

INTERIM 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 INTERIM RESULTS

The board (the “Board”) of Directors of the Company presents the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively, the “Group”) for the three months and six months ended 30 June 2017, together with the comparative unaudited figures for the corresponding period in 2016, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE THREE MONTHS AND SIX MONTHS ENDED 30 JUNE 2017

		Three months ended 30 June		Six months ended 30 June	
	Notes	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Continuing operations					
Gross proceeds	3, 4	132,777	50,789	171,774	80,951
Turnover	3, 4	25,953	17,514	60,059	34,085
Cost of sales		(18,803)	(10,702)	(45,743)	(22,227)
Gross profit		7,150	6,812	14,316	11,858
Net gain/(loss) on financial assets at fair value through profit or loss	5	955	(13,826)	(22,185)	(13,283)
Other income and gains	6	182	5,912	282	6,647
Selling and distribution expenses		(3,683)	(4,509)	(8,179)	(9,277)
Administrative expenses		(10,993)	(17,065)	(21,500)	(28,645)
Loss from operations		(6,389)	(22,676)	(37,266)	(32,700)
Finance costs	7	(530)	(825)	(726)	(1,586)
Reversal of loss/(loss) on disposal of assets held for sale	21	–	795	(498)	–
Gain on disposal of subsidiaries	22	74	–	2,473	–
Gain on disposal of associates	23	25,558	–	25,558	–
Share of profits of associates		1,130	1,867	1,216	2,239
Share of profit/(loss) of a joint venture		–	65	–	(76)
Profit/(loss) before tax	8	19,843	(20,774)	(9,243)	(32,123)
Income tax expenses	9	(184)	(60)	(257)	(92)
Profit/(loss) for the period from continuing operations		19,659	(20,834)	(9,500)	(32,215)
Discontinued operation					
Profit for the period from discontinued operation	20	–	–	–	35,526
Profit/(loss) for the period		19,659	(20,834)	(9,500)	3,311

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE THREE MONTHS AND SIX MONTHS ENDED 30 JUNE 2017

Notes	Three months ended 30 June 2017 HK\$'000 (Unaudited)		Six months ended 30 June 2017 HK\$'000 (Unaudited)	
	2016 HK\$'000 (Unaudited)		2016 HK\$'000 (Unaudited)	
Profit/(loss) for the period	19,659	(20,834)	(9,500)	3,311
Other comprehensive income/ (loss) for the period				
Items that may be reclassified subsequently to profit or loss:				
Exchange differences arising from translation of foreign operations	515	(1,418)	859	(1,198)
Release of exchange difference upon disposal of assets held for sale	21	–	1,716	–
Release of exchange difference upon disposal of subsidiaries	22	–	1,728	–
Release of exchange difference upon disposal of associates	23	293	293	–
Release of exchange difference upon disposal of discontinued operation	20	–	–	(24,802)
Share of exchange differences of investments in associates		84	393	252
Share of exchange difference of investment in a joint venture		–	–	(289)
Other comprehensive income/ (loss) for the period, net of tax	892	(2,704)	4,989	(26,037)
Total comprehensive income/ (loss) for the period	20,551	(23,538)	(4,511)	(22,726)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE THREE MONTHS AND SIX MONTHS ENDED 30 JUNE 2017

	Three months ended		Six months ended	
	30 June		30 June	
	2017	2016	2017	2016
	Notes	HK\$'000	HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)	(Unaudited)
Profit/(loss) for the period attributable to:				
Owners of the Company				
– From continuing operations		20,641	(17,639)	(7,294)
– From discontinued operation		–	–	–
Non-controlling interests				
– From continuing operations		(982)	(3,195)	(2,206)
		19,659	(20,834)	(9,500)
Total comprehensive income/(loss) for the period attributable to:				
Owners of the Company		21,296	(19,823)	(2,660)
Non-controlling interests		(745)	(3,715)	(1,851)
		20,551	(23,538)	(4,511)
Earnings/(loss) per share	11			
Continuing and discontinued operations (HK\$)				
– Basic and diluted		0.026	(0.027)	(0.009)
Continuing operations (HK\$)				
– Basic and diluted		0.026	(0.027)	(0.009)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2017

		30 June 2017 HK\$'000 (Unaudited)	31 December 2016 HK\$'000 (Audited)
	Notes		
NON-CURRENT ASSETS			
Property, plant and equipment		42,413	41,421
Prepaid lease payments		7,970	7,842
Goodwill		1,742	1,742
Intangible assets		56,331	56,610
Investments in associates		37,494	48,743
Available-for-sale financial assets		25,661	20,621
		171,611	176,979
CURRENT ASSETS			
Prepaid lease payments		231	224
Inventories		6,884	7,395
Trade receivables	12	19,154	21,974
Deposits, prepayments and other receivables	13	54,311	18,123
Tax recoverable		721	945
Held for trading securities		–	53,844
Cash and cash equivalents		64,609	34,695
		145,910	137,200
Assets classified as held for sale	21	–	8,777
		145,910	145,977

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2017

		30 June 2017	31 December 2016
	<i>Notes</i>	HK\$'000	HK\$'000
		(Unaudited)	(Audited)
CURRENT LIABILITIES			
Trade payables	14	5,354	8,390
Other payables and accruals	15	14,275	15,589
Bank and other borrowings		20,662	18,854
Tax payable		134	–
		40,425	42,833
NET CURRENT ASSETS		105,485	103,144
TOTAL ASSETS LESS CURRENT LIABILITIES		277,096	280,123
NON-CURRENT LIABILITIES			
Loans from a non-controlling shareholder of a subsidiary		4,705	3,120
Deferred tax liabilities		1,685	1,786
		6,390	4,906
NET ASSETS		270,706	275,217
CAPITAL AND RESERVES			
Share capital		78,837	78,837
Reserves		184,013	186,673
Equity attributable to owners of the Company		262,850	265,510
Non-controlling interests		7,856	9,707
TOTAL EQUITY		270,706	275,217

