



Interim Report 2015



中國 9 號 健康 產業 有限 公司
China Jiu Hao Health Industry Corporation Limited

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 419)

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MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND PROSPECTS

Financial Performance

Major indicators of the financial results for the six months ended 30 June 2015 are summarized in the table below:

	Six months ended 30 June	
	2015	2014
	HK\$'000	HK\$'000
Continuing operations:		
Total sales revenue	61,359	54,045
Gross profit	33,137	18,757
Profit before finance costs and income tax	26,926	74,493
Profit before income tax	26,788	94,998
Profit for the period	21,553	95,498
Discontinued operations:		
Loss for the period	(21)	(201)

	Segment Results before provision for impairment			
	Sales Revenue		Six months ended 30 June	
	2015	2014	2015	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Continuing operations				
Online Healthcare Service	693	—	(22,231)	(10,820)
Offline Healthcare and Wellness Services	53,091	51,576	(5,098)	(5,985)
Media	7,575	2,469	4,326	27,401
Total	61,359	54,045	(23,003)	10,596

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND PROSPECTS *(Continued)*

Financial Performance *(Continued)*

During the first half of 2015, even faced with complicated domestic and international economic conditions, as well as growing downward pressure, China's economy still operated within a reasonable range. All major indicators recorded signs of gradual improvement, reflecting features of stability and improvement from a trend of moderate development. During the first half of the year, China reported a year-on-year growth in GDP of 7% to RMB29.69 trillion, while disposable income per capita of its urban residents increased to RMB15,699, representing an actual growth of 6.7% over the previous year. In line with market expectations, China's economy managed to maintain a growth rate at 7% during the first half of the year. Furthermore, China's personal income also maintained steady growth, creating a favourable business environment for the Group's one-stop online and offline health management services and media business.

During the period under review, the Group recorded a net profit of HK\$21,532,000, being a 77% decrease comparing to the same period in prior year. The decrease was mainly attributable to legal and professional fees of approximately HK\$54 million incurred by the very substantial transaction disclosed on 23 June 2015, as well as the impairment provision made for some of the Group's prepayments, interest in a joint venture and amount due from a subsidiary of a joint venture of approximately HK\$79 million.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND PROSPECTS *(Continued)*

Financial Performance *(Continued)*

In order to promote business development, the Group executed the “light-asset” strategy during the period under review, which enabled its health management services to make remarkable progress. Focusing on rapid development of the mobile healthcare industry driven by the “Internet +” plan, and seizing opportunities arising from the expanding market for chronic disease management, the Group built Kangxun 360, the largest smart cloud health management service platform in China. In addition, with a view to providing diabetic patients with one-stop health management solutions, the Group also self-developed a mobile portal as well as supporting “Kangxun 360”-branded smart blood glucose monitors and blood glucose test strips, which serve the needs of diabetic patients. Capitalising on quality services and strengths in sounding resources of experts, Kangxun 360 established cooperations with a number of domestic insurance companies, healthcare/medical service operators, local social security bureaus and large enterprises during the period under review, achieving a rapid expansion in its user base. With over 250,000 registered users, Kangxun 360 is standing out conspicuously in China’s mobile healthcare market. At the same time, Kangxun 360 has begun to generate revenue by selling smart blood glucose monitors and blood glucose test strips, as well as related mobile health services, recording total sale revenues of approximately HK\$0.7 million during the first half of 2015.

During the period under review, the Group followed through with its “light-asset” strategy, seizing appropriate opportunities to dispose of its capital-intensive businesses and realise their values in a timely manner. In December 2014, the Group proposed to dispose of “Beijing Bayhood No. 9 Club” and the development and operating rights of its adjacent land to Eternity Investment Limited (“Eternity”) at an aggregate consideration of HK\$1.65 billion, and distributed the cash proceeds of HK\$500 million and 1,500,000,000 consideration shares of Eternity arising from the disposal of the assets to all shareholders of the Company. Considering the vision to provide our users with comprehensive online and offline health management services, the Group will continue to operate “Beijing Bayhood No. 9 Club” through a leasing arrangement upon completion of the disposal. As a result, the operation of the Group’s health management services will remain unchanged before and after the proposed disposal. Upon the completion of the proposed disposal of its capital-intensive businesses, the Group would be better equipped to devote all resources to its light-asset businesses, which are more in line with the position of the Group’s future development. The offline healthcare and wellness services segment contributed an income of HK\$53,091,000 to the Group during the period, representing a 3% increase over the same period in prior year.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND PROSPECTS *(Continued)*

Financial Performance *(Continued)*

In addition, the Group's media business also achieved steady development during the period under review. During the period under review, the Group continued to increase its investments in media business, which contributed an income of HK\$7,575,000 to the Group during the period, representing a significant 2-time growth comparing to the same period in prior year.

Business Review

Against the backdrop of an accelerating population ageing and a noticeable rise in the incidence rate of key chronic diseases, there is a dramatically growing demand among Chinese citizens for health management services. With a view to meeting the needs of its citizens, the central government has implemented various national policies to fully support the development of the health service industry. For example, it set the explicit development target of "expanding the total size of the health service industry to more than RMB8 trillion by 2020" in the *"Several Opinions on Promoting the Development of the Health Service Industry"*. China's vast territory and an imbalanced distribution of its medical sources gave rise to a strong demand for mobile healthcare services, making its medical service industry an unexplored new market. According to statistics published by iiMedia Research, the size of China's mobile healthcare market was RMB2.95 billion in 2014, with a user base of 72 million. The figures are estimated to reach RMB4.27 billion and 115 million respectively by 2015, representing a growth rate of 59.7%. The State Council released the *"Guiding Opinions on Actively Promoting the "Internet +" Action Plan"* in July 2015, aiming to promote the development of smart healthcare and elderly care industry, support the innovation and application of smart healthcare products, and encourage health service institutions to utilise various technologies, including cloud computing and big data to build platforms of public information and provide customised health management services featuring continuous tracking, prognosis and health alerts.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND PROSPECTS *(Continued)*

Business Review *(Continued)*

In light of favourable policies and a tremendous market demand for services relating to health management and disease prevention and control, the Group launched the “Kangxun 360” mobile portal, a professional management software, in conjunction with the largest smart cloud health management service platform for chronic diseases in China. “Kangxun 360” provides users with a variety of services, including precise measurement, wireless transmission, cloud storage, data analysis, remote monitoring, real-time health alerts and online healthcare consultation. The Group is committed to becoming a leading provider of mobile internet health management and chronic disease management services in China. Meanwhile, the Group will also combine its offline health service operations to provide comprehensive health management and wellness solutions for people in pursuit of good health and patients with chronic diseases in China.

(1) Online Healthcare Services

“Kangxun 360” Smart Cloud Health Management Service Platform for Chronic Diseases

In 2014, the Group officially launched its **“Kangxun 360” smart cloud health management service platform for chronic diseases** (www.kangxun360.com), which was independently developed by the Group with proprietary intellectual property right. “Kangxun 360” is an industry leading healthcare product based on mobile Internet, Internet of Things and a health management platform that adopted cloud computing. Leveraging on systemic and cutting-edge cloud technology and an extensive team of registered general practitioners, the “Kangxun 360” platform provides users with a systematic range of specialised and customised online health management services that centres on data support. By accessing their “Kangxun 360” accounts via iOS and Android-based Apps, “Kangxun 360” users can input their health data to create health profiles and perform health assessments. Thereby, they can develop health plans and obtain real-time health alerts, regular health risk assessments and reports on health monitoring for family members, as well as health knowledge and advice. Powered by cloud technology, “Kangxun 360” helps users create personal health profiles or family health profiles, and provides detailed health management services including continuous tracking, health alerts and recommendations, with a view to guiding users to maintain health, preventing chronic diseases and reducing the suffering from diseases.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND PROSPECTS *(Continued)*

Business Review *(Continued)*

(1) **Online Healthcare Services** *(Continued)*

“Kangxun 360” Smart Cloud Health Management Service Platform for Chronic Diseases (Continued)

Given an ageing population and unhealthy lifestyles, rapid growth has been recorded in the incidence rates for a number of key chronic diseases in China, including diabetes. According to “2015 Report on Chinese Nutrition and Chronic Disease” published by the National Health and Family Planning Commission of China, China has become the country with the largest population of diabetic patients in the world, reporting an incidence rate of 9.7% among adults aged 18 or over. While there is an urgent demand from diabetic patients for professional health management services that are properly equipped with precise measurement, real-time health alerts as well as continuous prevention and control, products that fulfil such needs are, however, rarities painstakingly difficult to come by in the market. Benefiting from the huge gap between market demand and supply, “Kangxun 360”, the Group’s self-developed professional mobile portal for diabetes management, continued to receive recognition from diabetic patients during the period under review, recording a rapid growth in user volume. “Kangxun 360” currently has more than 250,000 registered users, representing an increase by more than 90% over 130,000 registered users at the end of 2014.

Under its “Device + Application + Service” business model, the Group achieves a seamless connections between its “Kangxun 360” mobile portal and the supporting “Kangxun 360”-branded smart blood glucose monitors through the largest smart cloud health management service platform for chronic diseases in China. The mobile portal transmits user health data accurately, provides users with real-time remote monitoring and real-time health alerts, enabling users to understand their own health conditions properly. Meanwhile, combining the strengths of a team of professional practitioners and its customer service team, the Group provides “Kangxun 360” users with professional and timely health guidance, helping users to control blood glucose easily on their own, prevent chronic diseases and maintain good health.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND PROSPECTS *(Continued)*

Business Review *(Continued)*

(1) Online Healthcare Services *(Continued)*

“Kangxun 360” Smart Cloud Health Management Service Platform for Chronic Diseases (Continued)

In the “Several Opinions on Accelerating the Development of Commercial Healthcare Insurance”, the State Council directed to encourage commercial insurance companies to actively develop healthcare insurance products related to health management services, enhance health risk assessment and intervention, provide services such as disease prevention, physical examination, health advisory, health maintenance, chronic disease management and wellness and healthcare, with a view to lowering health-related risks and reducing losses resulted from diseases. Driven by favourable policies, insurance companies have been actively seeking opportunities to cooperate with quality enterprises in the health service industry and the elderly care industry, and their investment of funds and resources in these industries has increased significantly. The Group seized this great opportunity to establish cooperations with major insurance companies, and managed to achieve a rapid growth in the user volume of “Kangxun 360” — the Group’s core product. In addition, the Group attracts new users through the implementation of a variety of strategies, including: (i) establishing strategic cooperations with operators of diabetes-related websites and online community forums; (ii) establishing business cooperations with healthcare/medical service operators, local social security bureaus and large enterprises in China; (iii) forming business partnerships with insurance companies in China; and (iv) launching various promotion campaigns via the “Kangxun 360” website, its virtual shop on Taobao and the “Kangxun 360” mobile application.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND PROSPECTS *(Continued)*

