Interim Report 2016

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. Leung Yi Kok

JOINT COMPANY SECRETARIES

Mr. Ge Junming
Mr. Leung Yi Kok

REGISTERED OFFICE

PO Box 309
Ugland House
Grand Cayman, KY1-1104
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Tiexi District
Shenyang, PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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68 Mody Road
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PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Maples Fund Services (Cayman) Limited

PO Box 1093, Boundary Hall
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Grand Cayman KY1-1102
Cayman Islands

HONG KONG SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited

Shops 1712-1716
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183 Queen's Road East
Wanchai, Hong Kong

AUDITOR

PricewaterhouseCoopers

STOCK CODE

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

INVESTOR RELATIONS

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COMPANY'S WEBSITE

www.uhighl.com

Financial Highlights

	Six months ended 30 June		
	2016 **RMB Million** **(Unaudited)**	2015 RMB Million (Unaudited)	Change (%)
Revenue	**1,903.8**	2,570.9	-25.9
Gross profit	**519.8**	736.1	-29.4
Operating profit	**115.3**	331.0	-65.2
Profit for the period	**87.4**	248.4	-64.8
EBITDA[1]	**138.1**	354.2	-61.0
Basic earnings per share – RMB cents[2]	**4.12**	12.34	-66.6
Gross margin (%)	**27.3**	28.6	-1.3pp
Operating margin (%)	**6.1**	12.9	-6.8pp
Net margin (%)	**4.6**	9.7	-5.1pp

	30 June 2016 **(Unaudited)**	31 December 2015 (Audited)	
Current ratio (times)[3]	**4.7**	4.4	+0.3
Trade receivables turnover (days)[4]	**22.5**	19.6	+2.9
Inventory turnover (days)[5]	**50.7**	40.1	+10.6
Trade payables turnover (days)[6]	**24.1**	19.6	+4.5

Notes:

1. EBITDA is calculated by adjusting earnings before interests, tax, depreciation and amortisation, excluding the effect of share of profits or losses of joint ventures and associates.

2. Basic earnings per share is calculated by dividing profit attributable to owners of the Company by weighted average number of ordinary shares (the weighted average number of shares for the first six months of 2016 was 2,083,516,000, versus 1,983,007,000 for the corresponding period of last year).

3. Current ratio is calculated by dividing current assets by current liabilities.

4. Trade receivables turnover days are calculated by using the average of beginning and ending balances on trade receivables for the period, divided by revenue for the period, multiplied by the number of days for the period.

5. Inventory turnover days are calculated by using the average of beginning and ending balances on inventory for the period, divided by cost of sales for the period, multiplied by the number of days for the period.

6. Trade payables turnover days are calculated by using the average of beginning and ending balances on trade payables for the period, divided by cost of sales for the period, multiplied by the 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 (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 2016 (the "**Period**").

Industry Overview

During the Period, the economy of the People's Republic of China (the "**PRC**") remained at a new normal stage, and achieved a stable performance while staying low. Overall, consumables market in the PRC maintained a steady growth. In terms of medicine policies, the PRC government has been vigorously reforming the medical and health system.

According to the data from the National Bureau of Statistics of the PRC, during the period from January to May 2016, total retail of social consumer goods in the PRC has reached RMB12,928.1 billion, representing a nominal growth rate of 10.2%, but a decrease of 0.5 percentage point as compared with that of 2015. The actual growth rate in relevant month decreased from 10.7% in December 2015 to 9.7% in May 2016. Moreover, the actual growth rate in April 2016 was only 9.3%, which fell to the lowest level since 2005 excluding the effect of the Chinese New Year. From January to May 2016, the retail sales amounted to RMB11,550.5 billion, representing an increase of 10.1%, among which sales revenue of Chinese and western drugs amounted to RMB326.7 billion, representing an increase of 13.9% on a year-on-year basis.

Under the new business model, sales of new products and certain products with respect to consumption upgrade maintained a rapid growth. Online retail sales nationwide amounted to RMB1,808.9 billion, representing an increase of 27.7% on a year-on-year basis. Online sales of tangible commodities reached RMB1,463.3 billion, representing an increase of 25.9%, accounting for 11.3% of the total retail of social consumer goods. Among the online sales of tangible commodities, sales of food, clothing and consumables increased by 36.5%, 16.2% and 29.3%, respectively.

In terms of healthcare policies, a range of policies and schemes were put forward in the first half of 2016. Chinese Premier Li Keqiang chaired the executive meeting of the State Council held on 6 April 2016. At the meeting, the *Programme on Equipment Manufacturing Industry Standardization and Quality Enhancement* (《裝備製造業標準化和質量提升規劃》) was determined to be implemented to guide the upgrade of the manufacturing industry in the PRC; deploy and advance the "Internet + Distribution" measures so as to reduce costs, boost domestic demand and create new jobs; specify that pilot provinces carrying out medical and health system reforms shall promote the "Two Invoices System", and that the system must be implemented in such provinces in the current year; propose further reformation of the medical and health system in 2016 to enable more people to benefit from such reform.

Management Discussion and Analysis

On 3 June 2016, according to the Ministry of Commerce of the PRC, it is expected that the pace of merging, reorganization and listing of enterprises in the drug distribution industry will accelerate in 2016, and the pharmaceutical service supply chain management will be further enhanced, the competency of universal health management and service of retail enterprises will be further enhanced, and that cross-border integration of the "Internet + Drug Distribution" with both online and offline network will be further reinforced. The whole development of the drug distribution industry will enter a new phase characterised by slow growth, superior structure and driving-force transformation.

The General Office of the State Council issued the *Guiding Opinions for Promoting and Regulating Healthcare Big Data Application and Development* (《關於促進和規範健康醫療大數據應用發展的指導意見》) (hereinafter referred to as the "**Guiding Opinions**") on 24 June 2016, which vigorously promotes the interconnection, integration, disclosure and sharing of the governmental healthcare information systems and the public healthcare data, with the aim to eliminate the deficiency of information, actively foster an environment which would promote the safe and innovative application of the healthcare data, explore new service models and cultivate new development patterns through "Internet + Healthcare".

The Guiding Opinions state that, the development goal is to establish a platform to provide the national and provincial population with health information and national-wide platform for drug bidding and procurement business, basically, forming an inter-departmental healthcare information sharing pattern by the end of 2017. By 2020, establish a tiered public platform with national medical and health information, thus achieving remarkable effects in inter-departmental and inter-regional sharing of basic information such as population, legal person and geographic space and the integration of related data resources including medical treatment, medicine, healthcare and health information. In a regional setting, establishing 100 regional clinical information demonstration centers with the existing resources, enabling the possession of electronic health data and health cards for the urban and rural residents and constantly improving policies and regulations, safety protection and refining the system.

During the Period, guidelines on fully revitalizing old industrial areas in the northeast and other parts of the PRC were also put forward, among which are acceleration of the development of tourism, pension, health, culture, sports activities, leisurer, etc., these are beneficial to the Company given that its retail businesses are mainly operated in three provinces in northeast China. The Opinions on Comprehensive Revitalization of Old Industrial Bases in *Northeast and Other Parts of China by the CPC Central Committee and the State Council* (《中共中央國務院關於全面振興東北地區等老工業基地的若干意見》) proposes that its core activities shall include enhancing quality and efficiency of economic development, strengthening the supply-side structural reform, constantly invigorating the development vitality, internal growth and overall competitiveness of these old industrial bases so as to ensure their full revitalization.

