First Quarterly Report
2017

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

UNAUDITED FIRST QUARTERLY RESULTS

The board (the "Board") of directors (the "Directors") of Rui Kang Pharmaceutical Group Investments Limited (the "Company") presents the unaudited condensed consolidated first quarterly results of the Company and its subsidiaries (collectively, the "Group") for the three months ended 31 March 2017 together with the unaudited comparative figures for the corresponding period in 2016.

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

FOR THE THREE MONTHS ENDED 31 MARCH 2017

		Three months ended 31 March	
		2017	2016
	Notes	***HK$'000***	*HK$'000*
Continuing operations			
Gross proceeds	3	**38,997**	30,162
Turnover	3	**34,106**	16,571
Cost of sales		**(26,940)**	(11,525)
Gross profit		**7,166**	5,046
Net (loss)/gain on financial assets at fair value through profit or loss	4	**(23,140)**	543
Other income and gains/(losses)	5	**100**	735
Selling and distribution expenses		**(4,496)**	(4,768)
Administrative expenses		**(10,507)**	(11,580)
Loss from operations		**(30,877)**	(10,024)
Finance costs	6	**(196)**	(761)
Loss on disposal of assets held for sale	11	**(498)**	(795)
Gain on disposal of subsidiaries	12	**2,399**	–
Share of profits of associates		**86**	372
Share of loss of a joint venture		**–**	(141)
Loss before tax		**(29,086)**	(11,349)
Income tax expenses	7	**(73)**	(32)
Loss for the period from continuing operations		**(29,159)**	(11,381)
Discontinued operation			
Profit for the period from discontinued operation	10	**–**	35,526
(Loss)/profit for the period		**(29,159)**	24,145
(Loss)/profit for the period attributable to:			
Owners of the Company			
– From continuing operations		**(27,935)**	(10,956)
– From discontinued operation		**–**	35,526
Non-controlling interests			
– From continuing operations		**(1,224)**	(425)
		(29,159)	24,145

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

FOR THE THREE MONTHS ENDED 31 MARCH 2017

		Three months ended 31 March	
		2017	2016
	Notes	***HK$'000***	*HK$'000*
(Loss)/profit for the period		**(29,159)**	24,145
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		**344**	220
Release of exchange difference upon disposal of assets held for sale	*11*	**1,716**	1,077
Release of exchange difference upon disposal of subsidiaries	*12*	**1,728**	–
Release of exchange difference upon disposal of discontinued operation	*10*	**–**	(24,802)
Share of exchange differences of investments in associates		**309**	222
Share of exchange difference of an investment in a joint venture		**–**	(50)
Other comprehensive income/(loss) for the period, net of tax		**4,097**	(23,333)
Total comprehensive (loss)/income for the period		**(25,062)**	812
Total comprehensive (loss)/income for the period attributable to:			
Owners of the Company		**(23,956)**	1,122
Non-controlling interests		**(1,106)**	(310)
		(25,062)	812
(Loss)/earnings per share	*9*		
Continuing and discontinued operations *(HK$)*			
– Basic and diluted		**(0.035)**	0.037
Continuing operations *(HK$)*			
– Basic and diluted		**(0.035)**	(0.017)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE THREE MONTHS ENDED 31 MARCH 2017

	Attributable to owners of the Company											
	Share capital	Share premium	Share option reserves	Special reserve	Other reserve	Statutory surplus reserve fund	Statutory enterprise expansion fund	Exchange reserves	Accumulated losses	Sub-total	Non-controlling interests	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 2017 (audited)	**78,837**	**279,068**	**–**	**212,948**	**4,163**	**–**	**–**	**(5,949)**	**(303,557)**	**265,510**	**9,707**	**275,217**
Loss for the period	–	–	–	–	–	–	–	–	(27,935)	(27,935)	(1,224)	(29,159)
Other comprehensive income for the period:												
Exchange differences arising on translation of foreign operations	–	–	–	–	–	–	–	226	–	226	118	344
Release of exchange difference upon disposal of assets held for sale *(Note 11)*	–	–	–	–	–	–	–	1,716	–	1,716	–	1,716
Release of exchange difference upon disposal of subsidiaries *(Note 12)*	–	–	–	–	–	–	–	1,728	–	1,728	–	1,728
Share of exchange differences of investments in associates	–	–	–	–	–	–	–	309	–	309	–	309
Other comprehensive income for the period, net of tax	–	–	–	–	–	–	–	3,979	–	3,979	118	4,097
Total comprehensive income/ (loss) for the period	–	–	–	–	–	–	–	3,979	(27,935)	(23,956)	(1,106)	(25,062)
At 31 March 2017	**78,837**	**279,068**	**–**	**212,948**	**4,163**	**–**	**–**	**(1,970)**	**(331,492)**	**241,554**	**8,601**	**250,155**