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2017

	Attributable to owners of the Company										Non-controlling interests	Total
	Share capital	Share premium	Share option reserves	Special reserve	Other reserves	Statutory surplus reserve fund	Statutory enterprise expansion fund	Exchange reserves	Accumulated losses	Sub-total		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (Note a)	HK\$'000 (Note b)	HK\$'000 (Note c)	HK\$'000 (Note d)	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2017 (Audited)	78,837	279,068	-	212,948	4,163	-	-	(5,949)	(303,557)	265,510	9,707	275,217
Loss for the period	-	-	-	-	-	-	-	-	(7,294)	(7,294)	(2,206)	(9,500)
Other comprehensive income for the period:												
Exchange differences arising on translation of foreign operations	-	-	-	-	-	-	-	504	-	504	355	859
Release of exchange difference upon disposal of assets held for sale (Note 21)	-	-	-	-	-	-	-	1,716	-	1,716	-	1,716
Release of exchange difference upon disposal of subsidiaries (Note 22(a))	-	-	-	-	-	-	-	1,728	-	1,728	-	1,728
Release of exchange difference upon disposal of associates (Note 23)	-	-	-	-	-	-	-	293	-	293	-	293
Share of exchange differences of investments in associates	-	-	-	-	-	-	-	393	-	393	-	393
Other comprehensive income for the period, net of tax	-	-	-	-	-	-	-	4,634	-	4,634	355	4,989
Total comprehensive income/ (loss) for the period	-	-	-	-	-	-	-	4,634	(7,294)	(2,660)	(1,851)	(4,511)
At 30 June 2017 (Unaudited)	78,837	279,068	-	212,948	4,163	-	-	(1,315)	(310,851)	262,850	7,856	270,706

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2016

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

Notes:

- (a) Special reserve of (i) approximately HK\$22,443,000 represents the difference between the paid-up capital and share premium of the subsidiary acquired and the nominal value of the Company's shares issued for the acquisition at the time of the Group reorganisation on 26 May 2004, which was transferred to accumulated losses upon disposal of subsidiaries during the six months ended 30 June 2016; and (ii) approximately HK\$212,948,000 was recorded after setting off of the capital reduction and the cancellation of the share premium with the accumulated losses as at the date of the change of domicile and the capital reorganisation of the Company which became effective on 28 August 2013 and 19 September 2013 respectively.
- (b) Other reserves arose from the deemed disposal of partial interests in subsidiaries through issue and allotment of new shares by the then subsidiaries to certain independent third parties.
- (c) Pursuant to the articles of association of certain subsidiaries of the Company in the People's Republic of China (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.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2017

	Six months ended 30 June	
	2017	2016
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Net cash used in operating activities	(15,213)	(29,904)
Net cash generated from/(used in) investing activities	42,544	(30,064)
Net cash generated from financing activities	2,700	12,070
Net increase/(decrease) in cash and cash equivalents	30,031	(47,898)
Cash and cash equivalents at beginning of the period	34,695	78,237
Effect of foreign exchange rate changes	(117)	842
Cash and cash equivalents at end of the period	64,609	31,181

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM RESULTS

1. GENERAL INFORMATION

The Company 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 26/F., Times Tower, 391-407 Jaffe Road, Wan Chai, Hong Kong.

The issued shares of the Company have been listed on GEM 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 30 June 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 interim results for the six months ended 30 June 2017 have been prepared in accordance with Hong Kong Accounting Standard 34 ("HKAS 34") Interim Financial Reporting issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") as well as with the applicable disclosure requirements of Chapter 18 of the GEM Listing Rules.

The unaudited condensed consolidated interim results for the six months ended 30 June 2017 and selected explanatory notes thereon do not include all of the information required for full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") and should be read in conjunction with the Group's annual report for the year ended 31 December 2016.

The unaudited condensed consolidated interim results for the six months ended 30 June 2017 have been prepared under the historical cost basis, except for certain financial instruments which are measured at fair value.

The principal accounting policies used in the preparation of the unaudited condensed consolidated interim results for the six months ended 30 June 2017 are consistent with those applied in the Company's annual report for the year ended 31 December 2016, except for the amendments to HKFRSs that are adopted for the first time for the current period's unaudited condensed consolidated interim results.

Adoption of New and Amendments to HKFRSs

In the current period, the Group has adopted 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 interim results.

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

Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions ¹
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts ¹
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
HKFRS 9	Financial Instruments ¹
HKFRS 15	Revenue from Contracts with Customers and the related Amendments ¹
HKFRS 16	Leases ²

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

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

³ Effective for annual periods beginning on or after a date to be determined

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

3. SEGMENT INFORMATION

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

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

Segment turnover and results

For the six months ended 30 June 2017

	Manufacture and sale of health related and pharmaceutical products HK\$'000 (Unaudited)	Provision of medical laboratory testing services and health check services HK\$'000 (Unaudited)	Trading of financial assets at fair value through profit or loss HK\$'000 (Unaudited)	Others HK\$'000 (Unaudited)	Continuing operations HK\$'000 (Unaudited)	Discontinued operation HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
Gross proceeds –							
Segment turnover (Note)	31,840	28,199	111,715	20	171,774	–	171,774
Segment results	(4,595)	(1,331)	(23,571)	(1,165)	(30,662)	–	(30,662)
Other income and gains					282	–	282
Finance costs					(726)	–	(726)
Loss on disposal of assets held for sale					(498)	–	(498)
Gain on disposal of subsidiaries					2,473	–	2,473
Gain on disposal of associates					25,558	–	25,558
Share of profits of associates					1,216	–	1,216
Unallocated corporate expenses					(6,886)	–	(6,886)
Loss before tax					(9,243)	–	(9,243)
Income tax expenses					(257)	–	(257)
Loss for the period					(9,500)	–	(9,500)

For the six months ended 30 June 2016

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

Note:

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

	Six months ended 30 June	
	2017 <i>HK\$'000</i> (Unaudited)	2016 <i>HK\$'000</i> (Unaudited)
Gross proceeds	171,774	80,951
Less: Gross proceeds from trading of securities	(111,715)	(46,866)
Turnover	60,059	34,085

