Interim Report 2015

UNIVERSAL HEALTH

UNIVERSAL HEALTH INTERNATIONAL GROUP HOLDING LIMITED

大 健 康 國 際 集 團 控 股 有 限 公 司

(formerly known as JINTIAN PHARMACEUTICAL GROUP LIMITED 金天醫藥集團股份有限公司)

(incorporated in the Cayman Islands with limited liability)

Stock Code: 2211

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors:

Mr. Jin Dongtao *(Chairman)*
Mr. Jin Dongkun *(Vice Chairman)*
Mr. Chu Chuanfu *(Chief Executive Officer)*
Mr. Zhao Zehua

Independent Non-executive Directors:

Mr. Cheng Sheung Hing
Ms. Chiang Su Hui Susie
Ms. Hao Jia

AUDIT COMMITTEE

Ms. Hao Jia *(Chairman)*
Mr. Cheng Sheung Hing
Ms. Chiang Su Hui Susie

REMUNERATION COMMITTEE

Mr. Cheng Sheung Hing *(Chairman)*
Ms. Chiang Su Hui Susie
Mr. Chu Chuanfu

NOMINATION COMMITTEE

Mr. Jin Dongtao *(Chairman)*
Mr. Cheng Sheung Hing
Ms. Chiang Su Hui Susie

AUTHORIZED REPRESENTATIVES

Mr. Zhao Zehua
Mr. Tam Tsang Ngai

JOINT COMPANY SECRETARIES

Mr. Ge Junming
Mr. Tam Tsang Ngai

REGISTERED OFFICE

PO Box 309
Ugland House
Grand Cayman, KY1-1104
Cayman Islands

HEADQUARTERS

No. 15
Baogongbei Street
Tiexi District
Shenyang, PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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One Pacific Place
88 Queensway
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Maples Fund Services (Cayman) Limited
PO Box 1093, Boundary Hall
Cricket Square
Grand Cayman KY1-1102
Cayman Islands

HONG KONG SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
Shops 1712-1716
17th Floor, Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong

Corporate Information

AUDITOR

PricewaterhouseCoopers

STOCK CODE

The Main Board of The Stock Exchange of Hong Kong Limited: 2211

INVESTOR RELATIONS

Ms. Winny Yip
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COMPANY'S WEBSITE

www.uhighl.com

Financial Highlights

	Six months ended 30 June 2015 RMB Million (Unaudited)	2014 RMB Million (Unaudited)	Change (%)
Revenue	**2,570.9**	2,043.9	+25.8
Gross profit	**736.1**	606.4	+21.4
Operating profit	**331.0**	325.8	+1.6
Profit for the period	**248.4**	244.2	+1.7
Basic earnings per share – RMB cents(1)	**12.34**	11.19	+10.3
Interim dividend per share – HK cents	**1.5**	2.8	-46.4
Gross margin (%)	**28.6**	29.7	-1.1pp
Operating margin (%)	**12.9**	15.9	-3.0pp
Net margin (%)	**9.7**	11.9	-2.2pp

	30 June 2015 (Unaudited)	31 December 2014 (Audited)	
Current ratio (times)(2)	**3.8**	3.3	+0.5
Trade receivables turnover (days)(3)	**17.9**	19.3	-1.4
Trade payables turnover (days)(4)	**19.3**	16.1	+3.2
Inventory turnover (days)(5)	**38.1**	37.5	+0.6

Notes:

1. Basic earnings per share = Profit attributable to owners of the Company/weighted average number of ordinary shares (the weighted average number of shares for the first six months of 2015 was 1,983,007,000, versus 2,000,000,000 for the corresponding period last year)

2. Current ratio = Current assets/current liabilities

3. Trade receivables turnover days = Average of opening and closing balances on trade receivables/revenue for the period x number of days for the period

4. Trade payables turnover days = Average of opening and closing balances on trade payables/cost of sales for the period x number of days for the period

5. Inventory turnover days = Average of opening and closing balances on inventory/cost of sales for the period x number of days for the period

Management Discussion and Analysis

The board (the "Board") of directors (the "Directors") of Universal Health International Group Holding Limited (formerly known as "Jintian Pharmaceutical Group Limited") (the "Company") is pleased to announce the unaudited interim results of the Company and its subsidiaries (collectively, the "Group") for the six months ended 30 June 2015 (the "Period").

Industry Overview

During the first half of 2015, especially since the second quarter of 2015, on the backdrop of the complex domestic and international situation, the economy of the People's Republic of China (the "PRC") grew at a slow but steady pace with further slowdown in GDP growth under the pressures inherent in the macroeconomic restructuring and with the support of stimulus policy aimed to stabilize the growth of the economy. The traditional "three driving forces" for the economy, i.e. consumption, investment and export, showed signs of slowdown, which was the main reason for the deceleration of the PRC economy. As the PRC economy bottomed out in the first half of the year, it is widely expected to recover in the second half of the year.

The growth of pharmaceutical industry also slowed down slightly. According to the National Bureau of Statistics of the PRC, during the period from January to June 2015, the added value of pharmaceutical enterprises above the designated size in the PRC increased by 9.9% on a year-on-year basis, representing a decrease of 3.6 percentage points as compared with the corresponding period of last year; and the revenue from main businesses of pharmaceutical enterprises above the designated size amounted to RMB1.24 trillion, representing an increase of 8.91% on a year-on-year basis but a decrease of 4.76 percentage points as compared with the corresponding period of last year.

Since 2015, the PRC government has implemented more systematic and specific reforms on medical and health system in respect of seven areas involving 27 tasks, releasing policy payouts to a wider and deeper extent. Medical reform has evolved from encouraging non-public medical institutions last year to accelerating their establishment, and extended to improving the universal medical insurance system as well as reform of drug prices. Intensive introduction of a series of related policies implied the government's attention and support to the healthcare service industry.

An increasing number of pharmaceutical enterprises are accelerating their paces into the pharmaceutical universal health field. The so-called universal health industry comprises pharmaceutical products, healthcare supplies, nutrition food, medical devices, healthcare apparatuses, leisure and fitness, health management, health consultation and other production and service sectors closely related to human health. Compared with the traditional pharmaceutical industry, the universal health industry provides not only products, but also healthy lifestyle solutions, hence creating more business opportunities.

As a new highlight of the PRC economy, the health industry is an emerging industry with a huge market potential. The Opinions on Promoting the Development of Health Service Industry (《關於促進健康服務業發展的若干意見》) previously issued by the State Council of the PRC in 2014 explicitly proposed for the first time the development target that the total size of the PRC health service industry will reach over RMB8 trillion by 2020, i.e. quadrupling within six years.

Management Discussion and Analysis

Based on the current macroeconomic situation and industrial policy, the pharmaceutical industry will continue to maintain steady growth in 2015. Supported by the aging population, improvement of affordability of medical expenses, enhancement of health awareness and other favorable factors, the PRC pharmaceutical market will continue to maintain double-digit growth in the future. According to the Blue Book of China Health Industry (2015 edition) (《中國健康產業藍皮書(2015版)》) prepared by China National Pharmaceutical Industry Information Center, the size of the PRC pharmaceutical market is expected to exceed RMB2.2 trillion by 2019.

At the National People's Congress and Chinese People's Political Consultative Conference this year, Premier Li Keqiang proposed the concept of "Internet Plus" for the first time, emphasising the combination and development of technologies such as Internet, cloud computing, big data, Internet of Things and manufacturing, financial and other traditional industries. The concept of "Internet Plus" began to penetrate into all industries and is also gradually changing the traditional model of pharmaceutical industry. Through Internet, pharmaceutical enterprises enjoy price advantage by reducing the costs and intermediate links in consumption, which helps to promote their products more easily and greatly enhance their marketing capabilities. The transformation of pharmaceutical e-commerce business and traditional pharmacies through Internet will also become an inevitable development trend of the industry with great potential of appreciation in the future.

