b>	(17,600)	<b>(15,959)</b>	588
Selling and distribution expenses		<b>(5,317)</b>	(1,720)	<b>(14,594)</b>	(4,736)
Administrative expenses		<b>(13,458)</b>	(7,715)	<b>(42,103)</b>	(24,003)
<b>Loss from operations</b>		<b>(19,537)</b>	(25,919)	<b>(52,237)</b>	(21,423)
Finance costs	5	<b>(317)</b>	(97)	<b>(1,903)</b>	(231)
Loss on disposal of assets held for sale	10	–	–	–	(986)
Share of profit of associates		<b>710</b>	423	<b>2,949</b>	1,418
Share of (loss)/profit of a joint venture		<b>(3,884)</b>	562	<b>(3,960)</b>	(3,135)
<b>Loss before tax</b>		<b>(23,028)</b>	(25,031)	<b>(55,151)</b>	(24,357)
Income tax expenses	6	<b>(40)</b>	–	<b>(132)</b>	–
Loss for the period from continuing operations		<b>(23,068)</b>	(25,031)	<b>(55,283)</b>	(24,357)
<b>Discontinued operation</b>					
(Loss)/profit for the period from discontinued operation	9	–	(1,897)	<b>35,526</b>	(8,276)
<b>Loss for the period</b>		<b>(23,068)</b>	(26,928)	<b>(19,757)</b>	(32,633)

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

FOR THE THREE MONTHS AND NINE MONTHS ENDED 30 SEPTEMBER 2016

	Notes	Three months ended 30 September		Nine months ended 30 September	
		2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited) (Restated)	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited) (Restated)
<b>Loss for the period</b>		<b>(23,068)</b>	(26,928)	<b>(19,757)</b>	(32,633)
<b>Other comprehensive (loss)/income for the period</b>					
<i>Items that may be reclassified subsequently to profit or loss:</i>					
Exchange differences arising from translation of foreign operations		(232)	(4,070)	(1,430)	(4,092)
Release of exchange difference upon disposal of assets held for sale	10	–	–	–	14
Release of exchange difference upon disposal of discontinued operation	9	–	–	(24,802)	–
Share of exchange differences of investments in associates		(36)	485	216	372
Share of exchange difference of investment in a joint venture		(44)	(802)	(333)	(803)
<b>Other comprehensive loss for the period, net of tax</b>		<b>(312)</b>	(4,387)	<b>(26,349)</b>	(4,509)
<b>Total comprehensive loss for the period</b>		<b>(23,380)</b>	(31,315)	<b>(46,106)</b>	(37,142)
<b>(Loss)/profit for the period attributable to:</b>					
Owners of the Company					
– From continuing operations		(21,346)	(24,437)	(49,941)	(23,376)
– From discontinued operation		–	(1,897)	35,526	(8,276)
Non-controlling interests					
– From continuing operations		(1,722)	(594)	(5,342)	(981)
		<b>(23,068)</b>	(26,928)	<b>(19,757)</b>	(32,633)
<b>Total comprehensive loss for the period attributable to:</b>					
Owners of the Company		(21,574)	(29,626)	(40,275)	(35,076)
Non-controlling interests		(1,806)	(1,689)	(5,831)	(2,066)
		<b>(23,380)</b>	(31,315)	<b>(46,106)</b>	(37,142)
<b>Loss per share – Continuing and discontinued operations (HK\$)</b>	8				
– Basic and diluted		<b>(0.029)</b>	(0.116)	<b>(0.021)</b>	(0.176)
<b>Loss per share – Continuing operations (HK\$)</b>	8				
– Basic and diluted		<b>(0.029)</b>	(0.108)	<b>(0.073)</b>	(0.130)
<b>(Loss)/earnings per share – Discontinued operation (HK\$)</b>	8				
– Basic and diluted		–	(0.008)	0.052	(0.046)