Segment assets and liabilities**As at 30 June 2017**

	Manufacture and sale of health related and pharmaceutical products HK\$'000 (Unaudited)	Provision of medical laboratory testing services and health check services HK\$'000 (Unaudited)	Trading of financial assets at fair value through profit or loss HK\$'000 (Unaudited)	Others HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
Assets					
Segment assets	54,061	87,176	39,351	1,943	182,531
Unallocated corporate assets					134,990
Total assets					317,521
Liabilities					
Segment liabilities	12,391	11,587	101	120	24,199
Unallocated corporate liabilities					22,616
Total liabilities					46,815

As at 31 December 2016

	Manufacture and sale of health related and pharmaceutical products HK\$'000 (Audited)	Provision of medical laboratory testing services and health check services HK\$'000 (Audited)	Trading of financial assets at fair value through profit or loss HK\$'000 (Audited)	Others HK\$'000 (Audited)	Total HK\$'000 (Audited)
Assets					
Segment assets	52,068	89,176	55,061	8,857	205,162
Assets classified as held for sale					8,777
Unallocated corporate assets					109,017
Total assets					322,956
Liabilities					
Segment liabilities	10,863	10,964	115	4,945	26,887
Unallocated corporate liabilities					20,852
Total liabilities					47,739

Other segment information

For the six months ended 30 June 2017

	Manufacture and sale of health related and pharmaceutical products HK\$'000 (Unaudited)	Provision of medical laboratory testing services and health check services HK\$'000 (Unaudited)	Trading of financial assets at fair value through profit or loss HK\$'000 (Unaudited)	Others HK\$'000 (Unaudited)	Continuing operations HK\$'000 (Unaudited)	Discontinued operation HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
Capital expenditures	2,196	219	-	1,236	3,651	-	3,651
Loss on disposal of assets held for sale	-	-	-	498	498	-	498
Gain on disposal of subsidiaries	-	-	-	(2,473)	(2,473)	-	(2,473)
Gain on disposal of associates	-	-	-	(25,558)	(25,558)	-	(25,558)
Share profits of associates	-	-	-	(1,216)	(1,216)	-	(1,216)
Amortisation of prepaid lease payments	114	-	-	-	114	-	114
Amortisation of intangible assets	-	612	-	-	612	-	612
Depreciation of property, plant and equipment	545	2,030	-	289	2,864	-	2,864

For the six months ended 30 June 2016

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

4. TURNOVER

Gross proceeds represent 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, money lending business and provision of research and development services, and sales proceeds arising from trading of securities, during the three and the six months ended 30 June 2017.

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

	Three months ended 30 June		Six months ended 30 June	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Continuing operations				
Net unrealised gain/(loss) on financial assets at FVTPL	16,440	(9,734)	–	(7,863)
Net realised loss on financial assets at FVTPL	(15,485)	(4,092)	(22,185)	(5,420)
	955	(13,826)	(22,185)	(13,283)

6. OTHER INCOME AND GAINS

	Three months ended		Six months ended	
	30 June		30 June	
	2017	2016	2017	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Continuing operations				
Dividend income	–	4,198	–	4,198
Forfeiture of consideration received	–	1,360	–	1,360
Interest income	111	25	142	55
Government grant (Note)	–	–	–	596
Sundry income	67	278	150	471
Fixed assets written off	–	(4)	–	(4)
Exchange gains/(losses), net	4	55	(10)	(29)
	182	5,912	282	6,647
	Three months ended		Six months ended	
	30 June		30 June	
	2017	2016	2017	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Discontinued operation				
Sundry income	–	–	–	359
Exchange losses, net	–	–	–	(37)
	–	–	–	322

Note:

During the six months ended 30 June 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 grant for the six months ended 30 June 2017.

7. FINANCE COSTS

	Three months ended 30 June		Six months ended 30 June	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Continuing operations				
Interest expenses:				
– Bank borrowing	27	–	55	–
– Other borrowings	883	825	1,439	1,586
– Imputed interest on loans from a non-controlling shareholder of a subsidiary	27	–	45	–
Total interest expenses	937	825	1,539	1,586
Less: Interest capitalised on construction in progress (Note)	(407)	–	(813)	–
	530	825	726	1,586
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 existing land in Guizhou Province, the PRC and the borrowing costs are capitalised at a rate of 1% per month for the six months ended 30 June 2017 (six months ended 30 June 2016: Nil).

8. PROFIT/(LOSS) BEFORE TAX

Profit/(loss) before tax has been arrived at after charging:

	Three months ended 30 June		Six months ended 30 June	
	2017	2016	2017	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Continuing operations				
Staff costs (including Directors' emoluments):				
– Salaries and other benefits	7,678	8,915	16,322	18,446
– Retirement benefits scheme contributions	383	459	897	988
	8,061	9,374	17,219	19,434
Amortisation of prepaid lease payments	57	59	114	119
Amortisation of intangible assets	306	306	612	612
Cost of inventories recognised as expenses	12,570	4,612	33,523	9,517
Depreciation of property, plant and equipment	1,444	1,303	2,864	2,629
Impairment loss recognised on trade receivables	–	–	–	5,013
Operating lease charges – minimum lease payments:				
– Office premises, warehouses and staff quarters	1,377	1,926	2,865	4,026
Discontinued operation				
Staff costs:				
– Salaries and other benefits	–	–	–	2,756
– Retirement benefits scheme contributions	–	–	–	321
	–	–	–	3,077
Amortisation of prepaid lease payments	–	–	–	23
Cost of inventories recognised as expenses	–	–	–	15,396
Depreciation of property, plant and equipment	–	–	–	288
Impairment loss recognised on trade receivables	–	–	–	31
Operating lease charges – minimum lease payments:				
– Office premises, warehouses and staff quarters	–	–	–	83

9. INCOME TAX EXPENSES

	Three months ended 30 June		Six months ended 30 June	
	2017	2016	2017	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Continuing operations				
The amount comprises:				
Current tax:				
– Hong Kong Profits Tax	234	110	358	193
Deferred tax:				
– Current period	(50)	(50)	(101)	(101)
	184	60	257	92
Discontinued operation				
The amount comprises:				
Current tax:				
– The PRC Enterprise Income Tax	–	–	–	51

Hong Kong Profits Tax is calculated at the tax rate of 16.5% (six months ended 30 June 2016: 16.5%) on the estimated assessable profits arising in Hong Kong during the six months ended 30 June 2017.