Business Review *(Continued)*

(1) Online Healthcare Services *(Continued)*

“Kangxun 360” Smart Cloud Health Management Service Platform for Chronic Diseases (Continued)

In February 2015, the Group entered into an agreement with a medical service provider, pursuant to which the Group agreed to provide long-term online health management services to the medical service provider through “Kangxun 360” platform, bundled with the sale of “Kangxun 360”-branded blood glucose monitors and test strips to the said medical service provider. In March 2015, the Group established a cooperative relationship with S.F. Express in order to deliver “Kangxun 360”-branded smart blood glucose monitors to 7,000 diabetic patients and their family members through the platform operated by S.F. Express. In May 2015, a major insurance group in the PRC signed a contract with the Group, pursuant to which it will purchase smart blood glucose monitors and supporting services of blood glucose management from the Group, setting a successful precedent for the medical-end payment mode under “Kangxun 360”. In June 2015, the Group established a cooperative relationship with Ruijing Hospital, a specialty hospital focusing on the field of diabetes, delivering 20,000 smart blood glucose monitors and 4 million test strips to diabetic patients. Being a diabetes hospital targeting middle to high-end patients, Ruijing Hospital has an extensive patient base. Therefore, the cooperation with Ruijing Hospital would enable “Kangxun 360” to accurately locate its targeted users and expand its market share within a short span of time.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND PROSPECTS *(Continued)*

Business Review *(Continued)*

(1) Online Healthcare Services *(Continued)*

“Kangxun 360” Smart Cloud Health Management Service Platform for Chronic Diseases (Continued)

In addition, the Group provides its customers with long-term online health management services bundled with the sale of “Kangxun 360”-branded blood glucose monitors and test strips through its cooperation with China Taiping Life and China Life Insurance (Overseas). China Taiping Life has more than 28 million insurance clients. China Life Insurance (Overseas) has more than 300,000 insurance clients outside China, and its parent company, China Life Insurance (Group) Company, has more than 200 million insurance clients in China. In light of the large client bases of the two giant insurance companies in China, to which the Group has access through the cooperation, “Kangxun 360” platform will be able to expand its user base and accumulate a large amount of user data quickly, enabling it to further launch value-added services, online business and advertising business related to healthcare services, and make use of the comprehensive health database to carry out targeted data marketing, thereby laying a solid foundation for the Group’s expansion of the big data marketing business.

(2) Offline Healthcare and Wellness Services

In addition to providing customers with real-time online health management services based on the largest smart cloud health management service platform for chronic diseases in China while combining strengths of “Kangxun 360”, a professional mobile application for diabetes management, as well as “Kangxun 360”-branded smart blood glucose monitors, the Group also provides customers with efficient and all-inclusive one-stop O2O solutions to health management and management of chronic diseases by utilising its extensive offline health service resources.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND PROSPECTS *(Continued)*

Business Review *(Continued)*

(2) Offline Healthcare and Wellness Services *(Continued)*

During the period under review, the Group reviewed its own business institutions in a prudent manner. Considering the business nature, prospect and respective investment risks of “Beijing Bayhood No. 9 Club”, the Group re-positioned its business strategy, contemplating to focus resources on its light-asset business. As a result, the Group proposed to dispose of Beijing Bayhood No. 9 Club and the development and operating rights of its adjacent land to Eternity at an aggregate consideration of HK\$1.65 billion (including HK\$600 million in cash and share entitlement notes equivalent to HK\$1.05 billion), and proposed to distribute the cash proceeds in a total of HK\$500 million and 1,500,000,000 consideration shares of Eternity arising from the disposal of assets to all Shareholders of the Company. As at the date of this report, the aforementioned disposal has not yet completed.

“Beijing Bayhood No. 9 Club” and its adjacent projects under development are capital-intensive businesses which require a longer period of time to realise their values. Based on the strategic planning to “focus on developing light-asset business”, the Group proposed to dispose of “Beijing Bayhood No. 9 Club” and its adjacent projects under development with a view to realising investment returns and enabling Shareholders to acquire a considerable return. Given the important role played by “Beijing Bayhood No. 9 Club” in its offline healthcare and wellness services, the Group will continue to operate “Beijing Bayhood No. 9 Club” through a leasing arrangement upon completion of the proposed disposal. The aggregate rental for the first five years is RMB90 million. “Beijing Bayhood No. 9 Club” will continue to provide its members with high quality health management services. As at 30 June 2015, “Beijing Bayhood No. 9 Club” had approximately 500 members. The standard corporate membership fee is as high as RMB1.78 million and the standard individual membership fee is also high at RMB1.58 million, signifying the enormous spending power of the members.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND PROSPECTS *(Continued)*

Business Review *(Continued)*

(2) Offline Healthcare and Wellness Services *(Continued)*

In addition, aimed at further enriching its offline healthcare and wellness services, the Group's healthcare and wellness centre located in Chaoyang District, Beijing officially commenced operation during the period. With a floor area of more than 10,000 square metres and featuring themes of dining, leisure and healthcare, the centre mainly caters for the needs of mid-end customers and facilitates the promotion of the Group's offline health management and leisure services among client bases of different levels.

(3) Media Business

During the period under review, sales revenues of media business amounted to HK\$7,575,000, representing a substantial 2-time growth comparing to the same period in prior year. The Group continued to increase its investment in film-related projects during the period under review, with plans to seek additional quality projects in the future, aiming to generate better returns for the Group.

During the period, weighed down by the overall downward pressure faced by China's economy and slump in the consumer market, there was a downsizing in the advertising business of Hainan Haishi Tourist Satellite TV Media Co. Ltd ("Travel Channel"), an associated company of the Group's joint venture, as compared with the same period in previous year, recording a 22% decrease in sale revenues to approximately RMB86 million. In light of this trend, the Group has recorded a provision for impairment of interest in its joint venture of HK\$47 million.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND PROSPECTS *(Continued)*

Business Outlook

The population of ageing has been accelerating in China. According to the forecasts by China National Committee on Ageing, China will enter an era of serious ageing by 2020 with the elderly population reaching 248 million, representing an ageing level of 17%. In addition, the incidence rate of key chronic diseases in China is showing a year-on-year growth. The National Health and Family Planning Commission led the development of the medium- and long-term high planning for chronic disease prevention and control in 2025, demonstrating that prevention and control of chronic diseases have become a major issue of national planning and people's livelihood. The promotion of management, prevention and control of chronic diseases may lead to growth in mobile medical monitoring services that feature real-time monitoring. According to a research report from Brookings Institution, the size of the global mobile medical industry is estimated to exceed US\$10 billion by 2015 with China as the primary driving force, and the size of mobile healthcare market in China is estimated to reach RMB4.23 billion by the same year, delivering a year-on-year growth of nearly 49%. As a smart health management product fully backed by national policies, in addition to providing various services including real-time monitoring, prognosis, health alerts and health consultation through the largest smart cloud health management service platform for chronic diseases in China, the demand for "Kangxun 360", the Group's core product, will remain strong on the back of its targeted user base comprising a large number of diabetic patients. In response to its user needs, version 4.0 of "Kangxun 360" was launched with updates and optimisation of the application. Relying on its excellent services, existing user base and effective marketing strategies, "Kangxun 360" aims to achieve a rapid growth in its targeted user base of diabetes patients, and secure more than 100 partners with cooperative intentions and more than 800 diabetes experts with cooperative relationships within a year. With rapid growth in the user base of "Kangxun 360", gradual improvements are made to the Group's self-owned user database, thereby facilitating the Group's business expansion in the next stage.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Continuing Operations

Sales revenue for the six months ended 30 June 2015 amounted to approximately HK\$61,359,000, being a 14% increase comparing to the same period in prior year. Sales revenues from all three segments, namely “online healthcare services”, “offline healthcare and wellness services” and “media”, increased during the period, while the main growth driver attributed to the media segment whose revenue boosted by more than 2 times to approximately HK\$7,575,000 (2014: HK\$2,469,000). 87% (2014: 95%) of the sales revenue during the period arose from the “offline healthcare and wellness services” segment, which gradually recovered from the worsening operating environment of the high-end market in the PRC in the past few years with a mild 3% increase in revenue during the period. The “online healthcare service” segment also started to be revenue-generating during the period, contributing to 1% (2014: nil) of the Group’s sales revenue during the period.

Cost of sales for the six months ended 30 June 2015 amounted to approximately HK\$28,222,000, being a 20% decrease comparing to the same period in prior year. The decrease in cost of sales is mainly because depreciation of property, plant and equipment and amortization of intangible assets in relation to “Bayhood No.9 Club” operation is no longer required to be recognized subsequent to the proposed disposal of Smart Title Limited in December 2014 and reclassification of relevant assets to “assets of disposal group classified as held for sale”.

Other income and other gains, net mainly comprised realised gain and fair value changes on financial assets at fair value through profit or loss, and exchange differences. The significant increase in the amount during the current period is mainly attributable to the rise in the share price of the investment securities during the period and realised gain on disposal of those investment securities.

Marketing and selling expenses for the six months ended 30 June 2015 increased significantly to approximately HK\$14,248,000 (2014: HK\$192,000). The marketing and selling expenses during the period were attributed to the “online healthcare services” segment and were mainly incurred for marketing, branding and promotional activities for Kangxun 360 APP, including free or subsidized distribution of smart blood glucose meters and test strips to new subscribers.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW *(Continued)*

Continuing Operations *(Continued)*

Administrative expenses for the six months ended 30 June 2015 significantly increased to approximately HK\$175,629,000 (2014: HK\$12,160,000). The significant increase is mainly due to the following reasons:

- During the period ended 30 June 2015, the Group has incurred legal and professional expenses of approximately HK\$57 million, most of which was incurred for the proposed disposal of Smart Title Limited as detailed in note 16 to the interim consolidated financial information;
- During the period ended 30 June 2015, the Group has recorded provision for impairment of interest in a joint venture, prepayments and amount due from a subsidiary of a joint venture of approximately HK\$47 million, HK\$23 million and HK\$9 million respectively; and
- During the period ended 30 June 2014, the Group and the Travel Channel have mutually agreed that the Group is waived from the payment of certain consulting fees payable to the Travel Channel. The reversal of such accrued payable amounted to approximately HK\$31 million and has been offset against administrative expenses during the period ended 30 June 2014.

Share of results of joint ventures, mainly represents the Group's share of loss of the Travel Channel operations, for the six months ended 30 June 2015 amounted to approximately HK\$12,464,000 (2014: HK\$9,554,000). Sales revenue of Travel Channel decreased by 22% during the period.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW *(Continued)*

Continuing Operations *(Continued)*

Finance cost, net for the six months ended 30 June 2015 amounted to approximately HK\$138,000 (2014: finance income, net of approximately HK\$20,505,000). The significant fluctuation during the current period is mainly due to the following reasons:

- The finance costs for the six months ended 30 June 2015 of approximately HK\$138,000 represents the net of imputed finance cost on discounting non-current rental deposits paid and received; and
- During the period ended 30 June 2014, the Group and the Travel Channel have mutually agreed that the Group is waived from the payment of certain accrued interest on agency fee payable to the Travel Channel upon the full settlement of the outstanding agency fees by the Group. The reversal of such accrued interest payable amounted to approximately HK\$20,505,000 and has been offset against finance costs during the period ended 30 June 2014.

