Rui Kang Pharmaceutical Group Investments Limited

鋭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

2017

THIRD QUARTERLY REPORT

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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 THIRD QUARTERLY RESULTS

The board (the "**Board**") of directors (the "**Directors**") of Rui Kang Pharmaceutical Group Investments Limited (the "**Company**") presents the unaudited condensed consolidated third quarterly results of the Company and its subsidiaries (collectively, the "**Group**") for the three months and nine months ended 30 September 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 NINE MONTHS ENDED 30 SEPTEMBER 2017

		Three months ended 30 September		**Nine months ended 30 September**	
		2017	2016	**2017**	2016
	Notes	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
		(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
Continuing operations					
Gross proceeds	3	**20,945**	22,327	**192,719**	103,278
Turnover	3	**20,945**	22,205	**81,004**	56,290
Cost of sales		**(12,804)**	(13,644)	**(58,547)**	(35,871)
Gross profit		**8,141**	8,561	**22,457**	20,419
Net loss on financial assets at fair value through profit or loss	4	**(845)**	(9,536)	**(23,030)**	(22,819)
Other income and gains	5	**33**	213	**315**	6,860
Selling and distribution expenses		**(3,884)**	(5,317)	**(12,063)**	(14,594)
Administrative expenses		**(11,231)**	(13,458)	**(32,736)**	(42,103)
Loss from operations		**(7,786)**	(19,537)	**(45,057)**	(52,237)
Finance costs	6	**(156)**	(317)	**(882)**	(1,903)
Loss on disposal of assets held for sale	11	**–**	–	**(493)**	–
Gain on disposal of subsidiaries	12	**–**	–	**2,473**	–
Gain on disposal of associates	13	**–**	–	**25,558**	–
Share of profits of associates		**2,600**	710	**3,816**	2,949
Share of loss of a joint venture		**–**	(3,884)	**–**	(3,960)
Loss before tax		**(5,342)**	(23,028)	**(14,585)**	(55,151)
Income tax expenses	7	**(310)**	(40)	**(567)**	(132)
Loss for the period from continuing operations		**(5,652)**	(23,068)	**(15,152)**	(55,283)
Discontinued operation					
Profit for the period from discontinued operation	10	**–**	–	**–**	35,526
Loss for the period		**(5,652)**	(23,068)	**(15,152)**	(19,757)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE THREE MONTHS AND NINE MONTHS ENDED 30 SEPTEMBER 2017

	Notes	Three months ended 30 September		Nine months ended 30 September	
		2017	2016	**2017**	2016
		HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
		(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
Loss for the period		**(5,652)**	(23,068)	**(15,152)**	(19,757)
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		**534**	(232)	**1,393**	(1,430)
Release of exchange difference upon disposal of assets held for sale	*11*	**–**	–	**1,716**	–
Release of exchange difference upon disposal of subsidiaries	*12*	**–**	–	**1,728**	–
Release of exchange difference upon disposal of associates	*13*	**–**	–	**293**	–
Release of exchange difference upon disposal of discontinued operation	*10*	**–**	–	**–**	(24,802)
Share of exchange differences of investments in associates		**(168)**	(36)	**225**	216
Share of exchange difference of investment in a joint venture		**–**	(44)	**–**	(333)
Other comprehensive income/ (loss) for the period, net of tax		**366**	(312)	**5,355**	(26,349)
Total comprehensive loss for the period		**(5,286)**	(23,380)	**(9,797)**	(46,106)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE THREE MONTHS AND NINE MONTHS ENDED 30 SEPTEMBER 2017