On 4 July 2015, the State Council released Guidance on Promoting Internet Plus (《關於積極推進「互聯網+」行動的指導意見》) (the "Guidance"), which aimed to proactively promote "Internet Plus" public services and develop emerging mobile-based spending pattern with online and offline interaction, so as to accelerate development of Internet-based medical, healthcare, pension insurance, social security and other new services, in an effort to innovate government service model. According to the Guidance, the integration of Internet with all aspects in the economy and society will further deepen by the year of 2018, enabling Internet to be an important means for provision of public services. Application of Internet in the medical and healthcare, education and other livelihood areas will be enriched, providing more diversified public services and leading to closer integration of online and offline actions.

On 20 June 2015, the State Council also released the Guiding Opinions of the General Office of the State Council on Promoting the Healthy and Rapid Development of Cross-border E-commerce (《國務院辦公廳關於促進跨境電子商務健康快速發展的指導意見》), which aimed to support the development of cross-border e-commerce business and facilitate upgrade of open-ended economic development. As indicated by the data released by a third party institute eMarketer, cross-border purchases by China's online shoppers significantly increased from US$2 billion in 2010 to US$20 billion in 2014, and products ranging from apparels to maternity and baby products and from household electronic appliances to healthcare medicine and equipments were popular with the domestic consumers. Cross-border e-commerce business in the free trade zones will bring new business opportunities for the e-commerce of the pharmaceutical products and the healthcare and wellness industries.

Management Discussion and Analysis

While the pharmaceutical economy settles into a new normal pattern, reforms will bring new business opportunities. In the era of "Internet + Universal Health", innovation and integration will be the main theme of the future development of the pharmaceutical industry. During the course of transformation and reform, enterprises shall focus on innovation, including innovation on products, markets, business model and development model, as innovation and integration are expected to bring great growth momentum to the pharmaceutical industry.

Business Review

Strategy Guidance: Under the "Internet Plus" strategy introduced by the PRC government, the operation guideline of the "Golden Rules" put forward by the Chairman Mr. Jin Dongtao, and the medium to long-term strategy of cross border development, diversified product lines and integrated online-to-offline ("O2O") platforms, the Group proactively developed its "Internet + Universal Health" business, in an effort to build an international universal health branding and marketing platform and facilitate the strategic upgrade of the Group's development.

Golden Rules: The Golden Rules ("1+1=11, 1+1=101, 1+1=王, 1+1=田"), an operation philosophy with strategic vision, is put forward by Mr. Jin Dongtao, the chairman of the Group, which has guiding significance to the development of individuals, the enterprise and the industry. The Golden Rules advocates "team-work" cooperation spirit, "platform" for multilateral cooperation, "empathy" at multi-level and multi-dimension and "sharing" win-win strategy.

Business Overview: For the Period, the Group proactively developed the cross-border business and cooperated with domestic and overseas renowned enterprises to develop its international trading business regarding universal health products, so as to enhance our influence in the industry. For the universal health branded products business, the Group benefited from the resource advantage of Hong Kong as an international finance and information center and international free trade port. By Capitalising on its forward-looking vision and capability to take action, the Group strived to become a leading operator of universal health brand.

Our universal health business has a hierarchy of three levels:

1. Upper level (procurement platforms): Original equipment manufacturers ("OEM") branded products, domestic branded products and international branded products;

2. Middle level (branding and marketing platform): brand promotion – media portfolio, Jintian Institute – professional training, membership program and activities – online and offline platforms and industry alliance – leading market position;

3. Bottom level (sales platforms): distribution platform covering 29 provinces and cities across the country, retail platform with 953 stores, online sales platform on Tmall.com and JD.com and mobile-based online platform in Hong Kong for universal health cross-border e-commerce business.

Management Discussion and Analysis

Procurement Platforms

Domestic branded products and OEM manufacturers: The Group continued to strengthen the function of procurement center and OEM manufacture, and gained OEM advantage by providing value-added services to the OEM manufacturers, so that the domestic branded products continued to be the core business for the Group's development.

International branded products and international trade department: Our International Trade Department based in Hong Kong has established the central procurement system, which will select international universal health branded products into the distribution network and supply products for the cross-border e-commerce platform and stores located in Hong Kong and Chung Ying Street, improving our influence in the industry. Capitalising on the first-mover advantage from the stores in Hong Kong, the Group gained easy access to international branded products.

Branding and Marketing Platform

Brand promotion: The Group stepped up efforts in marketing branded products and adopted an entire network marketing approach whereby marketing promotion were carried out through traditional media including television, advertisements on vehicles and radio and new media including micro films, social networking communities and WeChat, among which, Yushi brand was admitted into the cooperation and development platforms of CCTV, Tonglukuaijian and Golden Century.

Institute: The professional training and activities organised by Jintian Institute showed further positive effects. During the Period, Jintian Institute held 170 training sessions, which helped to improve the operating results of the acquired enterprises and provide value-added services to the distribution customers.

Membership program: Based on the existing stores and members of the Aixin Membership Program, and by implementing the "Internet + Universal Health" strategy, the Group continued to develop online members and customers through WeChat and online activities, so as to expand geographic coverage of member base and improve member structure, laying a solid foundation for overall performance improvement.

Industry alliance: The Group proactively promoted and participated in the activities of industry alliance. During the Period, the management personnel actively attended summit forums, celebration events, visit and exchange tours and marketing promotion campaigns for branded products, so as to enhance exchange and communication at the alliance level and form closer cooperation relationship, which helped to broaden cooperation in respect of the branded products.

Management Discussion and Analysis

Sales Platforms

Distribution: While proactively exploring new markets, the operation team of the branded products deepened cooperation with the pharmaceutical retailers alliance to expand distribution to the end customers. During the Period, our business coverage has expanded to 29 provinces and cities across the PRC.

Retail: In order to develop cross-border business, the Group established an outlet at Chong Ying Street, Shatoujiao, as a channel connecting business between Hong Kong and the Mainland, laying a foundation for offline business. During the Period, the Group had a total of 953 self-operated stores.

Online and mobile-based platforms: While efforts were made to maintain stable growth in online customer flow, the Group proactively explored opportunities in cross-border e-commerce business by building mobile-based operation team and negotiating cooperation with cross-border e-commerce platforms, logistics chain platforms and WeChat community platforms in the relevant free trade zones.

Financial Review

For the Period, the Group recorded revenue of RMB2,570.9 million, representing an increase of 25.8% as compared with RMB2,043.9 million for the corresponding period in 2014. Profit attributable to owners of the Company was RMB244.7 million, representing an increase of 9.3% as compared with RMB223.8 million for the corresponding period in 2014. Earnings per share for the Period was RMB12.34 cents (2014: RMB11.19 cents). The increase in profit attributable to owners of the Company was mainly due to the increase in profit of the Group's retail business.

Revenue

For the Period, the Group recorded revenue of RMB2,570.9 million, representing an increase of RMB527.0 million or 25.8% as compared with RMB2,043.9 million for the corresponding period in 2014. The increase was mainly attributable to the substantial growth in both retail and distribution businesses.

Analysis of revenue by business segment

	Revenue (RMB million) Six months ended 30 June			% of total revenue Six months ended 30 June		
	2015	2014	Change *(%)*	2015	2014	Change *(%)*
Retail	1,240.5	963.2	+28.8	48.3	47.1	+1.2
Distribution	1,330.4	1,080.7	+23.1	51.7	52.9	-1.2
	2,570.9	2,043.9		100.0	100.0	

Management Discussion and Analysis

Retail Business Segment

The increase in the retail business was mainly due to the organic growth of the existing pharmacies during the Period and the increase in the number of retail pharmacies in 2014. During the Period, the Group continued its organic growth of retail business through expanding member base, increasing the consumption per member and introducing more personalized services and product mix which are better adapted to the needs of customers. As at 30 June 2015, the Group had 953 (2014: 838) retail pharmacies in total, of which 688 (2014: 688) located in Heilongjiang, 168 (2014: 101) in Liaoning, 93 (2014: 45) in Jilin and 4 (2014: 4) self-operated retail pharmacies in Hong Kong. In addition, the Group had 16 (2014: 16) supermarkets in Shenyang as at 30 June 2015, mainly selling healthcare products and consumer goods.