The subsidiaries in the PRC are subject to the PRC Enterprise Income Tax at the tax rate of 25% for the six months ended 30 June 2017 (six months ended 30 June 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 six months ended 30 June 2017 (six months ended 30 June 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.

10. DIVIDEND

The Board does not recommend the payment of any dividend for the six months ended 30 June 2017 (six months ended 30 June 2016: HK\$Nil).

11. EARNINGS/(LOSS) PER SHARE

Basic earnings/(loss) per share is calculated by dividing the profit/(loss) for the period attributable to owners of the Company by the weighted average number of ordinary shares during the six months ended 30 June 2017 and 2016.

Weighted average number of ordinary shares ('000)

	Three months ended 30 June		Six months ended 30 June	
	2017	2016	2017	2016
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Weighted average number of ordinary shares	788,367	656,987	788,367	656,987

Continuing and discontinued operations

	Three months ended 30 June		Six months ended 30 June	
	2017	2016	2017	2016
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Profit/(loss) for the period attributable to owners of the Company (HK\$'000)	20,641	(17,639)	(7,294)	6,931
Weighted average number of ordinary shares ('000)	788,367	656,987	788,367	656,987
Basic earnings/(loss) per share (HK\$)	0.026	(0.027)	(0.009)	0.011

Continuing operations

	Three months ended 30 June		Six months ended 30 June	
	2017	2016	2017	2016
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Profit/(loss) for the period attributable to owners of the Company <i>(HK\$'000)</i>	20,641	(17,639)	(7,294)	6,931
Less: profit for the period attributable to owners of the Company from discontinued operation <i>(HK\$'000)</i>	–	–	–	35,526
Profit/(loss) for the period attributable to owners of the Company from continuing operations <i>(HK\$'000)</i>	20,641	(17,639)	(7,294)	(28,595)
Weighted average number of ordinary shares <i>('000)</i>	788,367	656,987	788,367	656,987
Basic earnings/(loss) per share <i>(HK\$)</i>	0.026	(0.027)	(0.009)	(0.043)

Discontinued operation

For the six months ended 30 June 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 earnings/(loss) per share. During the three months ended 30 June 2016, the three and the six months ended 30 June 2017, the Group did not have any discontinued operation.

No diluted earnings/(loss) per share has been presented for the three and the six months ended 30 June 2017 and 2016 as there was no dilutive potential ordinary share outstanding during the periods.

12. TRADE RECEIVABLES

	30 June 2017 HK\$'000 (Unaudited)	31 December 2016 HK\$'000 (Audited)
Trade receivables	24,012	26,685
Less: Allowance for bad and doubtful debts	(4,858)	(4,711)
	19,154	21,974

The Group has a policy of allowing an average credit period of 90 days to its trade customers. The following is an aged analysis of trade receivables, based on the invoice date and net of allowance for bad and doubtful debts, at the end of the reporting period:

	30 June 2017 HK\$'000 (Unaudited)	31 December 2016 HK\$'000 (Audited)
0 to 90 days	11,047	16,516
91 to 180 days	2,205	2,104
181 to 365 days	3,782	1,604
Over 365 days	2,120	1,750
	19,154	21,974

Ageing analysis of trade receivables past due but not impaired:

	30 June 2017 HK\$'000 (Unaudited)	31 December 2016 HK\$'000 (Audited)
Less than 90 days past due	2,205	2,104
91 to 275 days past due	3,782	1,604
Over 275 days past due	2,120	1,750
	8,107	5,458

13. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	30 June 2017 HK\$'000 (Unaudited)	31 December 2016 HK\$'000 (Audited)
Rental and other deposits	3,357	2,031
Prepayments	9,088	3,462
Other receivables (<i>Note</i>)	2,920	11,817
Cash held in securities trading accounts with stock brokers	38,946	813
	54,311	18,123

Note:

As at 31 December 2016, included in other receivables was the balance due from an associate of approximately HK\$2,317,000 which was unsecured, interest-free and repayable on demand. Such balance was assigned to the respective vendors in respect of the Magical Bloom Disposal (as defined in note 23).

14. TRADE PAYABLES

The following is an aged analysis of trade payables, based on the invoice date, at the end of the reporting period:

	30 June 2017 HK\$'000 (Unaudited)	31 December 2016 HK\$'000 (Audited)
0 to 90 days	2,326	5,348
91 to 180 days	332	61
181 to 365 days	99	2,042
Over 365 days	2,597	939
	5,354	8,390

15. OTHER PAYABLES AND ACCRUALS

	30 June 2017 HK\$'000 (Unaudited)	31 December 2016 HK\$'000 (Audited)
Accrued expenses	3,976	4,733
Receipt in advance	4,771	5,866
Other payables	5,528	4,990
	14,275	15,589

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

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

	30 June 2017 HK\$'000 (Unaudited)	31 December 2016 HK\$'000 (Audited)
Within one year	5,464	5,935
In the second to fifth year inclusive	3,312	5,475
	8,776	11,410

Leases are negotiated and rentals are fixed for terms of one to eight years for the six months ended 30 June 2017 (year ended 31 December 2016: one to eight years).