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE THREE MONTHS ENDED 31 MARCH 2017

	Attributable to owners of the Company											
	Share capital	**Share premium**	**Share option reserves**	**Special reserve**	**Other reserve**	**Statutory surplus reserve fund**	**Statutory enterprise expansion fund**	**Exchange reserves**	**Accumulated losses**	**Sub-total**	**Non-controlling interests**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Note a)	*(Note b)*	*(Note c)*	*(Note d)*					
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	–	–	–	–	–	–	–	–	24,570	24,570	(425)	24,145
Other comprehensive (loss)/ income for the period:												
Exchange differences arising on translation of foreign operations	–	–	–	–	–	–	–	105	–	105	115	220
Release of exchange difference upon disposal of assets held for sale *(Note 11)*	–	–	–	–	–	–	–	1,077	–	1,077	–	1,077
Release of exchange difference upon disposal of discontinued operation *(Note 10)*	–	–	–	–	–	–	–	(24,802)	–	(24,802)	–	(24,802)
Share of exchange differences of investments in associates	–	–	–	–	–	–	–	222	–	222	–	222
Share of exchange difference of an investment in a joint venture	–	–	–	–	–	–	–	(50)	–	(50)	–	(50)
Other comprehensive (loss)/ income for the period, net of tax	–	–	–	–	–	–	–	(23,448)	–	(23,448)	115	(23,333)
Total comprehensive (loss)/ income for the period	–	–	–	–	–	–	–	(23,448)	24,570	1,122	(310)	812
Transfer upon disposal of subsidiaries	–	–	–	(22,443)	–	(15,479)	(3,098)	–	41,020	–	–	–
At 31 March 2016	**65,699**	**270,972**	**3,385**	**212,948**	**3,154**	**–**	**–**	**(1,757)**	**(232,221)**	**322,180**	**21,370**	**343,550**

Notes:

(a) Special reserve of (i) approximately HK$22,443,000 represents the difference between the paid-up capital and share premium of the subsidiary acquired and the nominal value of the Company's shares issued for the acquisition at the time of the Group reorganisation on 26 May 2004, which was transferred to accumulated losses upon disposal of subsidiaries during the three months ended 31 March 2016; and (ii) approximately HK$212,948,000 was recorded after setting off of the capital reduction and the cancellation of the share premium with the accumulated losses as at the date of the change of domicile and the capital reorganisation of the Company which became effective on 28 August 2013 and 19 September 2013 respectively.

(b) Other reserve arose from the deemed disposal of partial interests in subsidiaries through issue and allotment of new shares by the then subsidiaries to independent third parties.

(c) Pursuant to the articles of association of certain subsidiaries of the Company in the People's Republic of China (the "PRC"), those subsidiaries should transfer not less than 10% of net profit to the statutory surplus reserve fund, while the rest of the subsidiaries of the Company in the PRC can make appropriation of net profit to the statutory surplus reserve fund on a discretionary basis.

The statutory surplus reserve fund can be used to offset previous year's losses, expand the existing operations or convert into additional capital of those PRC subsidiaries.

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

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

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FIRST QUARTERLY RESULTS

1. GENERAL INFORMATION

Rui Kang Pharmaceutical Group Investments Limited (the "Company", together with its subsidiaries, the "Group") was incorporated and registered as an exempted company in the Cayman Islands under the Company Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands on 5 June 2003. On 29 August 2013, the Company deregistered in the Cayman Islands and duly continued in Bermuda as an exempted company under the laws of Bermuda. The registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. The head office and the principal place of business of the Company in Hong Kong is located at 26/F., Times Tower, 391–407 Jaffe Road, Wan Chai, Hong Kong.

The issued shares of the Company have been listed on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (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.

As at 31 March 2017, the Company's immediate and ultimate holding company is China Wah Yan Healthcare Limited ("Wah Yan Healthcare"), a public limited company incorporated in Hong Kong and its shares are listed on the Main Board of the Stock Exchange (Stock Code: 648).

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

The unaudited condensed consolidated first quarterly results of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and applicable disclosures by the Rules Governing the Listing of Securities on the GEM (the "GEM Listing Rules") and the Hong Kong Companies Ordinance.

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

The principal accounting policies used in the preparation of the unaudited condensed consolidated first quarterly results for the three months ended 31 March 2017 are consistent with those applied in the Company's annual report for the year ended 31 December 2016, except for the adoption of new and amendments to HKFRSs that affect the Group and has adopted the first time for the current period's unaudited condensed consolidated first quarterly results.