		Three months ended 30 September		Nine months ended 30 September	
		2017	2016	**2017**	2016
	Note	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
		(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
Loss for the period attributable to:					
Owners of the Company					
– From continuing operations		**(5,122)**	(21,346)	**(12,416)**	(49,941)
– From discontinued operation		**–**	–	**–**	35,526
Non-controlling interests					
– From continuing operations		**(530)**	(1,722)	**(2,736)**	(5,342)
		(5,652)	(23,068)	**(15,152)**	(19,757)
Total comprehensive loss for the period attributable to:					
Owners of the Company		**(5,002)**	(21,574)	**(7,662)**	(40,275)
Non-controlling interests		**(284)**	(1,806)	**(2,135)**	(5,831)
		(5,286)	(23,380)	**(9,797)**	(46,106)
Loss per share	*9*				
Continuing and discontinued operations *(HK$)*					
– Basic and diluted		**(0.006)**	(0.029)	**(0.016)**	(0.021)
Continuing operations *(HK$)*					
– Basic and diluted		**(0.006)**	(0.029)	**(0.016)**	(0.073)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2017

	Attributable to owners of the Company											
	Share capital *HK$'000*	Share premium *HK$'000*	Share option reserves *HK$'000*	Special reserve *HK$'000* *(Note a)*	Other reserve *HK$'000* *(Note b)*	Statutory surplus reserve fund *HK$'000* *(Note c)*	Statutory enterprise expansion fund *HK$'000* *(Note d)*	Exchange reserves *HK$'000*	Accumulated losses *HK$'000*	Sub-total *HK$'000*	Non-controlling interests *HK$'000*	Total *HK$'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	–	–	–	–	–	–	–	–	(12,416)	(12,416)	(2,736)	(15,152)
Other comprehensive income for the period:												
Exchange differences arising on translation of foreign operations	–	–	–	–	–	–	–	792	–	792	601	1,393
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
Release of exchange difference upon disposal of associates *(Note 13)*	–	–	–	–	–	–	–	293	–	293	–	293
Share of exchange differences of investments in associates	–	–	–	–	–	–	–	225	–	225	–	225
Other comprehensive income for the period, net of tax	–	–	–	–	–	–	–	4,754	–	4,754	601	5,355
Total comprehensive income/(loss) for the period	–	–	–	–	–	–	–	4,754	(12,416)	(7,662)	(2,135)	(9,797)
At 30 September 2017 (Unaudited)	**78,837**	**279,068**	**–**	**212,948**	**4,163**	**–**	**–**	**(1,195)**	**(315,973)**	**257,848**	**7,572**	**265,420**

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2016

	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
Loss for the period	–	–	–	–	–	–	–	–	(14,415)	(14,415)	(5,342)	(19,757)
Other comprehensive (loss)/income for the period:												
Exchange differences arising on translation of foreign operations	–	–	–	–	–	–	–	(941)	–	(941)	(489)	(1,430)
Release of exchange difference upon disposal of discontinued operation *(Note 10)*	–	–	–	–	–	–	–	(24,802)	–	(24,802)	–	(24,802)
Share of exchange differences of investments in associates	–	–	–	–	–	–	–	216	–	216	–	216
Share of exchange difference of an investment in a joint venture	–	–	–	–	–	–	–	(333)	–	(333)	–	(333)
Other comprehensive loss for the period, net of tax	–	–	–	–	–	–	–	(25,860)	–	(25,860)	(489)	(26,349)
Total comprehensive loss for the period	–	–	–	–	–	–	–	(25,860)	(14,415)	(40,275)	(5,831)	(46,106)
Issue of ordinary shares	13,138	9,065	–	–	–	–	–	–	–	22,203	–	22,203
Less: Share issue expenses	–	(969)	–	–	–	–	–	–	–	(969)	–	(969)
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 September 2016 (Unaudited)	78,837	279,068	–	212,948	4,163	–	–	(4,169)	(267,821)	303,026	14,842	317,868

Notes:

(a) Special reserve of (i) approximately HK$22,443,000 represents the difference between the paid-up capital and share premium of the subsidiary acquired and the nominal value of the Company's shares issued for the acquisition at the time of the Group reorganisation on 26 May 2004, which was transferred to accumulated losses upon disposal of subsidiaries during the nine months ended 30 September 2016; and (ii) approximately HK$212,948,000 was recorded after setting off of the capital reduction and the cancellation of the share premium with the accumulated losses as at the date of the change of domicile and the capital reorganisation of the Company which became effective on 28 August 2013 and 19 September 2013 respectively.

