UNIVERSAL HEALTH

UNIVERSAL HEALTH INTERNATIONAL GROUP HOLDING LIMITED

大 健 康 國 際 集 團 控 股 有 限 公 司

(incorporated in the Cayman Islands with limited liability)

Stock Code: 2211

SECOND INTERIM REPORT 2017

Contents

Corporate Information

BOARD OF DIRECTORS

EXECUTIVE DIRECTORS:

Mr. Jin Dongtao *(Chairman)*
(Chief Executive Officer, appointed on 23 March 2017)
Mr. Jin Dongkun *(Vice Chairman)*
Mr. Chu Chuanfu *(Chief Executive Officer, resigned on 23 March 2017)*
Mr. Zhao Zehua
Mr. Sun Libo *(appointed on 23 March 2017)*

INDEPENDENT NON-EXECUTIVE DIRECTORS:

Mr. Cheng Sheung Hing
Ms. Chiang Su Hui Susie
Ms. Hao Jia *(resigned on 20 July 2017)*
Mr. Zou Haiyan *(appointed on 20 July 2017)*

AUDIT COMMITTEE

Ms. Hao Jia *(Chairman, resigned on 20 July 2017)*
Mr. Zou Haiyan *(Chairman, appointed on 20 July 2017)*
Mr. Cheng Sheung Hing
Ms. Chiang Su Hui Susie

REMUNERATION COMMITTEE

Mr. Cheng Sheung Hing *(Chairman)*
Ms. Chiang Su Hui Susie
Mr. Chu Chuanfu *(resigned on 23 March 2017)*
Mr. Jin Dongkun *(appointed on 23 March 2017)*

NOMINATION COMMITTEE

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

AUTHORIZED REPRESENTATIVES

Mr. Leung Yi Kok *(resigned on 6 June 2017)*
Mr. Ge Junming *(appointed on 6 June 2017)*
Mr. Zhao Zehua

COMPANY SECRETARY

Mr. Leung Yi Kok *(resigned as Joint Company Secretary on 6 June 2017)*
Mr. Ge Junming *(appointed as sole Company Secretary on 6 June 2017)*

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

Room No. 907B
9th Floor, Empire Centre
68 Mody Road
Kowloon
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

AUDITOR

PricewaterhouseCoopers

STOCK CODE

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

INVESTOR RELATIONS

ir@uhi-group.com

COMPANY'S WEBSITE

www.uhighl.com

Financial Highlights

	Twelve months ended 31 December		
	2017 RMB Million (Unaudited)	2016 RMB Million (Audited)	Change (%)
Revenue	**2,680.1**	3,378.7	-20.7
Gross profit	**478.4**	874.1	-45.3
Operating loss	**(560.6)**	(79.9)	601.6
Loss for the period	**(557.8)**	(87.3)	538.9
EBITDA[(1)]	**(215.7)**	96.2	-324.2
Basic loss per share - RMB cents[(2)]	**(20.92)**	(3.92)	433.7
Gross margin (%)	**17.8**	25.9	-8.1pp
Operating loss margin (%)	**(20.9)**	(2.4)	-18.5pp
Net loss margin (%)	**(20.8)**	(2.6)	-18.2pp

	As at 31 December		
	2017 (Unaudited)	2016 (Audited)	Change
Current ratio (times)[(3)]	**6.4**	4.3	2.1
Trade receivables turnover (days)[(4)]	**22.3**	22.4	-0.1
Inventory turnover (days)[(5)]	**59.5**	57.7	1.8
Trade payables turnover (days)[(6)]	**25.6**	25.5	0.1

Notes:

1. EBITDA is calculated by adjusting loss before interests, tax, depreciation and amortisation, excluding the effect of share of post-tax profits of joint ventures and an associate, share-based payment expenses and goodwill impairment.

2. Basic loss per share is calculated by dividing loss attributable to owners of the Company by weighted average number of ordinary shares (the weighted average number of shares of the Company for the twelve months of 2017 was 2,643,503,000, versus 2,242,623,000 for the corresponding period in 2016).

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 twelve months ended 31 December 2017 (the "**Period**").

Industry Overview

Amidst the ever-changing global economic situation in 2017, the economy of the People's Republic of China (the "**PRC**" or "**China**") continued its supply-side structural reform and deeply implemented the innovation-driven development strategy while insisting on seeking "improvement in stability". Due to the progress made in terms of financial deleveraging and cutting overcapacity, the overall economy development has stepped into a rising trend at a stable pace.

The PRC's GDP recorded a year-on-year increase of 6.9% during the first three quarters of 2017. According to the information from the China's National Bureau of Statistics, the national industrial enterprises above designated size in the PRC achieved a total profit of RMB6,875.01 billion from January to November 2017, representing a year-on-year increase of 21.9%, and a decrease of 1.4 percentage points of the growth rate compared with January to October 2017. Among them, the pharmaceutical manufacturing industry achieved a total profit of RMB299.78 billion (representing a year-on-year increase of 18.4%) and an operation income of RMB2,616.5 billion (representing a year-on-year increase of 12.1%).

The "Healthy China" national strategy will bring about larger room for development for the universal health industry. The report delivered during the 19th National Congress of the Communist Party of China (the "**19th CPC National Congress**") has clearly specified to implement the "Healthy China" strategy. People's health is an important milestone of national prosperity and wealth. National health policies shall be refined to provide people with all-round and full-cycle health service.

Reforms in China's pharmaceutical industry and medical system have further deepened. The government has consecutively introduced a number of policies for medical reform, such as accelerating the implementation of the "Two Invoices System", reducing the proportion of prescription drug in hospitals, lowering prescription drug tender prices and re-negotiation of prices in hospitals, which will bring challenges and opportunities for the development of pharmaceutical industry.

In January 2017, the eight departments including the Office of the Leading Group for Deepening the Health System Reform of the State Council and the National Health and Family Planning Commission of China jointly issued the "Opinions on the Implementation of 'Two Invoices System' in the Pharmacy Procurement Process of Public Medical Institutions (Pilot)" (《關於在公立醫療機構藥品採購中推行「兩票制」的施行意見(試行)》), requiring pilot provinces, autonomous regions and municipalities of comprehensive health care reform and pilot cities of public hospitals reform to pioneer the implementation of the "Two Invoices System" in pharmacy procurement and followed by other regions to implement this system by 2018 as permitted in their respective circumstances. On 16 October 2017, implementation regulations in relation to the "Two Invoices System" was duly issued in Tibet Autonomous Region, and subsequently, all province-level administrative regions in China have

Management Discussion and Analysis

issued relevant implementation regulations for the "Two Invoices System". The implementation of the "Two Invoices System" across the country has impacted the sales model of various pharmaceutical enterprises while improving the concentration of the industry.

On 7 March 2017, the General Office of the State Council of China issued the "Work Plan on the Cooperation between Certain Provinces and Cities in Northeastern Region of the PRC and Partner Provinces and Cities in East China" (《東北地區與東部地區部分省市對口合作工作方案》), which represents a new round of major steps taken to revitalize the old industrial bases in northeastern region of the PRC in order to stabilize and promote the economy development in northeastern region of the PRC.

On 17 March 2017, China Food and Drug Administration (the "**CFDA**") promulgated the "Decision on Matters Related to Adjusting the Administration of Imported Pharmaceuticals Registration (Draft for Comment)" (《關於調整進口藥品註冊管理有關事項的決定(徵求意見稿)》). On the one hand, domestic pharmaceutical enterprises are encouraged to innovate and create systems; on the other hand, it is intended to introduce international new drugs to China as soon as practical and set up a global ecology and competition pattern for pharmaceutical industry.

In the first half of 2017, the General Office of the State Council of China also issued the "Guiding Opinions on the Pilot Programme for Comprehensive Reform of Urban Public Hospitals" (《關於城市公立醫院綜合改革試點的指導意見》), aiming to reduce the overall percentage of medicines (excluding prepared slices of Chinese medicine) in public hospitals located in pilot cities to around 30% by the end of 2017. In the pilot cities, there will be separation of clinics from pharmacies, abandonment of medicine markups (excluding prepared slices of Chinese medicine) and setting up of scientific compensation mechanisms in all public hospitals.

In May 2017, the CFDA successively issued four policies on encouraging innovations of drugs and medical devices. On 8 October 2017, the General Office of the Central Committee of the Communist Party of China and the General Office of the State Council of China issued again the "Opinion on Deepening the Reform of the Examination and Approval System for Encouraging Innovations of Drugs and Medical Devices" (《關於深化審評審批制度改革鼓勵藥品醫療器械創新的意見》), which was regarded as the "Milestone" reform of industrial innovation and development.

The pharmaceutical industry will remain challenging in the short term and subject to the downward pressure of certain regional economies. However, demand in China's pharmaceutical market will continue to grow due to the aging population, rapid urbanization and universal medical insurance coverage. The Group believes that the higher visibility and gradual implementation of subsequent policies of China's medical reform will bring a more structured and healthy development to the industry.

As China's aging population and the purchasing power of residents continue to grow, the Chinese increasing health awareness will continue to drive the growth of the domestic pharmaceutical market's scale. Professionals estimate China's pharmaceutical market will exceed RMB2.2 trillion in 2019.

Management Discussion and Analysis

Business Review

During the Period, under the leadership of Mr. Jin Dongtao, the chairman of the Group ("**Chairman**"), and with the efforts of all employees, the Group has been actively promoting the development of traditional physical retail chain stores and distribution network while facing intensive competition. The Group also endeavored to explore new business model to facilitate the Group's "Supply-side" structural transformation and upgrading. During the Period, the Group has acquired land development right and the wild ginsengs planted in a piece of 1,009 mu of forest land situated in Tonghua City, Jilin Province in the PRC, to construct a universal health ecosystem. Meanwhile, the Company has adopted a share option scheme (the "**Share Option Scheme**") during the Period to enhance the unity of the operation team and cope with the downward pressure of the regional economy and the 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 which "王" is embodied as "1+1=1, 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, "Sharing" win-win cooperation strategy and "Partnership" of seeking common development.