17. CAPITAL COMMITMENT

	30 June 2017 HK\$'000 (Unaudited)	31 December 2016 HK\$'000 (Audited)
Authorised but not contracted for	25,438	25,438

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

18. PLEDGE OF ASSETS

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

	30 June 2017 HK\$'000 (Unaudited)	31 December 2016 HK\$'000 (Audited)
Property, plant and equipment	14,668	14,914

As at 30 June 2017, the Group had a secured bank borrowing of approximately HK\$4,538,000 (31 December 2016: HK\$5,065,000), which was secured by a legal charge on leasehold land and buildings in Hong Kong with the carrying amounts of approximately HK\$14,668,000 (31 December 2016: HK\$14,914,000) and a corporate guarantee executed by a subsidiary of the Company (the "Subsidiary Guarantor") in favour of the bank for the banking facilities of HK\$5,500,000 (31 December 2016: HK\$5,500,000). As at 30 June 2017, the Group's total unutilised banking facilities amounted to HK\$962,000 (31 December 2016: HK\$435,000). The banking facilities are subject to the fulfilment of financial covenants including certain financial ratios of the Subsidiary Guarantor, as at 30 June 2017, none of the financial covenants relating to the drawn down facilities had been breached (31 December 2016: Nil).

19. RELATED PARTY TRANSACTIONS

Key management personnel remuneration

	Three months ended 30 June		Six months ended 30 June	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Salaries, bonuses and benefits	1,165	741	2,462	1,481
Retirement benefits scheme contributions	25	9	53	18
	1,190	750	2,515	1,499

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

20. DISCONTINUED OPERATION

On 17 December 2015, the Company, as vendor, entered into a sale and purchase agreement with Mr. Yang Shunfeng, a director of certain subsidiaries of Wallfaith Company Limited ("Wallfaith"), as purchaser, to dispose of the entire equity interests in Wallfaith and its subsidiaries (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. As a result, 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:

	Six months ended 30 June 2016 HK\$'000 (Audited)
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 six months ended 30 June 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:

	Six months ended 30 June 2016 HK\$'000 (Audited)
Turnover	23,263
Cost of sales	(15,396)
Gross profit	7,867
Other income and gains	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

Cash flows of the Wallfaith Group for the six months ended 30 June 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 cash flows, were as follows:

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

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

	<i>HK\$'000</i> (Audited)
Property, plant and equipment	13,137
Prepaid lease payments	4,214
Inventories	53,407
Trade receivables	19,529
Deposits, prepayments and other receivables	5,849
Tax recoverable	36
Cash and cash equivalents	4,512
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
	Six months ended 30 June 2016 <i>HK\$'000</i> (Audited)
Gain on the Wallfaith Disposal:	
Consideration	15,000
Release of exchange difference upon disposal	24,802
Less: Net assets disposed of	(5,572)
	34,230
Net cash inflow arising on the Wallfaith Disposal:	
Consideration received in cash and cash equivalents	15,000
Cash and cash equivalents disposed of	(4,512)
	10,488

21. ASSETS HELD FOR SALE

	30 June 2017 HK\$'000 (Unaudited)	31 December 2016 HK\$'000 (Audited)
Assets classified as held for sale		
Allied View	–	8,777

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 supplemental 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 long (“Mr. U”), 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 Disposal Agreement”) (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.

The major classes of assets and liabilities of Allied View classified as held for sale as at 31 December 2016 which have been presented separately in the condensed consolidated statement of financial position, are as follows:

	<i>HK\$'000</i> (Audited)
Investment in a joint venture	8,777
Total assets classified as held for sale	8,777
Other payable (<i>Note</i>)	–
Total liabilities associated with assets classified as held for sale	–
Net assets classified as held for sale	8,777

Note:

As at 31 December 2016, Allied View owed to the Group an amount of approximately HK\$29,036,000, which sum was classified as other payable as at 31 December 2016. Such sum was assigned by Dynasty to Mr. U as the Sale Loan.

Loss on disposal of assets held for sale:

	Six months ended 30 June 2017 <i>HK\$'000</i> (Unaudited)
Consideration	10,000
Release of exchange difference upon disposal	(1,716)
Less: Net liabilities disposed of	20,254
Less: Sale Loan assigned	(29,036)
	(498)

Note:

Loss of disposal relating to the 1st Allied View Disposal of approximately HK\$795,000 recorded during the three months ended 31 March 2016 was subsequently reversed during the three months ended 30 June 2016 as a result of the Reversal.

22. DISPOSAL OF SUBSIDIARIES**(a) Jet Rich Group**

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.

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), was as follows:

	HK\$'000 (Unaudited)
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 liability	4,839
Net assets disposed of	8,573
	Six months ended 30 June 2017 HK\$'000 (Unaudited)
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
Net cash inflow arising on disposal:	
Consideration received in cash and cash equivalents	12,700
Cash and cash equivalents disposed of	(12,528)
	172

(b) V-Express

On 1 June 2017, Icy Snow Limited ("Icy Snow"), a direct 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 V-Express Pharmaceutical Limited ("V-Express") at a cash consideration of HK\$50,000. The completion of the disposal of V-Express took place on the same date.

An analysis of the net assets of V-Express at the date on which the Group lost control (i.e. 1 June 2017), was as follows:

	HK\$'000 (Unaudited)
Cash and cash equivalents	18
Total asset	18
Other payables and accruals	42
Total liability	42
Net liabilities disposed of	(24)
	Six months ended 30 June 2017 HK\$'000 (Unaudited)
Gain on disposal of V-Express:	
Consideration	50
Less: Net liabilities disposed of	24
	74
Net cash inflow arising on disposal:	
Consideration received in cash and cash equivalents	50
Cash and cash equivalents disposed of	(18)
	32

23. DISPOSAL OF ASSOCIATES

On 7 April 2017, Icy Snow, 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 Icy Snow at an aggregate cash consideration of HK\$41,000,000 (the “Magical Bloom Disposal”). The completion of the Magical Bloom Disposal took place on 22 June 2017, whereby the Group ceased to hold any equity interest in each member of the Magical Bloom Group and each member of the Magical Bloom Group ceased to be an associate of the Group. Details of the Magical Bloom Disposal are disclosed in the joint announcement of the Company and Wah Yan Healthcare dated 9 April 2017 and the circular of the Company dated 19 May 2017.