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

(c) Pursuant to the articles of association of certain subsidiaries of the Company in the People's Republic of China (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 THIRD QUARTERLY 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 September 2017, the Company's immediate and ultimate holding company is Genius Lead Limited ("**Genius Lead**"), a company incorporated in Samoa with limited liability and Genius Earn Limited ("**Genius Earn**"), a company incorporated in the British Virgin Islands ("**BVI**") with limited liability, respectively.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

The unaudited condensed consolidated third quarterly results for the nine months ended 30 September 2017 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**"). In addition, the unaudited condensed consolidated third quarterly results include the applicable disclosures required by the GEM Listing Rules and the Hong Kong Companies Ordinance.

The unaudited condensed consolidated third quarterly results for the nine months ended 30 September 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 third quarterly results for the nine months ended 30 September 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 third quarterly 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
Amendments to HKFRSs	Part of the Annual Improvements to HKFRSs 2014–2016 Cycle relating to Amendments to HKFRS 12 Disclosure of Interests in Other Entities

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 third quarterly 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]
Amendments to HKAS 40	Transfers of Investment Property[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2014–2016 Cycle except Amendments to HKFRS12[1]
HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers and the related Amendments[1]
HKFRS 16	Leases[2]
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration[1]
HK(IFRIC) – Int 23	Uncertainty Over Income Tax Treatments[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 third quarterly results.

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, if any, money lending business and provision of research and development services, and sales proceeds arising from trading of securities, during the three and nine months ended 30 September 2017.

	Three months ended 30 September		Nine months ended 30 September	
	2017	2016	**2017**	2016
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
Continuing operations				
Manufacture and sale of health related and pharmaceutical products	**4,718**	7,711	**36,558**	14,714
Provision of medical laboratory testing services and health check services	**16,227**	14,232	**44,426**	40,843
Money lending business	**–**	262	**–**	733
Provision for research and development services	**–**	–	**20**	–
	20,945	22,205	**81,004**	56,290
Gross proceeds from trading of securities *(Note)*	**–**	122	**111,715**	46,988
Gross proceeds	**20,945**	22,327	**192,719**	103,278
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 the trading of securities were recorded in "net loss on financial assets at fair value through profit or loss" after setting off the relevant cost.

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

	Three months ended 30 September		Nine months ended 30 September	
	2017	2016	**2017**	2016
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
Continuing operations				
Net unrealised loss on financial assets at FVTPL	**845**	9,490	**845**	17,353
Net realised loss on financial assets at FVTPL	**–**	46	**22,185**	5,466
	845	9,536	**23,030**	22,819

5. OTHER INCOME AND GAINS

	Three months ended 30 September		Nine months ended 30 September	
	2017	2016	**2017**	2016
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
Continuing operations				
Dividend income	**–**	398	**–**	4,596
Forfeiture of consideration received	**–**	–	**–**	1,360
Interest income	**–**	21	**142**	76
Government grant *(Note)*	**–**	–	**–**	596
Sundry income	**34**	65	**184**	536
Fixed assets written off	**–**	(248)	**–**	(252)
Net loss on disposal for property, plant and equipment	**–**	(35)	**–**	(35)
Exchange (losses)/gains, net	**(1)**	12	**(11)**	(17)
	33	213	**315**	6,860
Discontinued operation				
Sundry income	**–**	–	**–**	359
Exchange losses, net	**–**	–	**–**	(37)
	–	–	**–**	322

Note:

During the nine months ended 30 September 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 nine months ended 30 September 2017.