Distribution Business Segment

The increase in the distribution business was due to the increase in the number of customers and more sales generated from existing customers. During the Period, the Group continued its organic growth of distribution business through providing more specific value-added service to key customers and intensifying efforts to explore new quality customers. Besides, the distribution companies acquired in 2014 attributed to a growth in sales during the Period.

As at 30 June 2015, the Group had a nationwide distribution network covering approximately 6,500 customers (2014: 4,900), including approximately 4,300 pharmaceutical retailers (2014: 3,200), hospitals and clinics and approximately 2,200 distributors (2014: 1,700).

Gross profit

The gross profit of the Group for the Period was approximately RMB736.1 million, representing an increase of RMB129.7 million or 21.4% as compared with RMB606.4 million for the corresponding period in 2014. The increase in gross profit was mainly due to the substantial increase in the overall revenue. Overall gross profit margin decreased from 29.7% to 28.6%. The slight decrease was mainly due to the change of product mix during the Period.

Analysis of gross profit by business segment

	Gross profit (RMB million) Six months ended 30 June			Gross profit margin (%) Six months ended 30 June		
	2015	2014	Change (%)	2015	2014	Change (%)
Retail	476.6	385.5	+23.6	38.4	40.0	-1.6
Distribution	259.5	220.9	+17.5	19.5	20.4	-0.9
	736.1	606.4				

Management Discussion and Analysis

The Group's high-margin products consists of licensed products and products with exclusive distribution rights. During the Period, revenue of the Group's high-margin products increased slightly by 1.4% over the corresponding period in 2014 and the gross profit margin of these high-margin products decreased slightly from 50.4% to 49.8%. As at 30 June 2015, the Group had 360 (2014: 412) types of licensed products and 2,386 (2014: 1,015) types of products with exclusive distribution rights.

Selling and marketing expenses

Selling and marketing expenses for the Period was RMB358.8 million, representing an increase of RMB124.9 million or 53.4% over the corresponding period in 2014 and 14.0% (2014: 11.4%) of the Group's revenue. The increase was mainly due to the increase in advertising expenses as a result of increasing branding promotion of licensed products, especially Yushi.

Administrative expenses

Administrative expenses for the Period was RMB46.6 million, representing an decrease of RMB0.5 million or 1.0% over the corresponding period in 2014 and 1.8% (2014: 2.3%) of the Group's revenue. The decrease was mainly due to the decrease in legal and professional fee after the initial public offering of the Company ("IPO").

Finance income/cost – net

Net finance cost for the Period was RMB0.1 million (2014: net finance income of RMB3.8 million). Net finance cost was resulted due to the decrease in interest income from the proceeds received from IPO.

Income tax expenses

Income tax expense for the Period was RMB83.1 million, representing a decrease of RMB2.9 million or 3.4% over the corresponding period in 2014. The effective income tax rate for the Period was 25.1% (2014: 26.0%).

Liquidity and Capital Resources

The Company's treasury function formulated financial risk management procedures, which are also subject to periodic review by the senior management of the Company.

This treasury function operates as a centralized service for managing financial risks, including interest rate and foreign exchange rate risks, reallocating surplus financial resources within the Group, procuring cost-efficient funding and targeting yield enhancement opportunities. The treasury function regularly and closely monitors its overall cash and debt positions, proactively reviews its funding costs and maturity profiles to facilitate timely refinancing, if appropriate.

As at 30 June 2015, the Group's unpledged cash and cash equivalents totalled approximately RMB1,655.2 million (31 December 2014: approximately RMB1,349.2 million), and the Group's net current assets were approximately RMB1,929.7 million (31 December 2014: approximately RMB1,731.2 million).

Management Discussion and Analysis

During the Period, net cash flows generated from operating activities amounted to approximately RMB310.3 million, as compared to approximately RMB344.6 million for the corresponding period in 2014. The decrease was due to increase in income tax paid and decrease in cash generated from operations.

During the Period, the Group had capital expenditure of approximately RMB18.8 million (2014: approximately RMB258.2 million).

Having considered the cash flow from operating activities, existing financial gearing and banking facilities available to the Group, the management believes that the Group's financial resources are sufficient to fund its debt payments, day-to-day operations, capital expenditures and prospective business development projects.

The Group mainly operates in the PRC, with most of its transactions denominated and settled in Renminbi. The Group's currency risk arises from certain bank deposits that are denominated in Hong Kong dollars. As at 30 June 2015, the Group had approximately RMB1,655.2 million in cash and bank balances of which the equivalent of approximately RMB12.1 million was denominated in Hong Kong dollars. As at 30 June 2015, the Company has converted most of the Hong Kong dollars into equivalent Renminbi to reduce the impact of fluctuations in exchange rate.

The Group did not use financial instruments for financial hedging purpose during the Period.

Change of Company Name

On 22 April 2015, the Board proposed to change the name of the Company from "Jintian Pharmaceutical Group Limited 金天醫藥集團股份有限公司" to "Universal Health International Group Holding Limited 大健康國際集團控股有限公司". The change of name was approved at the annual general meeting of the Company on 16 June 2015 and took effect on 18 June 2015 upon the issuance of the Certificate of Incorporation on Change of Name by the Registrar of Companies in the Cayman Islands.

Capital Structure

There were no movements in the Company's share capital and share options during the Period.

As at 30 June 2015, the Group had certain interest-bearing bank borrowings of approximately RMB147.8 million (31 December 2014: RMB295.5 million). Bank borrowings carried annual interest rates at 2.9% (31 December 2014: 2.9%). All of the bank borrowings are denominated in Renminbi.

The gearing ratio of the Group as at 30 June 2015, calculated as net debt divided by sum of total equity and net debt, was N/A (31 December 2014: N/A).

Management Discussion and Analysis

Contingent Liabilities and Pledge of Assets

As at 30 June 2015, the Group has no significant contingent liabilities (31 December 2014: Nil).

As at 30 June 2015, the bank borrowings and notes payable of the Group were secured by the time deposits of the Group with net aggregate booking value of approximately RMB225.3 million (31 December 2014: RMB382.8 million).

Human Resources

As at 30 June 2015, the Group had 6,405 (2014: 6,051) full-time employees in Hong Kong and the PRC with total employee benefit expenses amounted to approximately RMB141.2 million (2014: RMB109.6 million). Employees are paid according to their positions, performance, experience and prevailing market practices, and are provided with management and professional training. The Group has implemented a number of initiatives to enhance the productivity of its employees. In particular, the Group conducts periodic performance reviews of most of the employees, and their compensation is tied to their performance. Further, the Group's compensation structure is designed to incentivize its employees to perform well by linking a portion of their compensation to their performance and the overall performance of the Group. The performance-based portion depends on the employee's job function and seniority.

Employees in Hong Kong are provided with retirement benefits under the Mandatory Provident Fund scheme, as well as life insurance and medical insurance. Employees in the PRC are provided with basic social insurance and housing fund in compliance with the requirements of the laws of the PRC. The Company has adopted a share option scheme and a share award plan for the purpose of providing incentives to participants for their contribution to the Group, and to enable the Group to recruit and retain quality employees to serve the Group on a long-term basis.

Future Plan

In light of the domestic and global economic development pattern, the Group outlines the development strategies of "leader in two fields" and "diversified product lines, cross-border development and integrated O2O platforms":

Leader in two fields

1. **Leader in the international universal health industry:** Capitalising on the huge consumption potential of the mainland China and Asian markets and seizing the opportunities arising from the global trend of ageing population, and based on the regional strategy of "One belt and one road" advocated by the PRC government, the Group takes Hong Kong, an international finance center, as a regional platform to expand its reach to the international community, diversifying its business from pharmaceutical product distribution to the universal health field, with an aim to develop the Group into an operator of international universal health brand.

Management Discussion and Analysis

2. **Leader in innovating business model of the industry in the new era:** Leveraging on our advantage in stores and distribution network, and based on the "Internet Plus" development strategy, the Group takes the lead to enter the e-commerce business by setting up online flagship stores on Tmall.com and JD.com and building quality mobile-based WeChat marketing team. Meanwhile, the Group carries out regional cooperation with leading international e-commerce platforms such as Alibaba Health, and explores opportunities to cooperate with cross-border e-commerce and logistics chain platforms.