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2016

	Attributable to owners of the Company											Total
	Share capital HK\$'000	Share premium HK\$'000	Share option reserves HK\$'000	Special reserve HK\$'000 (Note a)	Other 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	Non-controlling interests HK\$'000	
<b>At 1 January 2015 (Audited)</b>	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	-	-	-	-	-	-	-	-	(31,652)	(31,652)	(981)	(32,633)
Other comprehensive (loss)/ income for the period:												
Exchange differences arising on translation of foreign operations	-	-	-	-	-	-	-	(3,007)	-	(3,007)	(1,085)	(4,092)
Release of exchange difference upon disposal of assets held for sale (Note 10)	-	-	-	-	-	-	-	14	-	14	-	14
Share of exchange differences of investments in associates	-	-	-	-	-	-	-	372	-	372	-	372
Share of exchange difference of an investment in a joint venture	-	-	-	-	-	-	-	(803)	-	(803)	-	(803)
Other comprehensive loss for the period, net of tax	-	-	-	-	-	-	-	(3,424)	-	(3,424)	(1,085)	(4,509)
Total comprehensive loss for the period	-	-	-	-	-	-	-	(3,424)	(31,652)	(35,076)	(2,066)	(37,142)
Issue of ordinary shares	53,116	161,819	-	-	-	-	-	-	-	214,935	-	214,935
Less: Shares issue expenses	-	(6,824)	-	-	-	-	-	-	-	(6,824)	-	(6,824)
<b>At 30 September 2015 (Unaudited)</b>	63,172	268,723	3,385	235,391	-	15,479	3,098	20,251	(267,194)	342,305	26,577	368,882

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2016

	Attributable to owners of the Company												
	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	Non-controlling interests HK\$'000	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	
Loss for the period	-	-	-	-	-	-	-	-	(14,415)	(14,415)	(5,342)	(19,757)	
Other comprehensive (loss)/ income for the period:													
Exchange differences arising on translation of foreign operations	-	-	-	-	-	-	-	(941)	-	(941)	(489)	(1,430)	
Release of exchange difference upon disposal of discontinued operation (Note 9)	-	-	-	-	-	-	-	(24,802)	-	(24,802)	-	(24,802)	
Share of exchange differences of investments in associates	-	-	-	-	-	-	-	216	-	216	-	216	
Share of exchange difference of an investment in a joint venture	-	-	-	-	-	-	-	(333)	-	(333)	-	(333)	
Other comprehensive loss for the period, net of tax	-	-	-	-	-	-	-	(25,860)	-	(25,860)	(489)	(26,349)	
Total comprehensive loss for the period	-	-	-	-	-	-	-	(25,860)	(14,415)	(40,275)	(5,831)	(46,106)	
Issue of ordinary shares	13,138	9,065	-	-	-	-	-	-	-	22,203	-	22,203	
Less: Shares issue expenses	-	(969)	-	-	-	-	-	-	-	(969)	-	(969)	
Changes in ownership interests in subsidiaries without loss of control (Note 12)	-	-	-	-	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 September 2016 (Unaudited)	78,837	279,068	-	212,948	4,163	-	-	(4,169)	(267,821)	303,026	14,842	317,868	

*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 nine months ended 30 September 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.

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED THIRD QUARTERLY RESULTS

## 1. GENERAL INFORMATION

Rui Kang Pharmaceutical Group Investments Limited ("**Company**", together with its subsidiaries, the "**Group**") was incorporated and registered as an exempted company in 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 Company's immediate and ultimate holding company is China Wah Yan Healthcare Limited ("**China Wah Yan Healthcare**"), a public limited company incorporated in Hong Kong and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited ("**Stock Exchange**") (Stock Code: 648).

The issued shares of the Company ("**Shares**") have been listed on the Growth Enterprise Market ("**GEM**") of the 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 third quarterly results of the Group for the nine months ended 30 September 2016 have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("**HKFRSs**"), which collective term include all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the GEM ("**GEM Listing Rules**").

The unaudited condensed consolidated third quarterly results of the Group for the nine months ended 30 September 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 third quarterly results of the Group for the nine months ended 30 September 2016 are consistent with those applied in the Company's annual report for the year ended 31 December 2015, except for the adoption of new and revised HKFRSs that affect the Group and has adopted the first time for the current period's unaudited condensed consolidated third quarterly results.