6. FINANCE COSTS

	Three months ended 30 September		Nine months ended 30 September	
	2017	2016	**2017**	2016
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
Continuing operations				
Interest expenses:				
– Bank borrowing	**26**	21	**81**	21
– Other borrowings	**528**	296	**1,967**	1,882
– Imputed interest on loans from a non-controlling shareholder of a subsidiary	**27**	–	**72**	–
Total interest expenses	**581**	317	**2,120**	1,903
Less: Interest capitalised on construction in progress *(Note)*	**(425)**	–	**(1,238)**	–
	156	317	**882**	1,903
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 nine months ended 30 September2017 (nine months ended 30 September 2016: Nil).

7. INCOME TAX EXPENSES

	Three months ended 30 September		Nine months ended 30 September	
	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	**356**	90	**714**	283
Deferred tax:				
– Current period	**(46)**	(50)	**(147)**	(151)
	310	40	**567**	132
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% (nine months ended 30 September 2016: 16.5%) on the estimated assessable profits arising in Hong Kong during the nine months ended 30 September 2017.

The subsidiaries in the PRC are subject to the PRC Enterprise Income Tax at the tax rate of 25% for the nine months ended 30 September 2017 (nine months ended 30 September 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 nine months ended 30 September 2017 (nine months ended 30 September 2016: 15%).

Pursuant to the rules and regulations of Bermuda, the Cayman Islands and the BVI, 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 nine months ended 30 September 2017 (nine months ended 30 September 2016: HK$Nil).

9. LOSS PER SHARE

Basic loss per share is calculated by dividing the loss for the period attributable to owners of the Company by the weighted average number of ordinary shares during the three months and nine months ended 30 September 2017 and 2016.

Weighted average number of ordinary shares in issue ('000)

	Nine months ended 30 September	
	2017	2016
	(Unaudited)	(Unaudited)
Issued ordinary shares at 1 January	**788,367**	656,987
Effect of shares issue under the 2016 Placing *(Note)*	**–**	22,536
Weighted average number of ordinary shares in issue at 30 September	**788,367**	679,523

	Three months ended 30 September	
	2017	2016
	(Unaudited)	(Unaudited)
Issued ordinary shares at 1 July	**788,367**	656,987
Effect of shares issue under the 2016 Placing *(Note)*	**–**	67,118
Weighted average number of ordinary shares in issue at 30 September	**788,367**	724,105

Note:

On 22 July 2016, the Company and Supreme China Securities Limited ("**Supreme**") entered into a placing agreement, pursuant to which Supreme has conditionally agreed to place, on a best endeavours basis, up to 131,380,000 shares of the Company (the "**2016 Placing Shares**"), to not less than six placees who and whose beneficial owners are independent third parties at a price of HK$0.169 per 2016 Placing Share (the "**2016 Placing**"). The completion of the 2016 Placing took place on 15 August 2016. Details of the 2016 Placing are disclosed in the announcements of the Company dated 22 July 2016 and 15 August 2016.

Continuing and discontinued operations

	Three months ended 30 September		Nine months ended 30 September	
	2017	2016	**2017**	2016
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
Loss for the period attributable to owners of the Company *(HK$'000)*	**(5,122)**	(21,346)	**(12,416)**	(14,415)
Weighted average number of ordinary shares *('000)*	**788,367**	724,105	**788,367**	679,523
Basic loss per share *(HK$)*	**(0.006)**	(0.029)	**(0.016)**	(0.021)

Continuing operations

	Three months ended 30 September		Nine months ended 30 September	
	2017	2016	**2017**	2016
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
Loss for the period attributable to owners of the Company *(HK$'000)*	**(5,122)**	(21,346)	**(12,416)**	(14,415)
Less: profit for the period attributable to owners of the Company from discontinued operation *(HK$'000)*	**–**	–	**–**	35,526
Loss for the period attributable to owners of the Company from continuing operations *(HK$'000)*	**(5,122)**	(21,346)	**(12,416)**	(49,941)
Weighted average number of ordinary shares *('000)*	**788,367**	724,105	**788,367**	679,523
Basic loss per share *(HK$)*	**(0.006)**	(0.029)	**(0.016)**	(0.073)

Discontinued operation

For the nine months ended 30 September 2016, basic earnings per share for discontinued operation attributable to owners of the Company is HK$0.052, based on the profit for the period of approximately HK$35,526,000 and the denominators detailed above for basic loss per share. During the three months ended 30 September 2016, the three and nine months ended 30 September 2017, the Group did not have any discontinued operation.