Diversified product lines, cross-border development and integrated O2O platforms

1. **Strategy of diversified product lines:** Based on its established business of selling and distributing pharmaceutical products, the Group has expanded into imported and domestic healthcare products, health food and other non-pharmaceutical products, as well as traditional nutrition supplements (including cubilose, ginseng, cordyceps etc.), healthcare devices, cosmeceutical and other products.

2. **Strategy of cross-border development:** Benefiting from its status as a listed company in Hong Kong, the Group takes proactive initiatives to develop international trading business. The Group continues to source quality products through entering into distribution cooperation agreements with a number of renowned manufacturers in Asia, the Europe and the United States, so as to introduce international universal health brands to the PRC. Meanwhile, the Group strives to capture opportunities arising from the development of free trade zones, to establish its international import business presence. Under the concept of establishing and sharing platform, the Group carries out cross-border cooperations of various scope and depth with a number of domestic and overseas companies engaging in healthcare and wellness related business. The Group establishes a cross-border e-commerce platform, so as to drive growth of our business. The Group is also planning to set up overseas companies in markets with well-developed healthcare and wellness business such as Japan, Korea and Australia. Meanwhile, the Group will step up efforts in entering the international markets, so as to introduce Chinese universal health products to the global market.

3. **Strategy of integrated O2O platforms:** 1) Online platforms: The Group is the first one in the pharmaceutical and universal health industry to establish the e-commerce WeChat marketing department, and establishes first-mover advantage in the "WeChat marketing" field by promoting and selling products through mobile-based platforms including WeChat, micro-malls, public accounts, applications and other approaches. Meanwhile, the Group has obtained the licences required for pharmaceutical product e-commerce business, and has set up online flagship pharmacies on Tmall.com and JD.com. The Group has also entered into cooperation agreement with Alibaba Health in relation to a electronic platform providing medical and healthcare services. 2) Offline platforms: As at 30 June 2015, the Group owned 953 chain stores with over 1 million Aixin members and a national distribution network covering over 6,500 distribution customers in 29 provinces and cities, which both recorded strong growth in sales.

Embracing the trend of "Internet + Universal Health", the integrated online and offline platform will become the core competitive strength of the Group in the universal health field.

Management Discussion and Analysis

Environment, Society Responsibility and Risk Management

Environmental policies: Being committed to build itself as a resource-efficient enterprise, the Group attaches great importance to environmental protection and sustainable development. Based on its actual situation as a non-manufacturing enterprise, the Group takes serious measures to reduce consumption of energy and electricity, office utilities and packaging materials.

Caring China: During the Period, the Group continued to perform its social responsibility by constantly organizing innovative caring projects such as Caring China Charity Award Ceremony, Charity In Action, Caring China Medical Support, Caring China Education Aid Program and Caring China Square Dance, so as to enhance its recognition and reputation through charity activities.

Risk Management: During the Period, based on its management experience, the Group further strengthened the establishment of internal audit system, outlined the internal control functions and enhanced risk management. The Group also formulated the "General Outline of Regulations on Internal Control and Risk Management" (《內部控制及風險管理規範大綱》). In addition, two senior management personnel have obtained the Certified Internal Control Specialist qualification from the Internal Control Institute.

Report on Review of Interim Financial Information

羅兵咸永道

TO THE BOARD OF DIRECTORS OF UNIVERSAL HEALTH INTERNATIONAL GROUP HOLDING LIMITED
(incorporated in Cayman Islands with limited liability)

Introduction

We have reviewed the interim financial information set out on pages 17 to 39, which comprises the interim condensed consolidated balance sheet of Universal Health International Group Holding Limited (the "Company") and its subsidiaries (together, the "Group") as at 30 June 2015 and the related interim condensed consolidated statement of comprehensive income, changes in equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting". The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34 "Interim Financial Reporting".

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 28 August 2015

Condensed Consolidated Balance Sheet

	Note	(Unaudited) As at 30 June 2015 RMB'000	(Audited) As at 31 December 2014 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	7	110,538	120,870
Land use rights	7	3,760	3,807
Intangible assets	8	789,511	799,509
Investments in joint ventures		6,999	6,454
Prepayment for intangible assets		2,103	2,103
Prepayment for investments		331	–
Deferred income tax assets	9	28,380	11,953
Total non-current assets		941,622	944,696
Current assets			
Trade and other receivables	10, 21(b)	332,849	374,155
Inventories		408,986	362,940
Restricted cash	11	225,250	382,843
Cash and cash equivalents		1,655,150	1,349,231
Total current assets		2,622,235	2,469,169
Total assets		3,563,857	3,413,865
EQUITY			
Equity attributable to owners of the Company			
Share capital	12	12,259	12,259
Other reserves		1,305,131	1,355,464
Retained earnings		1,475,114	1,230,436
		2,792,504	2,598,159
Non-controlling interests		30,706	27,009
Total equity		2,823,210	2,625,168

Condensed Consolidated Balance Sheet

	Note	(Unaudited) As at 30 June 2015 RMB'000	(Audited) As at 31 December 2014 RMB'000
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities	9	48,159	50,698
Current liabilities			
Borrowings	13	147,750	295,500
Trade and other payables	14, 21(b)	485,864	380,936
Current income tax liabilities		58,874	61,563
Total current liabilities		692,488	737,999
Total liabilities		740,647	788,697
Total equity and liabilities		3,563,857	3,413,865
Net current assets		1,929,747	1,731,170
Total assets less current liabilities		2,871,369	2,675,866

The notes on pages 22 to 39 form an integral part of this condensed consolidated interim financial information.

Condensed Consolidated Statement of Comprehensive Income

	Note	(Unaudited) Six months ended 30 June 2015 RMB'000	2014 RMB'000
Revenue	6	2,570,945	2,043,894
Cost of sales	15	(1,834,871)	(1,437,473)
Gross profit		736,074	606,421
Selling and marketing expenses	15	(358,813)	(233,922)
Administrative expenses	15	(46,628)	(47,101)
Other income		414	370
Other (losses)/gains – net		(10)	3
Operating profit		331,037	325,771
Finance income	16	4,523	9,681
Finance costs	16	(4,632)	(5,889)
Finance (costs)/income – net	16	(109)	3,792
Share of profit of joint ventures		545	631
Profit before income tax		331,473	330,194
Income tax expense	17	(83,098)	(85,950)
Profit and total comprehensive income for the period		248,375	244,244
Profit and total comprehensive income attributable to:			
– Owners of the Company		244,678	223,804
– Non-controlling interests		3,697	20,440
		248,375	244,244
Earnings per share attributable to owners of the Company for the period (RMB cents)			
– Basic and diluted	18	12.34	11.19

The notes on pages 22 to 39 form an integral part of this condensed consolidated interim financial information.

Details of the dividend are disclosed in note 19 to the condensed consolidated interim financial information.

Condensed Consolidated Statement of Changes in Equity

		(Unaudited)									
		Attributable to owners of the Company									
	Note	Share capital RMB'000 (Note 12)	Share premium RMB'000	Capital reserves RMB'000	Statutory reserves RMB'000	Shares held for Share Award Plan RMB'000	Share-based compensation reserves RMB'000	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2015		12,259	1,480,656	(154,447)	60,182	(39,780)	8,853	1,230,436	2,598,159	27,009	2,625,168
Profit for the period		–	–	–	–	–	–	244,678	244,678	3,697	248,375
Final dividend declared		–	(50,333)	–	–	–	–	–	(50,333)	–	(50,333)
Balance at 30 June 2015		12,259	1,430,323	(154,447)	60,182	(39,780)	8,853	1,475,114	2,792,504	30,706	2,823,210
Balance at 1 January 2014		12,259	1,524,825	(8,939)	35,056	–	8,853	782,838	2,354,892	100,884	2,455,776
Profit for the period		–	–	–	–	–	–	223,804	223,804	20,440	244,244
Balance at 30 June 2014		12,259	1,524,825	(8,939)	35,056	–	8,853	1,006,642	2,578,696	121,324	2,700,020

The notes on pages 22 to 39 form an integral part of this condensed consolidated interim financial information.