Six months ended
30 June 2017
HK\$'000
(Unaudited)

Gain on the Magical Bloom Disposal:

Consideration	41,000
Release of exchange difference upon disposal	(293)
Less: Investments in associates	(12,832)
Less: Assignment of debt	(2,317)
	25,558

24. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

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

Financial assets	Fair value		Fair value hierarchy	Valuation technique (s) and key input(s)
	30 June 2017	31 December 2016		
	HK\$'000	HK\$'000		
	(Unaudited)	(Audited)		
Held for trading securities	–	53,844	Level 1	Quoted bid prices in an active market

There were no transfers between the different levels of the fair value hierarchy for the six months ended 30 June 2017 and the year ended 31 December 2016.

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

25. EVENT AFTER THE END OF THE REPORTING PERIOD

Unconditional mandatory general cash offer

On 15 June 2017, Wah Yan Healthcare, as vendor, Genius Lead Limited (the “Offeror” or “Genius Lead”), as purchaser, entered into a sale and purchase agreement whereby Wah Yan Healthcare has conditionally agreed to sell and the Offeror has conditionally agreed to acquire the 406,023,891 shares of the Company (the “Rui Kang Sale Shares”) at an aggregate cash consideration of HK\$207,072,184.41, equivalent to HK\$0.51 per Rui Kang Sale Share (“Rui Kang Disposal”). As at 15 June 2017, Mr. Liu Xiaolin (“Mr. Liu”), being the ultimate beneficial owner of the Offeror and therefore an associate of and a party acting in concert (within the meaning of the Code of Takeovers and Mergers of Hong Kong (the “Takeovers Code”)) with the Offeror, was interested in 93,820,000 shares of the Company, representing approximately 11.90% of the entire issued share capital of the Company. Details of the Rui Kang Disposal are disclosed in the announcement dated 15 June 2017 jointly published by the Offeror, Wah Yan Healthcare and the Company and the joint announcement of the Offeror and the Company dated 31 July 2017.

Upon completion of the Rui Kang Disposal on 31 July 2017, Wah Yan Healthcare ceased to have any interest in the Company and the Offeror and parties acting in concert with it have become interested in a total of 499,843,891 shares of the Company, representing approximately 63.40% of the entire issued share capital of the Company. As such, pursuant to Rule 26.1 of the Takeovers Code, the Offeror is required to make an unconditional mandatory cash offer for all the issued shares of the Company other than those already owned or agreed to be acquired by the Offeror and parties acting in concert with it (“Mandatory General Cash Offer”).

The Mandatory General Cash Offer has become unconditional in all respects on 31 July 2017. Details of the Mandatory General Cash Offer are disclosed in the composite document in respect of the Mandatory General Cash Offer dated 7 August 2017 jointly published by the Offeror and the Company.

26. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the current period’s presentation.

BUSINESS AND FINANCIAL REVIEW

During the six months ended 30 June 2017 (the “2017 Interim Period”), the principal activities of the Group are (i) manufacture, research and development, sale and distribution of health related and pharmaceutical products in the PRC and Hong Kong; (ii) provision of medical laboratory testing services and health check services in Hong Kong; and (iii) trading of securities in Hong Kong.

Turnover

During the 2017 Interim Period, the Group recorded a turnover of approximately HK\$60,059,000, representing a significant increase of approximately 76.2% as compared with that of approximately HK\$34,085,000 for the six months ended 30 June 2016 (the “2016 Interim 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 overseas including Malaysia, Singapore and Germany since the fourth quarter of 2016, of approximately HK\$26,609,000 during the 2017 Interim Period (2016 Interim Period: HK\$Nil).

Manufacture and sale of health related and pharmaceutical products

Manufacture and sale of health related and pharmaceutical products segment recorded a significant increase in turnover during the 2017 Interim Period. The turnover of this segment significantly increased from approximately HK\$7,003,000 for the 2016 Interim Period to approximately HK\$31,840,000 for the 2017 Interim Period mainly due to the contribution of the new business portfolio, i.e. trading of pharmaceutical intermediates to overseas since the fourth quarter of 2016, of approximately HK\$26,609,000 during the 2017 Interim Period (2016 Interim Period: HK\$Nil).

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 2016 in order to enhance the online sales of healthcare and skincare related products in 2017. 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 has 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 Interim 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 price of certain laboratory tests, as well as more diversified laboratory tests are provided to different customers. As such, the turnover of this segment increased slightly from approximately HK\$26,611,000 for the 2016 Interim Period to approximately HK\$28,199,000 for the 2017 Interim Period. However, such business segment of the Group remains challenging due to the keen competition in the medical laboratory testing services and health check services industry in Hong Kong and the saturated market with 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 with a view to expanding its customer base and enhancing its competitiveness in the market and profitability.

Trading of financial assets at FVTPL

This business segment recorded a net loss on financial assets at FVTPL of approximately HK\$22,185,000 during the 2017 Interim Period (2016 Interim Period: HK\$13,283,000) comprising (i) the net unrealised loss on fair value changes of approximately HK\$Nil (2016 Interim Period: HK\$7,863,000); and (ii) the net realised loss of approximately HK\$22,185,000 (2016 Interim Period: HK\$5,420,000).

The Group's investment portfolio comprises investments in listed securities in Hong Kong during the 2017 Interim Period. 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 Interim Period of approximately HK\$2,458,000 when compared with that of approximately HK\$11,858,000 in the 2016 Interim Period. However, the gross profit margin for the 2017 Interim Period was approximately 23.84%, representing a significant decrease by approximately 10.95 percentage point when compared with the gross profit margin of approximately 34.79% for the 2016 Interim Period. The decrease in gross profit margin was attributable to the increase in trading of pharmaceutical intermediates business which commanded a thinner gross profit margin.