No diluted loss per share has been presented for the three and nine months ended 30 September 2017 and 2016 as there was no dilutive potential ordinary share outstanding during the periods.

10. 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:

	Nine months ended 30 September 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 nine months ended 30 September 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:

	Nine months ended 30 September 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

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 (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

	Nine months ended 30 September 2016 *HK$'000* (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

11. ASSETS HELD FOR SALE

On 17 November 2016, Dynasty Well Limited, 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 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$10,000,000 (the "**Allied View Disposal**"). The completion of the Allied View Disposal took place on 15 February 2017 and a loss on disposal of HK$493,000 was recorded by the Group. Details of the Allied View Disposal are disclosed in the announcement of the Company dated 17 November 2016.

Loss on disposal of assets held for sale:

	Nine months ended 30 September 2017 *HK$'000* (Unaudited)
Consideration	10,000
Release of exchange difference upon disposal	(1,716)
Less: Net liabilities disposed of	20,259
Less: Sale Loan assigned	(29,036)
	(493)

12. 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), were 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**

	Nine months ended 30 September 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

(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), were 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)**

	Nine months ended 30 September 2017 ***HK$'000*** **(Unaudited)**
Gain on disposal of V-Express:	
Consideration	**50**
Less: Net liabilities disposed of	**24**
	74

13. 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 Boom 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 Target Group cased to be an associate of the Group. Details of the Magical Bloom Disposal are disclosed in the joint announcement of the Company and China Wah Yan Healthcare Limited ("**Wah Yan Healthcare**") dated 9 April 2017 and the circular of the Company dated 19 May 2017.

	Nine months ended 30 September 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

14. EVENTS AFTER THE END OF THE REPORTING PERIOD

(a) Placing of existing shares and top-up subscription of new shares under general mandate

On 12 October 2017, Mr. Liu Xiaolin ("**Mr. Liu**") entered into the two placing agreements (the "**Placing Agreements**"), pursuant to which Mr. Liu has agreed to sell 40,000,000 and 28,000,000 shares of the Company (the "**Placing Shares**") to Mr. Chen Huiyong (the "**Placing A**") and Ms. Wing Man Yi (the "**Placing B**") respectively at a price of HK$0.70 per Placing Share (the "**2017 Placing**").

On the same date, Mr. Liu entered into the top-up subscription agreement with the Company (the "**Top-up Subscription Agreement**"). Pursuant to the Top-up Subscription Agreement, the Company has conditionally agreed to allot and issue, and Mr. Liu has conditionally agreed to subscribe for 68,000,000 Shares (the "**Top-up Subscription Shares**") (equivalent to the number of Placing Shares sold by Mr. Liu under the Placing Agreements) at a price of HK$0.70 per Top-up Subscription Share (the "**Top-up Subscription**").

The completion of the Placing B, the Placing A and the Top-up Subscription took place on 13 October 2017, 16 October 2017 and 24 October 2017 respectively. Details of the 2017 Placing and Top-up Subscription are disclosed in the announcements of the Company dated 12 October 2017, 13 October 2017, 16 October 2017 and 24 October 2017.