Condensed Consolidated Cash Flow Statement

	Note	(Unaudited) Six months ended 30 June 2015 RMB'000	2014 RMB'000
Cash flows from operating activities			
Cash generated from operations		419,174	436,276
Interest paid		(4,097)	(1,516)
Income tax paid		(104,753)	(90,183)
Net cash generated from operating activities		310,324	344,577
Cash flows from investing activities			
Change in restricted cash	11	157,593	(366,414)
Interest received		4,365	9,250
Proceeds from disposal of property, plant and equipment		184	–
Purchase of land use rights and intangible assets	7, 8	(29)	(3,888)
Purchase of property, plant and equipment		(2,945)	(43,193)
Acquisition of subsidiaries net of cash required		(15,500)	(82,159)
Prepayments for investments		(331)	(129,000)
Net cash generated from/(used in) investing activities		143,337	(615,404)
Cash flows from financing activities			
Proceeds from initial public offering hold by the sponsor		–	25,879
Borrowings from bank	13	295,500	295,500
Repayments of borrowings		(443,250)	–
Net cash (used in)/generated from financing activities		(147,750)	321,379
Net increase in cash and cash equivalents		305,911	50,552
Cash and cash equivalents at beginning of the period		1,349,231	1,564,248
Exchange gain/(loss) on cash and cash equivalents		8	(3,890)
Cash and cash equivalents at end of the period		1,655,150	1,610,910

The notes on pages 22 to 39 form an integral part of this condensed consolidated interim financial information.

Notes to the Condensed Consolidated Interim Financial Information

1. General information

Universal Health International Group Holding Limited (the "Company", formerly known as Jintian Pharmaceutical Group Limited) and its subsidiaries (together the "Group") are principally engaged in the distribution and retail of drugs and other pharmaceutical products in the northeastern region of the People's Republic of China (the "PRC").

The Company was incorporated in the Cayman Islands on 12 March 2012, as an exempted company with limited liabilities under the Companies Law (2013 Revision) of the Cayman Islands. The address of the Company's registered office is PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands.

The Company's shares have been listed on the main board of The Stock Exchange of Hong Kong Limited since 12 December 2013.

This condensed consolidated interim financial information is presented in thousands of Renminbi ("RMB'000"), unless otherwise stated.

2. Basis of preparation

This condensed consolidated interim financial information for the six months ended 30 June 2015 has been prepared in accordance with International Accounting Standards ("IAS") 34, 'Interim Financial Reporting'. The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2014, which have been prepared in accordance with International Financial Reporting Standards ("IFRS").

3. Accounting policies

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2014, as described in those annual financial statements.

Amendments to IFRSs effective for the financial year ending 31 December 2015 do not have a material impact on the Group.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

There are no other amended standards or interpretations that could be expected to have a material impact on the Group.

Notes to the Condensed Consolidated Interim Financial Information

3. Accounting policies *(continued)*

The following new standards and amendments to standards have been issued but are not effective for the financial year beginning on 1 January 2015 and have not been early adopted:

IFRS 9	Financial Instruments	1 January 2018
IFRS 14	Regulatory deferral accounts	1 January 2016
IFRS 15	Revenue from Contracts with Customers	1 January 2017
Amendments to IAS 1	Disclosure initiative	1 January 2016
Amendments to IFRS 10 and IAS 28	Sale or contribution of assets between an investor and its associate or joint venture	1 January 2016
Amendments to IFRS 10, IFRS 12 and IAS 28	Investment entities: applying the consolidation exception	1 January 2016
Amendment to IFRS 11	Accounting for acquisitions of interests in joint operation	1 January 2016
Amendments to IAS16 and IAS 38	Clarification of acceptable methods of depreciation and amortisation	1 January 2016
Amendment to IAS 27	Equity method in separate financial statements	1 January 2016
Annual improvements 2014		1 January 2016

Management expected the adoption of the above amended standards would not have significant impact on the Group.

There are no other amended standards or interpretations that are not yet effective that could be expected to have a material impact on the Group.

4. Estimates

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2014.

Notes to the Condensed Consolidated Interim Financial Information

5. Financial risk management

5.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: foreign exchange risk, credit risk, liquidity risk and interest rate risk.

The condensed consolidated interim financial information do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2014.

There have been no changes in the risk management policies since year end.

5.2 Liquidity risk factors

Compared to year end, there was no material change in the contractual undiscounted cash out flows for financial liabilities.

5.3 Fair value estimation

The carrying amounts of the Group's financial assets, including cash, restricted cash, receivables; and financial liabilities including payables, short-term borrowings, approximate their fair values due to their short maturities. The face values less any estimated credit adjustments for financial assets and liabilities with a maturity of less than one year are assumed to approximate their fair values.

The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate available to the Group for similar financial instruments.

There is no financial instrument carried at fair value of the Group as at 30 June 2015 and 31 December 2014.

Notes to the Condensed Consolidated Interim Financial Information

6. Revenue and segment information

The Board of Directors is the Group's chief operating decision-maker. Management has determined the operating segments based on the information reviewed by the Board of Directors for the purposes of allocating resources and assessing performance.

The Group is principally engaged in the distributions and retails of drugs and other pharmaceutical products in the northeastern region of the PRC. Separate individual financial information for distributions and retails are presented to the Board of Directors who reviews the internal reports in order to assess performance and allocate resources. Due to the differences in economic characters, customers etc, for distributions, retails and others respectively, the distributions, retails and others are considered to be three reportable segments in accordance with IFRS 8 "Operating Segment". The "others" segment mainly comprises investment companies.

The Group's principal market is the northeastern region of the PRC. The Group has a large number of customers, which are widely dispersed within the northeastern region of the PRC, no single customer accounted for more than 10% of the Group's total revenues for the six months ended 30 June 2015 and 2014. Accordingly, no geographical segment is presented.

Sales between segments are carried out at arm's length. The revenue from external customers and the cost, the total assets and the total liabilities are measured in a manner consistent with that of the Group's consolidated financial statements.

The Board of Directors assesses the performance of the operating segments based on a measure of adjusted earnings before interests, tax, depreciation and amortisation ("Adjusted EBITDA"). The measurement basis of Adjusted EBITDA excludes the effect of share of profit of joint ventures.

Notes to the Condensed Consolidated Interim Financial Information

6. Revenue and segment information *(continued)*

The segment information for the six months ended 30 June 2015 and as at 30 June 2015 is as follows:

	(Unaudited) Six months ended 30 June 2015			
	Distributions *RMB'000*	Retails *RMB'000*	Others *RMB'000*	Total *RMB'000*
Segment revenue	1,860,382	1,240,507	–	3,100,889
Inter-segment revenue	(529,944)	–	–	(529,944)
Revenue from external customers	1,330,438	1,240,507	–	2,570,945
Adjusted EBITDA	108,439	256,968	(11,213)	354,194
Depreciation and amortisation	(7,160)	(15,934)	(63)	(23,157)
Finance income	2,371	1,623	529	4,523
Finance costs	(1,300)	(2,797)	(535)	(4,632)
Share of profit of joint ventures	–	545	–	545
Income tax expense	(24,325)	(58,773)	–	(83,098)
Profit and total comprehensive income for the period	78,025	181,632	(11,282)	248,375
Additions of non-current assets	1,021	2,498	–	3,519

	(Unaudited) As at 30 June 2015			
	Distributions *RMB'000*	Retails *RMB'000*	Others *RMB'000*	Total *RMB'000*
Total assets before eliminations	2,102,951	2,008,781	1,391,444	5,503,176
Inter-segment assets	(602,869)	(261,403)	(1,075,047)	(1,939,319)
Total assets	1,500,082	1,747,378	316,397	3,563,857
Total liabilities before eliminations	850,535	714,525	58,330	1,623,390
Inter-segment liabilities	(514,771)	(365,396)	(2,576)	(882,743)
Total liabilities	335,764	349,129	55,754	740,647