Management Discussion and Analysis

Business Review

During the Period, under the leadership of the chairman of the Group, Mr. Jin Dongtao and with the endeavor of the management, the Group has established and upgraded into three major areas – "Industry + Finance + Capital" from the traditional industry and through interaction and promotion of the "Internet + Universal Health" and by putting "Industry Chain of Traditional Chinese Medicine" into the strategic scope, the Company aims to fulfill the strategic transformation of the industry, create a new vision of the new growth point of operation and build an international brand operation in the health industry.

The Golden Rules (王道哲學)

The Golden Rules, an operation philosophy with strategic vision, is put forward by Mr. Jin Dongtao, the chairman of the Group, of which "王" is embodied as "1+1=11, 1+1=101, 1+1=王, 1+1=田". The Golden Rules advocates "Team-work" cooperation spirit, "Platform" for multilateral cooperation, "Empathy" at multi-level and multi-dimension and "Sharing" win-win strategy.

Branded Products: During the Period, the Group continued to promote the operation of branded products and build a multi-layer upstream network consisting of original equipment manufacturers ("**OEM**") products, domestic brand products and international brand products. Apart from products under Yushi brand, there are other categories and brands of products, such as traditional Chinese medicine products, nutritional food, maternity and baby products, and products targeting different consumers including middle-aged and elderly people, children, female and male consumers as well as health and treatment products for different parts of the body. More promotional costs were invested in the operation to deal with uncertainties resulting from economic downturn.

Brand Promotion: Three-dimensional promotional activities have been launched for product brands and enterprise brands by continuously leveraging on traditional media including televisions, broadcasts, newspapers, vehicle advertisement, billboards and leaflets, along with new media platforms including internet, we media of WeChat as well as charity.

Institute Training: During the Period, the Group continued to enhance its external and internal training activities. External training mainly focused on the continuous output of branded products, while the internal training focused on the extension of management concepts and employees' ideological education. These training activities were designed to enhance and transform the mode of thinking of employees in response to the economic downturn pressure and the range of policies issued in the PRC, so as to match the business operation.

Membership Service: During the Period, branches of the Group worked to strengthen membership activities and offered continuous membership benefits or rewards during shops and holiday celebrations. Moreover, social value-added services were offered in various aspects, for example, shelters for the cold were provided in winter, so as to further enhance the membership cohesion and degree of voluntary consumption.

Management Discussion and Analysis

Industry Alliance: During the Period, the Group has enhanced the level of participation in industry alliance. Mr. Chu Chuanfu (Chief Executive Officer) attended summits and forums of the alliance in person so as to master the industry information, promote branded products construction, strengthen the Group's interaction and exchange in industry alliance and enhance its impact.

Industry Chain of Chinese Medicine: By leveraging on a new round of rejuvenation in the old industrial base in the northeast part of the PRC, development of under-forest economy in the northeast China was further advanced. In such case, planting typical traditional Chinese medicinal materials under forest in the northeast China was policy-supported by government at all levels. The Group will definitely seize this historical opportunity to develop the business of planting traditional Chinese medicinal materials under forest as and when appropriate, involving in extraction, processing and marketing by virtue of the Group's own multi-layer network. The Group strives to join in or develop a future platform dealing with Chinese medicinal materials so as to explore new profit growth opportunity.

Distribution System: During the Period, the Group kept promoting its distribution system, and continued to select and optimize distributors, providing training and follow-up work, fully implementing the policy of "Two Invoices System" to seize historical opportunities and endeavor to mitigate the downward impact of the macro environment.

Retail System: During the Period, the Group stepped up training efforts in developing the retail chain system, proactively transforming the mode of thinking, strengthening the development and assessment of incentive mechanisms, demonstrating enthusiasm, initiative and creativity in regional management, and at the same time, maintained input in promotion so as to restrain the downward impact arising from the real economy. The Group has continued to integrate with the "Internet +" mode and made intensive efforts to advance precise marketing and membership activities so as to enhance membership cohesion and stimulate consumption.

Online Pharmacies: Based on the characteristics of pharmaceutical marketing, the Group boosted its click through rate in its existing network on JD.com and Tmall.com, while focusing particularly on implementing the "Internet +" strategy, proactively promoted and guided offline experience and sales so as to bring into play a two-wheel drive mode by further integrating network marketing with offline physical store marketing, which also plays a great role in brand building.

Management Discussion and Analysis

Cross-Border Trade: The Group exhibits cross-border advantages in the industry, leveraging on overseas platforms such as the Hong Kong Cross-Border E-Commerce Association, the Federation of Industry and Commerce and overseas benchmarking stores of Universal Health and collected global superior resources in upstream suppliers, so as to smoothly coordinate with the corresponding overseas platforms through the channels of overseas third-party cross-border logistics, the self-supported cross-border logistics and contracted warehouse and by means of the third-party mobile phone or personal computer network platform, self-operated mobile phone or personal computer network platform and "Future Store" placing at home. Besides, the Company took the advantages of network, brand and members of physical stores to build a new experience for cross-border e-commerce. The purchase department of the Group in Hong Kong has confirmed the cooperation with Halykoo of Switzerland, Spring Leaf of Australia and Prince of Peace of USA, and served as the agent and promoter for the co-brand by applying the new conception and new strategy of "Internet + Resources Integration +" as well as the operation strategy combining online stores and offline physical stores. Products under these three brands are available in pharmacy stores in Hong Kong and Macau, and cross-border e-commerce platforms.

Future Store: The Group vigorously develops the "Future Store" network. The "Future Store" means the integration of real business and virtual channel on the backdrop of internet age through Online-to-Offline ("O2O") model, thus to form the trinity structure (multi-framework cloud e-mall) with "E-mall", "Industry O2O" and "WeChat-Marketing", which integrates the shopping terminals comprising online and offline communication, including site experience, online selecting and purchasing, mobile payment, store pick-up or logistics and post-delivery. The features of "Future Store" are light asset, low cost, focusing on experience, low inventory and high capacity. Furthermore, the "Future Store" has more flexibility as it can use the existing chain store network and also develop the community network.

Sharing Rule: The "Sharing Rule", a component of the Golden Rules, is an important clue that spans through each platform. In the phase of business repositioning, we should attach more importance to the value created by strategic cooperation. Internally, the management of "Profit Center" may be deemed as "Profit Creating Partners"; the management of "Expense Center" as "Economy Partners". Externally, take the "Projects Cooperation System" and "Company's Share Consolidation" as the cooperation basis with upstream suppliers, e-commerce providers and financial project providers. Take the brand and network advantages of the Group and create new profit growth point by developing dominate projects so as to realize the transformation and upgrade of a new development mode – "Industry + Finance + Capital".

Management Discussion and Analysis

Strategic Mergers and Acquisitions: During the Period, the Company acquired 36.38% of equity interest of Jilin Wenhui Capsules Limited (吉林文輝膠囊有限公司) ("**Jilin Wenhui**") through the issuance of 400,000,000 shares of the Company and partial payment in cash as consideration. As part of the Group's strategy, the realization of ecological mergers and acquisitions for upstream and downstream resources played a positive role in promoting enterprise competitiveness, improving the status of original equipment manufacturer of branded products, increasing the level of gross margin, improving the overall interests of the Group and underpinning the "Internet +" and internationalization strategy. The merger and acquisition of this company helps integrate commercial and production resources of the Group and give full play to advantages of pharmaceutical industry in northeast China across the country in developing an upstream capsule industrial park base, so as to inject a new force for the Group's future development.