In the current period, the Group has adopted the following new and revised HKFRSs that are mandatorily effective 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 third quarterly 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 <sup>3</sup>
HKFRS 9	Financial Instruments <sup>1</sup>
HKFRS 15	Revenue from Contracts with Customers <sup>1</sup>
HKFRS 16	Lease <sup>2</sup>

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

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2019

<sup>3</sup> 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 third quarterly results.

### 3. TURNOVER

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

Gross proceeds represents the amounts received and 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 and the nine months ended 30 September 2016.

	Three months ended 30 September		Nine months ended 30 September	
	2016	2015	2016	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited) (Restated)	(Unaudited)	(Unaudited) (Restated)
<b>Continuing operations</b>				
Manufacture and sale of health related and pharmaceutical products	7,711	5,569	14,714	21,567
Provision of medical laboratory testing services and health check services	14,232	–	40,843	–
Money lending business	262	–	733	–
	22,205	5,569	56,290	21,567
Gross proceeds from trading of securities <i>(Note)</i>	122	19,354	46,988	50,810
<b>Gross proceeds</b>	<b>22,327</b>	<b>24,923</b>	<b>103,278</b>	<b>72,377</b>
<b>Discontinued operation</b>				
Manufacture and sale of consumer cosmetics	–	20,499	16,525	48,695
Manufacture and sale of health related and pharmaceutical products	–	2,025	6,307	11,024
Manufacture and sale of health supplement wine, dental materials and equipment	–	9	431	577
	–	22,533	23,263	60,296

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

#### 4. OTHER INCOME AND GAIN/(LOSS)

	Three months ended 30 September		Nine months ended 30 September	
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited) (Restated)	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited) (Restated)
<b>Continuing operations</b>				
Net (loss)/gain on financial assets at FVTPL ( <i>Note a</i> )	(9,536)	(17,890)	(22,819)	274
Dividend income	398	47	4,596	96
Forfeiture of consideration received	–	–	1,360	–
Interest income	21	114	76	142
Government grant ( <i>Note b</i> )	–	–	596	–
Sundry income	65	42	536	126
Fixed assets written off	(248)	–	(252)	–
Net loss on disposal of property, plant and equipment	(35)	–	(35)	–
Exchange gains/(losses), net	12	87	(17)	(50)
	<b>(9,323)</b>	<b>(17,600)</b>	<b>(15,959)</b>	<b>588</b>
<b>Discontinued operation</b>				
Interest income	–	6	–	55
Sundry income	–	534	359	770
Net loss on disposal of property, plant and equipment	–	(2)	–	(47)
Exchange losses, net	–	(23)	(37)	(155)
	<b>–</b>	<b>515</b>	<b>322</b>	<b>623</b>

#### Notes:

- (a) Net (loss)/gain on financial assets at FVTPL consists of (i) net unrealised loss on fair value changes of approximately HK\$17,353,000 (nine months ended 30 September 2015: net unrealised gain on fair value changes of approximately HK\$2,049,000); and (ii) net realised loss of approximately HK\$5,466,000 (nine months ended 30 September 2015: HK\$1,775,000) for the nine months ended 30 September 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 nine months ended 30 September 2016 (nine months ended 30 September 2015: HK\$Nil). There is no specific condition attached to the grant.

## 5. FINANCE COSTS

	Three months ended 30 September		Nine months ended 30 September	
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited) (Restated)	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited) (Restated)
<b>Continuing operations</b>				
Interest expenses:				
– Bank borrowing	21	–	21	–
– Other borrowings	296	97	1,882	231
	<b>317</b>	<b>97</b>	<b>1,903</b>	<b>231</b>
<b>Discontinued operation</b>				
Interest expenses:				
– Bank borrowings	–	357	312	974
– Other borrowings	–	329	261	1,121
	<b>–</b>	<b>686</b>	<b>573</b>	<b>2,095</b>

## 6. INCOME TAX EXPENSES

	Three months ended 30 September		Nine months ended 30 September	
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited) (Restated)	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited) (Restated)
<b>Continuing operations</b>				
The amount comprises:				
Current tax:				
– Hong Kong Profits Tax	90	–	283	–
Deferred tax:				
– Current period	(50)	–	(151)	–
	<b>40</b>	<b>–</b>	<b>132</b>	<b>–</b>
<b>Discontinued operation</b>				
The amount comprises:				
Current tax:				
– The PRC Enterprise Income Tax	–	16	51	15

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

The subsidiaries in the PRC are subject to the PRC Enterprise Income Tax at the tax rate of 25% for the nine months ended 30 September 2016 (nine months ended 30 September 2015: 25%), 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 nine months ended 30 September 2016 and 2015.