Notes to the Condensed Consolidated Interim Financial Information

6. Revenue and segment information *(continued)*

The segment information for the six months ended 30 June 2014 and as at 31 December 2014 is as follows:

	(Unaudited) Six months ended 30 June 2014			
	Distributions *RMB'000*	Retails *RMB'000*	Others *RMB'000*	Total *RMB'000*
Segment revenue	1,474,884	963,211	–	2,438,095
Inter-segment revenue	(394,201)	–	–	(394,201)
Revenue from external customers	1,080,683	963,211	–	2,043,894
Adjusted EBITDA	129,187	230,819	(18,707)	341,299
Depreciation and amortisation	(2,058)	(13,456)	(14)	(15,528)
Finance income	1,035	984	7,662	9,681
Finance costs	(577)	(1,380)	(3,932)	(5,889)
Share of profit of joint ventures	–	631	–	631
Income tax expense	(33,790)	(52,193)	33	(85,950)
Profit and total comprehensive income for the period	93,797	165,405	(14,958)	244,244
Additions of non-current assets	49,192	132,369	78,197	259,758

	(Audited) As at 31 December 2014			
	Distributions *RMB'000*	Retails *RMB'000*	Others *RMB'000*	Total *RMB'000*
Total assets before eliminations	2,085,108	1,690,616	1,287,491	5,063,215
Inter-segment assets	(618,916)	(163,202)	(867,232)	(1,649,350)
Total assets	1,466,192	1,527,414	420,259	3,413,865
Total liabilities before eliminations	872,562	572,487	16,946	1,461,995
Inter-segment liabilities	(467,519)	(193,259)	(12,520)	(673,298)
Total liabilities	405,043	379,228	4,426	788,697

The amounts provided to the Board of Directors with respect to total assets are measured in a manner consistent with that of the financial statements. These assets are allocated based on the operations of the segment and the physical location of the assets.

Notes to the Condensed Consolidated Interim Financial Information

7. Property, plant and equipment and land use rights

	(Unaudited) Property, plant and equipment *RMB'000*	(Unaudited) Land use rights *RMB'000*
Six months ended 30 June 2015		
Opening net book amount as at 1 January 2015	120,870	3,807
Additions	2,945	–
Disposals	(194)	–
Depreciation and amortisation *(Note 15)*	(13,083)	(47)
Closing net book amount as at 30 June 2015	110,538	3,760
Six months ended 30 June 2014		
Opening net book amount as at 1 January 2014	75,904	–
Acquisition of subsidiaries and businesses	736	–
Additions	48,593	3,870
Depreciation and amortisation *(Note 15)*	(11,183)	(13)
Closing net book amount as at 30 June 2014	114,050	3,857

The Group's interests in land use rights represent prepaid operating lease payments. The Group's land use rights are located in the PRC and with the lease period for 50 years.

Notes to the Condensed Consolidated Interim Financial Information

8. Intangible assets

	Goodwill	(Unaudited) Other intangible assets	Total
	RMB'000	*RMB'000*	*RMB'000*
Six months ended 30 June 2015			
Opening net book amount as at 1 January 2015	582,258	217,251	799,509
Additions	–	29	29
Amortisation charge *(Note 15)*	–	(10,027)	(10,027)
Closing net book amount as at 30 June 2015	582,258	207,253	789,511
Six months ended 30 June 2014			
Opening net book amount as at 1 January 2014	347,436	96,298	443,734
Acquisition of subsidiaries and businesses	51,310	25,600	76,910
Additions	–	18	18
Amortisation charge *(Note 15)*	–	(4,332)	(4,332)
Closing net book amount as at 30 June 2014	398,746	117,584	516,330

9. Deferred income tax

Deferred tax assets	Accrual for employee payroll	Accrual for sales commission	Accrual for advertising fee	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2014	9,879	918	–	10,797
Credited/(charged) to the condensed consolidated statement of comprehensive income	798	(53)	–	745
At 30 June 2014	10,677	865	–	11,542
At 1 January 2015	10,769	1,184	–	11,953
Credited/(charged) to the condensed consolidated statement of comprehensive income	388	(368)	16,407	16,427
At 30 June 2015	11,157	816	16,407	28,380

Notes to the Condensed Consolidated Interim Financial Information

9. Deferred income tax *(continued)*

Deferred tax liabilities	Deferred tax liabilities arising from business combination *RMB'000*
At 1 January 2014	(23,011)
Acquisition of subsidiaries	(6,534)
Credited to the condensed consolidated statement of comprehensive income	1,150
At 30 June 2014	(28,395)
At 1 January 2015	**(50,698)**
Credited to the condensed consolidated statement of comprehensive income	**2,539**
At 30 June 2015	**(48,159)**

10. Trade and other receivables

	(Unaudited) **As at** **30 June** **2015** ***RMB'000***	(Audited) As at 31 December 2014 *RMB'000*
Trade receivables *(Note)*	**240,971**	266,459
Prepayments	**72,247**	90,362
Other receivables	**21,405**	19,108
Provision for impairment	**(1,774)**	(1,774)
Total	**332,849**	374,155

The carrying amounts of receivables approximate their fair values.

Notes to the Condensed Consolidated Interim Financial Information

10. Trade and other receivables *(continued)*

Note: Retail sales at the Group's pharmacies are usually made in cash or debt or credit cards. For distribution to distributors, there is no concentration of credit risk with respect to trade receivables, as the majority of the Group's sales are settled in cash on delivery of goods. The remaining amounts are with credit items of 0 to 90 days. The ageing analysis based on recognition date of the trade receivables is as follows:

	(Unaudited) As at 30 June 2015 *RMB'000*	(Audited) As at 31 December 2014 *RMB'000*
Up to 3 months	233,285	247,037
4 to 6 months	7,686	12,355
7 to 12 months	–	7,067
	240,971	266,459

11. Restricted cash

	(Unaudited) As at 30 June 2015 *RMB'000*	(Audited) As at 31 December 2014 *RMB'000*
Restricted cash	225,250	382,843

The balance of the restricted cash was secured for bank borrowings and notes payable. As at 30 June 2015 and 31 December 2014, the amount of trade finance facilities utilised by the Group for bank borrowings amounting to RMB150,000,000 and RMB300,000,000, respectively (Note 13), and for issuing notes payable to its suppliers amounting to RMB75,250,000 and RMB82,843,000, respectively (Note 14).

Notes to the Condensed Consolidated Interim Financial Information

12. Share capital

	Number of ordinary shares	Nominal value of ordinary shares *USD*
Authorised:		
Ordinary shares of USD 0.001 each		
As at 30 June 2015 and 31 December 2014	10,000,000,000	10,000,000

Issued and fully paid:

	Number of ordinary shares	Nominal value of ordinary shares *USD*	Equivalent nominal value of ordinary shares *RMB'000*
At 1 January 2014, 31 December 2014 and 30 June 2015	2,000,000,000	2,000,000	12,259

Notes:

Share Award Plan

The Company adopted a Share Award Plan on 23 April 2014 with an objective to encourage and retain selected participants including directors and employees of the Group, to work with the Group and to provide additional incentive for them to achieve performance goals. Under the plan, a trust was established in Hong Kong and will be used to purchase shares of the Company from the open market and reward the respective directors and employees with these shares. As the financial and operational policies of the trust are governed by the Group, and the Group benefits from the trust's activities, the trust is consolidated in the Group's financial statements as a special purpose entity.

No share has been purchased and granted under the Share Award Plan for the six months ended 30 June 2015.