Adoption of Amendments to HKFRSs

In the current period, the Group has applied a number of amendments to HKFRSs issued by the HKICPA that are mandatorily effective for an accounting period that begins on or after 1 January 2017:

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses

The adoption of these amendments to HKFRSs has had no material effect on the Group's financial performance and positions for the current and prior periods and/or on the disclosures set out in these unaudited condensed consolidated first quarterly results.

The Group has not early adopted the new and amendments to HKFRSs that have been issued but are not yet effective.

3. TURNOVER

Gross proceeds represents the amounts received and receivables from sales of goods and provision of medical laboratory testing services and health check services less sales tax and discounts, money lending business and provision of research and development services, if any, and sales proceeds arising from trading of securities during the three months ended 31 March 2017.

	Three months ended 31 March	
	2017	2016
	HK$'000	*HK$'000*
Continuing operations		
Manufacture and sale of health related and pharmaceutical products	**20,532**	3,804
Provision of medical laboratory testing services and health check services	**13,554**	12,575
Money lending business	**–**	192
Provision for research and development services	**20**	–
	34,106	16,571
Gross proceeds from trading of securities *(Note)*	**4,891**	13,591
Gross proceeds	**38,997**	30,162
Discontinued operation		
Manufacture and sale of consumer cosmetics	**–**	22,832
Manufacture and sale of health supplement wine, dental materials and equipment	**–**	431
	–	23,263

Note:

The gross proceeds from trading of securities were recorded in "net (loss)/gain on financial assets through profit or loss" after setting off the relevant cost.

4. NET (LOSS)/GAIN ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS ("FVTPL")

	Three months ended 31 March	
	2017	2016
	HK$'000	*HK$'000*
Continuing operations		
Net unrealised (loss)/gain on financial assets at FVTPL	**(16,440)**	1,871
Net realised loss on financial assets at FVTPL	**(6,700)**	(1,328)
	(23,140)	543

5. OTHER INCOME AND GAINS/(LOSSES)

	Three months ended 31 March	
	2017	2016
	HK$'000	*HK$'000*
Continuing operations		
Interest income	**31**	30
Government grant *(Note)*	**–**	596
Sundry income	**83**	193
Exchange losses, net	**(14)**	(84)
	100	735
Discontinued operation		
Sundry income	**–**	359
Exchange losses, net	**–**	(37)
	–	322

Note:

During the three months ended 31 March 2016, the government grant related to an incentive subsidy of RMB500,000 (equivalent to approximately HK$596,000) received 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). There was no specific condition attached to the grant. There was no such item for the three months ended 31 March 2017.

6. FINANCE COSTS

	Three months ended 31 March	
	2017	2016
	HK$'000	*HK$'000*
Continuing operations		
Interest expenses:		
– Bank borrowing	**28**	–
– Other borrowings	**556**	761
– Imputed interest on loan from a non-controlling shareholder of a subsidiary	**18**	–
Total interest expenses	**602**	761
Less: Interest capitalised on construction in progress *(Note)*	**(406)**	–
	196	761
Discontinued operation		
Interest expenses:		
– Bank borrowings	**–**	312
– Other borrowings	**–**	261
	–	573

Note:

Borrowing costs capitalised during the period arose from specific other borrowings that are used to finance the construction costs of a manufacturing plant on an existing land in Guizhou Province, the PRC and the borrowing costs are capitalised at a rate of 1% per month for the three month ended 31 March 2017 (three month ended 31 March 2016: Nil).

7. INCOME TAX EXPENSES

	Three months ended 31 March	
	2017	2016
	HK$'000	*HK$'000*
Continuing operations		
The amount comprises:		
Current tax:		
– Hong Kong Profits Tax	**124**	83
Deferred tax:		
– Current period	**(51)**	(51)
	73	32
Discontinued operation		
The amount comprises:		
Current tax:		
– The PRC Enterprise Income Tax	**–**	51
	–	51

Hong Kong Profits Tax is calculated at the tax rate of 16.5% (three months ended 31 March 2016: 16.5%) on the estimated assessable profits arising in Hong Kong during the three months ended 31 March 2017.

The subsidiaries in the PRC are subject to the PRC Enterprise Income Tax at 25% for the three months ended 31 March 2017 (three months ended 31 March 2016: 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) ("Shuang Sheng"), which is accredited with high and new technology enterprise status and thus enjoys a preferential tax rate of 15% for the three months ended 31 March 2017 (three months ended 31 March 2016: 15%).

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.