Chain Retail Business

During the Period, the Group committed to issue-specific management, continued to keep the division of strategic stores and non-strategic stores and conducted reasonable adjustments in line with the market competition and development. During the Period, 8 strategic stores have been closed in due course and 3 non-strategic stores also have been closed. As such, the Group had 926 stores in total at the end of the Period, including 650 strategic stores (31 December 2016: 658 strategic stores) and 276 non-strategic stores (31 December 2016: 279 non-strategic stores). Meanwhile, due to the increased market competition and the continuous downturn of regional real economy with the northeastern region of the PRC experiencing a transition of its second revitalization, sales revenue of retail business decreased by 23.1% as a whole from RMB1,658.0 million for the corresponding period in 2016 to RMB1,274.6 million for the Period.

Nationwide Distribution Business

During the Period, the Group had over 5,000 distribution customers and 5 large-scale distribution hubs. The Group made appropriate promotion in its distribution system, and continued to optimise screening and maintaining of quality distributors. Although, the responsible teams of the Group constantly strived to explore market potential and held 11 associations in total with strategic cooperation distributors, subject to the development environment of real economy and the transformation of the Company's strategies, the Group's sales revenue of distribution business decreased by 18.3% as a whole from RMB1,720.7 million for the corresponding period in 2016 to RMB1,405.5 million for the Period.

Management Discussion and Analysis

Direct-supply and Sales Model

The Group's Direct-supply Model effectively addressed the issue of traditional heavily overlapped sales process, as well as simplified the supply chain to improve sales efficiency and profitability and provided a higher profit margin from the high-margin products of the Group. Meanwhile, the marketing model advanced to accord with the "Two Invoices System" carried out by the Chinese government, the Group was subject to minor effect of the policy change. During the Period, the Group's management took all necessary actions to safeguard the direct supply of branded products, and its direct supply model covered 29 provinces in China.

Branded Products Operation

During the Period, the Group continued to maintain its operational pattern of its original branded products and adjusted the brand structure according to its actual operational requirements to eliminate certain non-applicable products and add new products, so as to maintain the competitiveness of its original branded products and, on the other hand, increase the influence of its new branded products. During the Period, a net decrease of 607 products was recorded. Hence, there were 2,065 branded products in total for the benefit of the Group in operation.

Warehouse Construction

As of 31 December 2017, the Company has completed the construction work of the large-scale logistic warehouse center in Jiamusi, Heilongjiang Province which started in August 2016 and obtained its completion acceptance, with a total investment of RMB211.8 million. The project will become a large-scale pharmaceutical and diversified commodity distribution logistics warehouse center integrated with "Business, Logistics and Information" in the eastern area of Heilongjiang Province and play an important role in optimising distribution system of the Group. By then, the Group has set up five large-scale logistics distribution centers in Shijiazhuang, Shenyang, Changchun, Harbin and Jiamusi, and has established a high-quality distribution system radiating across the whole country and covering the northeastern region of the PRC.

Brand Promotion

With traditional advantages in continuous brand promotion and marketing, the Group strengthened the influence and competitiveness of the Company and mitigated the further decline in operating performance. During the Period, the 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 and WeChat. In addition, the Group has participated in the charity to enhance the reputation of the Company and practice its corporate social responsibilities.

Management Discussion and Analysis

Institute Training

During the Period, according to the characteristics of new era, new economy, new technology and new retail, the Group continued to optimise the training activities of the institute and made best use of the business institute on the Group's business development, talent nurturing and public welfare promotion. Moreover, the Group maintained the advantage of taking the lead in establishing business institute in the industry, strengthened its cohesion as well as enhanced and transformed the mode of thinking of employees in response to the transformation and upgrade of the Company's business. During the Period, the Company held 198 internal trainings in total.

Membership Service

During the Period, the Group had provided follow-up services and promotion benefits for over 1.40 million offline members, so as to enhance the sense of affiliation and positivity of members while boosting their loyalty and thus improve the healthy image of the Company. For example, all of the members are offered super givebacks for their participation in the consumption by deposits or cash of RMB1,000 during the Group's shops celebration activities. Meanwhile, the Group provided social value-added services in various aspects such as the provision of public toilets, cold shelters and lost children service centres and continued to launch the "Love China" public welfare activities, with a view to build up its good corporate image.

Industry Alliance

During the Period, the Company has proactively participated in the alliance activities, while the Chairman, vice chairman and chief operating officer, on its behalf, attended the tours and forums organised by the alliance. Besides, the Company conducted intensive study on the core concepts of the 19th CPC National Congress, so as to seize the theme of era development, keep abreast of the industry information, promote branded products development, strengthen the Company's interaction and exchange with industry alliance and enhance its influence. Meanwhile, leveraging on the China's national strategic guidance of "Healthy China (健康中國)", "Beautiful China (美麗中國)", "Belt and Road (一帶一路)" and "Guangdong-Hong Kong-Macao Greater Bay Area (粵港澳大灣區)", the Company gathered experience and focused on the technological innovation to seek further transformation and upgrade of the Company's business.

Management Discussion and Analysis

Acquisition

In June 2017, the acquisition of a forest land use right and the wild ginsengs planted in the land from an independent third party (the "**Acquisition**" or the "**Ginsengs Project**") was completed. The forest land is located in Tonghua City, Jilin Province in the PRC. As the Group is principally engaged in the retailing and distribution of pharmaceuticals products and healthcare products, the Acquisition, as part of the strategies of the Group, will be conductive to building up the industrial chain, bridging upstream and downstream resources within the sector, enhancing competitiveness and the interest of the Group as a whole. In addition, in response to the revitalization of the northeast traditional industry base proposed by the Chinese government and to facilitate the policy steer on development of forest economy, the Acquisition would provide the Group with opportunities to develop sources of Chinese herbal medicines effectively, improve "Universal Health + Ecosystem" and open up a new income stream to the Group.

Share Option Scheme

In order to enhance the cohesion of the management team, motivate the initiatives and creativity of the staff and retain the key staff amidst an environment with increasing pressure from regional economic reform, concentration of the industry as well as intensifying competition, in September 2017, the Board resolved that an aggregate of 200,000,000 share options ("**Share Options**") were granted to and accepted by the grantees of 20 eligible participants that including 4 executive Directors and an associate of an executive Director (the "**Grantees**"). The Grantees are entitled, subject to the terms and conditions of offer and upon exercise, to subscribe for a total of 200,000,000 shares of the Company (the "**Share(s)**"), representing approximately 7% of the total 2,858,137,670 Shares in issue as at the date of offer. Each Share Option shall entitle the Grantees to subscribe for one Share upon exercise of such Share Option at a subscription price of HK$0.1648 per Share.

Change of Financial Year End Date

During the Period, the financial year end date of the Group was changed from 31 December to 30 June commencing from the financial year ending on 30 June 2018, so as to avoid the infeasibility of conducting stocktaking of wild ginsengs on the acquired forest land under severe winter weather and enable stocktaking in summer to better reflect the value of the ginsengs. It is expected that change of financial year end date will have no material adverse impact on the financial position and operations of the Group. Upon such change, for the unaudited interim results of the Group for the 12 months ended 31 December 2017, relevant results announcement and financial report will be published on or before 28 February 2018 and 31 March 2018, respectively; for the audited annual results of the Group for the 18 months ending 30 June 2018, relevant results announcement and financial report will be published on or before 30 September 2018 and 31 October 2018, respectively.

Management Discussion and Analysis

Financial Review

For the Period, the Group recorded revenue of RMB2,680.1 million, representing a decrease of 20.7% as compared with RMB3,378.7 million for the corresponding period in 2016. Loss attributable to owners of the Company was RMB552.9 million, as compared with a loss attributable to owners of the Company of RMB87.8 million for the corresponding period in 2016. Loss per share for the Period was RMB20.92 cents (2016: loss per share RMB3.92 cents). The loss attributable to owners of the Company was resulted mainly due to the increase in loss of the Group's retail and distribution businesses and impairment on goodwill.

Revenue

For the Period, the Group recorded revenue of RMB2,680.1 million, representing a decrease of RMB698.6 million or 20.7% as compared with RMB3,378.7 million for the corresponding period in 2016. The decrease in revenue of the Group's retail and distribution businesses for the Period was mainly due to the market remains at a very low point as a result of the continuous downturn of regional real economy with the northeastern region of the PRC experiencing a transition of its second revitalization and the competition has intensified, resulting in a decrease in overall revenue of the Group.

Analysis of revenue by business segment

	Revenue (RMB million) Twelve months ended 31 December			Percentage (%) of total revenue Twelve months ended 31 December		
	2017	2016	Change (%)	**2017**	2016	Change
Retails I	**1,071.6**	1,398.5	-23.4	**40.0**	41.4	-1.4pp
Retails II	**203.0**	259.5	-21.8	**7.6**	7.7	-0.1pp
	1,274.6	1,658.0	-23.1	**47.6**	49.1	-1.5pp
Distributions	**1,405.5**	1,720.7	-18.3	**52.4**	50.9	+1.5pp
	2,680.1	3,378.7		**100.0**	100.0	

Management Discussion and Analysis

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 or high growth potential. The Group will timely redesignate the strategic stores to non-strategic stores or close non-strategic stores by assessing the market competition and development. The decrease in revenue in the retail business was mainly due to the decline of the people's purchasing power in traditional channels in the northeastern region of the PRC and the decrease in sales to members during the Period.

As at 31 December 2017, the Group had 926 (31 December 2016: 937) retail pharmacies in total, of which 687 (31 December 2016: 688) located in Heilongjiang, 151 (31 December 2016: 160) in Liaoning, 86 (31 December 2016: 86) in Jilin and 2 (31 December 2016: 3) self-operated retail pharmacies in Hong Kong. In addition, the Group had 1 (31 December 2016: 13) supermarket in Shenyang as at 31 December 2017, mainly for selling healthcare products and consumer goods. The performance of the supermarket was included and monitored in Retails I.

Distribution Business Segment

The sales volumes in the distribution business was decreased due to the adoption of a prudent approach in running the business of the Group. 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 31 December 2017, the Group had a nationwide distribution network covering approximately 5,000 active customers (31 December 2016: 6,400), among which approximately 3,200 pharmaceutical retailers, hospitals and clinics (31 December 2016: 4,500) and approximately 1,800 distributors (31 December 2016: 1,900).