Universal Health Industry Fund: The Group strives to establish universal health industry fund to combining industry and finance. "Healthy China" has become the PRC's state strategy, which renders the universal health industry an accelerated development phase supported by the following three engines: firstly, residents' potential demand for health care and medical treatment increased due to ageing population and environmental pollution; secondly, the raising health awareness of the residents increased health care expenditures; thirdly, the governmental policy promoted the construction of "Healthy China". The establishment of the universal health industry fund, through professional operation to seek suitable universal health enterprises, could reserve high-quality objects for merger and acquisition for the Group and lay a foundation for the Group to further expand in the universal health field by investment and fostering.

Financial Review

For the Period, the Group recorded revenue of RMB1,903.8 million, representing a decrease of 25.9% as compared with RMB2,570.9 million for the corresponding period in 2015. Profit attributable to owners of the Company was RMB85.8 million, representing a decrease of 64.9% as compared with RMB244.7 million for the corresponding period in 2015. Earnings per share for the Period was RMB4.12 cents (2015: RMB12.34 cents). The decrease in profit attributable to owners of the Company was mainly due to the decrease in profit of the Group's retail and distribution businesses.

Revenue

For the Period, the Group recorded revenue of RMB1,903.8 million, representing a decrease of RMB667.1 million or 25.9% as compared with RMB2,570.9 million for the corresponding period in 2015. The decrease in revenue of the domestic retail and distribution businesses was mainly due to the decline in the people's purchasing power in traditional channels as a result of environmental factors such as downward pressure in the real economy in traditional industry and the development of Internet economy during the Period.

Management Discussion and Analysis

Analysis of revenue by business segment

	Revenue (RMB million) Six months ended 30 June			Percentage (%) of total revenue Six months ended 30 June		
	2016	2015	Change (%)	**2016**	2015	Change
Retails I	**794.0**	1,048.2	-24.2	**41.7**	40.8	+0.9pp
Retails II	**147.9**	192.3	-23.1	**7.8**	7.5	+0.3pp
	941.9	1,240.5	-24.1	**49.5**	48.3	+1.2pp
Distributions	**961.9**	1,330.4	-27.7	**50.5**	51.7	-1.2pp
	1,903.8	2,570.9		**100.0**	100.0	

Retail Business Segment

The Group operates two retails reportable segments: retails with strategic stores ("**Retails I**") and retails consisting of non-strategic stores ("**Retails II**"). Retails I are retail business with higher future development potential and strategic focus by the Group when allocating the resources, while Retails II are retail business located in remote areas without strategic importance and high growth potential. The decrease in the retail business was mainly due to the decline in the people's purchasing power in traditional channels in northeast China and the decrease in the sales to members during the Period. As at 30 June 2016, the Group had 954 (2015: 953) retail pharmacies in total, of which 688 (2015: 688) located in Heilongjiang, 168 (2015: 168) in Liaoning, 94 (2015: 93) in Jilin and 4 (2015: 4) self-operated retail pharmacies in Hong Kong. In addition, the Group had 13 (2015: 16) supermarkets in Shenyang as at 30 June 2016, mainly selling healthcare products and consumer goods.

Distribution Business Segment

The sales in the distribution business decreased since the Group continued to adopted a more prudent approach in running this business. The Group took appropriate actions to mitigate credit risks by strengthening the credit management of sales and minimising trade receivables in order to lower the risk of bad debts. As at 30 June 2016, the Group had a nationwide distribution network covering approximately 4,700 active customers (2015: 6,500), including approximately 3,400 pharmaceutical retailers (2015: 4,300), hospitals and clinics and approximately 1,300 distributors (2015: 2,200).

Management Discussion and Analysis

Gross profit

Gross profit of the Group for the Period was RMB519.8 million, representing a decrease of RMB216.3 million or 29.4% as compared with RMB736.1 million for the corresponding period in 2015. The decrease in gross profit margin was mainly due to the decrease in the overall revenue. Overall gross profit margin decreased from 28.6% to 27.3%. The decrease in gross profit margin was mainly due to the change of product mix and drop in the gross margin of high-margin products.

Analysis of gross profit by business segment

	Gross profit (RMB million) Six months ended 30 June			Gross profit margin (%) Six months ended 30 June		
	2016	2015	Changes (%)	**2016**	2015	Changes
Retails I	**304.5**	400.2	-23.9	**38.3**	38.2	+0.1pp
Retails II	**44.8**	76.4	-41.4	**30.3**	39.7	-9.4pp
	349.3	476.6	-26.7	**37.1**	38.4	-1.3pp
Distributions	**170.5**	259.5	-34.3	**17.7**	19.5	-1.8pp
	519.8	736.1				

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 decreased by 4.3% over the corresponding period in 2015 and the gross profit margin of these high-margin products decreased from 49.8% to 45.5%. As at 30 June 2016, the Group had 360 (2015: 360) types of licensed products and 2,357 (2015: 2,386) types of products with exclusive distribution rights.

Selling and marketing expenses

Selling and marketing expenses for the Period was RMB360.4 million, representing an increase of RMB1.6 million or 0.4% over the corresponding period in 2015 and accounting for 18.9% (2015: 14.0%) of the Group's revenue. The increase of selling and marketing expenses was mainly due to the increase in employee benefit expenses and training fees to retain specialized pharmacy staffs and improve their quality and, at the same time, reduce staff turnover, but partially offset by the decrease in vehicle advertisement and marketing expenses.

Management Discussion and Analysis

Administrative expenses

Administrative expenses for the Period was RMB45.4 million, representing a decrease of RMB1.3 million or 2.7% over the corresponding period in 2015 and accounting for 2.4% (2015: 1.8%) of the Group's revenue. The decrease was mainly due to the management continuing to optimise the cost control of the Group by introducing cost control measures.

Finance income/cost – net

Net finance income for the Period was RMB4.5 million (2015: Net finance cost of RMB0.1 million). Net finance income was resulted due to exchange gains and the decrease in interest expenses for the Period.

Income tax expenses

Income tax expenses for the Period was RMB32.8 million, representing a decrease of RMB50.3 million or 60.5% over the corresponding period in 2015. The effective income tax rate for the Period was 27.3% (2015: 25.1%).

Acquisition of an associate

On 9 May 2016, the Company entered into an agreement with an independent third party, pursuant to which the Company acquired 36.38% of equity interest of Jilin Wenhui by a combination of cash and the issuance of 400,000,000 consideration shares. On 24 May 2016, issue of consideration shares was completed. Subsequent to the completion, Jilin Wenhui became an associate of the Group.

For further details, please refer to the announcement of the Company dated 9 May 2016.

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 2016, the Group's unpledged cash and cash equivalents totalled RMB1,516.0 million (31 December 2015: RMB1,333.3 million), and the Group's net current assets were RMB1,923.0 million (31 December 2015: RMB1,859.2 million).

During the Period, net cash flows generated from operating activities amounted to RMB199.8 million, as compared to RMB310.3 million for the corresponding period in 2015. The decrease was in line with the Group's operating performance.

Management Discussion and Analysis

During the Period, the Group had capital expenditure of RMB46.9 million (2015: RMB18.8 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 and United States dollars. As at 30 June 2016, the Group had RMB1,516.0 million in cash and bank balances of which the equivalent of RMB17.9 million was denominated in Hong Kong dollars and United States dollars.