LIQUIDITY AND CAPITAL RESOURCES

Liquidity and Treasury Management

We have adopted prudent treasury management measures aimed at principal protection and maintaining sufficient liquidity to meet our various funding requirements in accordance with the strategic plans and policies. As at 30 June 2015, the Group held cash and cash equivalents of approximately HK\$379,220,000, being a 133% increase comparing to the balance as at 31 December 2014.

The Group is at net current asset position of HK\$2,288,210,000 as at 30 June 2015 (31 December 2014: HK\$2,191,186,000). The current ratio, representing the total current assets to the total current liabilities, increased from 3.95 as at 31 December 2014 to 4.09 as at 30 June 2015.

The debt to equity ratio, representing the sum of borrowings to total equity, remained unchanged at 0.01 as at 31 December 2014 and 30 June 2015. The Group's borrowings represented the outstanding convertible notes issued for the acquisition of the development and operating rights of the 580-acre land Beijing Healthcare and Wellness Si He Yuan and Hotel.

MANAGEMENT DISCUSSION AND ANALYSIS

LIQUIDITY AND CAPITAL RESOURCES *(Continued)*

Foreign Currency Exchange Exposure

The Group mainly operates in China and is only exposed to foreign exchange risk arising from Chinese Renminbi currency exposures, primarily with respect to the Hong Kong dollars.

Capital Structure

The Group has mainly relied on its equity, borrowings and internally generated cash flow to finance its operations.

During the period, the Company has issued (i) 12,000,000 new ordinary shares upon conversion of convertible notes at HK\$0.20 per share; and (ii) 58,000,000 new ordinary shares upon share option exercise at HK\$0.20 per share.

Convertible notes with principal amount of RMB569 million, among others, were issued in October 2012 to finance the acquisition of the development and operating rights of the 580-acre land Beijing Healthcare and Wellness Si He Yuan and Hotel. As at 30 June 2015, principal amount of outstanding convertible notes amounted to approximately RMB15 million. Details of the convertible notes are disclosed in note 14 to the condensed consolidated interim financial information.

CHARGE OF ASSETS

As at 30 June 2015, none of the Group's assets was charged.

HUMAN RESOURCES

As at 30 June 2015, the Group employed a total of approximately 611 full-time employees in Hong Kong and the PRC. The Group operates different remuneration schemes for sales and non-sales employees. Sales personnel are remunerated on the basis of on-target-earning packages comprising salary and sales commission. Non-sales personnel are remunerated by monthly salary which is reviewed by the Group from time to time and adjusted based on performance. In addition to salaries, the Group provides staff benefits including medical insurance, contribution to staff provident fund and discretionary training subsidies. Share options and bonuses are also available at the discretion of the Group depending on the performance of the Group.

OTHER INFORMATION

PURCHASE, SALE OR REDEMPTION OF THE LISTED SHARES OF THE COMPANY

During the period, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

SHARE OPTION SCHEMES

The share option scheme of the Company adopted on 30 July 2002 (the "2002 Share Option Scheme") was terminated and for replacement, a new share option scheme (the "2012 Share Option Scheme") was adopted on 4 June 2012. Upon termination of the 2002 Share Option Scheme, no further share options would be granted by the Company under the 2002 Share Option Scheme but the share options granted and not yet exercised thereunder would however remain valid and exercisable and are bound by the terms therein.

The purpose of the share option schemes of the Company is to attract and retain the best available personnel, to provide appropriate incentives or rewards to eligible participants for their contributions or potential contributions to the Group and to promote the success of the business of the Group. The eligible participants of the share option schemes as defined in the respective share option scheme including but not limited to directors of the Group, employees of the Group, suppliers of goods or services to the Group, customers of the Group, and shareholders of any member of the Group. The share option schemes became effective on the respective adoption date and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The total number of shares which may be issued upon exercise of all options to be granted under the share option schemes and any options to be granted under any other share option schemes must not in aggregate exceed 10% of the aggregate of the shares in issue as at the adoption/refreshment date.

The maximum number of shares issuable under share options to each eligible participant under the share option schemes and any other schemes of the Group in any 12-month period, is limited to 1% of the issued shares of the Company for the time being. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

OTHER INFORMATION

SHARE OPTION SCHEMES *(Continued)*

Each grant of options to a participant who is a director, chief executive or substantial shareholder of the Company, or any of their respective associates, under the share option schemes must be approved by the Independent Non-executive Directors of the Company (excluding any Independent Non-executive Director who or whose associate is the proposed grantee of the options). Where any grant of options to a substantial shareholder or an Independent Non-executive Director of the Company, or any of their respective associates, would result in the shares issued and to be issued upon exercise of all options already granted and to be granted under the share option schemes (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant: (a) representing in aggregate over 0.1% of the shares in issue; and (b) having an aggregate value, based on the closing price of the shares at the date of each grant, in excess of HK\$5 million, such further grant of options must be approved by the shareholders in general meeting.

A participant shall pay the Company HK\$1.00 for the grant of an option on acceptance of an option offer within 21 days after the offer date. The option price will be determined by the board at its absolute discretion and notified to an option-holder. The minimum option price shall not be less than the highest of: (a) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the offer date; (b) the average closing price of the shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the offer date; and (c) the nominal value of the shares.

The total number of securities available for issue under share option schemes is as follows:

Share Option Schemes	Number of securities available for issue	% of total issued share capital of the Company at 30 June 2015
2002 Share Option Scheme	27,625,165	0.42
2012 Share Option Scheme	475,740,401	7.18

OTHER INFORMATION

SHARE OPTION SCHEMES *(Continued)*

Details of the share option movements under 2002 Share Option Scheme during the period were as follows:

		No. of share options					
Name or Category of Grantees	Date of grant	Exercise	Outstanding		Outstanding	% of total	
		price per share (HK\$)	as at 1 January 2015	Exercised during the period	as at 30 June 2015	issued share capital of the Company	Note
Director							
Edward TIAN Suning	5.5.2008	2.58	1,042,459	—	1,042,459	0.02	(1)
	4.11.2008	0.86	2,084,918	—	2,084,918	0.03	(1)
Others	4.11.2008	0.86	24,497,788	—	24,497,788	0.37	(2)
Total for all categories			27,625,165	—	27,625,165		

OTHER INFORMATION

SHARE OPTION SCHEMES (Continued)

Details of the share option movements under 2012 Share Option Scheme during the period were as follows:

Name or Category of Grantees	Date of grant	No. of share options				% of total issued share capital of the Company	Note
		Exercise price per share (HK\$)	Outstanding as at 1 January 2015	Exercised during the period	Outstanding as at 30 June 2015		
Director							
ZHANG Changsheng	15.6.2012	0.20	20,000,000	(20,000,000)	—	—	(4)
WEI Xin	15.6.2012	0.20	2,000,000	—	2,000,000	0.03	(3)
WONG Yau Kar, David	15.6.2012	0.20	2,000,000	—	2,000,000	0.03	(3)
CHU Yuguo	15.6.2012	0.20	2,000,000	—	2,000,000	0.03	(3)
Continuous contract employee in aggregate	15.6.2012	0.20	500,000	(500,000)	—	—	(4)
Others	15.6.2012	0.20	37,500,000	(37,500,000)	—	—	(4)
Total for all categories			64,000,000	(58,000,000)	6,000,000		

Notes:

1. These options can be fully exercised from 1 April 2009 to 31 December 2015.
2. These options can be fully exercised from 8 March 2009 to 31 December 2015.
3. These options can be fully exercised from 15 June 2012 to 14 June 2017.
4. The weighted average closing price of shares of the Company immediately before the date on which the options were exercised during the period was HK\$0.82.
5. During the period, no share options were granted, cancelled and lapsed under the 2002 Share Option Scheme and the 2012 Share Option Scheme respectively.

OTHER INFORMATION

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

As at 30 June 2015, the interests and short positions of the Director and Chief Executive in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), as recorded in the register required to be kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") were as follows:

Long positions in ordinary shares and underlying shares of the Company:

Name of Director	Capacity	Nature of interests	Number of shares held	Number of underlying shares held under equity derivatives	Total	% of total issue share capital of the Company
YUEN Hoi Po	Interest of controlled corporations	Corporate interest	1,976,492,607	93,000,000 (Note 1)	2,069,492,607 (Note 1)	31.21 (Note 2)
Edward TIAN Suning	Interest of a controlled corporation	Corporate interest & Personal interest	193,866,616 (Corporate)	3,127,377 (Personal) (Note 4)	196,993,993 (Note 3)	2.97
WEI Xin	Beneficial owner	Personal Interest	—	2,000,000 (Note 4)	2,000,000	0.03
WONG Yau Kar, David	Beneficial owner	Personal interest	—	2,000,000 (Note 4)	2,000,000	0.03
CHU Yuguo	Beneficial owner	Personal interest	—	2,000,000 (Note 4)	2,000,000	0.03

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION *(Continued)*

Long positions in ordinary shares and underlying shares of the Company: *(Continued)*

Notes:

1. Mr. YUEN Hoi Po is deemed to be interested in 1,976,492,607 Shares held by his wholly-owned corporations namely, Ming Bang Limited, Rich Public Limited and Smart Concept Enterprise Limited. Mr. YUEN is also deemed to be interested in 93,000,000 Shares which fall to be allotted and issued by the Company following the exercise of the conversion rights attached to the zero coupon convertible note in the amount HK\$18.6 million ("Convertible Note") held by Smart Concept Enterprise Limited. The Convertible Note is underlying shares held under unlisted physically settled equity derivatives.
2. The figure is assuming full conversion of the Convertible Note. However, it is provided in the conditions of the Convertible Note that the relevant holder of the Convertible Note is only allowed to exercise the conversion rights only to the extent that (i) any conversion of the Convertible Note does not render the relevant holder of the Convertible Note who exercises the conversion rights and parties acting in concert with such holder to hold (whether directly or indirectly), together with any Shares already owned or agreed to be acquired by such holder of Convertible Note and parties acting in concert Shares representing 30% or more of the consequential enlarged issued ordinary share capital of the Company and (ii) any conversion of the Convertible Note will not lead to the public float being less than 25% of the consequential enlarged issued ordinary share capital of the Company at the date of the relevant exercise.
3. Mr. Edward TIAN Suning is deemed to be interested in 193,866,616 Shares held by CBC China Media Limited.
4. The number of underlying shares held under equity derivatives is the share options (being unlisted physically settled equity derivatives) granted by the Company, details of which are set out in paragraph headed "Share Option Schemes" of this report.