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

## 7. DIVIDEND

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

## 8. (LOSS)/EARNINGS PER SHARE

Basic (loss)/earnings per share is calculated by dividing the (loss)/profit for the period attributable to owners of the Company by the weighted average number of ordinary shares in issue during the three months and nine months ended 30 September 2016 and 2015.

### Continuing and discontinued operations

	Three months ended 30 September		Nine months ended 30 September	
	2016 (Unaudited)	2015 (Unaudited) (Restated)	2016 (Unaudited)	2015 (Unaudited) (Restated)
Loss for the period attributable to owners of the Company (HK\$'000)	(21,346)	(26,334)	(14,415)	(31,652)
Weighted average number of ordinary shares in issue ('000)	724,105	226,986	679,523	180,192
Basic loss per share (HK\$)	(0.029)	(0.116)	(0.021)	(0.176)

## Continuing operations

	Three months ended 30 September 2016 (Unaudited)		Nine months ended 30 September 2016 (Unaudited)	
	2015 (Unaudited) (Restated)		2015 (Unaudited) (Restated)	
Loss for the period attributable to owners of the Company (HK\$'000)	(21,346)	(26,334)	(14,415)	(31,652)
Less: (loss)/profit for the period attributable to owners of the Company from discontinued operation (HK\$'000)	–	(1,897)	35,526	(8,276)
Loss for the period attributable to owners of the Company from continuing operations (HK\$'000)	(21,346)	(24,437)	(49,941)	(23,376)
Weighted average number of ordinary shares in issue ('000)	724,105	226,986	679,523	180,192
Basic loss per share (HK\$)	(0.029)	(0.108)	(0.073)	(0.130)

## Discontinued operation

	Three months ended 30 September 2016 (Unaudited)		Nine months ended 30 September 2016 (Unaudited)	
	2015 (Unaudited) (Restated)		2015 (Unaudited) (Restated)	
(Loss)/profit for the period attributable to owners of the Company from discontinued operation (HK\$'000)	–	(1,897)	35,526	(8,276)
Weighted average number of ordinary shares in issue ('000)	724,105	226,986	679,523	180,192
Basic (loss)/earnings per share (HK\$)	–	(0.008)	0.052	(0.046)

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

	Nine months ended 30 September	
	2016	2015
	(Unaudited)	(Unaudited) (Restated)
Issued ordinary shares at 1 January ( <i>Notes a and b</i> )	<b>656,987</b>	100,562
Effect of shares issued under subscription on 23 January 2015 ( <i>Note c</i> )	–	23,704
Effect of rights issue on 18 September 2015 ( <i>Note d</i> )	–	55,926
Effect of shares issue under placing on 15 August 2016 ( <i>Note e</i> )	<b>22,536</b>	–
Weighted average number of ordinary shares in issue at 30 September	<b>679,523</b>	180,192

	Three months ended 30 September	
	2016	2015
	(Unaudited)	(Unaudited) (Restated)
Issued ordinary shares at 1 July ( <i>Note a</i> )	<b>656,987</b>	126,344
Effect of rights issue on 18 September 2015 ( <i>Note d</i> )	–	100,642
Effect of shares issue under placing on 15 August 2016 ( <i>Note e</i> )	<b>67,118</b>	–
Weighted average number of ordinary shares in issue at 30 September	<b>724,105</b>	226,986