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

Capital Structure

As at 30 June 2016, the capital structure of the Company was constituted of 2,400,000,000 ordinary shares of USD0.001 each. Details of movements in the share capital of the Company during the Period are set out in Note 13 to the condensed consolidated interim financial information.

There was no movements in the Company's share options during the Period.

As at 30 June 2016, the Group had certain interest-bearing bank borrowings of RMB173.3 million (31 December 2015: RMB166.9 million). Bank borrowings carried annual interest rates at 3.1% (31 December 2015: 3.6%). Among the bank borrowings, except RMB6.4 million were denominated in Hong Kong dollars, the remaining were denominated in Renminbi.

The gearing ratio of the Group as at 30 June 2016, calculated as net debt divided by sum of total equity and net debt, was N/A (31 December 2015: N/A).

Contingent Liabilities and Pledge of Assets

As at 30 June 2016, the Group has no significant contingent liabilities (31 December 2015: Nil).

As at 30 June 2016, the bank borrowings and notes payable of the Group were secured by the time deposits of the Group with net aggregate booking value of RMB207.2 million (31 December 2015: RMB227.4 million).

Management Discussion and Analysis

Human Resources

As at 30 June 2016, the Group had 6,356 (2015: 6,405) full-time employees in Hong Kong and the PRC with total employee benefit expenses amounted to RMB157.9 million (2015: RMB141.2 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.

Environment, Governance and Social Responsibility

The Group always adheres to the environmental protection concept of sustainable development, such as caring for the environment, reducing vehicle use, energy-saving lighting. At the same time, the management strengthens enterprise management to ensure the Group's operations have best practices in the combination of governance and efficiency. The public welfare brand of "Caring China" is the best platform for the Group to fulfill its social responsibility.

Future Plan

The Group will take the Golden Rules as its guidelines, and strive for breakthrough and integration advantages in the development of cross-border e-commerce, "Future Store" and universal health industry fund, respectively. During the transitional period of economic transformation lasting one to two years, the Group has adopted the multilateral cooperation by employing the "Sharing Rule" and continues to take a leading position in Chinese medicine industry chain and industrial merger and acquisition.

Report on Review of Interim Financial Information

pwc 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 16 to 42, 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 2016 and the related interim condensed consolidated statements 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, 25 August 2016

Condensed Consolidated Balance Sheet

	Note	(Unaudited) As at 30 June 2016 RMB'000	(Audited) As at 31 December 2015 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	7	**109,436**	103,167
Land use rights	7	**3,666**	3,713
Intangible assets	8	**662,119**	672,055
Investments in joint ventures		**7,961**	7,520
Investments in an associate	9	**243,017**	–
Deferred income tax assets	10	**14,042**	19,297
Total non-current assets		**1,040,241**	805,752
Current assets			
Trade and other receivables	11, 22(b)	**354,845**	442,853
Inventories		**371,745**	398,605
Restricted cash	12	**207,228**	227,414
Cash and cash equivalents		**1,515,961**	1,333,320
Total current assets		**2,449,779**	2,402,192
Total assets		**3,490,020**	3,207,944
EQUITY			
Equity attributable to owners of the Company			
Share capital	13	**14,878**	12,259
Other reserves		**1,530,589**	1,319,669
Retained earnings		**1,342,559**	1,256,722
		2,888,026	2,588,650
Non-controlling interests		**31,282**	29,720
Total equity		**2,919,308**	2,618,370

Condensed Consolidated Balance Sheet

	Note	(Unaudited) As at 30 June 2016 *RMB'000*	(Audited) As at 31 December 2015 *RMB'000*
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities	*10*	**43,940**	46,585
Current liabilities			
Borrowings	*14*	**173,330**	166,920
Trade and other payables	*15*	**349,424**	373,464
Current income tax liabilities		**4,018**	2,605
Total current liabilities		**526,772**	542,989
Total liabilities		**570,712**	589,574
Total equity and liabilities		**3,490,020**	3,207,944

The notes on pages 21 to 42 form an integral part of this condensed consolidated interim financial information.

Condensed Consolidated Statement of Comprehensive Income

		(Unaudited) Six months ended 30 June	
	Note	**2016** *RMB'000*	2015 *RMB'000*
Revenue	*6*	**1,903,845**	2,570,945
Cost of sales	*16*	**(1,384,006)**	(1,834,871)
Gross profit		**519,839**	736,074
Selling and marketing expenses	*16*	**(360,367)**	(358,813)
Administrative expenses	*16*	**(45,374)**	(46,628)
Other income		**1,668**	414
Other losses – net		**(417)**	(10)
Operating profit		**115,349**	331,037
Finance income	*17*	**7,192**	4,523
Finance costs	*17*	**(2,721)**	(4,632)
Finance income/(costs) – net	*17*	**4,471**	(109)
Share of post-tax profits of joint ventures		**441**	545
Share of loss of an associate	*9*	**(59)**	–
Profit before income tax		**120,202**	331,473
Income tax expenses	*18*	**(32,803)**	(83,098)
Profit for the period		**87,399**	248,375
Profit attributable to:			
– Owners of the Company		**85,837**	244,678
– Non-controlling interests		**1,562**	3,697
		87,399	248,375
Earnings per share attributable to owners of the Company for the period (RMB cents)			
– Basic and diluted	*19*	**4.12**	12.34
Other comprehensive loss			
Item that may be reclassified to profit or loss			
Currency translation differences		**(2,249)**	–
Total comprehensive income for the period		**85,150**	248,375
Total comprehensive income attributable to:			
– Owners of the Company		**83,588**	244,678
– Non-controlling interests		**1,562**	3,697
		85,150	248,375

The notes on pages 21 to 42 form an integral part of this condensed consolidated interim financial information.

Condensed Consolidated Statement of Changes in Equity

	Note	Share capital RMB'000 (Note 13)	Share premium RMB'000 (Note 13)	Capital reserves RMB'000	Statutory reserves RMB'000	Shares held for Share Award Plan RMB'000	Share-based compensation reserves RMB'000	Other reserves RMB'000	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
		(Unaudited)										
		Attributable to owners of the Company										
Balance at 1 January 2016		12,259	1,405,730	(154,447)	65,059	–	8,878	(5,551)	1,256,722	2,588,650	29,720	2,618,370
Comprehensive income												
Profit for the period		–	–	–	–	–	–	–	85,837	85,837	1,562	87,399
Other comprehensive income												
Currency translation differences		–	–	–	–	–	–	(2,249)	–	(2,249)	–	(2,249)
Total comprehensive income		–	–	–	–	–	–	(2,249)	85,837	83,588	1,562	85,150
Transaction with owners in their capacity as owners												
Issue of ordinary shares	13	2,619	213,169	–	–	–	–	–	–	215,788	–	215,788
Total transaction with owners in their capacity as owners		2,619	213,169	–	–	–	–	–	–	215,788	–	215,788
Balance at 30 June 2016		14,878	1,618,899	(154,447)	65,059	–	8,878	(7,800)	1,342,559	2,888,026	31,282	2,919,308
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
Comprehensive income												
Profit for the period		–	–	–	–	–	–	–	244,678	244,678	3,697	248,375
Total comprehensive income		–	–	–	–	–	–	–	244,678	244,678	3,697	248,375
Transaction with owners in their capacity as owners												
Dividends distribution		–	(50,333)	–	–	–	–	–	–	(50,333)	–	(50,333)
Total transaction with owners in their capacity as owners		–	(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

The notes on pages 21 to 42 form an integral part of this condensed consolidated interim financial information.