Gross profit

Gross profit of the Group for the Period was RMB478.4 million, representing a decrease of RMB395.7 million or 45.3% as compared with RMB874.1 million for the corresponding period in 2016. Overall gross margin decreased from 25.9% to 17.8%. The decrease in gross margin was mainly due to upstream suppliers were striking for the Certification of the Good Manufacture Practice of Medical Products and hence devoted in upgrading their supplies, leading to an increase in the cost of purchase; meanwhile, during the Period, the Group has applied various promotion initiatives and organized more member events and different promotional campaigns with discounts offered to consumers in order to ease the significant decrease in sales and to maintain relative competitiveness, which resulted in a decrease in the gross margin of the Group for the Period.

Management Discussion and Analysis

Analysis of gross profit by business segment

	Gross profit (RMB million) Twelve months ended 31 December			Gross margin (%) Twelve months ended 31 December		
	2017	2016	Change (%)	**2017**	2016	Change
Retails I	**305.0**	502.0	-39.2	**28.5**	35.9	-7.4pp
Retails II	**59.4**	93.6	-36.5	**29.3**	36.1	-6.8pp
	364.4	595.6	-38.8	**28.6**	35.9	-7.3pp
Distributions	**114.0**	278.5	-59.1	**8.1**	16.2	-8.1pp
	478.4	874.1				

The Group's high-margin products consist of licensed products and products with exclusive distribution rights. During the Period, revenue of the Group's high-margin products decreased by 30.9% over the corresponding period in 2016 and the gross margin of these high-margin products decreased from 40.3% to 35.6%. As at 31 December 2017, the Group had 355 (31 December 2016: 355) types of licensed products and 1,710 (31 December 2016: 2,317) types of products with exclusive distribution rights.

Selling and marketing expenses

Selling and marketing expenses for the Period was RMB647.8 million, representing a decrease of RMB79.4 million or 10.9% as compared with RMB727.2 million for the corresponding period in 2016 and accounting for 24.2% (2016: 21.5%) of the Group's revenue. The decrease in selling and marketing expenses was mainly due to the decrease in marketing expenses in vehicle advertisement and transportation and related charges.

Administrative expenses

Administrative expenses for the Period was RMB98.9 million, representing an increase of RMB7.3 million or 8.0% as compared with RMB91.6 million for the corresponding period in 2016 and accounting for 3.7% (2016: 2.7%) of the Group's revenue. The increase in administrative expense was mainly because the Group immediately recognised RMB12.6 million as share-based payment expenses in the statement of profit or loss for the fair value of 200,000,000 Share Options on the grant date during the Period.

Impairment on goodwill

Management reviewed the business performance based on types of businesses. The Group's goodwill was attributed to the acquisitions in distribution and retail business in prior years. Accordingly, goodwill was allocated to distribution and retail segments. Based on the result of impairment test at the operating segment level, the Group made a provision for goodwill impairment in Distributions segment and Retails I segment of RMB24.3 million and RMB263.5 million respectively and totally accounted for 10.7% of the Group's revenue.

Management Discussion and Analysis

Finance costs/income – net

Net finance costs for the Period was RMB2.1 million (2016: Net finance income of RMB13.0 million). Net finance costs was resulted due to the increase in exchange losses for the Period.

Income tax credit/expenses

Income tax credit for the Period was RMB2.9 million, representing a decrease of RMB27.5 million as compared with income tax expenses of RMB24.6 million for the corresponding period in 2016. The effective income tax rate for the Period was -0.5% (2016: 39.3%).

Acquisition of the Ginsengs Project

The forest land of the Ginsengs Project is located in Tonghua City, Jilin Province in the PRC. The total consideration is valued at RMB86.9 million upon completion and the consideration is partially settled by cash consideration in the amount of RMB5.0 million (equivalent to approximately HK$5.7 million) and the balance of the consideration is settled by the issuance of the consideration shares to the transferor or its nominee(s) upon completion of the transaction contemplated under the agreement dated 8 June 2017 entered into between Mr. Lu Baocai (陸寶財先生) and Heilongjiang Province Jintian Aixin Medicine Distribution Co., Ltd. (黑龍江省金天愛心醫藥經銷有限公司), a wholly owned subsidiary of the Company. The forest land use right will expire on 25 May 2069.

Liquidity and Capital Sources

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 31 December 2017, the Group's unpledged cash and cash equivalents totalled RMB1,064.0 million (31 December 2016: RMB1,107.3 million), and the Group's net current assets were RMB1,454.3 million (31 December 2016: RMB1,733.6 million).

During the Period, net cash flows used in operating activities amounted to RMB64.4 million, as compared to net cash flows generated from operating activities amounted to RMB35.3 million for the corresponding period in 2016. The decrease was in line with the Group's operating performance.

Management Discussion and Analysis

During the Period, the Group had capital expenditure of RMB119.3 million (2016: RMB132.2 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 and United States dollars. As at 31 December 2017, the Group had RMB1,064.0 million in cash and bank balances of which the equivalent of RMB7.9 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 31 December 2017, the capital structure of the Company was constituted of 2,858,137,670 ordinary shares of USD0.001 each. Details of the movements in the share capital of the Company during the Period are set out in Note 15 to the condensed consolidated interim financial information.

During the Period, the Company granted a total of 200,000,000 Share Options to 20 eligible participants which include 4 executive Directors and an associate (as defined under rule 17.06A of the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**")) of an executive Director, all accepted by the Grantees and the rules under the Share Option Scheme.

The Grantees are entitled, subject to the terms and conditions of offer and upon exercise, to subscribe for a total of 200,000,000 Shares, representing approximately 7.0% of the total 2,858,137,670 Shares in issue as at the date of offer. Each Share Option shall entitle the Grantees to subscribe for one Share upon exercise of such Share Option at a subscription price of HK$0.1648 per Share. Details are set out in Note 16 to the condensed consolidated interim financial information.

Management Discussion and Analysis

As at 31 December 2017, the Group had no interest-bearing bank borrowings (31 December 2016: RMB154.6 million). The Group had no bank borrowings carried annual interest rates (2016: 2.8%).

The gearing ratio of the Group as at 31 December 2017, calculated as net debt divided by sum of total equity and net debt, was N/A (31 December 2016: N/A).

Contingent Liabilities and Pledge of Assets

As at 31 December 2017, the Group had no significant contingent liabilities (31 December 2016: nil).

As at 31 December 2017, notes payable of the Group was secured by the time deposits of the Group with net aggregate booking value of RMB39.9 million (31 December 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 RMB217.1 million).

Human Resources

As at 31 December 2017, the Group had 6,161 (31 December 2016: 6,226) full-time employees in Hong Kong China, Macao China and the domestic PRC with total employee benefit expenses amounted to RMB326.5 million (2016: RMB321.4 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 on 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 China. The Company has adopted a Share Option Scheme and a share award plan for the purpose of providing incentives to participants for their contributions to the Group, and to enable the Group to recruit and retain quality employees to serve the Group on a long-term basis.

Environmental, Governance and Social Responsibility

The Group is committed to creating values for stakeholders and the community by a responsible mode of operation, and its major objectives are to maintain the sustainable development of the following factors: (I) environmental protection; (II) working environment; (III) operational management; and (IV) community participation/public welfare.

Management Discussion and Analysis

(I) Environmental Protection

To ensure emission reduction, the Group strives to formulate policies for the effective use of resources. The Group has been actively saving electrical energy and water, vigorously cutting down the use of vehicles and encouraging employees to commute by public transportation. The Group upholds the concept of harmonious development of human and nature.

(II) Working Environment

For optimising the working environment, the Group spares no effort to improve the management in order to meet the relevant China's national regulations on occupational safety and social insurance. The Group is in strict compliance with the labor law, and its employee benefits include statutory paid leaves, medical insurance, employment compensation insurance and Mandatory Provident Fund, etc. The Group establishes management policies and procedures for human resources, aiming to provide the employees with an ideal and safe working environment. For this purpose, the Group also persists in putting resources on improving occupational safety awareness as well as employee development and training.

(III) Operational Management

In order to enhance operation and management, the Group works on simplifying the supply chain management to reduce purchase cost and building a structure that combines upstream and downstream through mergers and acquisitions. For the responsibility in product sales, the Group pays attention to the quality management, complaint handling and customer privacy protection. On the other hand, there are strict internal guidelines within the Group which prohibit the employees' involvement in illegal activities, such as bribery, extortion and fraud.

(IV) Community Participation/Public Welfare

In order to increase the participation in social activities, the Group endeavors to launch more activities for community members and promote the development of public welfare brand "Love China". At the same time, the Group does its best to strengthen corporate governance and integrate its corporate development with public welfare.

The Group is committed to creating sustainable development value through economic, social and environmental aspects to fulfil its corporate social responsibility and achieve long-term sustainable growth of shareholder value. The management of the Group reviews the policy implementation, monitors and measures the progress from time to time to ensure its stated goals achieved in an effective manner.

Management Discussion and Analysis

Future Plan

Following the leadership of the Chairman in strategic plan and taking the Golden Rules as its guidelines, the management of the Company will, on the basis of stabilizing and optimising the existing retail chain network and distribution system, mainly explore the structural transformation and upgrading of the "supply-side" reform with focus on the development of the following two areas: firstly, "partners^{+}" strategy, and develop a platform featuring "universal health + partners" (which refers to listed company + capital = partners of capital platform → accelerator; listed company + government industrial policy = partners of government guidance platform → local resources; listed company + corporations = partners of the corporation platform → incubator; listed company + public welfare brand = partners of the public welfare platform → reputation); secondly, "N^{+}" strategy, and develop a new channel featuring "single system incorporating industry-wide products" (which refers to the exploration of a new marketing ecosystem featured with "new business, new retail, new technology and new finance"); therefore by leveraging the development trend of traditional industries and grafting the new economic model, the Group will make efforts to facilitate the structural transformation of the Group's operation and anchor a new development cycle with the wing of new engine for the Company, so as to maintain itself as one of the industrial leaders in terms of ecological integration of industry, finance and capital.