### Notes:

- (a) The weighted average number of ordinary shares in issue for the purpose of calculating the basic (loss)/earnings per share has been retrospectively adjusted for the nine months ended 30 September 2016 and for the three months and nine months ended 30 September 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 ordinary shares in issue for the purpose of calculating the basic (loss)/earnings per share has been retrospectively adjusted for the nine months ended 30 September 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, as subscriber, entered into a subscription agreement pursuant to which China Wah Yan Healthcare conditionally agreed to subscribe for, and the Company conditionally agreed to allot and issue, 257,812,500 subscription shares ("**Subscription Shares**") at the subscription price of HK\$0.128 per Subscription Share ("**Subscription**"). The completion of the Subscription took place on 23 January 2015. The net issue price per Subscription Share was approximately HK\$0.127 and the nominal value of the Subscription Shares was HK\$2,578,125. Details of the Subscription are disclosed in the announcements of the Company dated 14 November 2014 and 23 January 2015, and the circular of the Company dated 24 December 2014.
- (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.
- (e) The completion of the Placing (as defined in the section headed "BUSINESS REVIEW" below) took place on 15 August 2016.

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

## 9. 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		Nine months ended	
	30 September		30 September	
	2016	2015	2016	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
(Loss)/profit for the period from discontinued operation	–	(1,897)	<b>1,296</b>	(8,276)
Gain on disposal of the Wallfaith Group for the period	–	–	<b>34,230</b>	–
	–	(1,897)	<b>35,526</b>	(8,276)

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		Nine months ended	
	30 September		30 September	
	2016	2015	2016	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Audited)	(Unaudited)
Turnover	–	22,533	<b>23,263</b>	60,296
Cost of sales	–	(17,965)	<b>(15,396)</b>	(45,065)
Gross profit	–	4,568	<b>7,867</b>	15,231
Other income and gain/(loss)	–	515	<b>322</b>	623
Selling and distribution expenses	–	(4,288)	<b>(4,746)</b>	(16,294)
Administrative expenses	–	(1,990)	<b>(1,523)</b>	(5,726)
(Loss)/profit from operation	–	(1,195)	<b>1,920</b>	(6,166)
Finance costs	–	(686)	<b>(573)</b>	(2,095)
(Loss)/profit before tax	–	(1,881)	<b>1,347</b>	(8,261)
Income tax expenses	–	(16)	<b>(51)</b>	(15)
(Loss)/profit for the period	–	(1,897)	<b>1,296</b>	(8,276)

*Note:*

The summarised statement of profit or loss and other comprehensive income for the nine months ended 30 September 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:

	<b>16 March 2016</b> <b>HK\$'000</b> <b>(Audited)</b>
Property, plant and equipment	<b>13,137</b>
Prepaid lease payments	<b>4,214</b>
Inventories	<b>53,407</b>
Trade receivables	<b>19,529</b>
Deposits, prepayments and other receivables	<b>5,849</b>
Tax recoverable	<b>36</b>
Cash and cash equivalents	<b>4,512</b>
<b>Total assets</b>	<b>100,684</b>
Trade payables	<b>17,336</b>
Other payables and accruals	<b>59,775</b>
Bank borrowings	<b>18,001</b>
<b>Total liabilities</b>	<b>95,112</b>
<b>Net assets disposed of</b>	<b>5,572</b>
	<b>Nine months ended</b> <b>30 September 2016</b> <b>HK\$'000</b> <b>(Unaudited)</b>
<b>Gain on disposal of the Wallfaith Group:</b>	
Cash consideration received	<b>15,000</b>
Release of exchange difference upon disposal	<b>24,802</b>
Less: Net assets disposed of	<b>(5,572)</b>
	<b>34,230</b>
<b>Net cash inflow arising on disposal:</b>	
Consideration received in cash and cash equivalents	<b>15,000</b>
Cash and cash equivalents disposed of	<b>(4,512)</b>
	<b>10,488</b>

## 10. ASSETS HELD FOR SALE

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 only, Guangzhou Shimalong Pharmaceutical Co., Ltd.) ("Shimalong") (collectively, the "Magical Bloom Group") at an aggregate cash consideration of HK\$12,600,000. The completion of the disposal took place on 30 January 2015 and members of the Magical Bloom Group ceased to be subsidiaries of the Company and became associates of the Company since then.