Save as disclosed above, as at 30 June 2015, none of the Directors, Chief Executives nor their associates had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of the SFO) as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

OTHER INFORMATION

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 30 June 2015, the interests and short positions of the following persons (other than Directors or Chief Executives of the Company) in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange were as follows:

Long positions in ordinary shares of the Company:

Name of Shareholder	Capacity	Nature of interests	Number of shares held	Number of underlying shares held under equity derivatives	Total	% of total issue share capital of the Company
Smart Concept Enterprise Limited	Beneficial owner	Beneficial interest	1,837,000,000	93,000,000 (Note a)	1,930,000,000	29.11 (Note a)
Rich Public Limited	Beneficial owner (Note b)	Beneficial interest	139,492,607	—	139,492,607	2.10
Ming Bang Limited	Interest of a controlled corporation (Note c)	Corporation interest	139,492,607	—	139,492,607	2.10

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY *(Continued)*

Long positions in ordinary shares of the Company: *(Continued)*

Notes:

- a. The number of underlying shares held under equity derivatives is the Convertible Note (being unlisted physically settled equity derivatives) issued by the Company to Smart Concept Enterprise Limited. Smart Concept Enterprise Limited is interested in 93,000,000 Shares which fall to be allotted and issued by the Company following the exercise of the conversion rights attached to the Convertible Note. However, it is provided in the conditions of the Convertible Note that the relevant holder of the Convertible Note is only allowed to exercise the conversion rights only to the extent that (i) any conversion of the Convertible Note does not render the relevant holder of the Convertible Note who exercises the conversion rights and parties acting in concert with such holder to hold (whether directly or indirectly), together with any Shares already owned or agreed to be acquired by such holder of Convertible Note and parties acting in concert Shares representing 30% or more of the consequential enlarged issued ordinary share capital of the Company and (ii) any conversion of the Convertible Note will not lead to the public float being less than 25% of the consequential enlarged issued ordinary share capital of the Company at the date of the relevant exercise. Mr. YUEN Hoi Po, the Chairman and an Executive Director of the Company, is beneficially interested in the entire issued share capital of Smart Concept Enterprise Limited. He is also a director of Smart Concept Enterprise Limited.
- b. Rich Public Limited is an investment holding company incorporated in the British Virgin Islands and its entire issued share capital is beneficially owned by Ming Bang Limited.
- c. Ming Bang Limited is an investment holding company incorporated in the British Virgin Islands and its entire issued share capital is beneficially owned as to Mr. YUEN Hoi Po, the Chairman and an Executive Director of the Company. Mr. YUEN is also a director of Ming Bang Limited.

Save as disclosed above, as at 30 June 2015, no other persons had any interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange.

OTHER INFORMATION

CORPORATE GOVERNANCE PRACTICES

The board of directors of the Company (the “Board”) is committed in achieving high standards of corporate governance. Throughout the six months ended 30 June 2015, the Company has applied the principles and meet the code provisions of the Corporate Governance Code (the “CG Code”) as set out in Appendix 14 to the Listing Rules with the exception of the following deviations:–

1. Code Provision A.2.1

The Chairman of the Board, Mr. YUEN Hoi Po, has also been appointed as Chief Executive Officer in March 2012. As Mr. YUEN’s accumulated valuable experience in service industry and tourism is a great benefit to the Group, the Board believes that the balance of power and authority is adequate.

2. Code Provision A.6.7

Prof. WEI Xin has been assisting relevant Mainland authorities in investigations, he was unable to attend all the general meetings of the Company held for the period ended 30 June 2015.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS AND RELEVANT PERSONS

The Company has adopted a code of conduct for securities transactions by Directors (the “Code of Conduct”) on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 to the Listing Rules. Having made specific enquiry, all Directors have fully complied with the required standard set out in the Model Code throughout the six months ended 30 June 2015.

The Code of Conduct applies to all the relevant persons as defined in the CG Code, including any employee of the Company, or director or employee of a subsidiary or holding company of the Company who, because of such office or employment, are likely to possess inside information in relation to the Company or its securities.

OTHER INFORMATION

REVIEW OF INTERIM REPORT

The Audit Committee comprises of three Independent Non-executive Directors, namely Mr. YUEN Kin (Audit Committee Chairman), Prof. WEI Xin and Dr. WONG Yau Kar, David has reviewed the Group's unaudited interim report for the six months ended 30 June 2015 together with the Company's independent auditor and there were no disagreements with any accounting treatment.

OTHER CHANGES IN DIRECTORS' INFORMATION

There has been no changes in Directors' information required to be disclosed pursuant to Rule 13.51B (1) of the Listing Rules since the date of 2014 Annual Report.

By Order of the Board

YUEN Hoi Po

Chairman

Hong Kong, 27 August 2015

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION



羅兵咸永道

TO THE BOARD OF DIRECTORS OF

CHINA JIUHAO HEALTH INDUSTRY CORPORATION LIMITED

(incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 30 to 75, which comprises the condensed consolidated interim balance sheet of China Jiuhaio Health Industry Corporation Limited (the “Company”) and its subsidiaries (together, the “Group”) as at 30 June 2015 and the related condensed consolidated interim income statement, the condensed consolidated interim statement of comprehensive income, the condensed consolidated interim statement of changes in equity and the condensed consolidated interim cash flow statement for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong 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.

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REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. 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 Hong Kong 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 Hong Kong Accounting Standard 34 “Interim Financial Reporting”.

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 27 August 2015

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT

For the six months ended 30 June 2015

		Six months ended 30 June	
		2015	2014
		(Unaudited)	(Unaudited)
			(Restated)
			(Note 16)
	Note	HK\$'000	HK\$'000
Continuing Operations			
Sales	4	61,359	54,045
Cost of sales		(28,222)	(35,288)
Gross profit		33,137	18,757
Other income and other gains, net	5	196,130	77,642
Marketing and selling expenses		(14,248)	(192)
Administrative expenses		(175,629)	(12,160)
Share of results of joint ventures		(12,464)	(9,554)
		26,926	74,493
Finance (costs)/income, net	6	(138)	20,505
Profit before income tax	7	26,788	94,998
Income tax (expense)/credit	8	(5,235)	500
Profit for the period from continuing operations		21,553	95,498
Discontinued Operations			
Loss for the period from discontinued operations	16	(21)	(201)
Profit for the period		21,532	95,297
Attributable to:			
Equity holders of the Company			
— continuing operations		26,260	95,498
— discontinued operations		(21)	(201)
		26,239	95,297
Non-controlling interest			
— continuing operation		(4,707)	—
		21,532	95,297

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT

For the six months ended 30 June 2015

		Six months ended 30 June	
		2015	2014
		(Unaudited)	(Unaudited) (Restated) (Note 16)
	Note	HK Cents	HK Cents
Earnings per share from continuing and discontinued operations attributable to equity holders of the Company			
Basic earnings/(loss) per share	9		
— From continuing operations		0.40	2.05
— From discontinued operations		—	—
		0.40	2.05
Diluted earnings/(loss) per share	9		
— From continuing operations		0.39	1.68
— From discontinued operations		—	—
		0.39	1.68

The notes on pages 39 to 75 form an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2015

	Six months ended 30 June	
	2015	2014
	(Unaudited)	(Unaudited) (Restated) (Note 16)
	HK\$'000	HK\$'000
Profit for the period	21,532	95,297
Other comprehensive income/(loss):		
Item that may be reclassified to profit or loss		
— Currency translation differences	452	(13,810)
Other comprehensive income/(loss) for the period, net of tax	452	(13,810)
Total comprehensive income for the period	21,984	81,487
Total comprehensive income/(loss) attributable to:		
Equity holders of the Company arises from:		
— continuing operations	26,712	81,688
— discontinued operations	(21)	(201)
Non-controlling interest	(4,707)	—
	21,984	81,487

The notes on pages 39 to 75 form an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

At 30 June 2015

		30 June 2015 (Unaudited) HK\$'000	31 December 2014 (Audited) HK\$'000
	Note		
NON-CURRENT ASSETS			
Property, plant and equipment	11	17,373	9,513
Intangible assets	11	25,379	21
Interests in joint ventures	12	3,382	62,823
Deferred income tax assets		2,943	19,881
Prepayments, deposits and other receivables		5,277	17,947
		54,354	110,185
CURRENT ASSETS			
Inventories		—	2,316
Amounts due from joint ventures and subsidiaries of a joint venture	12	289,985	290,178
Programmes and film production in progress		50,870	68,262
Financial assets at fair value through profit or loss		26,000	138,652
Prepayments, deposits, other receivables and other assets		14,861	24,839
Cash and cash equivalents		379,220	162,745
		760,936	686,992
Assets of disposal group classified as held for sale	16	2,268,330	2,247,737
		3,029,266	2,934,729

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

At 30 June 2015

		30 June 2015 (Unaudited) HK\$'000	31 December 2014 (Audited) HK\$'000
	Note		
CURRENT LIABILITIES			
Trade payables	13	—	19
Receipt in advance, other payables and accrued liabilities		73,658	69,469
Current income tax liabilities		—	13,994
Convertible notes	14	18,000	19,068
		91,658	102,550
Liabilities of disposal group classified as held for sale	16	649,398	640,993
		741,056	743,543
NET CURRENT ASSETS		2,288,210	2,191,186
TOTAL ASSETS LESS CURRENT LIABILITIES		2,342,564	2,301,371
NON-CURRENT LIABILITIES			
Other payables		11,750	6,997
Deferred income tax liabilities		567	—
		12,317	6,997
NET ASSETS		2,330,247	2,294,374

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

At 30 June 2015

	Note	30 June 2015 (Unaudited) HK\$'000	31 December 2014 (Audited) HK\$'000
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	15	1,325,981	1,311,981
Reserves		1,008,046	981,466
		2,334,027	2,293,447
Non-controlling interest		(3,780)	927
TOTAL EQUITY		2,330,247	2,294,374

The notes on pages 39 to 75 form an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED INTERIM CASH FLOW STATEMENT

For the six months ended 30 June 2015

	Six months ended 30 June 2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
Net cash used in operating activities	(105,127)	(95,452)
Cash flows from investing activities		
Bank interest received	929	250
Purchase of investment securities	—	(69,845)
Disposals of investment securities	305,439	—
Purchase of property, plant and equipment	(28,724)	(21,458)
Disposals of property, plant and equipment	6	—
Disposal of joint ventures	—	250,080
Net cash generated from investing activities	277,650	159,027
Cash flows from financing activities		
Proceeds from issuance of shares on exercise of share options	11,600	96,100
Repayment of promissory notes	—	(6,359)
Net cash generated from financing activities	11,600	89,741
Increase in cash and cash equivalents	184,123	153,316
Cash and cash equivalents at 1 January	243,734	99,880
Translation adjustments	(96)	(5,364)
Cash and cash equivalents at 30 June	427,761	247,832
Represented by		
Cash and cash equivalents	379,220	247,832
Cash and cash equivalents included in disposal group classified as held for sale	48,541	—
	427,761	247,832