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 19 to 54, 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 31 December 2017 and the related interim condensed consolidated statements of comprehensive income, changes in equity and cash flows for the twelve months 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, 27 February 2018

Condensed Consolidated Balance Sheet

	Note	As at 31 December 2017 (Unaudited) RMB'000	2016 (Audited) RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	7	**292,870**	226,665
Land use rights	7	**5,555**	3,619
Intangible assets	8	**211,842**	517,681
Investments in joint ventures		**8,731**	8,211
Investment in an associate	9	**248,156**	246,624
Prepayment for construction in progress	10	**–**	25,426
Biological assets	11	**82,510**	–
Deferred income tax assets	12	**11,499**	12,862
Total non-current assets		**861,163**	1,041,088
Current assets			
Trade and other receivables	13	**295,778**	545,535
Inventories		**325,494**	391,756
Restricted cash	14	**39,896**	217,131
Cash and cash equivalents		**1,063,994**	1,107,329
Total current assets		**1,725,162**	2,261,751
Total assets		**2,586,325**	3,302,839
EQUITY			
Equity attributable to owners of the Company			
Share capital	15	**17,998**	14,878
Reserves		**1,625,462**	1,524,900
Retained earnings		**615,975**	1,168,911
		2,259,435	2,708,689
Non-controlling interests		**19,894**	24,761
Total equity		**2,279,329**	2,733,450

Condensed Consolidated Balance Sheet

	Note	As at 31 December 2017 (Unaudited) RMB'000	2016 (Audited) RMB'000
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities	12	**36,138**	41,282
Current liabilities			
Borrowings	17	**–**	154,550
Trade and other payables	18	**270,858**	371,926
Current income tax liabilities		**–**	1,631
Total current liabilities		**270,858**	528,107
Total liabilities		**306,996**	569,389
Total equity and liabilities		**2,586,325**	3,302,839

The notes on pages 24 to 54 form an integral part of this condensed consolidated interim financial information.

Condensed Consolidated Statement of Comprehensive Income

	Note	Twelve months ended 31 December 2017 (Unaudited) RMB'000	2016 (Audited) RMB'000
Revenue	6	**2,680,110**	3,378,719
Cost of sales	19	**(2,201,724)**	(2,504,633)
Gross profit		**478,386**	874,086
Selling and marketing expenses	19	**(647,824)**	(727,197)
Administrative expenses	19	**(98,881)**	(91,620)
Goodwill impairment	19	**(287,818)**	(129,139)
Other income		**1,215**	2,641
Other losses – net		**(3,390)**	(8,643)
Changes in fair value of biological assets		**(2,290)**	–
Operating loss		**(560,602)**	(79,872)
Finance income	20	**11,324**	18,715
Finance costs	20	**(13,471)**	(5,762)
Finance (costs)/income – net	20	**(2,147)**	12,953
Share of post-tax profits of joint ventures		**520**	691
Share of post-tax profit of an associate	9	**1,532**	3,548
Loss before income tax		**(560,697)**	(62,680)
Income tax credit/(expenses)	21	**2,894**	(24,638)
Loss for the period		**(557,803)**	(87,318)
Loss attributable to:			
– Owners of the Company		**(552,936)**	(87,811)
– Non-controlling interests		**(4,867)**	493
		(557,803)	(87,318)
Loss per share attributable to owners of the Company for the period (RMB cents)			
– Basic and diluted	22	**(20.92)**	(3.92)
Other comprehensive income			
Item that may be reclassified to profit or loss			
Currency translation differences		**9,203**	(7,938)
Total comprehensive income for the period		**(548,600)**	(95,256)
Total comprehensive income attributable to:			
– Owners of the Company		**(543,733)**	(95,749)
– Non-controlling interests		**(4,867)**	493
		(548,600)	(95,256)

The notes on pages 24 to 54 form an integral part of this condensed consolidated interim financial information.

Condensed Consolidated Statement of Changes in Equity

		Attributable to owners of the Company									
(Unaudited)	Note	Share capital RMB'000 (Note 15)	Share premium RMB'000 (Note 15)	Capital reserves RMB'000	Statutory reserves RMB'000	Share-based compensation reserves RMB'000 (Note 16)	Other reserves RMB'000	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2017		14,878	1,618,899	(154,447)	65,059	8,878	(13,489)	1,168,911	2,708,689	24,761	2,733,450
Comprehensive income											
Loss for the period		–	–	–	–	–	–	(552,936)	(552,936)	(4,867)	(557,803)
Other comprehensive income											
Currency translation differences		–	–	–	–	–	9,203	–	9,203	–	9,203
Total comprehensive income		–	–	–	–	–	9,203	(552,936)	(543,733)	(4,867)	(548,600)
Transaction with owners in their capacity as owners											
Issue of ordinary shares	15	3,120	78,730	–	–	–	–	–	81,850	–	81,850
Grant of share options	16	–	–	–	–	12,629	–	–	12,629	–	12,629
Total transaction with owners in their capacity as owners		3,120	78,730	–	–	12,629	–	–	94,479	–	94,479
Balance at 31 December 2017		17,998	1,697,629	(154,447)	65,059	21,507	(4,286)	615,975	2,259,435	19,894	2,279,329
(Audited)											
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											
Loss for the period		–	–	–	–	–	–	(87,811)	(87,811)	493	(87,318)
Other comprehensive income											
Currency translation differences		–	–	–	–	–	(7,938)	–	(7,938)	–	(7,938)
Total comprehensive income		–	–	–	–	–	(7,938)	(87,811)	(95,749)	493	(95,256)
Transaction with owners in their capacity as owners											
Issue of ordinary shares		2,619	213,169	–	–	–	–	–	215,788	–	215,788
Dividends relating to non-controlling interests		–	–	–	–	–	–	–	–	(5,452)	(5,452)
Total transaction with owners in their capacity as owners		2,619	213,169	–	–	–	–	–	215,788	(5,452)	210,336
Balance at 31 December 2016		14,878	1,618,899	(154,447)	65,059	8,878	(13,489)	1,168,911	2,708,689	24,761	2,733,450

The notes on pages 24 to 54 form an integral part of this condensed consolidated interim financial information.

Condensed Consolidated Cash Flow Statement

	Note	Twelve months ended 31 December 2017 (Unaudited) RMB'000	2016 (Audited) RMB'000
Cash flows from operating activities			
Cash (used in)/generated from operations		**(58,506)**	65,537
Interest paid		**–**	(5,098)
Bank charges paid	20	**(368)**	(664)
Income tax paid		**(5,509)**	(24,480)
Net cash (used in)/generated from operating activities		**(64,383)**	35,295
Cash flows from investing activities			
Change in restricted cash	14	**177,235**	10,283
Interest received		**11,324**	7,948
Proceeds from disposal of property, plant and equipment		**1,891**	416
Cash consideration paid for forest land use right and wild ginsengs	11	**(5,000)**	–
Purchase of property, plant and equipment		**(114,036)**	(31,056)
Purchase of intangible assets	8	**(237)**	(1,126)
Payment for construction in progress		**–**	(100,000)
Loans granted to third parties		**–**	(105,000)
Loans repayment received from third parties		**105,000**	–
Acquisition of investment in an associate		**–**	(27,288)
Net cash generated from/(used in) investing activities		**176,177**	(245,823)
Cash flows from financing activities			
Borrowings from bank	17	**–**	154,550
Repayments of borrowings	17	**(154,550)**	(166,920)
Loan from related parties	25	**5,068**	–
Repayment of loan from related parties	25	**(5,068)**	–
Dividends paid to non-controlling interests		**–**	(3,542)
Net cash used in financing activities		**(154,550)**	(15,912)
Net decrease in cash and cash equivalents		**(42,756)**	(226,440)
Cash and cash equivalents at beginning of the period		**1,107,329**	1,333,320
Exchange (losses)/gains on cash and cash equivalents		**(579)**	449
Cash and cash equivalents at end of the period		**1,063,994**	1,107,329

The notes on pages 24 to 54 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, healthcare products and other pharmaceutical products in the northeastern region of the People's Republic of China (the "**PRC**" or "**China**").

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.

Key events during the period

(a) The acquisition of biological assets

On 21 June 2017, the Group acquired a forest land use right and the wild ginsengs planted in this forest land from an independent third party (the "**Acquisition**"). The forest land is located in Tonghua City, Jilin Province in the PRC. The total purchase consideration for the Acquisition is consisted of: (1) RMB5,000,000 in cash; and (2) 458,137,670 shares issued by the Company. In accordance with the relevant requirements under International Financial Reporting Standard 2 "share-based payment" ("**IFRS 2**"), the Company measured the assets received under the Acquisition, and the corresponding increase in equity directly at the fair value of the assets received, being the aggregate of the fair value of the forest land use right and the wild ginsengs, at RMB86,850,000. Upon completion of the Acquisition, forest land use right and wild ginsengs are accounted for land use right and biological assets respectively. Further details are given in Note 7 and Note 11.

(b) Grant of share options

On 12 September 2017, the Board of Directors has resolved to grant share options of 200,000,000 under the Share Option Scheme approved on 18 November 2013 by the Company to recognise the contributions by the eligible participants and to motivate them to contribute for the future development and expansion of the Group. Further details of the share options are given in Note 16.

Notes to the Condensed Consolidated Interim Financial Information

2. Basis of preparation

On 31 August 2017, the Board of Directors of the Company has resolved to change the financial year end date of the Company from 31 December to 30 June. Since stocktake of the wild ginsengs in the forest land is not practicable due to severe weather condition around winter in the northeastern region of the PRC, this change of financial year end will enable a more accurate reflection of the value of the wild ginsengs. Accordingly, the current interim financial period covers a twelve months period from 1 January 2017 to 31 December 2017 with the comparative financial period from 1 January 2016 to 31 December 2016.

This condensed consolidated interim financial information for the twelve months ended 31 December 2017 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 2016, which have been prepared in accordance with International Financial Reporting Standards ("**IFRSs**"). The condensed consolidated interim financial information has been prepared on a historical cost basis, except for the biological assets which are measured at fair value less cost to sell.

3. Accounting policies

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2016, as described in those annual financial statements except as described below and the adoption of amendments to IFRSs effective for the twelve months ended 31 December 2017.

(a) Biological assets

Biological assets are the wild ginsengs that are measured at fair value less cost to sell, see Note 5(c) and Note 11 below for further information on determining the fair value.

Costs to sell include the incremental selling costs, including the people costs to collect and process the wild ginsengs when harvested, the estimated costs of transportation to the market, etc.

The wild ginsengs are accounted for biological assets until the point of harvest. Harvested wild ginsengs are transferred to inventory at fair value less costs to sell when harvested.

Changes in fair value of biological assets are recognised in the statement of profit or loss.

(b) Amendments to IFRSs effective for the twelve months ended 31 December 2017 do not have a material impact on the Group.