(b) Change of Company Name

On 15 September 2017, the Board proposed to change the English name of the Company from "Rui Kang Pharmaceutical Group Investments Limited" to "China Biotech Services Holdings Limited", and the secondary name in Chinese from "銳康藥業集團投資有限公司" to "中國生物科技服務控股有限公司" (the "**Change of Company Name**"). The Proposed Change of Company Name was passed by a special resolution by way of poll in the special general meeting of the Company held on 18 October 2017. Details of the Change of Company Name are disclosed the announcements of the Company dated 15 September 2017 and 18 October 2017, and the circular of the Company dated 25 September 2017.

Further announcement(s) will be made by the Company in respect of the consequential update in the Change of Company Name, English and Chinese stock short names, company logo, and website address of the Company as and when appropriate.

15. COMPARATIVE FIGURES

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

BUSINESS AND FINANCIAL REVIEW

During the nine months ended 30 September 2017 (the "**2017 Q3 Period**"), the principal activities of the Group are (i) manufacture, research and development, sale and distribution of health related and pharmaceutical products in the PRC and Hong Kong; (ii) provision of medical laboratory testing services and health check services in Hong Kong; and (iii) trading of securities in Hong Kong.

Turnover

During the 2017 Q3 Period, the Group recorded a turnover of approximately HK$81,004,000 from continuing operations, representing a significant increase of approximately 43.90% as compared with that of approximately HK$56,290,000 for the nine months ended 30 September 2016 (the "**2016 Q3 Period**"). The overall increase in the turnover was mainly due to the contribution of the new business, i.e. trading of pharmaceutical intermediates to overseas including Malaysia, Singapore and Germany since the fourth quarter of 2016, of approximately HK$29,075,000 during the 2017 Q3 Period (2016 Q3 Period: HK$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 Q3 Period. The significant increase in turnover of this segment from approximately HK$14,714,000 for the 2016 Q3 Period to approximately HK$36,558,000 for the 2017 Q3 Period is mainly due to the contribution of the new business, i.e. trading of pharmaceutical intermediates to overseas since the fourth quarter of 2016, of approximately HK$29,075,000 during the 2017 Q3 Period (2016 Q3 Period: HK$Nil).

The Group has also upgraded and redesigned the websites of the operating subsidiaries in Hong Kong, 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.

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 Q3 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. As such, the turnover of this segment increased slightly from approximately HK$40,843,000 for the 2016 Q3 Period to approximately HK$44,426,000 for the 2017 Q3 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 complimentary seminars to the public including 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

This business segment recorded a net loss on financial assets at FVTPL of approximately HK$23,030,000 during the 2017 Q3 Period (2016 Q3 Period: HK$22,819,000) comprising (i) the net unrealised loss on fair value changes of approximately HK$845,000 (2016 Q3 Period: HK$17,353,000); and (ii) the net realised loss of approximately HK$22,185,000 (2016 Q3 Period: HK$5,466,000).

The Group's investment portfolio comprises investments in listed securities in Hong Kong during the 2017 Q3 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 Q3 Period of approximately HK$2,038,000 when compared with that of approximately HK$20,419,000 in the 2016 Q3 Period. However, the gross profit margin for the 2017 Q3 Period was approximately 27.72%, representing a decrease by approximately 8.55 percentage point when compared with the gross profit margin of approximately 36.27% for the 2016 Q3 Period. The decrease in gross profit margin was attributable to the increase in trading of pharmaceutical intermediates business which has a thinner gross profit margin.

Selling and distribution expenses

Selling and distribution expenses for the 2017 Q3 Period for continuing operations were approximately HK$12,063,000 (2016 Q3 Period: HK$14,594,000), representing a decrease of approximately HK$2,531,000 or 17.34% as compared with such expenses for the 2016 Q3 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 Q3 Period as the tenancy agreement was terminated in the second quarter of the year 2016; (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 Q3 Period were replaced by the use of online advertising through digital media, which were less expensive; and (iii) less staff costs were incurred for healthcare and skincare product market in Hong Kong due to the decrease in number of promoters as result of termination of co-operation with one retail store in Hong Kong in mid of 2017.