Condensed Consolidated Cash Flow Statement

	Note	(Unaudited) Six months ended 30 June 2016 RMB'000	2015 RMB'000
Cash flows from operating activities			
Cash generated from operations		**231,328**	419,174
Interest paid		**(2,324)**	(4,097)
Bank charges paid		**(397)**	–
Income tax paid		**(28,780)**	(104,753)
Net cash generated from operating activities		**199,827**	310,324
Cash flows from investing activities			
Change in restricted cash	*12*	**20,186**	157,593
Interest received		**2,714**	4,365
Proceeds from disposal of property, plant and equipment		**120**	184
Purchase of land use rights and intangible assets	*7, 8*	**–**	(29)
Purchase of property, plant and equipment	*7*	**(19,570)**	(2,945)
Acquisition of subsidiaries net of cash required		**–**	(15,500)
Acquisition of investment in an associate		**(27,288)**	–
Prepayments for investments		**–**	(331)
Net cash (used in)/generated from investing activities		**(23,838)**	143,337
Cash flows from financing activities			
Borrowings from bank	*14*	**25,750**	295,500
Repayments of borrowings	*14*	**(19,340)**	(443,250)
Net cash generated from/(used in) financing activities		**6,410**	(147,750)
Net increase in cash and cash equivalents		**182,399**	305,911
Cash and cash equivalents at beginning of the period		**1,333,320**	1,349,231
Exchange gains on cash and cash equivalents		**242**	8
Cash and cash equivalents at end of the period		**1,515,961**	1,655,150

The notes on pages 21 to 42 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**") 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 Renminbi ("**RMB**"), unless otherwise stated.

Key events

The Group acquired 36.38% equity interest of Jilin Wenhui Hollow Capsules Limited ("**Jilin Wenhui**"), a company which is principally engaged in manufacturing, sales and research and development of hollow capsules in the PRC. Further details are given in Note 9.

2. Basis of preparation

This condensed consolidated interim financial information for the six months ended 30 June 2016 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 2015, which have been prepared in accordance with International Financial Reporting Standards ("**IFRS**").

Notes to the Condensed Consolidated Interim Financial Information

3. Accounting policies

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2015, as described in those annual financial statements except as described below and the adoption of amendments to IFRSs effective for the financial year ending 31 December 2016.

(a) Associates

An associate is an entity over which the group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The group's investments in associates include goodwill identified on acquisition. Upon the acquisition of the ownership interest in an associate, any difference between the cost of the associate and the group's share of the net fair value of the associate's identifiable assets and liabilities is accounted for as goodwill.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

The group's share of post-acquisition profit or loss is recognised in the income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to "share of loss of an associate" in the income statement.

Profits and losses resulting from upstream and downstream transactions between the group and its associate are recognised in the group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the group.

Gains or losses on dilution of equity interest in associates are recognised in the income statement.

Notes to the Condensed Consolidated Interim Financial Information

3. Accounting policies *(continued)*

(b) Amendments to IFRSs effective for the financial year ending 31 December 2016 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.

(c) New and amended standards issued but not yet adopted by the Group

		Effective for annual year beginning on or after
Amendments to IAS 7	Statement of Cash Flows	1 January 2017
Amendments to IAS 12	Income Taxes	1 January 2017
IFRS 9	Financial Instruments	1 January 2018
IFRS 15	Revenue from Contracts with Customers	1 January 2018
IFRS 16	Lease	1 January 2019
Amendments to IFRS 10 and IAS 28	Sale and Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

There are no other new and amended standards that are not yet effective that would 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 2015.

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 2015.

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 as at 30 June 2016 and 31 December 2015.

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 distribution and retail of drugs and other pharmaceutical products in the northeastern region of the PRC. In the second half of year 2015, in order to respond to the change in economic environment in the areas where the Group operates, the Group has adjusted the mid-long strategic plan for its operations and development. In prior periods, management operated and monitored the retail business as a single operating segment. Following the change to the new strategy in the second half of 2015, the operation and management of the retail business was divided into two groups according to their economic characteristics under the new strategy that enable the Group to execute their new strategy and do the resource allocation accordingly. As a result, the Group separates the original segment of retails into two separate segments: retails I – strategic stores ("**Retails I**") and retails II – non-strategic stores ("**Retails II**"). Retails I segment are retail business with higher future development potential and strategic focus by the Group when allocating the resources, while Retails II segment are retail business located in the areas without strategic importance and high growth potential. Individual financial information and management report of the Retails I segment, Retails II segment, Distributions and others are presented to the Board of Directors to assess their performance and for making respective business decisions. Accordingly, for the period ended 30 June 2016, the composition of reportable segments in accordance with IFRS 8 "Operating Segment" has changed to four segments, the Distributions, Retails I, Retails II and others. The Group also re-presented its corresponding information for the period ended 30 June 2015 accordingly.

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 2016 and 2015. Accordingly, no geographical segment is presented.

Sales between segments are carried out at arm's length. The revenue from external customers and the costs, 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 profits or losses of joint ventures and an associate.

Notes to the Condensed Consolidated Interim Financial Information

6. Revenue and segment information *(continued)*

The segment information for the six months ended 30 June 2016 and as at 30 June 2016 is as follows:

	(Unaudited) Six months ended 30 June 2016				
	Distributions *RMB'000*	Retails I *RMB'000*	Retails II *RMB'000*	Others *RMB'000*	Total *RMB'000*
Segment revenue	1,333,035	794,019	147,959	–	2,275,013
Inter-segment revenue	(371,168)	–	–	–	(371,168)
Revenue from external customers	961,867	794,019	147,959	–	1,903,845
Adjusted EBITDA	36,607	109,203	(828)	(6,837)	138,145
Depreciation and amortisation	(7,547)	(14,839)	(381)	(29)	(22,796)
Finance income	3,385	1,455	285	2,067	7,192
Finance costs	(2,156)	(224)	(7)	(334)	(2,721)
Share of post-tax profits of joint ventures	–	441	–	–	441
Share of loss of an associate	(59)	–	–	–	(59)
Income tax expenses	(6,604)	(25,620)	(579)	–	(32,803)
Profit/(loss) for the period	23,626	70,416	(1,510)	(5,133)	87,399
Additions of non-current assets	243,169	19,759	–	100	263,028

	(Unaudited) As at 30 June 2016				
	Distributions *RMB'000*	Retails I *RMB'000*	Retails II *RMB'000*	Others *RMB'000*	Total *RMB'000*
Total assets before eliminations	2,305,602	1,870,322	144,936	1,576,761	5,897,621
Inter-segment assets	(627,100)	(302,586)	–	(1,477,915)	(2,407,601)
Total assets	1,678,502	1,567,736	144,936	98,846	3,490,020
Total liabilities before eliminations	1,041,225	697,445	72,927	67,247	1,878,844
Inter-segment liabilities	(700,830)	(495,470)	(58,300)	(53,532)	(1,308,132)
Total liabilities	340,395	201,975	14,627	13,715	570,712

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 31 December 2015 is as follows:

	(Unaudited) Six months ended 30 June 2015 *(Note *)*				
	Distributions *RMB'000*	Retails I *RMB'000*	Retails II *RMB'000*	Others *RMB'000*	Total *RMB'000*
Segment revenue	1,860,382	1,048,170	192,337	–	3,100,889
Inter-segment revenue	(529,944)	–	–	–	(529,944)
Revenue from external customers	1,330,438	1,048,170	192,337	–	2,570,945
Adjusted EBITDA	108,439	226,010	30,958	(11,213)	354,194
Depreciation and amortisation	(7,160)	(15,179)	(755)	(63)	(23,157)
Finance income	2,371	1,503	120	529	4,523
Finance costs	(1,300)	(2,152)	(645)	(535)	(4,632)
Share of post-tax profits of joint ventures	–	545	–	–	545
Income tax expenses	(24,325)	(51,353)	(7,420)	–	(83,098)
Profit/(loss) for the period	78,025	159,374	22,258	(11,282)	248,375
Additions of non-current assets	1,021	2,498	–	–	3,519

*Note**

The composition of reportable segments for the period ended 30 June 2016 has changed to four segments in accordance with IFRS 8 "Operating Segment": the Distributions, Retails I, Retails II and others. Accordingly, the Group also re-presented its corresponding information for the period ended 30 June 2015 on a consistent basis.