Selling and distribution expenses

Selling and distribution expenses for the 2017 Interim Period for continuing operations were approximately HK\$8,179,000 (2016 Interim Period: HK\$9,277,000), representing a decrease of approximately HK\$1,098,000 or 11.84% compared with such expenses for the 2016 Interim Period. Such decrease was mainly attributable to (i) the absence of rental expenses for the marketing center of Shuang Sheng in Beijing during the 2017 Interim 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 Interim Period was replaced by the use of online advertising through digital media, which was comparatively less expensive, for the 2017 Interim Period.

Administrative expenses

The administrative expenses for the 2017 Interim Period for continuing operations were approximately HK\$21,500,000 representing a decrease of approximately 24.94%, as compared with that of approximately HK\$28,645,000 for the 2016 Interim Period, which was mainly due to (i) no impairment loss of trade receivables was recognised during the 2017 Interim Period (2016 Interim Period: approximately HK\$5,013,000); and (ii) less legal and other professional fees of approximately HK\$1,682,000 (2016 Interim Period: HK\$3,556,000) were incurred as less merger and acquisition projects and other corporate activities were performed during the 2017 Interim Period.

Loss for the 2017 Interim Period

The Group recorded a loss of approximately HK\$9,500,000 for the 2017 Interim Period, as opposed to a profit of approximately HK\$3,311,000 (comprising loss from continuing operations of approximately HK\$32,215,000 and profit from discontinued operation of approximately HK\$35,526,000) for the 2016 Interim Period. The aforesaid loss for the 2017 Interim Period was mainly attributable to (i) the net loss on financial assets at FVTPL of HK\$22,185,000 (2016 Interim Period: HK\$13,283,000); (ii) the segment loss of approximately HK\$4,595,000 contributed by the manufacture and sale of health related and pharmaceutical products business; and (iii) corporate expenses such as legal and professional fees and staff costs, which is partially offset by the gain on disposal of associates of approximately HK\$25,558,000 during the 2017 Interim Period (2016 Interim Period: HK\$Nil). During the 2017 Interim Period, the Group did not have any discontinued operation and discontinued operation in the 2016 Interim Period contributed a profit of approximately HK\$35,526,000 to such period.

Disposal of subsidiaries**(a) Jet Rich Group**

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 22(a) to the unaudited condensed consolidated interim results.

(b) V-Express

Having taken into consideration that V-Express had been inactive in recent years, the Directors considered that the disposal of V-Express would enable the Company to save administrative costs. The completion of the disposal of V-Express took place on 1 June 2017. For details, please refer to the disclosure made in note 22(b) to the unaudited condensed consolidated interim results.

Disposal of associates**(a) Magical Bloom Group**

Having taken into account the keen competition of the medicine and medical appliances wholesale industry in the PRC in recent years and that the Company does not have majority voting right over the board of Magical Bloom, the Group is unable to dictate the development of the Magical Bloom Group, the Directors are of the view that the Magical Bloom Disposal represents an opportunity for the Group to realise its investment in the Magical Bloom Group (through Magical Bloom) with a reasonable return and that the Group can allocate more resources to its other business. The completion of the disposal of the Magical Bloom Group took place on 22 June 2017. For details, please refer to the disclosure made in note 23 to the unaudited condensed consolidated interim results.

(b) New Health

On 12 May 2017, Silver Wisdom Development Limited, an indirect wholly-owned subsidiary of the Company, as vendor, entered into a sale and purchase agreement with an independent purchaser, to dispose of the Group's entire interest in a company engaged in health management business ("New Health") for a cash consideration of HK\$4,830,000. However, the said disposal was terminated (as detailed in the announcement of the Company dated 24 July 2017).

FUTURE PROSPECT

Looking forward, the Group expects that the business will continue to encounter challenges including (i) the increase in raw material and other direct 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 ongoing discounts and promotion 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 services 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 markets.

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

Owing to 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 with a view to expanding the customer base of the Group and enhancing the Group's competitiveness in the market. The Group has been looking for new customers and will provide special discount packages 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.

In addition, the Group has a wide spectrum of healthcare and molecular tests in order to seize different healthcare market segments, which can differentiate the services of the Group from its 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 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 has been under further expansion for the new pharmaceutical products including capsules, tablets and granules. The Group has commenced the trial productions of these new pharmaceutical products and submitted required application materials to the China Food and Drug Administration of the PRC (the “CFDA”) for Good Manufacturing Practice (“GMP”) accreditation for such production lines. During the 2017 Interim Period, the relevant GMP accreditation, including but not limited to site identification review, inspection and approval by the CFDA, was completed and the GMP certification for such production lines was issued on 31 May 2017. The management considers that such expansion will enable the Group to diversify its product offerings 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 retail 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 products for infants and children, 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 bringing new health related products from overseas suppliers in order to expand the product list, attract 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 markets through cooperating with more overseas trading partners.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2017, the Group held cash and bank balances of approximately HK\$64,609,000 (31 December 2016: HK\$34,695,000), all were principally denominated in Renminbi and Hong Kong dollars. The increase in cash and bank balances of approximately HK\$29,914,000 is mainly due to the cash proceeds received from the 2nd Allied View Disposal of HK\$10,000,000 and the Magical Bloom Disposal of HK\$41,000,000 respectively, in spite of (i) combined effect of increase in cash held in securities trading accounts with stock brokers by approximately HK\$38,133,000 and net proceeds received from trading of securities of approximately HK\$31,659,000; (ii) the payment of further investment in available-for-sale financial assets of HK\$5,040,000; and (iii) the payments of operating costs and expenses incurred during the 2017 Interim Period.

As at 30 June 2017, the Group had secured bank borrowing of approximately HK\$4,538,000 (31 December 2016: HK\$5,065,000) in Hong Kong, which bears a floating interest rate (i.e. HK\$ best lending rate offered by the bank minus 2.7%) and is not repayable within one year from the end of the reporting period but contains a repayment on demand clause. Such secured bank borrowing was secured by a legal charge on leasehold land and buildings in Hong Kong with the carrying amounts of approximately HK\$14,668,000 (31 December 2016: HK\$14,914,000) and a corporate guarantee executed by a subsidiary in favour of the bank for the banking facilities of HK\$5,500,000 (31 December 2016: HK\$5,500,000).