8. DIVIDEND

The Board does not recommend the payment of any dividend for the three months ended 31 March 2017 (three months ended 31 March 2016: HK$Nil).

9. (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 during the three months ended 31 March 2017 and 2016.

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

	Three months ended 31 March	
	2017	2016
Weighted average number of ordinary shares	**788,367**	656,987

Continuing and discontinued operations

	Three months ended 31 March	
	2017	2016
(Loss)/profit for the period attributable to owners of the Company *(HK$'000)*	**(27,935)**	24,570
Weighted average number of ordinary shares *('000)*	**788,367**	656,987
Basic (loss)/earnings per share *(HK$)*	**(0.035)**	0.037

Continuing operations

	Three months ended 31 March	
	2017	2016
(Loss)/profit for the period attributable to owners of the Company *(HK$'000)*	**(27,935)**	24,570
Less: profit for the period attributable to owners of the Company from discontinued operation *(HK$'000)*	**–**	35,526
Loss for the period attributable to owners of the Company from continuing operations *(HK$'000)*	**(27,935)**	(10,956)
Weighted average number of ordinary shares *('000)*	**788,367**	656,987
Basic loss per share *(HK$)*	**(0.035)**	(0.017)

Discontinued operation

For the three months ended 31 March 2016, basic earnings per share for discontinued operation attributable to owners of the Company is HK$0.054, based on the profit for the period of approximately HK$35,526,000 and the denominators detailed above for basic (loss)/earnings per share. During the three months ended 31 March 2017, the Group did not have any discontinued operation.

No diluted (loss)/earnings per share has been presented for the three months ended 31 March 2017 as there was no dilutive potential ordinary share outstanding during the period (three months ended 31 March 2016: Diluted (loss)/earnings per share was the same as basic (loss)/earnings per share as the share options had an anti-dilutive effect on the basic (loss)/earnings per share).

10. DISCONTINUED OPERATION

On 17 December 2015, the Company entered into a sale and purchase agreement with Mr. Yang Shunfeng, a director of certain subsidiaries of Wallfaith Company Limited ("Wallfaith"), to dispose of 100% of the equity interests in Wallfaith and its subsidiaries (collectively, the "Wallfaith Group") (the "Wallfaith Disposal"). The total cash consideration for the Wallfaith Disposal amounted to HK$15,000,000. The completion of the Wallfaith Disposal took place on 16 March 2016. Details of the Wallfaith Disposal are disclosed in the announcement of the Company dated 17 December 2015 and the circular of the Company dated 15 January 2016. The manufacture and sale of consumer cosmetics and health supplement wine, and trading of dental materials and equipment in the PRC were regarded as discontinued operation of the Group.

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

	Three months ended 31 March 2016 *HK$'000*
Profit for the period from discontinued operation	1,296
Gain on disposal of the Wallfaith Group for the period	34,230
	35,526

The results of the Wallfaith Group for the three months ended 31 March 2016 only included the results from 1 January 2016 to the date of completion of the Wallfaith Disposal (i.e. 16 March 2016), which have been audited and included in the condensed consolidated statement of profit or loss and other comprehensive income, were as follows:

	Three months ended 31 March 2016
	HK$'000
Turnover	23,263
Cost of sales	(15,396)
Gross profit	7,867
Other income and gains/(losses)	322
Selling and distribution expenses	(4,746)
Administrative expenses	(1,523)
Profit from operation	1,920
Finance costs	(573)
Profit before tax	1,347
Income tax expenses	(51)
Profit for the period	1,296

An analysis of the net assets of the Wallfaith Group at the date on which the Group lost control (i.e. 16 March 2016) were as follows:

	HK$'000
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
Trade payables	17,336
Other payables and accruals	59,775
Bank borrowings	18,001
Total liabilities	95,112
Net assets disposed of	5,572

	Three months ended 31 March 2016 HK$'000
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

11. ASSETS HELD FOR SALE

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 International Limited ("Allied View") and the entire sum owed by Allied View to the Company (the "Sale Loan") at a cash consideration of HK$13,600,000 (the "1st Disposal Agreement") (the "1st Allied View Disposal"). The completion of the 1st Allied View Disposal took place on the same date. The consideration should be settled by Mr. Jiang on or before 28 February 2016. Details of the 1st Allied View Disposal 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) (the "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) (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.

On 31 May 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 the parties to the 1st Allied View Disposal reversed the 1st Allied View 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 (the "Reversal") on 1 June 2016 pursuant to the terms and conditions of the supplement agreement to the 1st Disposal Agreement. Details of the Reversal are disclosed in the announcement of the Company dated 31 May 2016.