13. Borrowings

	(Unaudited) As at 30 June 2015 *RMB'000*	(Audited) As at 31 December 2014 *RMB'000*
Current		
Short-term secured bank borrowings	147,750	295,500

Notes to the Condensed Consolidated Interim Financial Information

13. Borrowings *(continued)*

Movements in borrowings is analysed as follows:

	(Unaudited) Six months ended 30 June 2015 RMB'000	2014 RMB'000
Opening amount	295,500	–
Proceeds of new borrowings	295,500	295,500
Repayments of borrowings	(443,250)	–
Closing amount	147,750	295,500

(a) The Group's borrowings are secured by:

	(Unaudited) As at 30 June 2015 RMB'000	(Audited) As at 31 December 2014 RMB'000
Group's assets		
– Restricted cash	150,000	300,000

(b) The maturity date of the borrowings are analysed as follows:

	(Unaudited) As at 30 June 2015 RMB'000	(Audited) As at 31 December 2014 RMB'000
Within 1 year	147,750	295,500

(c) As at 30 June 2015 and 31 December 2014, there is no undrawn borrowing facilities of the Group.

(d) Interest expenses on borrowings for the six months ended 30 June 2015 was RMB4,097,000 (Note 16) (2014: RMB1,729,000).

Notes to the Condensed Consolidated Interim Financial Information

14. Trade and other payables

	(Unaudited) As at 30 June 2015 RMB'000	(Audited) As at 31 December 2014 RMB'000
Trade payables (a)	204,010	188,016
Notes payable (b)	83,607	82,843
Other payables	147,914	110,077
Dividend payable	50,333	–
	485,864	380,936

(a) Details of ageing analysis of trade payables were as follows:

	(Unaudited) As at 30 June 2015 RMB'000	(Audited) As at 31 December 2014 RMB'000
Up to 3 months	200,543	182,031
4 to 6 months	2,904	5,378
7 to 12 months	553	477
1 year to 2 years	10	130
	204,010	188,016

(b) As at 30 June 2015 and 31 December 2014, the entire balance of notes payable was secured by restricted cash of RMB75,250,000 and RMB82,843,000 (Note 11), respectively.

Notes to the Condensed Consolidated Interim Financial Information

15. Expense by nature

	(Unaudited) Six months ended 30 June	
	2015	2014
	RMB'000	*RMB'000*
Changes in inventories	1,820,590	1,424,991
Employee benefit expenses	141,233	109,606
Advertising and other marketing expenses	121,250	47,213
Rental expenses	50,236	38,872
Transportation and related charges	47,088	40,240
Other tax expenses	15,594	15,059
Depreciation of property, plant and equipment *(Note 7)*	13,083	11,183
Amortisation of intangible assets *(Note 8)*	10,027	4,332
Office and communication expenses	5,958	5,226
Professional fees	4,545	11,737
License fee of trademarks	3,240	3,240
Electricity and other utility fees	2,428	1,641
Auditors' remuneration	1,600	1,600
Travelling and meeting expenses	978	1,631
Amortisation of land use rights *(Note 7)*	47	13
Other expenses	2,415	1,912
	2,240,312	1,718,496

16. Finance income and costs

	(Unaudited) Six months ended 30 June	
	2015	2014
	RMB'000	*RMB'000*
Finance income		
Interest income on bank deposits	4,523	9,681
Finance costs		
Interest expenses	(4,097)	(1,729)
Exchange losses	(332)	(3,890)
Other charges	(203)	(270)
	(4,632)	(5,889)
Finance (costs)/income – net	(109)	3,792

Notes to the Condensed Consolidated Interim Financial Information

17. Income tax expense

	(Unaudited) Six months ended 30 June 2015 RMB'000	2014 RMB'000
Current income tax		
– PRC corporate income tax	101,849	87,845
– Hong Kong profits tax	215	–
Deferred income tax credit	(18,966)	(1,895)
Total income tax expense	83,098	85,950

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong for the six months ended 30 June 2015 (2014: nil). The subsidiaries of the Group in the PRC are subject to corporate income tax at a rate of 25% on its taxable income or deemed profit method as determined in accordance with the relevant PRC income tax rules and regulations.

18. Earnings per share

(a) Basic

Basic earnings per share is calculated by dividing the profit for the period of six months ended 30 June attributable to owners of the Company by the weighted average number of ordinary shares in issue during the period of six months ended 30 June, excluding ordinary shares purchased under the Share Award Plan.

	(Unaudited) Six months ended 30 June 2015	2014
Profit attributable to owners of the Company *(RMB'000)*	244,678	223,804
Weighted average number of ordinary shares in issue *(thousands)*	1,983,007	2,000,000
Basic earnings per share *(RMB cents)*	12.34	11.19

(b) Diluted

As there were no dilutive potential ordinary shares outstanding for the six months ended 30 June 2015 and 2014, the diluted earnings per share for the periods is equal to basic earnings per share.

Notes to the Condensed Consolidated Interim Financial Information

19. Dividend

On 28 August 2015, the Board has resolved to declare an interim dividend of HK1.5 cents per ordinary share. The interim dividend amounting to RMB24,593,000, which excluded the dividends of RMB211,000 related to the shares held for the purpose of the Share Award Plan, has not been reflected as a liability in this condensed consolidated interim financial information.

During the current period, the Board declared a final dividend for the year ended 31 December 2014 of HK3.2 cents per ordinary share, amounting to RMB50,333,000, which excluded the dividends of RMB432,000 related to the shares held for the purpose of the Share Award Plan. The final dividend was approved by the shareholders at the annual general meeting of the Company. The 2014 final dividend was paid in July 2015 and is reflected as a dividend payable in this condensed consolidated interim financial information.

On 25 August 2014, the Board declared an interim dividend of HK2.8 cents per ordinary share. The interim dividend amounted to RMB44,169,000, which excluded the dividends of RMB379,000 related to the shares held for the purpose of the Share Award Plan.

20. Commitments

(a) Operating lease commitments

The Group leases various retail outlets, offices and warehouses under non-cancellable operating lease agreements. The lease terms are between three and ten years, and the majority of lease agreements are renewable at the end of the lease period at market rate.

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	(Unaudited) As at 30 June 2015 *RMB'000*	(Audited) As at 31 December 2014 *RMB'000*
No later than 1 year	52,519	64,379
Later than 1 year and no later than 5 years	38,394	46,082
More than 5 years	260	230
	91,173	110,691

Notes to the Condensed Consolidated Interim Financial Information

20. Commitments *(continued)*

(b) Capital commitments

The Group has the following capital commitments not provided for:

	(Unaudited) As at 30 June 2015 *RMB'000*	(Audited) As at 31 December 2014 *RMB'000*
Authorised and contracted but not provided for		
– business combinations *(Note 22)*	1,325	–

21. Related-party transactions

Related parties are considered to be related if one party has the ability, directly or indirectly, control the other party or exercise significant influence over the other party in making financial and operation decisions. Parties are also considered to be related if they are subject to common control or common significant influence.

(a) Transactions with related parties

Continued transactions

	(Unaudited) Six months ended 30 June	
	2015 *RMB'000*	2014 *RMB'000*
Purchases of goods	15,648	144,662
Use of trademarks	470	2,915
Sales of goods	2,850	3,023
Consulting services fee	–	314

Effective from 1 March 2015, Heilongjiang Baitai Pharmaceutical Company Limited is no longer a related party to the Group.

Notes to the Condensed Consolidated Interim Financial Information

21. Related-party transactions *(continued)*

(b) Balances with related parties

	(Unaudited) As at 30 June 2015 *RMB'000*	(Audited) As at 31 December 2014 *RMB'000*
Trade receivables	471	471
Prepayment of goods	–	4,559
Prepayment of fees for use of trademarks	–	1,533
Trade payables	–	68

(c) Key management compensation

	(Unaudited) Six months ended 30 June	
	2015 *RMB'000*	2014 *RMB'000*
Salaries, wages and bonuses	2,740	3,012
Contributions to pension plans	89	46
	2,829	3,058

22. Subsequent events

On 10 April 2015, the Company entered into a share sale and purchase agreement with an independent third party in relation to acquisition of 100% equity interest in a Macau enterprise, which is principally engaged in commercial offshore services. The consideration is HK$2,100,000. As at 30 June 2015, the prepayment for the acquisition is HK$420,000 (Note 20). The transaction has been completed on 24 July 2015.

Other Information

Corporate Governance

The Company is committed to maintaining high standards of corporate governance to safeguard the interests of the shareholders of the Company ("the Shareholders") and to enhance corporate value and accountability. The Company has complied with all applicable code provisions under the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") throughout the Period. The Company will continue to review and enhance its corporate governance practices to ensure compliance with the CG Code.