Notes to the Condensed Consolidated Interim Financial Information

3. Accounting policies *(continued)*

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

		Effective for annual years beginning on or after
Amendment to IFRS 1	First time adoption of HKFRS	1 January 2018
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transaction	1 January 2018
IFRS 9	Financial Instruments	1 January 2018
IFRS 15	Revenue from Contracts with Customers	1 January 2018
Amendment to IAS 28	Investments in Associates and Joint Ventures	1 January 2018
IFRIC 22	Foreign Currency Transactions and Advance Consideration	1 January 2018
Amendments to IFRS 4	Insurance Contracts	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
Amendments to IAS 40	Transfers of Investment Property	1 January 2018
IFRIC 23	Uncertainty over Income Tax Treatments	1 January 2019

The Group is in the process of making an assessment of the impact of the new and amended standards and do not expect that the adoption of these new and amended excluding IFRS 15 Revenue from Contracts with Customers and IFRS 16 Lease will result in any material impact on the consolidated financial statements of Group.

3. Accounting policies *(continued)*

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

IFRS 15, Revenue from contracts with customers

The ISAC has issued a new standard for the recognition of revenue. This will replace IAS 18 which covers contracts for goods and services and IAS 11 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer. The standard permits either a full retrospective or a modified retrospective approach for the adoption.

Management is currently assessing the effects of applying the new standard on the Group's financial statements and has identified the following areas that are likely to be affected:

- Rights of return IFRS 15 requires separate presentation on the balance sheet of the right to recover the goods from the customer and the refund obligation.

The new standard is mandatory for financial years commencing on or after 1 January 2018. At this stage, the Group is not able to estimate the impact of the new rules on the Group's financial statements. The Group will make more detailed assessments of the impact over the next twelve months.

IFRS 16, Leases

IFRS 16 will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The accounting for lessors will not significantly change. The standard will affect primarily the accounting for Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of RMB78,244,000, see Note 24(a). However, the Group has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group's profit and classification of cash flows.

Some of the commitments may be covered by the exception for short-term and low value leases and some commitments may relate to arrangements that will not qualify as leases under IFRS 16.

The new standard is mandatory for financial years commencing on or after 1 January 2019. At this stage, the Group does not intend to adopt the standard before its effective date.

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.

Notes to the Condensed Consolidated Interim Financial Information

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 2016, except for the following:

Biological assets

In determining the fair value of the wild ginsengs, significant estimates and judgements related to quantities, grading and market prices based on grading are involved in the process.

The quantities of the wild ginsengs are estimated based on a valuation report issued by an independent professional valuer using the statistical sampling method and also taking into considerations of factors related to the wild ginsengs as advised by ginsengs experts who are employed by the valuer. Based on the valuation report, the samples are selected randomly and the total quantities of the wild ginsengs are extrapolated using a normal distribution model with an acceptable deviation estimated by the Group.

The wild ginsengs grow at different grading and there can be a considerable spread in the grading that affect the prices achieved. According to the valuation report, the grading of the wild ginsengs is determined based on the laboratory test results on the samples selected by a certified institution in accordance with the standards issued by Standardization Administration of the PRC.

The quantities and the grading of the wild ginsengs cannot be measured exactly. The estimates are based on many factors that require evaluation by the ginsengs experts based on the available data, as well as the market prices and other factors. The reliability of these estimates at any point in time depends on both the quality and quantity of the data, the expected statistic deviation as well as the expert judgement.

Notes to the Condensed Consolidated Interim Financial Information

5. Financial risk management

(a) 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 2016.

There have been no changes in the risk management policies.

(b) Liquidity risk factors

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

(c) 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 31 December 2017 and 31 December 2016.

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. Individual financial information and management report of the retails with strategic stores ("**Retails I**"), retails consisting of non-strategic stores ("**Retails II**"), Distributions and Others are presented to the Board of Directors to assess their performance and for making respective business decisions. Distributions, Retails I, Retails II and Others are considered to be four 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 twelve months ended 31 December 2017 and 2016. 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 loss/earnings before interests, tax, depreciation and amortisation ("**Adjusted EBITDA**"). The measurement basis of Adjusted EBITDA excludes the effect of share of post-tax profits of joint ventures and an associate, share-based payment expenses and goodwill impairment.

Notes to the Condensed Consolidated Interim Financial Information

6. Revenue and segment information *(continued)*

The segment information for the twelve months ended 31 December 2017 and as at 31 December 2017 is as follows:

	Twelve months ended 31 December 2017				
	Distributions *RMB'000*	Retails I *RMB'000*	Retails II *RMB'000*	Others *RMB'000*	Total *RMB'000*
Segment revenue	1,993,845	1,071,636	203,005	–	3,268,486
Inter-segment revenue	(588,376)	–	–	–	(588,376)
Revenue from external customers	1,405,469	1,071,636	203,005	–	2,680,110
Adjusted EBITDA	(103,433)	(63,891)	(31,989)	(16,428)	(215,741)
Share-based payment expenses	(6,289)	(4,597)	–	(1,743)	(12,629)
Goodwill impairment *(Note 8)*	(24,294)	(263,524)	–	–	(287,818)
Depreciation and amortisation	(12,737)	(28,433)	(3,198)	(46)	(44,414)
Finance income	5,542	5,243	533	6	11,324
Finance costs	(2,215)	(1,728)	(59)	(9,469)	(13,471)
Share of post-tax profits of joint ventures	–	520	–	–	520
Share of post-tax profit of an associate	1,532	–	–	–	1,532
Income tax credit	927	1,890	77	–	2,894
Loss for the period	(140,967)	(354,520)	(34,636)	(27,680)	(557,803)
Additions of non-current assets	89,589	4,586	–	89,897	184,072

	As at 31 December 2017				
	Distributions *RMB'000*	Retails I *RMB'000*	Retails II *RMB'000*	Others *RMB'000*	Total *RMB'000*
Total assets before eliminations	2,227,213	1,294,884	66,662	1,812,081	5,400,840
Inter-segment assets	(642,824)	(644,814)	(13,713)	(1,513,164)	(2,814,515)
Total assets	1,584,389	650,070	52,949	298,917	2,586,325
Total liabilities before eliminations	1,263,424	594,104	37,553	122,271	2,017,352
Inter-segment liabilities	(1,093,617)	(469,154)	(29,848)	(117,737)	(1,710,356)
Total liabilities	169,807	124,950	7,705	4,534	306,996

Notes to the Condensed Consolidated Interim Financial Information

6. Revenue and segment information *(continued)*

The segment information for the twelve months ended 31 December 2016 and as at 31 December 2016 is as follows:

	Twelve months ended 31 December 2016				
	Distributions	Retails I	Retails II	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Segment revenue	2,419,426	1,398,558	259,468	–	4,077,452
Inter-segment revenue	(698,733)	–	–	–	(698,733)
Revenue from external customers	1,720,693	1,398,558	259,468	–	3,378,719
Adjusted EBITDA	1,193	109,700	(2,420)	(12,275)	96,198
Goodwill impairment *(Note 8)*	(25,426)	(103,713)	–	–	(129,139)
Depreciation and amortisation	(14,322)	(31,554)	(997)	(58)	(46,931)
Finance income	7,434	3,753	414	7,114	18,715
Finance costs	(4,629)	(755)	(40)	(338)	(5,762)
Share of post-tax profits of joint ventures	–	691	–	–	691
Share of post-tax profit of an associate	3,548	–	–	–	3,548
Income tax credit/(expenses)	2,309	(25,417)	(1,530)	–	(24,638)
Loss for the period	(29,893)	(47,295)	(4,573)	(5,557)	(87,318)
Additions of non-current assets	396,307	30,432	–	112	426,851

	As at 31 December 2016				
	Distributions	Retails I	Retails II	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Total assets before eliminations	2,494,615	1,753,504	121,883	1,530,906	5,900,908
Inter-segment assets	(518,313)	(595,978)	(42,042)	(1,441,736)	(2,598,069)
Total assets	1,976,302	1,157,526	79,841	89,170	3,302,839
Total liabilities before eliminations	1,283,454	715,855	43,581	26,000	2,068,890
Inter-segment liabilities	(929,144)	(511,708)	(37,549)	(21,100)	(1,499,501)
Total liabilities	354,310	204,147	6,032	4,900	569,389

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

	Property, plant and equipment *RMB'000*	Land use rights *RMB'000*
Twelve months ended 31 December 2017		
Opening net book amount as at 1 January 2017	**226,665**	**3,619**
Additions *(Note)*	**94,933**	**2,050**
Disposals	**(2,686)**	**–**
Depreciation and amortisation *(Note 19)*	**(26,042)**	**(114)**
Closing net book amount as at 31 December 2017	**292,870**	**5,555**
Twelve months ended 31 December 2016		
Opening net book amount as at 1 January 2016	103,167	3,713
Additions	152,984	–
Disposals	(1,867)	–
Depreciation and amortisation *(Note 19)*	(27,619)	(94)
Closing net book amount as at 31 December 2016	226,665	3,619

Note: The Group's interests in land use rights represent prepaid operating lease payments. The addition of land use right of RMB2,050,000 for the period represents the forest land use right acquired on 21 June 2017 as described in Note 11. The forest land use right has an estimated useful life of 52 years and it is amortised on a straight-line basis over the remaining period of the lease. The rest of land use rights are located in the PRC and with the estimated lease period of 50 years.

Notes to the Condensed Consolidated Interim Financial Information

8. Intangible assets

	Goodwill *(Note)* *RMB'000*	**Other Intangible assets** *RMB'000*	**Total** *RMB'000*
Twelve months ended 31 December 2017			
Opening net book amount as at 1 January 2017	**344,220**	**173,461**	**517,681**
Additions	**–**	**237**	**237**
Amortisation charge *(Note 19)*	**–**	**(18,258)**	**(18,258)**
Impairment *(Note 19)*	**(287,818)**	**–**	**(287,818)**
Closing net book amount as at 31 December 2017	**56,402**	**155,440**	**211,842**
Twelve months ended 31 December 2016			
Opening net book amount as at 1 January 2016	473,359	198,696	672,055
Additions	–	1,126	1,126
Disposals/write-offs	–	(7,143)	(7,143)
Amortisation charge *(Note 19)*	–	(19,218)	(19,218)
Impairment *(Note 19)*	(129,139)	–	(129,139)
Closing net book amount as at 31 December 2016	344,220	173,461	517,681

Note: Impairment tests of goodwill.