On 17 November 2016, Dynasty, as vendor, entered into another sale and purchase, agreement with an independent third party, Mr. U Man Iong, as purchaser, to dispose of the entire issued share capital in Allied View and the Sale Loan at a cash consideration of HK$10,000,000 (the "2nd Allied View Disposal"). The completion of the 2nd Allied View Disposal took place on 15 February 2017. Details of the 2nd Allied View Disposal are disclosed in the announcement of the Company dated 17 November 2016.

Loss on disposal of assets held for sale:

	Three months ended 31 March	
	2017	2016
	HK$'000	*HK$'000*
Consideration	**10,000**	13,600
Release of exchange difference upon disposal	**(1,716)**	(1,077)
Less: Net liabilities disposed of	**20,254**	15,713
Less: Sale Loan assigned	**(29,036)**	(29,031)
	(498)	(795)

12. DISPOSAL OF SUBSIDIARIES

On 30 March 2017, Luxury Sun Holdings Limited, an indirect wholly-owned subsidiary of the Company, as vendor, entered into a sale and purchase agreement with an independent third party, as purchaser, to dispose of the entire equity interests in Jet Rich Investment Limited and its subsidiary (collectively, the "Jet Rich Group") at a cash consideration of HK$12,700,000. The completion of the disposal of the Jet Rich Group took place on the same date and the consideration for such disposal had been received in full as at the date of this report.

An analysis of the net assets of the Jet Rich Group at the date on which the Group lost control (i.e. 30 March 2017), were as follows:

	HK$'000
Property, plant and equipment	**221**
Deposits, prepayments and other receivables	**663**
Cash and cash equivalents	**12,528**
Total assets	**13,412**
Other payables and accruals	**4,839**
Total liabilities	**4,839**
Net assets disposed of	**8,573**

	Three months ended 31 March 2017 *HK$'000*
Gain on disposal of the Jet Rich Group:	
Consideration	**12,700**
Release of exchange difference upon disposal	**(1,728)**
Less: Net assets disposed of	**(8,573)**
	2,399

13. EVENT AFTER THE END OF THE REPORTING PERIOD

On 7 April 2017, Icy Snow Limited, a direct wholly-owned subsidiary of the Company, as vendor, entered into a sale and purchase agreement with two independent third parties, Mr. Wang Pingping and Ms. Gao Shige, as purchasers, to dispose of 30% equity interests in Magical Bloom Limited and its subsidiaries (collectively, the "Magical Bloom Group") and the entire sum owed by the Magical Bloom Group to the Company at an aggregate cash consideration of HK$41,000,000 (the "MB Disposal"). As at the date of this report, completion of the MB Disposal had not yet taken place as certain conditions precedent to which such disposal is subject remained unfulfilled. Details of the MB Disposal are disclosed in the joint announcement of the Company and Wah Yan Healthcare dated 9 April 2017.

14. COMPARATIVE FIGURES

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

BUSINESS AND FINANCIAL REVIEW

During the three months ended 31 March 2017 (the "2017 Q1 Period"), the principal activities of the Group are (i) the 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.

Turnover

During the 2017 Q1 Period, the Group recorded a turnover of approximately HK$34,106,000, representing a significant increase of approximately 105.82% as compared with that of approximately HK$16,571,000 for the three months ended 31 March 2016 (the "2016 Q1 Period"). The overall increase in the turnover was mainly due to the contribution of the new business portfolio, i.e. trading of pharmaceutical intermediates to the countries in the Asia-Pacific region including Malaysia and Singapore, of approximately HK$17,383,000 (2016 Q1 Period: HK$Nil) since the fourth quarter of 2016.

Manufacture and sale of health related and pharmaceutical products

Manufacture and sale of health related and pharmaceutical products segment recorded a significant improvement in turnover during the 2017 Q1 Period. The turnover of this segment significantly increased from approximately HK$3,804,000 for the 2016 Q1 Period to approximately HK$20,532,000 for the 2017 Q1 Period mainly due to the contribution of the new business portfolio, i.e. trading of pharmaceutical intermediates to the countries in the Asia-Pacific region, of approximately HK$17,383,000 during the 2017 Q1 Period (2016 Q1 Period: HK$Nil) since the fourth quarter of 2016, despite the sales performance of the healthcare and skincare products business of the Group in Hong Kong has been affected significantly due to the fact that the competition within Hong Kong's healthcare and skincare product market is extremely intense and the market has shrunk due to the continual reduction in Chinese tourist's average spending in these years.