The notes on pages 39 to 75 form an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2015

(Unaudited)

	Attributable to equity holders of the Company											
	Equity component of										Non-Controlling Interests	Total
	Share capital	Share premium	Merger reserve	convertible notes	Share option reserve	Capital redemption reserve	Currency translation reserve	Accumulated losses	Total			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000		
Balance at 1 January 2015	1,311,981	1,825,800	860,640	10,139	16,267	1,206	111,338	(1,843,924)	2,293,447	927	2,294,374	
Total comprehensive income/(loss) for the period	–	–	–	–	–	–	452	26,239	26,691	(4,707)	21,984	
Transactions with owners in their capacity as owners:												
Issuance of shares upon exercise of share options	11,600	4,159	–	–	(4,159)	–	–	–	11,600	–	11,600	
Issuance of shares upon conversion of convertible notes	2,400	1,048	–	(1,159)	–	–	–	–	2,289	–	2,289	
Balance at 30 June 2015	1,325,981	1,831,007	860,640	8,980	12,108	1,206	111,790	(1,817,685)	2,334,027	(3,780)	2,330,247	

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2015

	(Unaudited)										
	Attributable to equity holders of the Company										
	Equity								Non-		
	Share	Share	Merger	convertible	Share option	Capital	Currency	Accumulated		Controlling	
	capital	premium	reserve	notes	reserve	redemption	translation	losses		Total	Interests
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	reserve	reserve	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance at 1 January 2014	856,238	1,644,681	860,640	202,299	16,481	1,206	116,620	(1,899,102)	1,799,063	—	1,799,063
Total comprehensive											
(loss)/income for the period	—	—	—	—	—	—	(13,810)	95,297	81,487	—	81,487
Transactions with owners in											
their capacity as owners:											
Issuance of shares upon											
exercise of share options	100	35	—	—	(35)	—	—	—	100	—	100
Issuance of shares upon											
conversion of											
convertible notes	26,000	7,425	—	(12,553)	—	—	—	—	20,872	—	20,872
Issuance of shares											
upon placement	57,143	38,857	—	—	—	—	—	—	96,000	—	96,000
Balance at 30 June 2014	939,481	1,690,998	860,640	189,746	16,446	1,206	102,810	(1,803,805)	1,997,522	—	1,997,522

The notes on pages 39 to 75 form an integral part of this condensed consolidated interim financial information.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1. GENERAL INFORMATION

China Jiu hao Health Industry Corporation Limited (the “Company”) and its subsidiaries (together, the “Group”) is principally engaged in the provision of online and offline healthcare and wellness services. The Group is also engaged in media business in the People’s Republic of China (the “PRC”).

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 27 May 2002 under the Company Law (2002 Revision) (Cap. 22) of the Cayman Islands. The address of the Company’s registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1.1111, Cayman Islands.

The Company is listed on The Stock Exchange of Hong Kong Limited.

This condensed consolidated interim financial information is presented in thousand Hong Kong dollars (HK\$’000), unless otherwise stated. This condensed consolidated interim financial information was approved for issue on 27 August 2015.

This condensed consolidated interim financial information has not been audited.

2. BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30 June 2015 has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34, “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2014, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

3. ACCOUNTING POLICIES, ESTIMATES AND FINANCIAL RISK MANAGEMENT

(i) Accounting Policies

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

Income tax expense is recognized based on management's best estimate of the weighted average annual income tax expected for the full financial year.

(a) *New, revised and amended standards and interpretations to existing standards effective in 2015 adopted by the Group*

The Group has adopted the following new, revised and amended standards and interpretations to existing standards ("new HKFRSs") that have been issued and are effective for the Group's accounting period beginning on 1 January 2015:

HKAS 19 (Amendment)	Defined Benefit Plans: Employee Contributions
Annual improvements 2012	Amendments to include changes from the 2010-2012 cycle of the annual improvements project
Annual improvements 2013	Amendments to include changes from the 2011-2013 cycle of the annual improvements project

The adoption of the above new HKFRSs did not result in substantial changes to the accounting policies of the Group and had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

3. ACCOUNTING POLICIES, ESTIMATES AND FINANCIAL RISK MANAGEMENT *(Continued)*

(i) Accounting Policies *(Continued)*

- (b) *New, revised and amended standards and interpretations to existing standards that are not effective in 2015 and have not been early adopted by the Group*

The following new, revised and amended standards and interpretations to existing standards have been issued, but are not effective for the financial period beginning 1 January 2015 and have not been early adopted by the Group:

		Effective for accounting periods beginning on or after
HKAS 1 (Amendment)	Amendments to HKAS 1 for Disclosure Initiative	1 January 2016
HKAS 16 and 41 (Amendment)	Agriculture: Bearer Plants	1 January 2016
HKAS 16 and 38 (Amendment)	Clarification of Acceptable Methods of Depreciation and amortization	1 January 2016
HKAS 27 (Amendment)	Equity Method in Separate Financial Statements	1 January 2016
HKFRS 9	Financial Instruments	1 January 2018
HKFRS 10 and HKAS 28 (Amendment)	Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture	1 January 2016
HKFRS 10, 12, and HKAS 28	Investment Entities: Applying the Consolidation Exception	1 January 2016
HKFRS 11 (Amendment)	Accounting for Acquisitions of Interest in Joint Operations	1 January 2016
HKFRS 14	Regulatory Deferral Accounts	1 January 2016
HKFRS 15	Revenue from Contracts with Customers	1 January 2017

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

3. ACCOUNTING POLICIES, ESTIMATES AND FINANCIAL RISK MANAGEMENT *(Continued)*

(i) Accounting Policies *(Continued)*

- (b) *New, revised and amended standards and interpretations to existing standards that are not effective in 2015 and have not been early adopted by the Group (Continued)*

The following new, revised and amended standards and interpretations to existing standards have been issued, but are not effective for the financial period beginning 1 January 2015 and have not been early adopted by the Group *(Continued)*:

		Effective for accounting periods beginning on or after
Annual improvements 2014	Amendments to include changes from the 2012-2014 cycle of the annual improvements project	1 January 2016

The Group has commenced an assessment of the impact of these new, amended and revised HKFRSs but is not yet in a position to state whether they would have a significant impact on its results of operations and financial position.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

3. ACCOUNTING POLICIES, ESTIMATES AND FINANCIAL RISK MANAGEMENT *(Continued)*

(ii) Estimates

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

In preparing these condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2014, with the exception of changes in estimates that are required in determining the provision for income taxes and provision for impairment of investment in a joint venture.

The Group tests at the end of each reporting period whether investments in joint ventures have suffered impairment. The recoverable amounts have been determined at the higher fair value less costs to sell and value in use. Value-in-use calculations use cash flow projections based on financial budgets approved by management. Cash flows beyond the budget period are extrapolated using estimated growth rates which do not exceed the long-term average growth rate for the business in which the joint ventures operate. Management's judgement is required in assessing the ultimate realisation of these investments, including the operations and the ability to generate economic benefits in the foreseeable future. If the operations of the joint ventures were to deteriorate, resulting in an impairment of their ability to recover the carrying amount, additional impairment may be required.

For the six months ended 30 June 2015, provision for impairment of interest in a joint venture of approximately HK\$47,000,000 has been charged to the condensed consolidated interim income statement.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

3. ACCOUNTING POLICIES, ESTIMATES AND FINANCIAL RISK MANAGEMENT *(Continued)*

(iii) Financial Risk Management

(a) *Financial risk factors*

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

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

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

(b) *Fair value estimation*

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

3. ACCOUNTING POLICIES, ESTIMATES AND FINANCIAL RISK MANAGEMENT *(Continued)*

(iii) Financial Risk Management *(Continued)*

(b) Fair value estimation *(Continued)*

The following table presents the Group's assets that are measured at fair value:

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
At 30 June 2015				
Financial assets				
at fair value through				
profit or loss				
Trading securities	26,000	—	—	26,000
At 31 December 2014				
Financial assets				
at fair value through				
profit or loss				
Trading securities	138,652	—	—	138,652

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing services, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1. Instruments included in level 1 comprise primarily the listed equity investments.

There were no transfers between levels 1, 2 and 3, and no change in valuation techniques during the period.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

4. SEGMENT INFORMATION

The chief operating decision-maker has been identified as the management committee which comprises the chief executive officer and the chief financial officer of the Group. The management committee reviews the Group's internal reporting in order to assess performance and allocate resources. The management committee has determined the operating segments based on these reports.

The management committee has determined that the Group is organized into three main operating segments from continuing operations: (i) Online healthcare service; (ii) Offline healthcare and wellness services; and (iii) Media business. The management committee measures the performance of the segments based on their respective segment results. The segment results derived from profit/(loss) before income tax, excluding exchange gain/(loss), net, finance (costs)/income, net and unallocated income, net. Unallocated income, net mainly comprise of corporate income net off with corporate expenses including salary, office rental and other administrative expenses which are not attributable to particular reportable segment.

There are no sales between the operating segments in the period (2014: Nil). All of the Group's operating segments operate in the PRC.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

4. SEGMENT INFORMATION (Continued)

The segment results for the six months ended 30 June 2015 are as follows:

	Online Healthcare Service (Unaudited) HK\$'000	Offline Healthcare and Wellness Services (Unaudited) HK\$'000	Media (Unaudited) HK\$'000	Total Continuing Operations (Unaudited) HK\$'000	Discontinued Operations: Offline Healthcare and Wellness Services- Beijing Healthcare and Wellness Si He Yuan and Hotel Project (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
Sales	693	53,091	7,575	61,359	—	61,359
Segment results before provision for impairment	(22,231)	(5,098)	4,326	(23,003)	(28)	(23,031)
Provision for impairment	(1,268)	(17,601)	(60,249)	(79,118)	—	(79,118)
Segment results	(23,499)	(22,699)	(55,923)	(102,121)	(28)	(102,149)
Exchange gain, net				2,482	—	2,482
Unallocated income, net				126,565	—	126,565
Finance costs, net				26,926 (138)	(28) —	26,898 (138)
Profit/(loss) before income tax				26,788	(28)	26,760
Taxation				(5,235)	7	(5,228)
Profit/(loss) for the period				21,553	(21)	21,532
Non-controlling interest				4,707	—	4,707
Profit/(loss) for the period attributable to equity holders of the Company				26,260	(21)	26,239
Depreciation						
– Allocated	338	524	177	1,039	—	1,039
– Unallocated				102	—	102
Amortization	—	3	—	3	—	3

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

4. SEGMENT INFORMATION (Continued)

The segment results for the six months ended 30 June 2014 are as follows:

	Online Healthcare Service (Unaudited) HK\$'000	Offline Healthcare and Wellness Services (Unaudited) (Restated) HK\$'000	Media (Unaudited) HK\$'000	Total Continuing Operations (Unaudited) (Restated) HK\$'000	Discontinued Operations: Offline Healthcare and Wellness Services- Beijing Healthcare and Wellness Si He Yuan and Hotel Project (Unaudited) (Restated) HK\$'000	Total (Unaudited) HK\$'000
Sales	—	51,576	2,469	54,045	—	54,045
Segment results before provision for impairment	(10,820)	(5,985)	27,401	10,596	(225)	10,371
Segment results	(10,820)	(5,985)	27,401	10,596	(225)	10,371
Exchange loss, net				(2,568)	—	(2,568)
Unallocated income, net				66,465	—	66,465
Finance income, net				74,493	(225)	74,268
Profit/(loss) before income tax				20,505	—	20,505
Taxation				94,998	(225)	94,773
				500	24	524
Profit/(loss) for the period attributable to equity holders of the Company				95,498	(201)	95,297
Depreciation						
– Allocated	214	11,111	181	11,506	45	11,551
– Unallocated				292	—	292
Amortization	—	4,235	—	4,235	—	4,235

Note: No segment assets and liabilities are disclosed as the chief operating decision makers are not relying on these segment information for the purposes of resources allocation and performance assessment.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

5. OTHER INCOME AND OTHER GAINS, NET

	Six months ended 30 June	
	2015	2014
	(Unaudited)	(Unaudited)
		(Restated)
	HK\$'000	HK\$'000
Interest income	861	245
Realised gain on financial assets at fair value through profit or loss	201,787	—
Fair value (loss)/gain on financial assets at fair value through profit or loss	(9,000)	67,775
Exchange gain/(loss), net	2,482	(2,672)
Gain on disposal of joint ventures	—	11,028
Miscellaneous	—	1,266
	196,130	77,642

6. FINANCE (COSTS)/INCOME, NET

	Six months ended 30 June	
	2015	2014
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Notional non-cash interest on promissory notes	—	(260)
Notional non-cash interest on convertible notes	(1,221)	(20,757)
Imputed finance cost on discounting non-current rental deposit paid	(1,492)	—
	(2,713)	(21,017)
Less: Amounts capitalized as the cost of qualifying assets (i)	1,221	21,017
	(1,492)	—
Reversal of accrued interest on agency fee payable (ii)	—	20,505
Imputed finance income on discounting non-current rental deposits received	1,354	—
	(138)	20,505

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

6. FINANCE (COSTS)/INCOME, NET *(Continued)*

- (i) Finance costs on the promissory notes and convertible notes capitalized were borrowing costs attributable to the construction of the “Beijing Healthcare and Wellness Si He Yuan and Hotel”.
- (ii) During the six months ended 30 June 2014, the Group and Hainan Haishi Tourist Satellite TV Media Co. Ltd. (“Travel Channel”), an associated company of joint ventures of the Group, have mutually agreed that the Group is waived from the payment of certain accrued interest on agency fee payable to Travel Channel upon the full settlement of the outstanding agency fee by the Group. The reversal of such accrued interest payable amounted to approximately HK\$20,505,000 and has been offset against finance costs during the six months ended 30 June 2014.

7. PROFIT BEFORE INCOME TAX

Profit before income tax is stated after charging the following:

	Six months ended 30 June	
	2015	2014
	(Unaudited)	(Unaudited)
		(Restated)
	HK\$'000	HK\$'000
Depreciation of property, plant and equipment (Note 11)	1,141	11,843
Amortization of intangible assets	3	4,235
Provision for impairment of:		
— Interest in a joint venture	47,000	—
— Prepayments	22,673	—
— Amount due from a subsidiary of a joint venture	9,445	—
Staff costs:		
Directors' fees	400	400
Wages and salaries	30,365	28,784
Contributions to defined contribution pension schemes	3,278	3,604
	34,043	32,788

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

8. INCOME TAX (EXPENSE)/CREDIT

No Hong Kong profits tax has been provided as there was no assessable profit from Hong Kong for the period (2014: Nil). PRC corporate income tax has been provided for at the rate of 25% (2014: 25%) on the estimated assessable profit for the period accordingly.

	Six months ended 30 June	
	2015	2014
	(Unaudited)	(Unaudited)
		(Restated)
	HK\$'000	HK\$'000
Current income tax		
— Hong Kong profits tax	—	—
— PRC corporate income tax	13,897	(1,295)
Deferred income tax	(19,132)	1,795
Income tax (expense)/credit	(5,235)	500

The weighted average applicable tax rate for the six months ended 30 June 2015 was 16.4% (2014: 17.3%).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

9. EARNINGS PER SHARE

(a) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the period.

	Six months ended 30 June	
	2015	2014
	(Unaudited)	(Unaudited) (Restated)
Weighted average number of ordinary shares in issue (thousands)	6,573,846	4,665,230
Profit from continuing operations attributable to equity holders of the Company (HK\$'000)	26,260	95,498
Basic earnings per share from continuing operations attributable to equity holders of the Company (HK cents per share)	0.40	2.05
Loss from discontinued operations attributable to equity holders of the Company (HK\$'000)	(21)	(201)
Basic loss per share from discontinued operations attributable to equity holders of the Company (HK cents per share)	—	—
Earnings per share attributable to equity holders of the Company (HK cents per share)	0.40	2.05

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

9. EARNINGS PER SHARE *(Continued)*

(b) Diluted earnings per share

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. As at 30 June 2015, the Company has two categories of potential ordinary shares: convertible notes and share options (2014: same). The convertible notes are assumed to have been converted into ordinary shares. The net profit is adjusted to eliminate any interest expense less the tax effect charged to profit or loss. For the share options, a calculation is performed to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's share during the period) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

9. EARNINGS PER SHARE (Continued)

(b) Diluted earnings per share (Continued)

	Six months ended 30 June	
	2015 (Unaudited)	2014 (Unaudited) (Restated)
Weighted average number of ordinary shares in issue (thousands)	6,573,846	4,665,230
Adjustments for:		
— share options (thousands)	15,008	32,885
— convertible notes (thousands)	79,415	971,720
Weighted average number of ordinary shares for diluted earnings per share (thousands)	6,668,269	5,669,835
Profit from continuing operations attributable to equity holders of the Company (HK\$'000)	26,260	95,498
Diluted earnings per share from continuing operations attributable to equity holders of the Company (HK cents per share)	0.39	1.68
Loss from discontinued operations attributable to equity holders of the Company (HK\$'000)	(21)	(201)
Diluted loss per share from discontinued operations attributable to equity holders of the Company (HK cents per share)	—	—
Diluted earnings per share attributable to equity holders of the Company (HK cents per share)	0.39	1.68

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

10. DIVIDENDS

The directors do not recommend the payment of any dividend in respect of the six months ended 30 June 2015 (2014: Nil).

11. CAPITAL EXPENDITURES

(i) Property, plant and equipment

Six months ended 30 June 2015

	Golf course (Unaudited) HK\$'000	Buildings (Unaudited) HK\$'000	Machinery and equipment (Unaudited) HK\$'000	Furniture, computer and equipment (Unaudited) HK\$'000	Leasehold improvements (Unaudited) HK\$'000	Motor vehicles (Unaudited) HK\$'000	Construction in progress (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
Opening net book amount at 1 January 2015	–	745	33	1,992	546	1,614	4,583	9,513
Additions	–	–	–	134	8,142	–	692	8,968
Depreciation	–	(13)	(5)	(416)	(521)	(186)	–	(1,141)
Exchange difference	–	4	–	14	5	11	(1)	33
Closing net book amount at 30 June 2015	–	736	28	1,724	8,172	1,439	5,274	17,373

Six months ended 30 June 2014

	Golf course (Unaudited) HK\$'000	Buildings (Unaudited) HK\$'000	Machinery and equipment (Unaudited) HK\$'000	Furniture, computer and equipment (Unaudited) HK\$'000	Leasehold improvements (Unaudited) HK\$'000	Motor vehicles (Unaudited) HK\$'000	Construction in progress (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
Opening net book amount at 1 January 2014	92,831	182,104	6,048	6,515	20,378	4,757	77,586	390,219
Additions	–	–	110	1,538	563	204	59,460	61,875
Depreciation	(4,401)	(3,868)	(712)	(691)	(865)	(1,266)	–	(11,843)
Transfer	–	–	–	–	–	–	(593)	(593)
Exchange difference	(869)	(1,708)	(54)	(57)	(189)	(37)	(101)	(3,005)
Closing net book amount at 30 June 2014	87,571	176,528	5,392	7,305	19,867	3,638	136,352	436,653

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

11. CAPITAL EXPENDITURES (Continued)

(i) Property, plant and equipment (Continued)

No depreciation expense (2014: HK\$10,299,000) has been charged in cost of sales. Depreciation expense of HK\$1,141,000 (2014: HK\$1,544,000) has been charged in administrative expenses.

During the six months ended 30 June 2015, the Group has capitalized borrowing costs of approximately HK\$1,221,000 (2014: HK\$21,017,000) and operating lease rentals of approximately HK\$5,975,000 (2014: HK\$5,073,000). No amortization of intangible assets (2014: HK\$13,876,000) has been capitalized. Aggregated amount capitalized during the period of approximately HK\$7,196,000 (2014: HK\$39,966,000) was included in assets of disposal group classified as held for sale.

(ii) Intangible assets

Six months ended 30 June 2015

	Non-current assets					Total (Unaudited) HK\$'000
	Goodwill (Unaudited) HK\$'000	Programme and film rights (Unaudited) HK\$'000	Programme and films production in progress (Unaudited) HK\$'000	Cooperating construction and operating agreement (Unaudited) HK\$'000	Software and licences (Unaudited) HK\$'000	
Opening net book amount at 1 January 2015	—	—	—	—	21	21
Additions	—	—	25,357	—	—	25,357
Amortization	—	—	—	—	(3)	(3)
Exchange difference	—	—	4	—	—	4
Closing net book amount at 30 June 2015	—	—	25,361	—	18	25,379
At 30 June 2015						
Cost	—	—	25,361	—	25	25,386
Accumulated amortization and impairment	—	—	—	—	(7)	(7)
Net book amount	—	—	25,361	—	18	25,379

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

11. CAPITAL EXPENDITURES (Continued)

(ii) Intangible assets (Continued)

Six months ended 30 June 2014

	Non-current assets					
	Goodwill (Unaudited) HK\$'000	Programme and film rights (Unaudited) HK\$'000	Programme and films production in progress (Unaudited) HK\$'000	Cooperating construction and operating agreement (Unaudited) HK\$'000	Software and licences (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
Opening net book amount at 1 January 2014	321,993	—	13,990	1,309,209	71	1,645,263
Additions	—	—	—	—	24	24
Transfer	—	—	(13,990)	—	—	(13,990)
Amortization	—	—	—	(18,088)	(23)	(18,111)
Exchange difference	(3,051)	—	—	(12,318)	—	(15,369)
Closing net book amount at 30 June 2014	318,942	—	—	1,278,803	72	1,597,817
At 30 June 2014						
Cost	318,942	117,723	—	1,349,291	152	1,786,108
Accumulated amortization and impairment	—	(117,723)	—	(70,488)	(80)	(188,291)
Net book amount	318,942	—	—	1,278,803	72	1,597,817

No amortization (2014: HK\$4,212,000) has been charged in cost of sales. Amortization of HK\$3,000 (2014: HK\$23,000) has been charged in administrative expenses. No amortization (2014: HK\$13,876,000) has been capitalized in construction in progress.