As at 30 June 2017, the Group had unsecured other borrowings of RMB14,000,000 (equivalent to approximately HK\$16,124,000) (31 December 2016: RMB12,344,000 (equivalent to approximately HK\$13,789,000) in the PRC, of which (i) RMB12,000,000 (equivalent to approximately HK\$13,821,000) bears a fixed interest rate of 1% per month and is repayable in 2017; (ii) RMB1,100,000 (equivalent to approximately HK\$1,267,000) bears a fixed interest of 12% per annum and is repayable in 2018; and (iii) RMB900,000 (equivalent to approximately HK\$1,036,000) bears a fixed interest rate of 1% per month and is repayable in 2018.

As at 30 June 2017, total assets of the Group (including assets classified as held for sale) were approximately HK\$317,521,000 (31 December 2016: HK\$322,956,000), whereas total liabilities (including liabilities associated with assets classified as held for sale) were approximately HK\$46,815,000 (31 December 2016: HK\$47,739,000). The gearing ratio of the Group, calculated as total liabilities over total assets, was approximately 14.74% (31 December 2016: 14.78%). Current ratio (defined as total current assets (including assets classified as held for sale) divided by total current liabilities (including liabilities associated with assets classified as held for sale) was 3.61 times (31 December 2016: 3.41 times).

SIGNIFICANT INVESTMENTS HELD AND PERFORMANCE

The details of the investments in associates and available-for-sale financial assets have been disclosed in notes 22 and 23 of the annual report for the year ended 31 December 2016 respectively. During the 2017 Interim Period, proceeds of HK\$41,000,000 were received from the disposal of associates (i.e. the Magical Bloom Group) and further investment of HK\$5,040,000 was made for available-for-sale financial assets through subscription of new shares in a company licensed to carry on the provision of securities dealing and advisory services.

The Group did not hold any other significant investments with a market value that account for more than 5% of the Group's unaudited net assets as at 30 June 2017.

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES AND AFFILIATED COMPANIES

Except for the disposal of subsidiaries and disposal of associates 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 Interim Period.

FOREIGN EXCHANGE AND INTEREST RATE EXPOSURE

During the 2017 Interim Period, the business activities of the Group were mainly denominated in Hong Kong dollars and Renminbi.

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

OPERATING LEASE COMMITMENTS

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

CAPITAL COMMITMENT

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

CHARGES ON THE GROUP'S ASSETS

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

CONTINGENT LIABILITIES

As at 30 June 2017 and 31 December 2016, the Group had no contingent liabilities.

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2017, the Group had approximately 166 employees (30 June 2016: 211 employees) which were located in the PRC and Hong Kong. Total staff costs for the 2017 Interim Period was approximately HK\$17,219,000 for continuing operations (2016 Interim Period: HK\$22,511,000 for both continuing and discontinued operations, of which total staff costs from continuing operations recorded approximately HK\$19,434,000).

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 Interim Period were approximately HK\$897,000 for the continuing operations (2016 Interim Period: HK\$1,309,000 of which total contributions payable from continuing operations shared approximately HK\$988,000).

OTHER INFORMATION

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

As at 30 June 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 meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong ("SFO")) as recorded in the register required to be kept by the Company under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by the Directors as referred to in Rule 5.46 of the GEM Listing Rules.

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

As at 30 June 2017, the following persons or entities 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 of the Company

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

Notes:

- (a) As at 30 June 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) Based on the notices of disclosure of interests of Mr. Liu, Genius Earn and Genius Lead filed with the Stock Exchange on 15 June 2017, Genius Lead is wholly-owned by Genius Earn, which is in turn wholly-owned by Mr. Liu. Such interests were arisen as a result of the entering into of the sale and purchase agreement between Genius Lead, as purchaser, and Wah Yan Healthcare, as vendor relating to the Rui Kang Disposal in respect of the Rui Kang Sale Shares, representing approximately 51.50% of the issued share capital of the Company.

The Rui Kang Disposal took place on 31 July 2017, and notices of disclosure of interests of Mr. Liu, Genius Earn and Genius Lead were filed with the Stock Exchange in respect of the completion of the Rui Kang Disposal on 2 August 2017.
- (c) As a result of the completion of the Rui Kang Disposal on 31 July 2017, Wah Yan Healthcare ceased to have any interest in the Company as at the date of this report.
- (d) 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 30 June 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 THE COMPANY'S SECURITIES

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

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 Interim Period.

COMPLIANCE WITH CODE OF CONDUCT FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

CODE ON CORPORATE GOVERNANCE PRACTICES

The Board believes that corporate governance is essential to the success of the Company. The Board is committed to maintaining corporate governance with high standard and ensuring compliance of the legal and regulatory requirements. The Company has put in place governance practices with emphasis on the integrity, quality of disclosures, transparency and accountability for the shareholders of the Company. Throughout the 2017 Interim Period, the Company has complied with the code provisions in the Corporate Governance Code (the “CG Code”) as set out in Appendix 15 to the GEM Listing Rules save for the deviation from code provision E.1.2 of the CG Code as disclosed below.

Under code provision E.1.2 of the CG Code, the chairman of the Company should attend the annual general meeting of the Company. The chairman of the Board, Mr. Chan Ka Chung, did not attend the annual general meeting of the Company held on 26 May 2017 (the “2017 AGM”) due to other business commitments. However, Mr. Leung Pak Hou Anson, the member of the remuneration committee of the Board, the chief executive officer of the Company and an executive Director, and Mr. Fung Wing Sang, the company secretary of the Company, attended the 2017 AGM to answer questions and communicate with the shareholders of the Company present thereat.

COMPETING AND CONFLICT OF INTEREST

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

AUDIT COMMITTEE

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

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

SUFFICIENCY OF PUBLIC FLOAT

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

GENERAL

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

BY ORDER OF THE BOARD
Rui Kang Pharmaceutical Group Investments Limited
CHAN Ka Chung
Chairman

Hong Kong, 10 August 2017

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