The Group has also upgraded and redesigned the websites of the operating subsidiaries, http://www.thslife.com.hk and http://www.healthyintl.com, since the fourth quarter of the year 2016 in order to enhance the online sales of healthcare and skincare related products. Starting from 2017, the Group has also expanded the e-commerce business through online sales platforms such as bonbontong.com.

Provision of medical laboratory testing services and health check services

The Group had offered a wide spectrum of quality health check diagnostic services in Hong Kong through three health check centers, one medical testing central laboratory and one molecular laboratory. During the 2017 Q1 Period, a service contract with a major customer was renewed for a further period of 3 years and the price list for exclusive laboratory services was adjusted with some increments for the unit prices of certain laboratory tests, as well as more diversified laboratory tests are carried out to different customers, the turnover of this segment increased slightly from approximately HK$12,575,000 for the 2016 Q1 Period to approximately HK$13,554,000 for the 2017 Q1 Period, notwithstanding the existence of the keen competition in the medical laboratory testing services and health check services industry in light of the market saturation and the constant increase in number of new entrants in the industry.

Starting from 2017, the Group has provided regular seminars to local specialist doctors about the molecular laboratory testing services provided by the Group in order to expand the customer base, enhance its competitiveness in the market and profitability.

Trading of financial assets at FVTPL

The Group investment portfolio comprises investments in listed securities in Hong Kong during the 2017 Q1 Period. This business segment recorded a net loss on financial assets at FVTPL of approximately HK$23,140,000 during the 2017 Q1 Period (2016 Q1 Period: net gain of approximately HK$543,000) comprising (i) the net unrealised loss on fair value changes of approximately HK$16,440,000 (2016 Q1 Period: net unrealised gain of approximately HK$1,871,000); and (ii) the net realised loss of approximately HK$6,700,000 (2016 Q1 Period: HK$1,328,000).

The performance of equity investments is subject to certain degree of volatility in the Hong Kong stock market and is susceptible to other external factors. It has been the policy of the Company to closely monitor the performance of its securities investment and to diversify the investment portfolio with a view to mitigating possible financial risks related to the equity investments.

Gross profit and gross profit margin

The Group recorded an increase in the gross profit from continuing operations in the 2017 Q1 Period of approximately HK$7,166,000 when compared with that of approximately HK$5,046,000 in the 2016 Q1 Period. However, the gross profit margin for the 2017 Q1 Period was approximately 21.01%, representing a significant decrease by approximately 9.44 percentage point when compared with the gross profit margin of approximately 30.45% for the 2016 Q1 Period. The decrease in gross profit margin was attributable to trading of pharmaceutical intermediates business which commanded a thinner gross profit margin.

Selling and distribution expenses

Selling and distribution expenses for the 2017 Q1 Period from continuing operations were approximately HK$4,496,000 (2016 Q1 Period: HK$4,768,000), representing a slight decrease of approximately HK$272,000 or 5.70% compared with such expenses for the 2016 Q1 Period. Such decrease was mainly attributable to (i) absence of rental expenses for the marketing center of Shuang Sheng in Beijing during the 2017 Q1 Period as the tenancy agreement was terminated in the second quarter of the year 2016; and (ii) less advertising and promotion expenses were incurred for healthcare and skincare product market in Hong Kong as the use of traditional advertising through printed magazines for the 2016 Q1 Period were replaced by the use of online advertising through digital media, which were comparatively less expensive, for the 2017 Q1 Period.

Administrative expenses

The administrative expenses for the 2017 Q1 Period from continuing operations were approximately HK$10,507,000, representing a slight decrease of approximately 9.27%, as compared with that of approximately HK$11,580,000 for the 2016 Q1 Period, which was mainly due to the fact that less legal and other professional fees of approximately HK$553,000 (2016 Q1 Period: HK$1,488,000) were incurred as less merger and acquisition projects and other corporate activities were performed during the 2017 Q1 Period.

Loss for the 2017 Q1 Period

The Group recorded a significant loss of HK$29,159,000 for the 2017 Q1 Period, as opposed to a profit of approximately HK$24,145,000 (comprising loss from continuing operations of approximately HK$11,381,000 and profit from discontinued operation of approximately HK$35,526,000) for the 2016 Q1 Period. The aforesaid loss for 2017 Q1 Period was mainly attributable to a significant net loss of approximately HK$23,140,000 on financial assets at FVTPL, as opposed to a net gain of approximately HK$543,000 for 2016 Q1 Period. During the 2017 Q1 Period, the Group did not have any discontinued operation.