Cooperation Construction and Operating Agreements represents the rights (i) to construct and operate the club facilities of “Bayhood No. 9 Club” up to 31 December 2051 acquired through a business combination; and (ii) to develop and operate a piece of 580-acre land adjacent to “Bayhood No. 9 Club” up to 30 January 2062 acquired through a business combination.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

12. INTERESTS IN JOINT VENTURES AND AMOUNTS DUE FROM JOINT VENTURES AND SUBSIDIARIES OF A JOINT VENTURE

(a) Interests in joint ventures

	Joint ventures for media business	
	2015	2014
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
At 1 January	62,823	70,910
Share of results	(12,464)	(9,554)
Provision for impairment loss (Note 7)	(47,000)	—
Dividends declared	—	(8,346)
Exchange differences	23	(727)
At 30 June	3,382	52,283

Set out below are the joint ventures of the Group as at 30 June 2015, which, in the opinion of the directors, are material to the Group. All these joint ventures are private companies and there is no quoted market price available for their shares. There are no contingent liabilities relating to the Group's interests in these joint ventures, and there are no contingent liabilities and commitments of these joint ventures themselves.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

12. INTERESTS IN JOINT VENTURES AND AMOUNTS DUE FROM JOINT VENTURES AND SUBSIDIARIES OF A JOINT VENTURE *(Continued)*

(a) Interests in joint ventures *(Continued)*

Name	Place of establishment and kind of legal entity	Registered capital	Percentage of equity interests attributable to the Group		Principal activities and place of operation
			2015	2014	
Joint ventures for media business					
Hainan Hailu Advertising Limited Liability Company ("HNHL") (2) (3)	The PRC, limited liability company	RMB1,000,000	50%	50%	Advertising agency, design and production in the PRC
Asia Union Film and Media ("AUFM")(1) (3)	The PRC, limited liability company	RMB120,000,000	50%	50%	Investment in television drama, film production and advertising production in the PRC

- (1) Pursuant to the shareholders' agreements, the Group and Poly Culture and Arts Co., Ltd. ("PCACL"), the joint venture partner, agreed that the Group maintains the joint control over AUFM but the profit sharing ratio of the Group in AUFM is 75%.
- (2) On 29 July 2015, the Group disposed its 50% equity interests in HNHL to another joint venture partner of HNHL.
- (3) The names of the companies referred to above represent management's best effort in translating the Chinese names of the companies as no English names for these companies have been registered.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

12. INTERESTS IN JOINT VENTURES AND AMOUNTS DUE FROM JOINT VENTURES AND SUBSIDIARIES OF A JOINT VENTURE *(Continued)*

(b) Amounts due from joint ventures and subsidiaries of a joint venture

As at 30 June 2015 and 31 December 2014, amounts due from joint ventures and subsidiaries of a joint venture are unsecured and interest-free.

As at 30 June 2015, amount due from a subsidiary of a joint venture was provided for impairment of approximately HK\$9,445,000 (2014: Nil). Other amounts due from joint ventures and subsidiaries of a joint venture are past due but not impaired and are expected to be settled within 12 months from the period end date.

13. TRADE PAYABLES

At 30 June 2015, the aging analysis of the trade payables based on invoice date were as follows:

	30 June 2015 (Unaudited) HK\$'000	31 December 2014 (Audited) HK\$'000
0–3 months	—	760
4–6 months	—	390
Over 6 months	—	510
	—	1,660
Reclassification to liabilities of disposal group classified as held for sale (Note 16)	—	(1,641)
	—	19

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

14. BORROWINGS

	30 June 2015 (Unaudited) HK\$'000	31 December 2014 (Audited) HK\$'000
Current		
Convertible notes	18,000	19,068

(a) Convertible notes

The Company issued three-year term zero-coupon convertible notes with principal amount of RMB569 million (equivalent to approximately HK\$700 million at the time of issuance) in October 2012. The convertible notes mature three years from the issue date at their nominal value of RMB569 million or can be converted into a maximum of 3,500,000,000 ordinary shares of the Company at the holder's option at any time during the period between the issue date and the maturity date at the conversion price of HK\$0.20 each, subject to certain conditions. The values of the liability component and the equity conversion component were determined at issuance of the convertible notes.

The fair values of the convertible notes are determined using option pricing method based on the key assumptions, including volatility of daily stock price return of 63.4% and risk free rate of 0.56%.

During the period, convertible notes with principal amount equivalent to HK\$2,400,000 (2014: HK\$26,000,000) have been converted into 12,000,000 (2014: 130,000,000) ordinary shares of the Company at the conversion price of HK\$0.20 per share.

The convertible notes recognized in the condensed consolidated interim balance sheet is calculated as follows:

	Six months ended 30 June 2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
Liability component at 1 January	19,068	334,588
Less: Conversion of convertible notes	(2,289)	(20,872)
Interest expense (Note 6)	1,221	20,757
Liability component at 30 June	18,000	334,473

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

14. BORROWINGS (Continued)

(a) Convertible notes (Continued)

The liability component of the convertible notes at 30 June 2015 amounted to approximately HK\$18,000,000 (31 December 2014: approximately HK\$19,068,000), which is calculated using cash flows discounted at a rate based on the borrowings rate of 13.7%.

(b) Promissory notes

The Group issued a 5% fixed interest promissory note with principal amount of HK\$150 million in October 2012. The repayment date of the promissory note is the date falling on last day of the 24th month from the date of issuance (the "Repayment Date"), and the Group could, at its discretion, repay the promissory notes in whole or in part prior to the Repayment Date. The promissory notes bear interest from the date of the issuance at the best lending rate of the Hongkong and Shanghai Banking Corporation Limited on the outstanding amount of the promissory notes and is repayable in arrears on the Repayment Date.

	Six months ended 30 June	
	2015	2014
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
At 1 January	—	6,099
Interest expense (Note 6)	—	260
Repayments	—	(6,359)
Fair value of promissory notes at 30 June	—	—

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

15. SHARE CAPITAL

	Ordinary shares of HK\$0.2 each		Preference shares of HK\$0.01 each		Total HK\$'000
	No. of shares '000	HK\$'000	No. of shares '000	HK\$'000	
Authorized:					
At 30 June 2015 (Unaudited)					
(Note (a))	15,000,000	3,000,000	240,760	2,408	3,002,408
At 31 December 2014 (Audited)					
(Note (a))	15,000,000	3,000,000	240,760	2,408	3,002,408
At 1 January 2015	6,559,904	1,311,981	—	—	1,311,981
Issuance of shares upon conversion of convertible notes (Note 14(a))	12,000	2,400	—	—	2,400
Issuance of shares upon exercise of share options	58,000	11,600	—	—	11,600
At 30 June 2015 (Unaudited)	6,629,904	1,325,981	—	—	1,325,981
At 1 January 2014	4,281,190	856,238	—	—	856,238
Issuance of shares upon placement (Note (b))	285,714	57,143	—	—	57,143
Issuance of shares upon conversion of convertible notes (Note 14(a))	130,000	26,000	—	—	26,000
Issuance of shares upon exercise of share options	500	100	—	—	100
At 30 June 2014 (Unaudited)	4,697,404	939,481	—	—	939,481

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

15. SHARE CAPITAL *(Continued)*

Notes:

(a) Authorized share capital

The total number of authorised shares includes ordinary shares and preference shares. 15,000,000,000 shares (2014: 15,000,000,000 shares) are ordinary shares with par value of HK\$0.2 per share (2014: HK\$0.2). 240,760,000 shares (2014: 240,760,000 shares) are preference shares with par value of HK\$0.01 per share (2014: HK\$0.01).

(b) Placing of new shares

On 16 December 2013, the Company and its placing agent have entered into a placing agreement, pursuant to which, the placing agent has agreed to place, on a best endeavours basis, up to 522,814,285 new ordinary shares of the Company at a placing price of HK\$0.35 per share. China Life Trustees Limited, a wholly-owned subsidiary of China Life (Overseas) which in turn is a wholly-owned subsidiary of China Life Insurance (Group) Company, is one of the placees to subscribe for 285,714,285 shares at the placing price of HK\$0.35. As at 31 December 2013, placing of 237,100,000 shares was completed. The placing of the remaining 285,714,285 shares was completed on 15 January 2014.

Share Option

Pursuant to a resolution passed on the extraordinary general meeting of the Company dated 4 June 2012, the share option scheme adopted by the Company on 30 July 2002 ("Terminated Option Scheme") has been terminated and the Company has adopted a new 10-year term share option scheme ("New Option Scheme") on the same date. Outstanding share options granted under the Terminated Option Scheme shall continue to be valid and exercisable. Pursuant to the New Option Scheme, the Company can grant options to Qualified Persons (as defined in the New Option Scheme) for a consideration of HK\$1.00 for each grant payable by the Qualified Persons to the Company. The total number of the shares issued and to be issued upon exercise of options granted to each Qualified Person (including exercised, cancelled and outstanding options) in any 12-month period shall not exceed 1% of the shares then in issue. Pursuant to a resolution passed on 16 May 2014, the Company can further grant up to 469,740,401 share options to the Qualified Persons.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

15. SHARE CAPITAL (Continued)

Share Option (Continued)

Subscription price in relation to each option pursuant to the New Option Scheme shall not be less than the higher of (i) the closing price of the shares as stated in Stock Exchange's daily quotation sheets on the date on which the option is offered to a Qualified Person; or (ii) the average of the closing prices of the shares as stated in the Stock Exchange's daily quotation sheets for the 5 trading days immediately preceding the date of offer; or (iii) the nominal value of the shares of the Company. There shall be no minimum holding period for the vesting or exercise of the options and the options are exercisable within the option period as determined by the Board of Directors of the Company. For the six months ended 30 June 2015, no share option (2014: Nil) have been granted under the New Option Scheme and no share-based payment expense (2014: Nil) has been charged to the condensed consolidated interim income statement.