	(Audited) As at 31 December 2015				
	Distributions *RMB'000*	Retails I *RMB'000*	Retails II *RMB'000*	Others *RMB'000*	Total *RMB'000*
Total assets before eliminations	2,029,389	1,901,592	170,782	1,349,148	5,450,911
Inter-segment assets	(614,231)	(415,816)	(21,061)	(1,191,859)	(2,242,967)
Total assets	1,415,158	1,485,776	149,721	157,289	3,207,944
Total liabilities before eliminations	785,785	711,540	49,006	48,691	1,595,022
Inter-segment liabilities	(415,605)	(507,798)	(39,569)	(42,476)	(1,005,448)
Total liabilities	370,180	203,742	9,437	6,215	589,574

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*	Land use rights *RMB'000*
Six months ended 30 June 2016		
Opening net book amount as at 1 January 2016	**103,167**	**3,713**
Additions	**19,570**	**–**
Disposals	**(488)**	**–**
Depreciation and amortisation *(Note 16)*	**(12,813)**	**(47)**
Closing net book amount as at 30 June 2016	**109,436**	**3,666**
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 16)*	(13,083)	(47)
Closing net book amount as at 30 June 2015	110,538	3,760

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

		(Unaudited)	
	Goodwill (Note)	Other intangible assets	Total
	RMB'000	*RMB'000*	*RMB'000*
Six months ended 30 June 2016			
Opening net book amount as at 1 January 2016	**473,359**	**198,696**	**672,055**
Amortisation charge *(Note 16)*	**–**	**(9,936)**	**(9,936)**
Closing net book amount as at 30 June 2016	**473,359**	**188,760**	**662,119**
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 16)*	–	(10,027)	(10,027)
Closing net book amount as at 30 June 2015	582,258	207,253	789,511

Note: Management reviews the business performance and monitors the goodwill for each operating segment. The recoverable amount of all cash generating units ("**CGUs**") is determined based on value-in-use calculations. Value-in-use calculations use cash flow projections based on financial budgets approved by management covering a five-year period, and cash flow beyond the five-year period are extrapolated using an estimated growth rates. During the six months ended 30 June 2016, the Group has experienced a significant decline in revenue and profit for the period compared to the prior period and management's previous expectation due to the economic downward pressure in northeastern region of the PRC. Accordingly, the Group has revised its cash flow projections used in the value-in-use calculations to reflect the impact of the business environments. The other assumptions and methodology adopted for the preparation of the cash flow projection are consistent with those set out in the Group's annual financial statements for the year ended 31 December 2015. Based on the revised value-in-use calculations, no impairment loss is recognised for the six months ended 30 June 2016.

9. Investment in an associate

	(Unaudited) Six months ended 30 June 2016
	RMB'000
At beginning of the period	–
Addition	243,076
Share of loss of an associate	(59)
At end of the period	243,017

Notes to the Condensed Consolidated Interim Financial Information

9. Investment in an associate *(continued)*

On 24 May 2016, the Group acquired 36.38% of equity interest in Jilin Wenhui, a company incorporated in the PRC and which principal businesses comprised of manufacturing, sales and research and development of hollow capsules in the PRC. The Directors of the Company are of the view that the investment in Jinlin Wenhui allows the Company to better integrate the Group's commercial and production resources in the northeastern region of PRC and leverage the advantage to achieve better efficiency and future development.

The total consideration of the investment was RMB242,819,000, consisting of: (1) RMB27,031,000 in cash (representing approximately 11% of the total consideration); and (2) RMB215,788,000 by issuance of the shares of the Company to the vendor (representing the remaining approximately 89% of the total consideration). The shares of the Company was issued to the vendor on 24 May 2016 upon completion of the acquisition (Note 13). Transaction costs of RMB257,000 have been treated as part of the investment in the associate. Upon completion, Jilin Wenhui became an associate of the Group.

As at 30 June 2016, the Group is in the process of the fair value assessment for the purchase price allocation under IFRS 3 for 36.38% of equity interest in Jilin Wenhui. The Group reported in the six months ended 30 June 2016 the provisional amounts for the assets and liabilities for which the evaluation is in the process. During the measurement period (not exceeding one year from the acquisition date), the Group will retrospectively adjust the provisional amounts recognised at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date and, if known, would have affected the measurement of the amounts recognised in the six months ended 30 June 2016.

The Group's share of the results in Jilin Wenhui and its aggregated assets and liabilities are shown below:

	(Unaudited) **As at 30 June 2016** *RMB'000*
Assets	163,208
Liabilities	31,516

	(Unaudited) **Six months ended** **30 June 2016** *RMB'000*
Revenues	1,350
Share of loss	(59)

Percentage held	36.38%

Notes to the Condensed Consolidated Interim Financial Information

10. Deferred income tax

Deferred tax assets	Accrual for employee payroll	Accrual for sales commission	(Unaudited) Accrual for advertising fee	Provision	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2016	**14,073**	**1,344**	**3,531**	**349**	**19,297**
Charged to the condensed consolidated statement of comprehensive income	**(1,089)**	**(765)**	**(3,052)**	**(349)**	**(5,255)**
At 30 June 2016	**12,984**	**579**	**479**	**–**	**14,042**
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

Deferred tax liabilities	(Unaudited) Deferred tax liabilities arising from business combination
	RMB'000
At 1 January 2016	**(46,585)**
Credited to the condensed consolidated statement of comprehensive income	**2,645**
At 30 June 2016	**(43,940)**
At 1 January 2015	(50,698)
Credited to the condensed consolidated statement of comprehensive income	2,539
At 30 June 2015	(48,159)

Notes to the Condensed Consolidated Interim Financial Information

11. Trade and other receivables

	(Unaudited) As at 30 June 2016 *RMB'000*	(Audited) As at 31 December 2015 *RMB'000*
Trade receivables *(Note)*	221,194	248,676
Prepayments	116,325	109,521
Other receivables	19,100	86,430
Provision for impairment	(1,774)	(1,774)
Total	354,845	442,853

The carrying amounts of receivables approximate their fair values.