Disposal of subsidiaries

Having taken into consideration that the performance of the Jet Rich Group for the past financial years was not satisfactory, the Directors considered that the disposal of the Jet Rich Group would enable the Company to free up the resources devoted to this business and redirect the resources to the Group's other existing business which might have higher growth potential to maximise the benefit of the shareholders of the Company. The completion of the disposal of the Jet Rich Group took place on 30 March 2017. For details, please refer to the disclosure made in note 12 to the unaudited condensed consolidated first quarterly results.

FUTURE PROSPECT

Looking forward, the Group expects that the business will continue to encounter challenges including (i) the increase in 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 fierce competition in the healthcare related products industry and medical laboratory testing services and health check services in Hong Kong with continuing discounts and programmes, directly affecting on the profitability of the Group.

The Group will continue to focus on the provision of medical laboratory testing services and health check service in Hong Kong and the manufacture and sale of health related and pharmaceutical products in PRC and Hong Kong. In order to expand the scope of its business and bring new dynamics for revenue growth, the Group will continue to look for potential acquisition projects for further development of the existing business segments and expand the trading of pharmaceutical intermediates to overseas business.

Strengthen the medical laboratory testing services and health check services in Hong Kong

Owing to the adverse effect of the keen competition in the medical laboratory testing services and health check services business, the Group will continue to strengthen the cooperation with overseas molecular laboratory companies to promote the specialty tests in Hong Kong and provide seminars to local specialist doctors about the molecular laboratory testing services provided by the Group in with a view to expanding the customer base and maintaining the profitability of the Group. The Group has been looking for new customers and will provide special package discounts to existing customers in order to maintain its market share. Given the rising operating costs and unstable market conditions, the Directors will strive to improve the operational efficiency of its medical laboratory testing services and health check services so as to enhance its competitiveness in the market and profitability.

In addition, the Group has full spectrum of healthcare and molecular tests in order to seize different healthcare market segments, which can differentiate the services of the Group from the competitors. The Group will carry out some new tests including cancer therapeutic tests and personal character analysis.

Strengthen the product list and market penetration in different provinces and main cities in the PRC

For the pharmaceutical products in the PRC, the Group commenced to submit the tenders of new rebranded product in several provinces and main cities in the PRC during the fourth quarter in the year 2016 and at the beginning of the year 2017. The marketing department of Shuang Sheng will closely monitor the status of the tendering process and grab the opportunities to penetrate the markets in order to enlarge the customer base and increase the sale orders if the Group can win the tenders.

The newly-built manufacturing plant on the same parcel of land held by Shuang Sheng is under further expansion for the new pharmaceutical products including capsules, tablets and granules, and such relevant production lines are in the process of application of certificate of Good Manufacturing Practice ("GMP") issued by the China Food and Drug Administration of the PRC (the "CFDA"). The Group has commenced the trial productions of these new pharmaceutical products and submitted required application materials to CFDA for GMP accreditation which are subject to the site identification review, inspection and approval by the CFDA. The Group considers that such expansion will be in its final stage in mid of the year 2018, and idealistically, it will diversify the product portfolio and improve the profitability of the Group as the new and existing pharmaceutical products can share the fixed costs including common facilities and equipment, etc.

Strengthen the healthcare and skincare product market in Hong Kong

The Group has already upgraded and redesigned the websites of the operating subsidiaries, http://www.thslife.com.hk and http://www.healthyintl.com in order to enhance the online sales of healthcare and skincare related products. Starting from 2017, the Group will continue to expand the e-commerce business through other online sales platforms.

Cooperating with Hong Kong's local retails stores such as Eugene Group is an alternative way to expand the distribution channel. The Group has commenced co-operation with Eugene Group which focuses on the infant child products, and entered into the consignment agreement with Eugene Group to distribute several kids supplement products such as Kids Omega 3 and Kids Liquid Calcium. The Group will identify and develop more diversified distribution channels including co-operating with corporate partners to distribute the healthcare and skincare products through the medical network of clinics and/or health check centers in Hong Kong.

The Group will continue to strengthen the health related and pharmaceutical products business through introducing new health related products from overseas suppliers in order to enlarge the product list, attract the customers from different segments through expanding the online distribution channels, consignment stores and corporate partners in Hong Kong, and expand the trading of pharmaceutical intermediates to overseas business through cooperating with more overseas trading partners.

OTHER INFORMATION

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

As at 31 March 2017, 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 SFO) as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by the Directors as referred to in Rule 5.46 of the GEM Listing Rules.