Administrative expenses

The administrative expenses for the 2017 Q3 Period for continuing operations were approximately HK$32,736,000, representing a decrease of approximately 22.25%, as compared with that of approximately HK$42,103,000 for the 2016 Q3 Period was mainly due to (i) no impairment loss of trade receivables was recognised during the 2017 Q3 Period (2016 Q3 Period: approximately HK$4,977,000); and (ii) less legal and other professional fees of approximately HK$3,663,000 (2016 Q3 Period: HK$4,686,000) were incurred due to decrease in merger and acquisition and other corporate activities during the 2017 Q3 Period.

Loss for the 2017 Q3 Period

The Group recorded a loss of approximately HK$15,152,000 for the 2017 Q3 Period (2016 Q3 Period: HK$19,757,000, comprising loss from continuing operations of approximately HK$55,283,000 and profit from discontinued operation of approximately HK$35,526,000). The aforesaid loss for the 2017 Q3 Period was mainly attributable to (i) the net loss on financial assets at FVTPL of HK$23,030,000 (2016 Q3 Period: HK$22,819,000); (ii) the segment loss of approximately HK$5,657,000 incurred 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$25,558,000 during the 2017 Q3 Period (2016 Q3 Period: HK$Nil). During the 2017 Q3 Period, the Group did not have any discontinued operation and discontinued operation in the 2016 Q3 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 12(a) to the unaudited condensed consolidated third quarterly 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 12(b) to the unaudited condensed consolidated third quarterly 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 13 to the unaudited condensed consolidated third quarterly 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).

Unconditional mandatory general cash offer and sufficiency of public float

On 15 June 2017, Wah Yan Healthcare, as vendor, Genius Lead, as purchaser, entered into a sale and purchase agreement whereby Wah Yan Healthcare has conditionally agreed to sell and Genius Lead has conditionally agreed to acquire the 406,023,891 shares of the Company (the "**Sale Shares**") at an aggregate cash consideration of HK$207,072,184.41, equivalent to HK$0.51 per Sale Share ("**Rui Kang Disposal**"). As at 15 June 2017, Mr. Liu, being the ultimate beneficial owner of Genius Lead 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 Genius Lead, 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 Genius Lead, Wah Yan Healthcare and the Company and the joint announcement of Genius Lead 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 Genius Lead 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, Genius Lead, as 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 Genius Lead and parties acting in concert with it (the "**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 Genius Lead and the Company, and the joint announcement of Genius Lead and the Company in relation to, among other things, the close of the Offer, the results of the Offer and the public float dated 28 August 2017. The minimum public float of the Company was restored on 16 October 2017 by way of the 2017 Placing, details of which are disclosed in the announcements of the Company dated 12 October 2017, 13 October 2017 and 16 October 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 explore, research and develop more sophisticated and effective health related and pharmaceutical products and professional medical laboratory testing services and health check services to achieve stable growth and enhance the performance of the Group's core business.

In addition, parallel to its 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 the PRC and Hong Kong, the Group will continue to look for potential merger and acquisition opportunities for further development of its existing business and identify new corporate partners for exclusively distributed beauty products to expand the scope of its business and bring new dynamics for revenue growth.

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 regular complimentary seminars to the public including 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 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 since the fourth quarter of 2016. 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 Q3 Period, the GMP certificate for such production lines was issued by the CFDA 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 some 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 in Hong Kong, 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 cooperating 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 identify new corporate partners for exclusively distributed beauty products.

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 Q3 Period.

EMPLOYEES AND REMUNERATION POLICY

As at 30 September 2017, the Group had approximately 171 employees (30 September 2016: 208 employees) which were located in the PRC and Hong Kong. Total staff costs for the 2017 Q3 Period was approximately HK$26,238,000 for continuing operations (2016 Q3 Period: HK$31,843,000 for both continuing and discontinued operations, of which total staff costs from continuing operations recorded approximately HK$28,766,000).