Model Code For Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding directors' securities transactions. Having made specific enquiries with all directors, each of the directors has confirmed that he/she has complied with the required standards as set out in the Model Code throughout the Period.

Purchase, Sale or Redemption of Any of The Company's Listed Securities

For the Period, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

Review of Interim Results

The audit committee of the Company (the "Audit Committee") is comprised of three independent non-executive Directors, namely Ms. Hao Jia (Chairman), Mr. Cheng Sheung Hing and Ms. Chiang Su Hui Susie. The main duties of the Audit Committee are to examine, review and monitor the financial data and financial reporting procedure of the Company. The Audit Committee had reviewed the unaudited interim results of the Group for the Period.

PricewaterhouseCoopers, the independent auditor of the Company, has reviewed but not audited the Group's interim results for the Period.

Change in The Board of Directors

The changes in the Board since the date of the 2014 annual report of the Company are set out below:

Mr. Zhao Zehua was appointed as an executive Director with effect from 16 June 2015.

Ms. Hao Jia was appointed as an independent non-executive Director and the Chairman of the Audit Committee with effect from 16 June 2015.

Other Information

Mr. Chen Xiao ("Mr. Chen") and Mr. Yang Jiacheng ("Mr. Yang") intended to focus on their academic profession which requires full time commitment, and to comply with certain guidelines in the PRC, Mr. Chen and Mr. Yang needed to resign from all non-academic positions. Accordingly, Mr. Chen resigned as an independent non-executive Director and the Chairman of the Audit Committee with effect from 16 June 2015. Mr. Yang resigned as an executive Director and the Chief Operating Officer of the Company with effect from 16 June 2015.

Changes to Information in Respect of Directors

Save as disclosed above, there was no change in director's biographical details since the date of the 2014 annual report of the Company which are required to be disclosed pursuant to Rules 13.51(2)(a) to (e) and (g) of the Listing Rules.

Directors' And Chief Executive's Interests And Short Position in Shares And Underlying Shares

As at 30 June 2015, the interests and short positions of the directors and the chief executive of the Company in the share capital and underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have under such provisions of the SFO), or (ii) which were required, pursuant to section 352 of the SFO, to be entered into the register maintained by the Company, or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

Name of Director	Nature of Interest	Number and class of Shares	Approximate percentage of shareholding
Jin Dongtao	Founder of a discretionary trust *(Note 1)*	942,796,135 (Long Position)	47.14%
Jin Dongkun	Interest in a controlled corporation *(Note 2)*	40,943,135 (Long Position)	2.05%

Notes:

1) Mr. Jin Dongtao is the settlor, protector and a beneficiary of a discretionary trust pursuant to a trust deed dated 6 November 2013 with Credit Suisse Trust Limited acting as trustee (the "Family Trust"), which holds the entire issued share capital of Global Health Century International Group Limited ("Global Health Century") through 1969 JT Limited. Global Health Century holds the entire issued share capital of Asia Health Century International Inc., which holds 942,796,135 Shares in the Company.

2) Mr. Jin Dongkun hold 75% equity interest in Pacific Health Century International Group Limited, which holds 40,943,135 Shares in the Company.

Other Information

Save as disclosed above, as at 30 June 2015, none of the directors and the chief executive of the Company had or was deemed to have any interest or short position in the shares and underlying shares of the Company or its associated corporations (within the meaning of Part XV of the SFO) that was required to be recorded in the register of the Company required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Substantial Shareholders' Interests And Short Positions in Shares And Underlying Shares

As at 30 June 2015, to the best knowledge of the Directors, the following persons (not being a Director or chief executive of the Company) had interests or short positions in the shares or underlying shares of the Company which fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

Name	Capacity/ Nature of interest	Number of Shares	Approximate percentage of shareholding
Chen Xiaoyan	Beneficiary of a trust *(Notes 1 and 2)*	942,796,135 (Long Position)	47.14%
Asia Health Century International Inc.	Beneficial owner *(Notes 1 and 2)*	942,796,135 (Long Position)	47.14%
Global Health Century International Group Limited	Interest in a controlled corporation *(Notes 1 and 2)*	942,796,135 (Long Position)	47.14%
1969 JT Limited	Interest in a controlled corporation *(Notes 1 and 2)*	942,796,135 (Long Position)	47.14%
Tenby Nominees Limited	Nominee *(Notes 1 and 2)*	942,796,135 (Long Position)	47.14%
Brock Nominees Limited	Nominee *(Notes 1 and 2)*	942,796,135 (Long Position)	47.14%
Credit Suisse Trust Limited	Trustee *(Notes 1 and 2)*	942,796,135 (Long Position)	47.14%
JPMorgan Chase & Co.	Investment manager	41,384,000 (Long Position)	2.07%
	Custodian corporation/ Approved lending agent	80,986,367 (Long Position)	4.04%

Other Information

Notes:

1) Mr. Jin Dongtao is the settlor, protector and a beneficiary of the Family Trust, which holds the entire issued share capital of Global Health Century through 1969 JT Limited. Ms. Chen Xiaoyan, who is Mr. Jin Dongtao's spouse, is also a beneficiary of the Family Trust. Global Health Century holds the entire issued share capital of Asia Health Century International Inc., which holds 942,796,135 Shares in the Company.

2) These 942,796,135 Shares belong to the same group of shares.

Save as disclosed above, as at 30 June 2015, the directors were not aware of any persons (who were not directors or chief executive of the Company) who had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or which would be required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein.

Share Option Scheme

The Company's share option scheme (the "Scheme") was approved for adoption on 18 November 2013 for the purpose to attract skilled and experienced personnel, to incentivize them to remain with the Group and to motivate them to contribute for the future development and expansion of the Group by providing them with the opportunity to acquire equity interests in the Company, as well as for such other purposes as the Board may approve from time to time. The Scheme remains in force for a period of 10 years until 17 November 2023. Details of the Scheme are set out in the published annual report of the Company for the year ended 31 December 2014.

No options were granted under the Scheme since the adoption of the Scheme.

Share Award Plan

The Company adopted the share award plan (the "Plan") on 23 April 2014. The purposes of the Plan are to recognise the contributions by eligible persons to the Group and to provide them with incentives in order to retain them for continual operation and development of the Group and to attract suitable personnel for further development of the Group.

As at 30 June 2015, the trustee of the Plan held 16,993,000 shares and no shares were granted under the Plan since the adoption of the Plan.

Interim Dividend

The Board has declared an interim dividend of HK1.5 cents per share for the six months ended 30 June 2015 (2014: HK2.8 cents per share) payable on Monday, 5 October 2015 to the shareholders of the Company whose names appear on the register of members of the Company on Wednesday, 23 September 2015, and paid out of the share premium account of the Company.

Other Information

Closure of The Register of Members

The register of members of the Company will be closed from Monday, 21 September 2015 to Wednesday, 23 September 2015, both days inclusive, in order to determine the entitlement to the interim dividend. All transfers accompanied by the relevant share certificates and transfer forms must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong before 4:30 p.m. on Friday, 18 September 2015.

Use of Proceeds From Share Offer

The shares of the Company were listed on 12 December 2013 on the Main Board of the Stock Exchange. The total net proceeds amounted to approximately RMB868.1 million (equivalent to approximately HK$1,101.6 million). As at 30 June 2015, the net proceeds from the IPO were used for purposes which were consistent with those set out in the section headed "Future Plans and Use of Proceeds" in the prospectus of the Company dated 2 December 2013 and for the following purposes:

		RMB million	
Use of proceeds	**Net Proceeds**	**Proceeds used**	**Proceeds unused**
For acquisitive expansion	347.2	(347.2)	–
For organic growth	260.4	(78.1)	182.3
For brand promotion	173.6	(113.9)	59.7
For working capital	86.9	(62.9)	24.0
Total	868.1	(602.1)	266.0

As at 30 June 2015, the unused net proceeds were placed with banks in Hong Kong and the PRC as short-term deposits or term deposits.