Movement of share options during the period is as follows:

(Unaudited)								
Tranche	Date of share options granted	Number of share options				Exercise Price HK\$	Vesting date	Expiry date
		Outstanding as at	Exercised during	Outstanding as at	Exercisable as at			
		1 January 2015	the period	30 June 2015	30 June 2015			
1.	5 May 2008	1,042,459	—	1,042,459	1,042,459	2.58	1 April 2009	31 December 2015
2.	4 November 2008	26,582,706	—	26,582,706	26,582,706	0.86	From 8 March 2009 to 8 March 2011	31 December 2015
3.	15 June 2012	64,000,000	(58,000,000)	6,000,000	6,000,000	0.20	15 June 2012	14 June 2017
		91,625,165	(58,000,000)	33,625,165	33,625,165			

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

15. SHARE CAPITAL (Continued)

Share Option (Continued)

Movement of share options during the period is as follows (Continued):

(Unaudited)								
Tranche	Date of share options granted	Number of share options				Exercise Price HK\$	Vesting date	Expiry date
		Outstanding as at	Exercised during	Outstanding as at	Exercisable as at			
		1 January 2014	the period	30 June 2014	30 June 2014			
1.	5 May 2008	1,042,459	—	1,042,459	1,042,459	2.58	1 April 2009	31 December 2015
2.	4 November 2008	26,582,706	—	26,582,706	26,582,706	0.86	From 8 March 2009 to 8 March 2011	31 December 2015
3.	15 June 2012	67,000,000	(500,000)	66,500,000	66,500,000	0.20	15 June 2012	14 June 2017
		94,625,165	(500,000)	94,125,165	94,125,165			

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

16. DISPOSAL GROUP HELD FOR SALE AND DISCONTINUED OPERATIONS

For the six months ended 30 June 2015

On 11 December 2014, Unique Talent Group Limited (the “Vendor”), a wholly-owned subsidiary of the Company, the Company (as a guarantor) and an independent third party (the “Purchaser”) entered into a sales and purchase agreement (the “S&P Agreement”) (as amended and supplemented by a supplemental agreement dated 30 March 2015 entered into by parties to the S&P Agreement) pursuant to which (i) the Vendor conditionally agreed to sell, and the Purchaser conditionally agreed to purchase, the entire shareholding interest in Smart Title Limited (the “Target Company”), a wholly-owned subsidiary of the Vendor; and (ii) the Group agreed to assign to the Purchaser the benefit and interest in a loan due from the Target Company to the Vendor of approximately HK\$1,076 million (the “Shareholder’s Loan”) upon completion of the transactions in accordance with the terms and conditions of the S&P Agreement (the “Completion”) free from encumbrances. The total consideration payable for the sale and purchase of the entire shareholding interest in the Target Company and the assignment of the Shareholder’s Loan is agreed at HK\$1,650 million in aggregate (the “Consideration”). The Consideration shall be settled as to (i) HK\$60 million of the Consideration which has been paid in cash by the Purchaser upon signing of the S&P Agreement as the refundable deposit and will be applied as partial payment of the Consideration upon Completion; (ii) on Completion, HK\$540 million of the Consideration which shall be paid in cash by the Purchaser; and (iii) on Completion, the Purchaser shall in accordance with the instructions of the Vendor issue to the Company the share entitlement note (“SEN”), which shall entitle the SEN holder the right to call for the issue of 1,500,000,000 new ordinary shares of HK\$0.01 each of the Purchaser at an issue price of HK\$0.70 per share.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

16. DISPOSAL GROUP HELD FOR SALE AND DISCONTINUED OPERATIONS (Continued)

For the six months ended 30 June 2015 (Continued)

The Group and the Purchaser will also enter into a club lease agreement (the “Club Lease Agreement”) pursuant to which the assets relevant to the operations of “Beijing Bayhood No. 9 Club” (the Purchaser will be entitled to the right to operate “Beijing Bayhood No. 9 Club” through its ownership in the Target Company upon Completion) will be leased to the Group for a term of twenty years (can be further extended to 31 December 2051 upon request by the Group) after Completion, and the Group will continue to operate the businesses of “Beijing Bayhood No. 9 Club” during the period. There are four rental periods during the term of 20 years of five years each. In addition, the Group has an option to early terminate the Club Lease Agreement by giving notice to the lessor at least six months prior to the expiry of each rental period.

The Target Company and its subsidiaries (the “Target Group”) is principally engaged in the provision of offline healthcare and wellness services through the management of “Beijing Bayhood No. 9 Club”, a membership-based luxury club which comprises of business hotel facilities, an 18-hole golf course, driving range facilities, theme restaurants and cafes, spa facilities, retail shops, and the first PGA branded and managed golf academy in Asia. “Beijing Bayhood No. 9 Club” is located near the city centre of Beijing, PRC. The major assets owned by the Target Group are i) the rights to construct and operate the club facilities of “Beijing Bayhood No. 9 Club” up to 31 December 2051; and ii) the rights to develop and operate a piece of 580 Chinese acre land adjacent to “Beijing Bayhood No. 9 Club” (the “Subject Land”) up to 30 January 2062. Construction of “Beijing Healthcare and Wellness Si He Yuan and Hotel” project with an approved total gross floor area of 80,000 square meters on the Subject Land is in progress.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

16. DISPOSAL GROUP HELD FOR SALE AND DISCONTINUED OPERATIONS (Continued)

For the six months ended 30 June 2015 (Continued)

The abovementioned transactions have not yet been completed as at the date of this interim report.

Assets of disposal group classified as held for sale:

	30 June 2015 (Unaudited) HK\$'000	31 December 2014 (Audited) HK\$'000
Property, plant and equipment	527,611	500,580
Intangible assets	1,590,114	1,589,601
Deferred tax assets	3,354	2,680
Inventories	8,570	9,599
Prepayments, deposits and other receivables	90,140	64,288
Cash and cash equivalents	48,541	80,989
	2,268,330	2,247,737

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

16. DISPOSAL GROUP HELD FOR SALE AND DISCONTINUED OPERATIONS (Continued)

For the six months ended 30 June 2015 (Continued)

Liabilities of disposal group classified as held for sale:

	30 June 2015 (Unaudited) HK\$'000	31 December 2014 (Audited) HK\$'000
Trade payables	2,637	1,641
Receipt in advance, other payables and accrued liabilities	136,602	130,634
Deferred tax liabilities	342,139	338,848
Deferred revenue	92,940	94,084
Current income tax liabilities	75,080	75,786
	649,398	640,993

As the operation of offline healthcare and wellness services — Beijing Healthcare and Wellness Si He Yuan and Hotel Project is considered as a separate major line of business, they are accounted for as discontinued operations. The comparative financial information for the six months ended 30 June 2014 has been reclassified to conform with current period presentation in accordance with HKFRS 5 “Non-Current Assets Held for Sale and Discontinued Operations”. The disposal was not yet completed as at 30 June 2015, but is expected to be completed within 12 months from the period end date.

Had any of the circumstances about classification as disposal group held for sale not satisfied for the period, the depreciation of property, plant and equipment and amortization of intangible assets changed to the condensed consolidated interim income statement would have been increased by approximately HK\$11,181,000 and HK\$4,219,000 respectively.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

16. DISPOSAL GROUP HELD FOR SALE AND DISCONTINUED OPERATIONS (Continued)

For the six months ended 30 June 2015 (Continued)

Analysis of the results of discontinued operations in relation to offline healthcare and wellness services — Beijing Healthcare and Wellness Si He Yuan and Hotel project is as follows:

	Six months ended 30 June	
	2015	2014
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Other income and other gains, net	69	111
Administrative expenses	(97)	(336)
Loss before income tax of discontinued operations	(28)	(225)
Income tax credit	7	24
Loss for the period from discontinued operations attributable to the equity holders of the Company	(21)	(201)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

16. DISPOSAL GROUP HELD FOR SALE AND DISCONTINUED OPERATIONS (Continued)

For the six months ended 30 June 2015 (Continued)

Analysis of the cash flows of discontinued operations in relation to offline healthcare and wellness services — Beijing Healthcare and Wellness Si He Yuan and Hotel project is as follows:

	Six months ended 30 June	
	2015	2014
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Operating cash flows	(5,896)	(6,738)
Investing cash flows	(19,176)	(16,850)
Financing cash flows	—	—
Total cash flows	(25,072)	(23,588)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

17. COMMITMENTS

(a) Capital commitment

Capital expenditure contracted for at the end of the reporting period but not yet incurred is as follows:

	30 June 2015 (Unaudited) HK\$'000	31 December 2014 (Audited) HK\$'000
Property, plant and equipment	109,280	94,982

(b) Operating lease commitment

(i) Lessor

The Group sub-leases certain commercial premises under non-cancellable operating lease agreements. Total commitments receivable under these operating lease agreements in respect of rented premises are analysed as follows:

	30 June 2015 (Unaudited) HK\$'000	31 December 2014 (Audited) HK\$'000
Not later than one year	26,009	—
Later than one year and not later than five years	129,436	—
Later than five years	138,773	—
	294,218	—

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

17. COMMITMENTS *(Continued)*

(b) Operating lease commitment *(Continued)*

(ii) Lessee

At 30 June 2015, the Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	Land and buildings	
	30 June	31 December
	2015	2014
	(Unaudited)	(Audited)
	HK\$'000	HK\$'000
Not later than one year	35,986	36,259
Later than one year and not later than five years	139,455	140,006
Later than five years	863,220	881,508
	1,038,661	1,057,773

The above future aggregate minimum lease payments under non-cancellable operating leases have included committed operating lease rental arising from the Cooperation Construction Operating Agreements, being the rights (i) to construct and operate the club facilities of "Bayhood No. 9 Club" up to 31 December 2051; and (ii) to develop and operate a piece of 580-acre land adjacent to "Bayhood No. 9 Club" up to 30 January 2062.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

18. SUBSEQUENT EVENTS

Capital reorganisation

The Capital reorganisation comprising the following has been completed and effective since 25 August 2015:

- (i) the par value of each issued existing share was reduced from HK\$0.20 to HK\$0.02 and the issued ordinary share capital of the Company was cancelled to the extent of HK\$0.18 of each share in issue, and the entire amount of the authorised but unissued ordinary share capital of the Company will be cancelled (“**Capital Reduction**”);
- (ii) the application of the credit arising from the Capital Reduction to set off the accumulated losses of the Company as at the effective date of the Capital Reduction with the balance to be transferred to the distributable reserve account of the Company to be applied in such manner as the Directors consider appropriate and in accordance with the articles of association of the Company, the order of the Court sanctioning the Capital Reduction and all applicable laws and rules; and
- (iii) an increase in the authorised ordinary share capital of the Company following the Capital Reduction to HK\$3,000,000,000 by the creation of the appropriate number of additional unissued new shares.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. YUEN Hoi Po (*Chairman*)

Mr. ZHANG Changsheng (*Vice Chairman*)

Non-executive Directors

Mr. Hugo SHONG

Mr. Edward TIAN Suning

Independent Non-executive Directors

Prof. WEI Xin

Dr. WONG Yau Kar, David, *BBS, JP*

Mr. YUEN Kin

Mr. CHU Yuguo

COMPANY SECRETARY

Mr. HAU Wai Man, Raymond

QUALIFIED ACCOUNTANT

Mr. HAU Wai Man, Raymond

INDEPENDENT AUDITOR

PricewaterhouseCoopers

Certified Public Accountants

PRINCIPAL BANKERS

China Minsheng Bank

Hang Seng Bank

SOLICITORS

Baker & McKenzie

Guantao Law Firm

P. C. Woo & Co.

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