For the twelve months ended 31 December 2017, the following is a summary of goodwill allocation for each operating segment:

	Opening *RMB'000*	**Impairment** *RMB'000*	**Closing** *RMB'000*
Distributions	32,689	(24,294)	8,395
Retails I	311,531	(263,524)	48,007
	344,220	(287,818)	56,402

Goodwill arising on the acquisitions of distribution and retail businesses in prior years were allocated to the operating segments of Distributions and Retails I, and were monitored at the respective operating segment levels.

Notes to the Condensed Consolidated Interim Financial Information

8. Intangible assets *(continued)*

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. These calculations use pre-tax cash flow projections based on financial budgets approved by management covering a five-year period (the "**Projection Period**"). Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated below. The growth rate does not exceed the long-term average growth rate for the business in which the CGU operates.

The key assumptions used for value-in-use calculations in 2017 are as follow:

	Distributions	Retails I
Gross margin	9.6%-18.6%	30.0%-35.9%
Growth rate in the Projection Period	3.0%-14.0%	3.0%-15.0%
Long-term growth rate beyond the Projection Period	1.5%	1.5%
Pre-tax discount rate	17.0%	17.0%

Management determined budgeted gross margin based on past performance and its expectations of market development and its business strategy. The growth rates used are consistent with the management forecasts. The discount rates used are pre-tax and reflect specific risks relating to the relevant business.

For the twelve months ended 31 December 2017, impairment charges on goodwill of RMB24,294,000 and RMB263,524,000 were provided for goodwill in relation to Distributions segment and Retails I segment, respectively. As at 31 December 2017, goodwill of the Group relating to CGUs of Distributions and Retails I were amounted to RMB8,395,000 and RMB48,007,000, respectively. Following the decision on the provision for goodwill impairment, the Group reassessed the depreciation policies of its property, plant and equipment and estimated that their useful lives would not be affected. No other class of long-term asset other than goodwill was impaired as at 31 December 2017.

Notes to the Condensed Consolidated Interim Financial Information

9. Investment in an associate

	Twelve months ended 31 December 2017 *RMB'000*
At beginning of the period	246,624
Share of post-tax profit	1,532
At end of the period	**248,156**

As at 31 December 2017, Jilin Jintian Universal Health Capsule Limited ("**Jilin Jintian**"), formerly named Jilin Wenhui Capsules Limited, is an associate of the Group, in which the Group directly own 36.38% of equity interest. Jilin Jintian is a company incorporated in the PRC and which principal businesses comprised of manufacturing, sales and research and development of hollow capsules in the PRC.

As a private company, there is no quoted market price available for its shares.

There are no commitments and contingent liabilities relating to the Group's interests in the associate, and no contingent liabilities of the associate itself.

Notes to the Condensed Consolidated Interim Financial Information

9. Investment in an associate *(continued)*

Set out below are the summarised financial information for Jilin Jintian, which are accounted for using equity methods.

Summarised balance sheet

	As at 31 December 2017 *RMB'000*
Current	
Cash and cash equivalents	1,620
Other current assets (excluding cash)	58,950
Total current assets	**60,570**
Trade and other payables	89,619
Other current liabilities	1,670
Total current liabilities	**91,289**
Non-current	
Intangible assets	169,625
Other non-current assets	19,453
Total non-current assets	**189,078**
Non-current liabilities	25,626
Total non-current liabilities	**25,626**
Net assets	**132,733**

Notes to the Condensed Consolidated Interim Financial Information

9. Investment in an associate *(continued)*

Summarised statement of comprehensive income

	Twelve months ended 31 December 2017 *RMB'000*
Revenue	46,068
Cost of sales	(23,083)
Selling and marketing expenses	(32)
Administrative expenses	(16,134)
Finance costs – net	(641)
Other income	191
Profit before income tax	**6,369**
Income tax expense	(2,157)
Profit and total comprehensive income	**4,212**

The information above reflects the amounts presented in financial statements of the associate (and not the Group's share of those amounts). The associate has adopted accounting policies which are consistent with the Group's significant accounting policies.

Reconciliation of summarised financial information

Reconciliation of the summarised financial information presented to the carrying amount of its interest in the associate.

	As at 31 December 2017 *RMB'000*
Opening net assets as at 31 December 2016	128,521
Profit for the period	4,212
Closing net assets as at 31 December 2017	132,733
Interest in an associate (36.38%)	48,288
Goodwill	199,868
Carrying value	**248,156**

Notes to the Condensed Consolidated Interim Financial Information

10. Prepayment for construction in progress

	As at 31 December	
	2017	2016
	RMB'000	*RMB'000*
Prepayment for construction in progress	–	25,426

The balance as at 31 December 2016 is related to the prepayment for the construction of a logistics centre located in northeastern region of the PRC. During the twelve months period ended 31 December 2017, the logistics centre has been completed and transferred into property, plant and equipment in December 2017.

11. Biological assets

	Twelve months ended 31 December 2017
	RMB'000
At beginning of the period	–
Addition	84,800
Changes in fair value during the period	(2,290)
At end of the period	82,510

On 21 June 2017, the Group acquired a forest land use right and the wild ginsengs planted in this forest land from an independent third party. The forest land is located in Tonghua City, Jilin Province in the PRC. The total purchase consideration for the Acquisition is consisted of: (1) RMB5,000,000 in cash; and (2) 458,137,670 shares issued by the Company. In accordance with the relevant requirements under IFRS 2, the Company measured the assets received under the Acquisition, and the corresponding increase in equity directly at the fair value of the assets received, being the aggregate of the fair value of the forest land use right of RMB2,050,000 (Note 7) and the wild ginsengs of RMB84,800,000, at a total of RMB86,850,000. The shares issued by the Company to the vendor as part of the purchase consideration is therefore valued at RMB81,850,000 (Note 15).

The wild ginsengs are measured at fair value less costs to sell. As of 31 December 2017, the fair value of wild ginsengs is RMB82,510,000. The change in fair value of RMB2,290,000 during the period is charged to the condensed consolidated statement of comprehensive income.

Notes to the Condensed Consolidated Interim Financial Information

11. Biological assets *(continued)*

The fair value of the wild ginsengs as of 21 June 2017 and 31 December 2017 are estimated based on the valuation reports as of respective dates issued by an independent professional valuer using the statistical sampling method and also taking into considerations of factors related to the wild ginsengs as advised by ginsengs experts who are employed by the valuer.

In determining the fair value of the wild ginsengs, significant estimates and judgements in relation to quantities, grading and market prices based on grading are involved in the process.

Valuation process

The Group has involved a team of external experts, including independent professional valuers and ginsengs experts, to perform the valuations of the Group's biological assets for financial reporting purposes, including level 3 fair values. The external experts report directly to the General Manager of Finance ("**GMF**"). Discussions of valuation processes and results are held between the GMF and external experts once every six months, in line with the Group's half-yearly reporting requirements.

The main level 3 inputs used by the Group are derived and evaluated as follows:

- The quantities of the wild ginsengs are determined based on the statistical sampling method and also taking into considerations of other factors related to the wild ginsengs as evaluated by the ginsengs experts. As at 21 June 2017, the Group has an estimation of 161,000 wild ginsengs in accordance with the valuation report issued by the valuer using statistic techniques with an acceptable deviation estimated by the Group. As at 31 December 2017, no significant change in the quantities of wild ginsengs estimated by the Group in accordance with the valuation report issued by the valuer based on the analysis by the ginsengs experts over the growth pattern of the wild ginsengs under severe weather conditions in the northeastern region of the PRC.

- The wild ginsengs grow at different grading and there can be a considerable spread in the grading that affect the prices achieved. According to the valuation report as of 21 June 2017, the grading of the wild ginsengs is determined based on the laboratory test results on the samples selected by a certified institution in accordance with the standards issued by China Ginsengs Products Standardization Technical Committee. According to the valuation report of 31 December 2017, no significant change in the grading and its spread over total population of wild ginsengs based on the analysis by the valuer and ginsengs experts.

Notes to the Condensed Consolidated Interim Financial Information

11. Biological assets *(continued)*

Valuation process ***(continued)***

- As at 21 June 2017 and 31 December 2017, the prices of the wild ginsengs for different grading are quoted prices by reference to the quotations obtained from certain trading companies or pharmaceutical companies that purchase wild ginsengs in their normal business, respectively.

Changes in level 3 fair values are analysed at the end of each reporting period during the valuation discussion between the CFO and external experts. As part of this discussion the external experts presents a report that explains the reason for the fair value movements.

Information about fair value measurements using significant inputs (Level 3):

Description	Fair value at 31 December 2017	Fair value at 21 June 2017	Unobservable Input	Range of inputs at (probability weighted average) 31 December 2017	Range of inputs at (probability weighted average) 21 June 2017	Relationship of unobservable inputs to fair value
	RMB'000	*RMB'000*				
Ginsengs	82,510	84,800	Selling prices at different grading	RMB400 per unit wild ginseng to RMB740 per unit wild ginseng	RMB500 per unit wild ginseng to RMB800 per unit wild ginseng	The higher the grading, the higher the selling price and the higher the fair value

Notes to the Condensed Consolidated Interim Financial Information

12. Deferred income tax

Deferred tax assets	Accrual for employee payroll	Accrual for sales commission	Accrual for advertising fee	Provision	Tax loss	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2017	**9,759**	**1,304**	**550**	**349**	**900**	**12,862**
Charged to the condensed consolidated statement of comprehensive income	**(59)**	**(1,304)**	**–**	**–**	**–**	**(1,363)**
At 31 December 2017	**9,700**	**–**	**550**	**349**	**900**	**11,499**
At 1 January 2016	14,073	1,344	3,531	349	–	19,297
(Charged)/credited to the consolidated statement of comprehensive income	(4,314)	(40)	(2,981)	–	900	(6,435)
At 31 December 2016	9,759	1,304	550	349	900	12,862

Deferred tax liabilities	Deferred tax liabilities arising from business combination	Accrual for interest income	Total
	RMB'000	*RMB'000*	*RMB'000*
At 1 January 2017	**(40,146)**	**(1,136)**	**(41,282)**
Credited to the condensed consolidated statement of comprehensive income	**4,008**	**1,136**	**5,144**
At 31 December 2017	**(36,138)**	**–**	**(36,138)**
At 1 January 2016	(45,868)	(717)	(46,585)
Credited/(charged) to the consolidated statement of comprehensive income	5,722	(419)	5,303
At 31 December 2016	(40,146)	(1,136)	(41,282)

Notes to the Condensed Consolidated Interim Financial Information

13. Trade and other receivables

	As at 31 December	
	2017	2016
	RMB'000	*RMB'000*
Trade receivables *(Note)*	**161,276**	165,486
Prepayments	**122,602**	259,302
Other receivables	**13,674**	122,521
Provision for impairment	**(1,774)**	(1,774)
Total	**295,778**	545,535

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 day to 90 days. The ageing analysis based on recognition date of the trade receivables is as follows:

	As at 31 December	
	2017	2016
	RMB'000	*RMB'000*
Up to 3 months	**148,863**	152,801
4 months to 6 months	**4,400**	4,559
7 months to 12 months	**8,013**	8,126
	161,276	165,486

14. Restricted cash

	As at 31 December	
	2017	2016
	RMB'000	*RMB'000*
Restricted cash	**39,896**	217,131

The balance of the restricted cash as at 31 December 2017 was secured for the notes payable issued to the Group's suppliers (Note 18).