The revenue generated by the Magical Bloom Group is mainly derived from the 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
<b>Assets classified as held for sale</b>	<b>41,044</b>
Trade payables	13,045
Other payables and accruals	8,610
<b>Liabilities associated with assets classified as held for sale</b>	<b>21,655</b>
<b>Net assets classified as held for sale</b>	<b>19,389</b>

Nine months ended  
30 September 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 and cash equivalents	12,600
Cash and cash equivalents disposed of	(3,645)
	8,955

**11. 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.

**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)

<b>Net assets acquired</b>	<b>2,794</b>
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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 and cash equivalents	(15,206)
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**12. 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 excess of the consideration received from non-controlling interests over the then carrying amount of non-controlling interests disposed of, being approximately HK\$1,009,000, has been credited to other reserves.

**13. 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 nine months ended 30 September 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.

### Placing of new shares under general mandate

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 new shares of the Company ("**Placing Shares**"), to not less than six placees who and whose ultimate 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. The net issue price was approximately HK\$0.162 per Placing Share and the aggregate nominal value of the Placing Shares under the Placing was HK\$13,138,000. The net proceeds after deduction of expenses from the Placing were approximately HK\$21.22 million, which would be utilised for funding the acquisition of 4% equity interests in C&C International Healthcare Group Limited ("**C&C**") and general working capital of the Group. The completion of the Placing took place on 15 August 2016. Details of the Placing are disclosed in the announcements of the Company dated 22 July 2016 and 15 August 2016. As at the date of this report, approximately HK\$19.4 million out of the net proceeds from the Placing had been used as intended for funding the acquisition of 4% equity interests in C&C, and the remaining proceeds of approximately HK\$1.82 million had been utilised as intended for general working capital of the Group.

## 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*

Allied View International Limited ("**Allied View**") holds 6.136% of the total issued share capital of Trillion Epoch Limited, which, in turn, holds the entire issued share capital of Bravo Star Holdings Limited ("**Bravo Star**"). 重慶兩江新區利亨小額貸款有限公司 (in English, for identification purpose only, Chongqing Liangjing New Area Li Hang Microfinance Co., Ltd.) (formerly known as 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.)), 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. 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 nil consideration ("**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.



### **Acquisition of 4% equity interests in C&C**

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, 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. The completion of the acquisition took place on 25 August 2016, and C&C was accounted for as an available-for-sale financial asset of the Group.

### **Voluntary securities exchange offers**

On 5 February 2016, China Wah Yan Healthcare proposed to the Board that China Wah Yan Healthcare 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 Healthcare 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 Healthcare 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 Healthcare and the Company.


## FINANCIAL REVIEW

During the nine months ended 30 September 2016 ("**2016 Q3 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 corporations 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\$8,276,000 for the nine months ended 30 September 2015 ("**2015 Q3 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 a 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 Q3 Period, the Group achieved a turnover of approximately HK\$56,290,000 (2015 Q3 Period: HK\$21,567,000) from continuing operations, representing a significant increase of approximately 1.61 times as compared with the turnover for the 2015 Q3 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 (collectively, the “**DVF Group**”), acquired by the Group in December 2015, as its full period turnover has been recognised in the 2016 Q3 Period. However, such increase was partially offset by the deconsolidation of the results of Shimalong, which is principally engaged in the sale of medicated oil products in the PRC, on 30 January 2015 (“**Deconsolidation**”), as a result of the disposal of 70% of the issued share capital of Magical Bloom Limited as described in the section headed “10. ASSETS HELD FOR SALE” above, and the Deconsolidation led to a decrease in turnover 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 Q3 Period as compared with 2015 Q3 Period. The total turnover of this segment significantly decreased from approximately HK\$21,567,000 for the 2015 Q3 Period to approximately HK\$14,714,000 for the 2016 Q3 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 Q3 Period while one month of turnover of Shimalong of approximately HK\$6,613,000 was recognised in the 2015 Q3 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\$40,843,000 during the 2016 Q3 Period (2015 Q3 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 Q3 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 September 2016. The money lending business commenced in the fourth quarter of 2015. The Group's loan portfolio comprises unsecured loans granted to individual customers, the loan receivables carry interest rates ranging from 8% to 10% per annum and are repayable within one year. The money lending business recorded an interest income of approximately HK\$733,000 for the 2016 Q3 Period (2015 Q3 Period: HK\$Nil).