Note: Retail sales at the Group's pharmacies are usually made in cash or debit 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 2016 *RMB'000*	(Audited) As at 31 December 2015 *RMB'000*
Up to 3 months	214,907	229,920
4 to 6 months	5,046	5,813
7 to 12 months	1,241	12,943
	221,194	248,676

Notes to the Condensed Consolidated Interim Financial Information

12. Restricted cash

	(Unaudited) As at 30 June 2016 *RMB'000*	(Audited) As at 31 December 2015 *RMB'000*
Restricted cash	**207,228**	227,414

The balance of the restricted cash was secured for bank borrowings and notes payable. As at 30 June 2016, the balance of the restricted cash was consisted of: (1) RMB150,000,000 secured for bank borrowings of the Group (31 December 2015: RMB150,000,000) (Note 14); and (2) RMB57,228,000 secured for notes payable issued to the Group's suppliers (31 December 2015: RMB77,414,000) (Note 15).

13. Share capital and share premium

	Number of ordinary shares	Nominal value of ordinary shares *USD*
Authorised:		
Ordinary shares of USD0.001 each		
As at 30 June 2016 and 31 December 2015	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*	Share premium *RMB'000*
At 1 January 2015, and 31 December 2015	2,000,000,000	2,000,000	12,259	1,405,730
Proceeds from share issued *(Note)*	400,000,000	400,000	2,619	213,169
At 30 June 2016	2,400,000,000	2,400,000	14,878	1,618,899

Note: On 24 May 2016, the Group issued 400,000,000 shares at nominal value of USD0.001 per share to the vender in respect to the investment in Jilin Wenhui as part of the purchase consideration (Note 9). The ordinary shares issued have the same right as the other shares in issue. The fair value of the shares issued amounted to HK$256,000,000 (HK$0.64 per share), equivalent to RMB215,788,000.

Notes to the Condensed Consolidated Interim Financial Information

14. Borrowings

	(Unaudited) As at 30 June 2016 RMB'000	(Audited) As at 31 December 2015 RMB'000
Current		
Short-term secured bank borrowings	166,920	166,920
Short-term unsecured bank borrowings	6,410	–
Total	173,330	166,920

Movements in borrowings are analysed as follows:

	(Unaudited) Six months ended 30 June	
	2016 RMB'000	2015 RMB'000
Opening amount	166,920	295,500
Proceeds of new borrowings	25,750	295,500
Repayments of borrowings	(19,340)	(443,250)
Closing amount	173,330	147,750

Notes to the Condensed Consolidated Interim Financial Information

14. Borrowings *(continued)*

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

	(Unaudited) **As at** **30 June** **2016** ***RMB'000***	(Audited) As at 31 December 2015 *RMB'000*
Group's assets		
– Restricted cash *(Note 12)*	**150,000**	150,000
– Buildings and land use rights	**45,951**	45,951
Related party's assets		
– Buildings and land use rights	**7,260**	7,260
	203,211	203,211

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

	(Unaudited) **As at** **30 June** **2016** ***RMB'000***	(Audited) As at 31 December 2015 *RMB'000*
Within 1 year	**173,330**	166,920

(c) As at 30 June 2016 and 31 December 2015, there is no undrawn borrowing facilities of the Group.

(d) Interest expenses on borrowings for the six months ended 30 June 2016 was RMB2,324,000 (Note 17) (2015: RMB4,097,000).

Notes to the Condensed Consolidated Interim Financial Information

15. Trade and other payables

	(Unaudited) As at 30 June 2016 RMB'000	(Audited) As at 31 December 2015 RMB'000
Trade payables (a)	182,495	184,541
Notes payable (b)	58,446	94,662
Other payables	108,483	94,261
Total	349,424	373,464

(a) As at 30 June 2016, the ageing analysis of the trade payables (including amounts due to related parties of trading in nature) based on recognition date is as follows:

	(Unaudited) As at 30 June 2016 RMB'000	(Audited) As at 31 December 2015 RMB'000
Up to 3 months	172,651	183,468
4 to 6 months	8,257	1,051
7 to 12 months	1,587	1
1 year to 2 years	–	21
	182,495	184,541

(b) As at 30 June 2016, the entire balance of notes payable was secured by restricted cash of RMB57,228,000 (31 December 2015: RMB77,414,000) (Note 12).

Notes to the Condensed Consolidated Interim Financial Information

16. Expense by nature

	(Unaudited) Six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
Changes in inventories	**1,374,538**	1,820,590
Employee benefit expenses	**157,853**	141,233
Advertising and other marketing expenses	**104,448**	121,250
Rental expenses	**53,257**	50,236
Transportation and related charges	**40,369**	47,088
Other tax expenses	**10,624**	15,594
Depreciation of property, plant and equipment *(Note 7)*	**12,813**	13,083
Amortisation of intangible assets *(Note 8)*	**9,936**	10,027
Training fees	**8,424**	–
Office and communication expenses	**5,090**	5,958
Professional fees	**1,660**	4,545
License fee of trademarks	**3,260**	3,240
Electricity and other utility fees	**2,032**	2,428
Auditors' remuneration	**1,600**	1,600
Travelling and meeting expenses	**862**	978
Amortisation of land use rights *(Note 7)*	**47**	47
Other expenses	**2,934**	2,415
Total	**1,789,747**	2,240,312

Notes to the Condensed Consolidated Interim Financial Information

17. Finance income and costs

	(Unaudited) Six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
Finance income		
Interest income on bank deposits	**4,406**	4,523
Exchange gains	**2,786**	–
	7,192	4,523
Finance costs		
Interest expenses	**(2,324)**	(4,097)
Exchange losses	**–**	(332)
Other charges	**(397)**	(203)
	(2,721)	(4,632)
Finance income/(costs) – net	**4,471**	(109)

18. Income tax expenses

	(Unaudited) Six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
Current income tax		
– PRC corporate income tax	**29,770**	101,849
– Hong Kong profits tax	**423**	215
Deferred income tax charge/(credit)	**2,610**	(18,966)
Total income tax expenses	**32,803**	83,098

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 2016 (2015: 16.5%). 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.

Notes to the Condensed Consolidated Interim Financial Information

19. 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	
	2016	2015
Profit attributable to owners of the Company *(RMB'000)*	**85,837**	244,678
Weighted average number of ordinary shares in issue *(thousands)*	**2,083,516**	1,983,007
Basic earnings per share *(RMB cents)*	**4.12**	12.34

(b) Diluted

As there were no dilutive potential ordinary shares outstanding for the six months ended 30 June 2016 and 2015, the diluted earnings per share for the periods is equal to basic earnings per share.

20. Dividend

No interim dividend was declared for the six months ended 30 June 2016 (2015: RMB24,593,000).

Notes to the Condensed Consolidated Interim Financial Information

21. 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 2016 ***RMB'000***	(Audited) As at 31 December 2015 *RMB'000*
No later than 1 year	**81,368**	56,531
Later than 1 year and no later than 5 years	**41,833**	30,631
More than 5 years	**130**	130
Total	**123,331**	87,292

(b) Other commitments

The Group has the following investment commitments not provided for:

	(Unaudited) As at 30 June 2016 ***RMB'000***	(Audited) As at 31 December 2015 *RMB'000*
Authorised and contracted but not provided for	**52,933**	–

As set in Note 9, the Group has acquired 36.38% equity interest in Jilin Wenhui on 24 May 2016. Jinlin Wenhui is a company incorporated in the PRC with an issued share capital of RMB166,000,000. As at 30 June 2016, only 12.35% of the issued share capital has been fully paid up by each shareholder on a pro-rata basis. According to the articles of association of Jilin Wenhui, each shareholder is required to fully pay up their respective portion of the share capital by 5 November 2027. Accordingly, the Group has an investment commitment to Jilin Wenhui amounting to RMB52,933,000 for its respective unpaid portion of issued share capital as at 30 June 2016.