Notes to the Condensed Consolidated Interim Financial Information

15. Share capital and share premium

	Number of ordinary shares	Nominal value of ordinary shares *USD*
Authorised:		
Ordinary shares of USD0.001 each		
As at 31 December 2017 and 31 December 2016	10,000,000,000	10,000,000

Issued and fully paid:

			As at 31 December 2017	
	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 2017	**2,400,000,000**	**2,400,000**	**14,878**	**1,618,899**
Share issued *(Note)*	**458,137,670**	**458,138**	**3,120**	**78,730**
At 31 December 2017	**2,858,137,670**	**2,858,138**	**17,998**	**1,697,629**

Issued and fully paid:

			As at 31 December 2016	
	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 2016	2,000,000,000	2,000,000	12,259	1,405,730
Share issued	400,000,000	400,000	2,619	213,169
At 31 December 2016	2,400,000,000	2,400,000	14,878	1,618,899

Note: On 21 June 2017, the Group issued 458,137,670 shares at nominal value of USD0.001 per share to the vendor as part of the purchase consideration in respect to the Acquisition as described in Note 11. The ordinary shares issued have the same right as the other shares in issue. The amount of the shares issued for the Acquisition is determined as RMB81,850,000 (Note 11), the excessive of this amount over the nominal value is recorded as share premium.

Notes to the Condensed Consolidated Interim Financial Information

16. Share-based payments

The Company's Share Option 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 opportunities to acquire equity interests in the Company, as well as for such other purposes as the Board may approve from time to time. The Share Option Scheme remains in force for a period of 10 years until 17 November 2023.

On 12 September 2017, the Board of Directors has resolved to grant share options of 200,000,000 under the Share Option Scheme. The share options vested over one month following the vesting commencement date of 12 September 2017. The share options are exercisable in whole or in part by the grantees from 12 October 2017 to 11 October 2020.

The following table discloses details of the Company's share options under the Share Option Scheme held by participants and movement in the such holdings during the period:

	Average exercise price per share *HK$*	**Number of Options**
At 1 January 2017	–	–
Granted	0.1648	200,000,000
Lapsed	–	–
Exercised	–	–
At 31 December 2017	**0.1648**	**200,000,000**

As at 31 December 2017, all the share options issued pursuant to the Share Option Scheme were exercisable.

As at 31 December 2017, the expiry date of all the share options issued pursuant to the Share Option Scheme is 11 October 2020.

The fair value of options granted on 12 September 2017 was determined using the Binomial Model at HK$0.0749 per option. The fair value of 200,000,000 share options is RMB12,629,000 and charged to the condensed consolidated statement of comprehensive income. The significant inputs into the model were fair value per share of HK$0.160 at the grant date, exercise price shown above, volatility of 77.425%, dividend yield of 0%, remaining time to maturity of 3 years, annual risk-free interest rate of 0.87% and post-vesting forfeiture rate of 0%.

Notes to the Condensed Consolidated Interim Financial Information

17. Borrowings

	As at 31 December	
	2017	2016
	RMB'000	*RMB'000*
Current liabilities		
Short-term secured bank borrowings	–	154,550
	–	154,550

Movements in borrowings are analysed as follows:

	Twelve months ended 31 December	
	2017	2016
	RMB'000	*RMB'000*
Opening amount	**154,550**	166,920
Proceeds of new borrowings	–	154,550
Repayments of borrowings	**(154,550)**	(166,920)
Closing amount	–	154,550

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

	As at 31 December	
	2017	2016
	RMB'000	*RMB'000*
Group's assets		
– Restricted cash	–	150,000
	–	150,000

Notes to the Condensed Consolidated Interim Financial Information

17. Borrowings *(continued)*

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

	As at 31 December	
	2017	2016
	RMB'000	*RMB'000*
Within 1 year	**–**	154,550

(c) As at 31 December 2017 and 31 December 2016, there is no undrawn borrowing facilities of the Group.

(d) Interest expenses of borrowings for the twelve months ended 31 December 2017 was RMB3,040,000 (2016: RMB5,098,000) (Note 20).

18. Trade and other payables

	As at 31 December	
	2017	2016
	RMB'000	*RMB'000*
Trade payables *(a)*	**144,128**	164,377
Notes payable *(b)*	**39,327**	66,129
Other payables	**87,403**	141,420
Total	**270,858**	371,926

Notes to the Condensed Consolidated Interim Financial Information

18. Trade and other payables *(continued)*

(a) As at 31 December 2017, the ageing analysis of the trade payables (including amounts due to related parties of trading in nature) based on recognition date is as follows:

	As at 31 December	
	2017	2016
	RMB'000	*RMB'000*
Up to 3 months	**141,757**	156,546
4 months to 6 months	**2,178**	6,362
7 months to 12 months	**–**	540
1 year to 2 years	**193**	929
	144,128	164,377

(b) As at 31 December 2017, the entire balance of notes payable was secured by restricted cash of RMB39,896,000 (31 December 2016: RMB67,131,000) (Note 14).

Notes to the Condensed Consolidated Interim Financial Information

19. Expense by nature

	Twelve months ended 31 December	
	2017	2016
	RMB'000	*RMB'000*
Changes in inventories	**2,191,910**	2,488,673
Employee benefit expenses	**326,537**	321,359
Provision for impairment of goodwill *(Note 8)*	**287,818**	129,139
Advertising and other marketing expenses	**154,949**	217,341
Rental expenses	**107,365**	108,969
Transportation and related charges	**64,563**	76,439
Depreciation of property, plant and equipment *(Note 7)*	**26,042**	27,619
Amortisation of intangible assets *(Note 8)*	**18,258**	19,218
Share-based payment expenses *(Note 16)*	**12,629**	–
Other tax expenses	**11,792**	18,149
Office and communication expenses	**10,546**	10,935
License fee of trademarks	**8,000**	7,260
Electricity and other utility fees	**3,728**	4,471
Auditors' remuneration	**2,750**	4,531
Professional fees	**2,299**	3,387
Travelling and meeting expenses	**1,979**	1,832
Amortisation of land use rights *(Note 7)*	**114**	94
Training fees	**–**	8,466
Other expenses	**4,968**	4,707
Total	**3,236,247**	3,452,589

Notes to the Condensed Consolidated Interim Financial Information

20. Finance income and costs

	Twelve months ended 31 December	
	2017	2016
	RMB'000	*RMB'000*
Finance income		
Interest income on bank deposits	**11,324**	9,452
Exchange gains	**–**	9,263
	11,324	18,715
Finance costs		
Interest expenses	**(3,040)**	(5,098)
Exchange losses	**(10,063)**	–
Other charges	**(368)**	(664)
	(13,471)	(5,762)
Finance (costs)/income – net	**(2,147)**	12,953

21. Income tax credit/expenses

	Twelve months ended 31 December	
	2017	2016
	RMB'000	*RMB'000*
Current income tax		
– PRC corporate income tax	**(887)**	(23,506)
Deferred income tax credit/(charge)	**3,781**	(1,132)
Total income tax credit/(expenses)	**2,894**	(24,638)

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong for the twelve months ended 31 December 2017 (2016: 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

22. Loss per share

(a) Basic

Basic loss per share is calculated by dividing the loss for the twelve months ended 31 December 2017 and 2016 attributable to owners of the Company by the weighted average number of ordinary shares in issue during the period ended 31 December, excluding ordinary shares purchased under the share award plan.

	Twelve months ended 31 December	
	2017	2016
Loss attributable to owners of the Company *(RMB'000)*	**(552,936)**	(87,811)
Weighted average number of ordinary shares in issue *(thousands)*	**2,643,503**	2,242,623
Basic loss per share *(RMB cents)*	**(20.92)**	(3.92)

(b) Diluted

Diluted loss per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has share options outstanding which are potential dilutive. A calculation is performed to determine the number of ordinary shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to the weighted average number of outstanding share options. The weighted average number of ordinary shares calculated above for basic loss per share is increased by the weighted average number of ordinary shares that would have been issued assuming the exercise of the share options at the date later of beginning of the relevant period or the date of issue.

	Twelve months ended 31 December	
	2017	2016
Loss attributable to owners of the Company *(RMB'000)*	**(552,936)**	(87,811)
Weighted average number of ordinary shares in issue *(thousands)*	**2,643,503**	2,242,623
Weighted average number of ordinary shares for diluted loss per share *(thousands)*	**2,643,503**	2,242,623
Diluted loss per share *(RMB cents)*	**(20.92)**	(3.92)

Notes to the Condensed Consolidated Interim Financial Information

23. Dividend

No interim dividend was declared for the twelve months ended 31 December 2017 (2016: nil).