### ***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 Q3 Period amounting to approximately HK\$22,819,000 (2015 Q3 Period: net gain of approximately HK\$274,000) which consists of (i) net unrealised loss on fair value changes of approximately HK\$17,353,000 (2015 Q3 Period: net unrealised gain on fair value changes of HK\$2,049,000); and (ii) net realised loss of approximately HK\$5,466,000 (2015 Q3 Period: HK\$1,775,000). The net unrealised loss on financial assets at FVTPL were mainly attributable to the net unrealised loss of approximately HK\$14,094,000 (2015 Q3 Period: net unrealised gain of approximately HK\$2,854,000) derived from the investment in Town Health International Medical Group Limited, the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 3886).

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

The Group recorded a significant increase in the gross profit from continuing operations in the 2016 Q3 Period of approximately HK\$20,419,000 when compared with that of approximately HK\$6,728,000 in the 2015 Q3 Period. The gross profit margin for the 2016 Q3 Period was approximately 36.27%, representing a significant increase by approximately 5.07 percentage point when compared with the gross profit margin of approximately 31.20% for the 2015 Q3 Period. The significant improvement in both gross profit and gross profit margin was mainly attributable to (i) the contribution of provision of medical laboratory testing services and health check services by the DVF Group which generated a gross profit of approximately HK\$15,589,000 and recorded a higher gross profit margin of approximately 41.58% than that of other business segments during the 2016 Q3 Period; and (ii) the increase in selling prices of health related products in the PRC due to upgrade of the product use and the package design.

### **Selling and distribution expenses**

Selling and distribution expenses for the 2016 Q3 Period from continuing operations were approximately HK\$14,594,000 (2015 Q3 Period: HK\$4,736,000), representing an increase of approximately HK\$9,858,000 or 2.08 times as compared with such expenses for the 2015 Q3 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\$7,692,000 in the 2016 Q3 Period, which includes (i) staff costs of approximately HK\$4,419,000; and (ii) rental expenses in respect of medical laboratory and health check centres of approximately HK\$2,241,000, however, such expenses were absent during the 2015 Q3 Period.

### **Administrative expenses**

The administrative expenses for the 2016 Q3 Period from continuing operations were approximately HK\$42,103,000, representing an increase of approximately 75.41%, as compared with that of approximately HK\$24,003,000 for the 2015 Q3 Period. The provision of medical laboratory testing services and health check services segment incurred administrative expenses of approximately HK\$11,769,000 in the 2016 Q3 Period (2015 Q3 Period: HK\$575,000), including (i) staff costs of approximately HK\$3,988,000 (2015 Q3 Period: HK\$136,000); (ii) rental expenses of approximately HK\$1,656,000 (2015 Q3 Period: HK\$335,000); (iii) depreciation of property, plant and equipment of approximately HK\$1,378,000 (2015 Q3 Period: HK\$Nil); and (iv) amortisation of intangible assets of approximately HK\$919,000 (2015 Q3 Period: HK\$Nil). The expenses were merely incurred for the establishment of a molecular genetic testing laboratory in the 2015 Q3 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\$4,555,000 (2015 Q3 Period: HK\$2,389,000) incurred for merger and acquisition projects and other corporate finance activities; and (ii) impairment loss on trade receivables of approximately HK\$4,977,000 was recognised during the 2016 Q3 Period (2015 Q3 Period: HK\$Nil) as certain trade debts had been long overdue and the possibility of recovery of which was considered as remote.

### **Loss from continuing operations for the 2016 Q3 Period**

The Group recorded a net loss from continuing operations of approximately HK\$55,283,000 for the 2016 Q3 Period (2015 Q3 Period: HK\$24,357,000). The significant increase in the net loss of the Group was mainly due to (i) significant turnaround from net gain on financial assets at FVTPL amounting to approximately HK\$274,000 during the 2015 Q3 Period to net loss of approximately HK\$22,819,000 during the 2016 Q3 Period; and (ii) the recognition of an impairment loss on trade receivables of approximately HK\$4,977,000 during the 2016 Q3 Period (2015 Q3 Period: HK\$Nil).

## **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.

### **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 pay close attention to the development and conditions of this market.