Notes to the Condensed Consolidated Interim Financial Information

22. 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.

The transaction with related parties are carried out on pricing and settlement terms agreed with counter parties in the ordinary courses of business.

(a) Transactions with related parties

	(Unaudited) Six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
Purchases of goods	**–**	15,648
Use of trademarks	**–**	470
Sales of goods	**2,936**	2,850
Operating lease	**1,500**	–

(b) Balances with related parties

	(Unaudited)	(Audited)
	As at	As at
	30 June	31 December
	2016	2015
	RMB'000	*RMB'000*
Trade receivables	**876**	469
Other receivables *(Note)*	**–**	67,517
Prepayment of rental expenses	**–**	1,500

Note: Other receivables from related parties were unsecured in nature and bear no interest.

Notes to the Condensed Consolidated Interim Financial Information

22. Related-party transactions *(continued)*

(c) Key management compensation

Key management includes directors (executive and non-executive), members of the Executive Committee, the Company Secretary and the Head of Internal Audit. The compensation paid or payable to key management for employee services is shown below:

	(Unaudited) Six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
Salaries, wages and bonuses	**1,964**	2,740
Contributions to pension plans	**81**	89
	2,045	2,829

Other Information

Corporate Governance

The Company is committed to maintaining high standards of corporate governance to safeguard the interests of 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 and the Corporate Governance Report (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 the 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 the Company's Listed Securities

During 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 reporting procedure and financial reporting, risk management and internal control systems 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 in accordance with International Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the International Auditing and Assurance Standards Board.

Changes to Information in Respect of Directors

There was no change in Directors' biographical details since the date of the 2015 annual report of the Company which are required to be disclosed pursuant to Rules 13.51B(1) and 13.51(2) of the Listing Rules.

Other Information

Directors' and Chief Executive's Interests and Short Positions in Shares and Underlying Shares

As at 30 June 2016, the interests and short positions of the directors and the chief executive of the Company in the shares 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 *(Notes 1 & 2)*	960,014,953 (Long Position)	40.00%
	Beneficial owner *(Note 3)*	3,368,000 (Long Position)	0.14%
	Interest of spouse *(Note 3)*	1,434,000 (Long Position)	0.06%
Zhao Zehua	Beneficial owner	1,434,000 (Long Position)	0.06%

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 960,014,953 Shares in the Company.

2) 398,000,000 Shares out of the 960,014,953 Shares are only rights of first refusal derived from the agreement in respect of a disposal of Shares entered into between Zhongrong International Trust Co., Ltd. as purchaser and Asia Health Century International Inc. as vendor dated 28 January 2016.

3) 1,434,000 Shares were held by Ms. Chen Xiaoyan, the spouse of Mr. Jin Dongtao. Accordingly, Mr. Jin Dongtao was deemed to be interested in such 1,434,000 Shares and Mr. Jin is beneficially interested in 3,368,000 Shares.

Other Information

Save as disclosed above, as at 30 June 2016, none of the Directors or the chief executive of the Company had or was deemed to have any interests or short positions 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 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 which were 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 2016, 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 would be required to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or 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	Interest of spouse *(Notes 1 to 3)*	963,382,953 (Long Position)	40.14%
	Beneficial owner	1,434,000 (Long Position)	0.06%
Asia Health Century International Inc.	Beneficial owner *(Notes 1 to 3)*	960,014,953 (Long Position)	40.00%
Global Health Century International Group Limited	Interest in a controlled corporation *(Notes 1 to 3)*	960,014,953 (Long Position)	40.00%
1969 JT Limited	Interest in a controlled corporation *(Notes 1 to 3)*	960,014,953 (Long Position)	40.00%
Tenby Nominees Limited	Nominee *(Notes 1 to 3)*	960,014,953 (Long Position)	40.00%
Brock Nominees Limited	Nominee *(Notes 1 to 3)*	960,014,953 (Long Position)	40.00%

Other Information

Name	Capacity/ Nature of interest	Number of Shares	Approximate percentage of shareholding
Credit Suisse Trust Limited	Trustee *(Notes 1 to 3)*	960,014,953 (Long Position)	40.00%
Di Hongying	Interest in a controlled corporation *(Note 4)*	400,000,000 (Long Position)	16.67%
Intergrity Stars Limited	Beneficial owner *(Note 4)*	400,000,000 (Long Position)	16.67%
Zhongrong International Alternative Asset Management Limited	Beneficial owner	242,585,182 (Long Position)	10.11%
Wu Qiaofeng	Interest in a controlled corporation *(Note 5)*	242,585,182 (Long Position)	10.11%
	Beneficial owner	1,516,000 (Long Position)	0.06%
BlackMarble Capital Limited	Person having a security interest in shares *(Note 6)*	148,529,000 (Long Position)	6.19%
Lerado Group (Holding) Company Limited	Interest in a controlled corporation *(Note 6)*	148,529,000 (Long Position)	6.19%
Lerado Group Limited	Interest in a controlled corporation *(Note 6)*	148,529,000 (Long Position)	6.19%
Wonder Time Holdings Limited	Interest in a controlled corporation *(Note 6)*	148,529,000 (Long Position)	6.19%

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 960,014,953 Shares in the Company.

2) These 960,014,953 Shares belong to the same group of shares.

3) 398,000,000 Shares out of the 960,014,953 Shares are only rights of first refusal derived from the agreement in respect of a disposal of Shares entered into between Zhongrong International Trust Co., Ltd. as purchaser and Asia Health Century International Inc. as vendor dated 28 January 2016.

4) Ms. Di Hongying holds entire issued share capital of Intergrity Stars Limited, which holds 400,000,000 Shares in the Company.

5) Mr. Wu Qiaofeng, ultimately holds 242,585,182 Shares in the Company through Dragon Ocean Development Ltd, ZR International Holding Company Limited and Zhongrong International Alternative Asset Management Limited.

6) Lerado Group (Holding) Company Limited, which holds entire issued share capital of Lerado Group Limited, which holds entire issued share capital of Wonder Time Holdings Limited, and in turn holds entire issued share capital of BlackMarble Capital Limited, which directly holds security interest in 148,529,000 Shares in the Company.

Save as disclosed above, as at 30 June 2016, 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 2015.

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

Other Information

Share Award Plan

The Company adopted the share award plan (the "**Share Award Plan**") on 23 April 2014. The purposes of the Share Award 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.

On 28 December 2015, an aggregate of 16,993,000 Shares were granted without consideration to an aggregate of 13 grantees. As at 30 June 2016, the trustee of the Share Award Plan did not hold any Shares under the Share Award Plan.

Interim Dividend

The Board did not declare any interim dividend for the six months ended 30 June 2016 (2015: HK1.5 cents per share).

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 2016, the net proceeds from the initial public offering 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 as set out below:

		RMB million	
Use of proceeds	**Net proceeds**	**Proceeds used**	**Proceeds unused**
For acquisitive expansion	347.2	(347.2)	–
For organic growth	260.4	(100.7)	159.7
For brand promotion	173.6	(173.6)	–
For working capital	86.9	(77.5)	9.4
Total	868.1	(699.0)	169.1

As at 30 June 2016, the unused net proceeds were placed with banks in the PRC as short-term deposits or term deposits.