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

As at 31 March 2017, the following persons and entities (other than a Director or chief executive of the Company) had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO:

Long position in shares and underlying shares

Name of shareholders	Nature of interest	No. of shares held	Approximate percentage *(Note a)*
Wah Yan Healthcare	Beneficial owner	406,023,891	51.50%
Liu Xiao Lin	Beneficial owner	93,820,000	11.90%
China New Rich Medicine Holding Co. Limited ("China New Rich Medicine") *(Note b)*	Beneficial owner	86,700,000	11.00%
Max Goodrich International Limited ("Max Goodrich") *(Note b)*	Interest of a controlled corporation	86,700,000	11.00%
New Ray Medicine International Holding Limited ("New Ray Medicine") *(Note b)*	Interest of a controlled corporation	86,700,000	11.00%

Notes:

(a) As at 31 March 2017, the total number of the issued shares of the Company was 788,366,750 ordinary shares of HK$0.10 each of the Company.

(b) China New Rich Medicine is wholly-owned by Max Goodrich, which in turn is wholly-owned by New Ray Medicine.

Save as disclosed above, as at 31 March 2017, no other person or entity who had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO.

RIGHT TO ACQUIRE COMPANY'S SECURITIES

At no time during the 2017 Q1 Period was the Company or any of its subsidiaries, or any of its fellow subsidiaries, a party to any arrangement to enable the Directors or chief executive of the Company or their respective associates (as defined in the GEM Listing Rules) to have any right to subscribe for securities of the Company or any of its associated corporations as defined in the SFO or to acquire benefits by means of acquisition of share in, or debentures of, the Company or any other body corporate.

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES AND AFFILIATED COMPANIES

Except for the disposal of subsidiaries as disclosed in the section headed "BUSINESS AND FINANCIAL REVIEW" above, the Group did not have any other material acquisition or disposal of subsidiaries and affiliated companies for the 2017 Q1 Period.

EMPLOYEES AND REMUNERATION POLICY

As at 31 March 2017, the Group had approximately 184 employees (31 March 2016: 215 employees) which were located in the PRC and Hong Kong. Total staff costs for the 2017 Q1 Period was approximately HK$9,158,000 for continuing operations (2016 Q1 Period: HK$13,137,000 for both continuing and discontinued operations, of which total staff costs from continuing operations recorded approximately HK$10,060,000).

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 and training.

Provident fund benefits are offered to certain full-time employees through a registered scheme under the Occupational Retirement Schemes Ordinance (the "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. 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, which contribution is matched by employees.

The employees in the PRC are members of respective state-managed defined contribution retirement benefits scheme operated by the local government. The employer and the employees are obliged to make contributions at a certain percentage of the basic payroll under rules of the schemes. The only obligation of the Group with respect to the retirement benefit schemes is to make the specified contributions.

The total contributions payable to the above schemes by the Group and charged to the unaudited condensed consolidated statement of profit or loss and other comprehensive income for the 2017 Q1 Period were approximately HK$514,000 for the continuing operations (2016 Q1 Period: HK$990,000 of which total contributions payable from continuing operations shared approximately HK$529,000).

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 2017 Q1 Period.

COMPLIANCE WITH CODE OF CONDUCT FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by Directors on terms not less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry with all Directors, the Company confirmed that all Directors have complied with the required standard of dealings and its code of conduct concerning securities transactions by the Directors during the 2017 Q1 Period.

CODE ON CORPORATE GOVERNANCE PRACTICES

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

Throughout the 2017 Q1 Period, the Company has complied with the code provisions in the Corporate Governance Code as set out in Appendix 15 to the GEM Listing Rules.

COMPETING AND CONFLICT OF INTEREST

None of the Directors or the controlling shareholders of the Company or their respective associates (as defined in the GEM Listing Rules) had any interest in a business, which competes or may compete, either directly or indirectly, with the business of the Group nor any conflict of interest which has or may have with the Group during the 2017 Q1 Period.

AUDIT COMMITTEE

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

The unaudited condensed consolidated first quarterly results of the Group for the 2017 Q1 Period have not been audited by the Company's auditor, but have been reviewed by the Audit Committee in accordance with the accounting principles and practices adopted by the Company and the Audit Committee has discussed internal controls and financial reporting matters before any disclosure and release of information.

SUFFICIENCY OF PUBLIC FLOAT

Based on 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 express my sincere gratitude to all 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 May 2017

As at the date of this report, the Board comprises (i) three executive Directors namely, Mr. CHAN Ka Chung (Chairman), Mr. LEUNG Pak Hou Anson (Chief Executive Officer) and Mr. CHEUNG Wai Kwan; (ii) one non-executive Director namely, Mr. GAO Yongping; and (ii) three independent non-executive Directors namely Mr. HO Fung Shan Bob, Mr. LEUNG Ka Fai and Mr. YUEN Chun Fai.