### **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 and high quality health related products from overseas suppliers in order to enlarge the products lists and attract customers from different market segments; (iii) cooperating with overseas molecular laboratory companies to promote the specialty tests in Hong Kong and the PRC; and (iv) developing and expanding distribution networks of the existing products and manufacturing new health related and pharmaceutical products.

With an aim to 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.

## **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 Q3 Period.

## EMPLOYEES AND REMUNERATION POLICY

As at 30 September 2016, the Group had approximately 208 employees (30 September 2015: 107 employees) which were located in the PRC and Hong Kong from continuing operations. As at 30 September 2015, the Group had approximately 264 employees from discontinued operation which were all located in the PRC. Total staff costs for the 2016 Q3 Period was approximately HK\$31,843,000 (2015 Q3 Period: HK\$17,397,000) of which total staff costs from continuing operations recorded approximately HK\$28,766,000 for the 2016 Q3 Period (2015 Q3 Period: HK\$11,249,000).

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 Q3 Period were approximately HK\$1,773,000 (2015 Q3 Period: HK\$2,024,000) of which total contributions payable from continuing operations shared approximately HK\$1,452,000 for the 2016 Q3 Period (2015 Q3 Period: HK\$654,000).

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

As at 30 September 2016, none of the Directors nor the chief executive of the Company had, 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 September 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	Beneficial owner	492,723,891	62.50%

*Note:*

As at 30 September 2016, the total number of the issued share of the Company was 788,366,750 ordinary shares of HK\$0.10 each of the Company.

Save as disclosed above, as at 30 September 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 Q3 Period and disclosed in the section headed "SHARE OPTION SCHEME" below, at no time during the 2016 Q3 Period was the Company or any of its subsidiaries, or any of its fellow subsidiaries, a party to any arrangement to enable the Directors or chief executive of the Company or their respective associates (as defined in the GEM Listing Rules) to have any right to subscribe for securities of the Company or any of its associated corporations as defined in the SFO or to acquire benefits by means of acquisition of share in, or debentures of, the Company or any other body corporate.

## SHARE OPTION SCHEME

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 Q3 Period	Outstanding as at 30 September 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 for the 2016 Share Consolidation respectively with effect from 23 February 2016.
- During the 2016 Q3 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 Q3 Period.

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

The Company has adopted a code of conduct regarding securities transactions by Directors on terms not less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry with all Directors, the Company confirmed that all Directors have complied with the required standard of dealings and its code of conduct concerning securities transactions by the Directors during the 2016 Q3 Period.

## CODE ON CORPORATE GOVERNANCE PRACTICES

The Board believes that corporate governance is essential to the success of the Company. The Board is committed to maintaining corporate governance with high standard and ensuring compliance of the legal and regulatory requirements. The Company has put in place governance practices with emphasis on the integrity, quality of disclosures, transparency and accountability for the shareholders of the Company. Throughout the 2016 Q3 Period, the Company has complied with the code provisions in the Corporate Governance Code ("**CG Code**") as set out in Appendix 15 to the GEM Listing Rules save for the deviation from code provision 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 former 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 during the period of his appointment. 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 shareholder 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 Q3 Period.

## AUDIT COMMITTEE

The Company 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 third quarterly results of the Group for the 2016 Q3 Period have not been audited by the Company's auditor, but have been reviewed by the Audit Committee in accordance with the accounting principles and practices adopted by the Company and the Audit Committee has discussed internal controls and financial reporting matters before any disclosure and release of information.

## SUFFICIENCY OF PUBLIC FLOAT

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

## GENERAL

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

ON BEHALF OF THE BOARD

**Rui Kang Pharmaceutical Group Investments Limited**

**Chan Ka Chung**

*Chairman*

Hong Kong, 10 November 2016

*As at the date of this report, the Board comprises (i) four executive Directors namely, Mr. Chan Ka Chung (Chairman), Mr. Leung Pak Hou Anson, Ms. Chen Miaoping (Chief Executive Officer) and Mr. Cheung Wai Kwan; and (ii) three independent non-executive Directors namely Mr. Ho Fung Shan Bob, Mr. Leung Ka Fai and Mr. Yuen Chun Fai.*