24. 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 one 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:

	As at 31 December	
	2017	2016
	RMB'000	*RMB'000*
No later than 1 year	**43,186**	74,715
Later than 1 year and no later than 5 years	**35,058**	35,925
Total	**78,244**	110,640

(b) Capital commitments

The Group has the following investment commitments not provided for:

	As at 31 December	
	2017	2016
	RMB'000	*RMB'000*
Warehouse construction	**–**	53,889

Notes to the Condensed Consolidated Interim Financial Information

25. 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

	Twelve months ended 31 December	
	2017	2016
	RMB'000	*RMB'000*
Sales of goods	**4,368**	5,772
Operating lease	**3,000**	3,000
Purchases of services	**–**	445

(b) Loan from related parties

	Twelve months ended 31 December	
	2017	2016
	RMB'000	*RMB'000*
Loan granted from related parties	**5,068**	–
Repayment of loan from related parties	**(5,068)**	–

Notes to the Condensed Consolidated Interim Financial Information

25. Related-party transactions *(continued)*

(c) Balances with related parties

	As at 31 December	
	2017	2016
	RMB'000	*RMB'000*
Trade receivables	**273**	474
Prepayment of rental expenses	**1,500**	1,500

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

(d) 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:

	Twelve months ended 31 December	
	2017	2016
	RMB'000	*RMB'000*
Salaries, wages and bonuses	**2,915**	4,348
Contributions to pension plans	**24**	73
Value of share-based payment	**1,743**	–
	4,682	4,421

Other Information

Corporate Governance

The Company has complied with the code provisions as set out in the Corporate Governance Code (the "**CG Code**") and Corporate Governance Report contained in Appendix 14 of the Listing Rules throughout the Period except for a deviation from code provision A.2.1 of CG Code.

Under code provision A.2.1 of CG Code, the roles of chairman and chief executive officer should be separated and should not be performed by the same individual. For the period from 23 March 2017 to date of this report, despite the responsibilities of the chairman and the chief executive officer of the Company vested in Mr. Jin Dongtao, all major decisions are made in consultation with the Board. The Board considers that there is sufficient balance of power; and the current corporate arrangement maintains a strong management position of the Company.

Save as the deviation from the code provision A.2.1 of the CG Code, in the opinion of the Directors, the Company has complied with all code provisions as set out in the CG Code throughout the twelve months ended 31 December 2017 and, where appropriate, the applicable recommended best practices of 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.

Other Information

Review of the Second Interim Results by Audit Committee

The audit committee of the Company ("**Audit Committee**") is comprised of three independent non-executive Directors, namely Ms. Hao Jia (Chairman) (resigned on 20 July 2017), Mr. Zou Haiyan (Chairman) (appointed on 20 July 2017), 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 procedures and financial reporting, risk management and internal control systems of the Company. The Audit Committee had reviewed the unaudited second interim results of the Group for the Period.

The unaudited Group's second interim results for the Period have been reviewed by the independent auditor of the Company, PricewaterhouseCoopers, 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 2016 annual report of the Company and the announcement of the Company headed "Change of Directors and Composition of Audit Committee" issued on 20 July 2017 which are required to be disclosed pursuant to Rules 13.51B(1) and 13.51(2) of the Listing Rules.

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

As at 31 December 2017, 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:

Other Information

Name of Director	Nature of Interest	Number and class of Shares/ underlying Shares	Approximate percentage of shareholding
Jin Dongtao	Founder of a discretionary trust *(Notes 1 & 2)*	960,014,953 (Long Position)	33.59%
	Beneficial owner *(Note 3)*	6,168,000 (Long Position)	0.21%
	Interest of spouse *(Note 4)*	4,234,000 (Long Position)	0.15%
Zhao Zehua	Beneficial owner *(Note 5)*	4,234,000 (Long Position)	0.15%
Jin Dongkun	Beneficial owner *(Note 6)*	2,800,000 (Long Position)	0.10%
Sun Libo	Beneficial owner *(Note 6)*	2,800,000 (Long Position)	0.10%

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**") through 1969 JT Limited. Global Health holds the entire issued share capital of Asia Health Century International Inc. ("**Asia Health**"), 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 Alternative Asset Management Limited as purchaser and Asia Health as vendor dated 28 January 2016.

3) Mr. Jin Dongtao beneficially owns 3,368,000 Shares and is the grantee of 2,800,000 Share Options granted under the Share Option Scheme pursuant to which 2,800,000 Shares will be issued upon exercise of such Share Options.

4) Ms. Chen Xiaoyan beneficially owns 1,434,000 Shares and is the grantee of 2,800,000 Share Options granted under the Share Option Scheme pursuant to which 2,800,000 Shares will be issued upon exercise of such Share Options.

5) Mr. Zhao Zehua beneficially owns 1,434,000 Shares and is the grantee of 2,800,000 Share Options granted under the Share Option Scheme pursuant to which 2,800,000 Shares will be issued upon exercise of such Share Options.

6) Mr. Jin Dongkun and Mr. Sun Libo are each interested in 2,800,000 Share Options granted under the Share Option Scheme pursuant to which each of them is entitled to subscribe for 2,800,000 Shares upon exercise of such Share Options.

Other Information

Save as disclosed above, as at 31 December 2017, 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 31 December 2017, 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 2)*	966,182,953 (Long Position)	33.80%
	Beneficial owner	4,234,000 (Long Position)	0.15%
Asia Health Century International Inc.	Beneficial owner *(Notes 1 to 2)*	960,014,953 (Long Position)	33.59%
Global Health Century International Group Limited	Interest of corporation controlled by the substantial shareholder *(Notes 1 to 2)*	960,014,953 (Long Position)	33.59%
1969 JT Limited	Interest of corporation controlled by the substantial shareholder *(Notes 1 to 2)*	960,014,953 (Long Position)	33.59%
Tenby Nominees Limited	Nominee *(Notes 1 to 2)*	960,014,953 (Long Position)	33.59%
Brock Nominees Limited	Nominee *(Notes 1 to 2)*	960,014,953 (Long Position)	33.59%

Other Information

Name	Capacity/Nature of interest	Number of Shares	Approximate percentage of shareholding
Credit Suisse Trust Limited	Trustee *(Notes 1 to 2)*	960,014,953 (Long Position)	33.59%
Lu Baocai	Interest of corporation controlled by the substantial shareholder *(Note 3)*	458,137,670 (Long Position)	16.03%
Elite Grand Holdings Limited	Beneficial owner *(Note 3)*	458,137,670 (Long Position)	16.03%
Wu Qiaofeng	Interest of corporation controlled by the substantial shareholder *(Note 4)*	242,585,182 (Long Position)	8.49%
	Beneficial owner	1,516,000 (Long Position)	0.05%
Dragon Ocean Development Ltd.	Interest of corporation controlled by the substantial shareholder *(Note 4)*	242,585,182 (Long Position)	8.49%
ZR International Holding Company Limited	Interest of corporation controlled by the substantial shareholder *(Note 4)*	242,585,182 (Long Position)	8.49%
Zhongrong International Alternative Asset Management Limited	Beneficial owner *(Note 4)*	242,585,182 (Long Position)	8.49%
BlackMarble Capital Limited	Person having a security interest in shares *(Note 5)*	148,529,000 (Long Position)	5.20%
Lerado Group (Holding) Company Limited	Interest of corporation controlled by the substantial shareholder *(Note 5)*	148,529,000 (Long Position)	5.20%
Lerado Group Limited	Interest of corporation controlled by the substantial shareholder *(Note 5)*	148,529,000 (Long Position)	5.20%
Wonder Time Holdings Limited	Interest of corporation controlled by the substantial shareholder *(Note 5)*	148,529,000 (Long Position)	5.20%

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 through 1969 JT Limited. Ms. Chen Xiaoyan, who is Mr. Jin Dongtao's spouse, is also a beneficiary of the Family Trust. Global Health holds the entire issued share capital of Asia Health, 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 of the Company entered into between Zhongrong International Alternative Asset Management Limited as purchaser and Asia Health as vendor dated 28 January 2016.

3) Mr. Lu Baocai holds entire issued share capital of Elite Grand Holdings Limited, which holds 458,137,670 Shares in the Company.

4) 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.

5) 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 31 December 2017, 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 Share Option 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 Share Option Scheme remains in force for a period of 10 years until 17 November 2023. Details of the Share Option Scheme are set out in the published annual report of the Company for the year ended 31 December 2016.

On 12 September 2017, the Company granted a total of 200,000,000 Share Options to 20 eligible participants which include 4 executive Directors and an associate of an executive Director, all accepted by the Grantees and under the rules of the Share Option Scheme.

Other Information

Particulars of Share Options outstanding under the Share Option Scheme at the beginning and at the end of the Period and Share Options granted, exercised, lapsed or cancelled under the Share Option Scheme during the Period are as follows:

				Number of Share Options			
Grantees	**Date of grant**	**Exercise price per option** *HK$*	**Exercise period**	**Outstanding as at 1/1/2017**	**Exercised during the Period**	**Lapsed/ cancelled during the Period**	**Outstanding as at 31/12/2017**
Director & substantial shareholder							
Jin Dongtao	12/9/2017	0.1648	12/10/2017 - 11/10/2020	–	–	–	2,800,000
Directors							
Jin Dongkun	12/9/2017	0.1648	12/10/2017 - 11/10/2020	–	–	–	2,800,000
Zhao Zehua	12/9/2017	0.1648	12/10/2017 - 11/10/2020	–	–	–	2,800,000
Sun Libo	12/9/2017	0.1648	12/10/2017 - 11/10/2020	–	–	–	2,800,000
Associate of Director							
Chen Xiaoyan	12/9/2017	0.1648	12/10/2017 - 11/10/2020	–	–	–	2,800,000
Continuous contract employees	12/9/2017	0.1648	12/10/2017 - 11/10/2020	–	–	–	186,000,000

The assumptions used in estimating the fair value of the Company's Share Options granted during the Period is set out in Note 16 to the condensed consolidated interim financial information.

Other Information

The following table lists the main assumptions and inputs used in estimating the fair value of the Share Options.

Share price	HK$0.160
Exercise price	HK$0.1648
Maturity date	11/10/2020
Risk-free interest rate	0.87%
Dividend yield	0%
Volatility	77.425%
Vesting condition	Working for 1 month
Suboptimal factor	2.73

Upon acceptance of the Share Options, each Grantee paid a consideration of HK$1.00 at the time the Share Options is granted. The Share Option Scheme was effective from the date it was adopted and shall remain effective within a period of 3 years from the date falling 1 month after the date of vesting of the Share Options.

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.

An aggregate of 16,993,000 Shares had been granted without consideration to an aggregate of 13 Grantees under the Share Award Plan since its inception. As at 31 December 2017, the trustee of the Share Award Plan did not hold any Shares under the Share Award Plan, and no Share has been granted during the Period.

Interim Dividend

The Board did not declare any interim dividend for the twelve months ended 31 December 2017 (2016: nil).