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 Q3 Period were approximately HK$1,298,000 for the continuing operations (2016 Q3 Period: HK$1,773,000 of which total contributions payable from continuing operations shared approximately HK$1,452,000).

OTHER INFORMATION

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

As at 30 September 2017, the interests and short positions of each of the Directors and the chief executive of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong (the "**SFO**")) as recorded in the register required to the be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by the Directors as referred to in Rule 5.46 of the GEM Listing Rules were as follows:

Long position in shares of the Company

Name of Director	Capacity and nature of interest	No. of shares held	Approximate percentage *(Note a)*
Mr. Liu	Interest of a controlled corporation	529,500,546 *(Note b)*	67.16%
	Beneficial owner	93,820,000	11.90%

Notes:

(a) As at 30 September 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) Genius Lead is the registered and beneficial owner of these shares of the Company, and Genius Lead is wholly-owned by Genius Earn, which is in turn wholly-owned by Mr. Liu. As such, Mr. Liu is deemed to be interested in the shares of the Company held by Genius Lead under the SFO.

Save as disclosed above, as at 30 September 2017, none of the Directors nor chief executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were recorded in the register required to be kept 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 Directors as referred to in Rule 5.46 of the GEM Listing Rules.

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

As at 30 September 2017, the following persons or 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 of the Company

Name of shareholders	Capacity and nature of interest	No. of shares held	Approximate percentage *(Note a)*
Genius Earn *(Note b)*	Interest of a controlled corporation	529,500,546	67.16%
Genius Lead *(Note b)*	Beneficial owner	529,500,546	67.16%

Notes:

(a) As at 30 September 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) Genius Lead is wholly-owned by Genius Earn. As such, Genius Earn is deemed to be interested in the shares of the Company held by Genius Lead under the SFO.

Save as disclosed above, as at 30 September 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 Q3 Period was the Company or any of its subsidiaries, or any of its fellow subsidiaries, a party to any arrangement to enable the Directors or chief executive of the Company or their respective associates (as defined in the GEM Listing Rules) to have any right to subscribe for securities of the Company or any of its associated corporations as defined in the SFO or to acquire benefits by means of acquisition of share in, or debentures of, the Company or any other body corporate.

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 Q3 Period.

COMPLIANCE WITH CODE OF CONDUCT FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by Directors on terms not less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry with all Directors, the Company confirmed that all Directors have complied with the required standard of dealings and its code of conduct concerning securities transactions by the Directors during the 2017 Q3 Period.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Board believes that corporate governance is essential to the success of the Company. The Board is committed to maintaining corporate governance with high standard and ensuring compliance of the legal and regulatory requirements. The Company has put in place governance practices with emphasis on the integrity, quality of disclosures, transparency and accountability for the shareholders of the Company. Throughout the 2017 Q3 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 former 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 former member of the remuneration committee of the Board, the former chief executive officer of the Company and the executive Director, and Mr. Fung Wing Sang, the former 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 Q3 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 three independent non-executive Directors, namely, Mr. Yan Guoxiang, Mr. Ho Fung Shan Bob and Mr. Leung Ka Fai as at the date of this report.

The unaudited condensed consolidated third quarterly results of the Group for the 2017 Q3 Period have not been audited by the Company's auditor, but have been reviewed by the Audit Committee in accordance with the accounting principles and practices adopted by the Company and the Audit Committee has discussed internal controls and financial reporting matters before any disclosure and release of information.

By order of the Board
Rui Kang Pharmaceutical Group Investments Limited
LIU Xiaolin
Chairman

Hong Kong, 13 November 2017

As at the date of this report, the Board comprises (i) three executive Directors namely, Mr. LIU Xiaolin (Chairman), Mr. LEUNG Pak Hou Anson and Mr. WANG Zheng; (ii) one non-executive Director namely Mr. HUANG Song; and (iii) three independent non-executive Directors namely Mr. YAN Guoxiang, Mr. HO Fung Shan Bob and Mr. LEUNG Ka Fai.