



China Wah Yan Healthcare Limited
中國華仁醫療有限公司

Stock Code: 648



Interim Report **2015**



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CORPORATE INFORMATION

BOARD OF DIRECTORS

EXECUTIVE DIRECTORS:

CHAN Ka Chung (*Chairman*)
CHEUNG Wai Kwan
WANG Jianguo

INDEPENDENT NON-EXECUTIVE DIRECTORS:

CHAN Yee Ping, Michael
HU Xuezheng
LAM Chun Ho
WU Yan

AUDIT COMMITTEE

CHAN Yee Ping, Michael (*Chairman*)
HU Xuezheng
LAM Chun Ho
WU Yan

REMUNERATION COMMITTEE

CHAN Yee Ping, Michael (*Chairman*)
CHAN Ka Chung
HU Xuezheng
LAM Chun Ho

NOMINATION COMMITTEE

CHAN Yee Ping, Michael (*Chairman*)
CHAN Ka Chung
HU Xuezheng
LAM Chun Ho

CORPORATE GOVERNANCE COMMITTEE

CHAN Yee Ping, Michael (*Chairman*)
CHAN Ka Chung
CHEUNG Wai Kwan
HU Xuezheng
LAM Chun Ho
WANG Jianguo
WU Yan

COMPANY SECRETARY

LAM Sung Him, Gaston

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
Hang Seng Bank Limited
Wuhu Yangzi Rural Commercial Bank
Company Limited

AUDITORS

HLB Hodgson Impey Cheng Limited
Certified Public Accountants

SHARE REGISTRARS

Tricor Tengis Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

REGISTERED OFFICE

36th Floor, Times Tower
391-407 Jaffe Road
Wanchai
Hong Kong

WEBSITE

www.chinawahyan.com

STOCK CODE

648



MANAGEMENT DISCUSSION AND ANALYSIS

ACKNOWLEDGEMENT

I, on behalf of the board (the “**Board**”) of directors (the “**Directors**”) of China Wah Yan Healthcare Limited (the “**Company**”, together with its subsidiaries, the “**Group**”), would like to thank our shareholders for your support and loyalty and express my gratitude to our management, staff, partners and customers for your continuous contribution to the Group. We will continue to devote our effort and resources to achieve our goal of becoming an integrated healthcare and well-being services provider with an established health management platform offering services from fitness/sports, medical treatment, physiotherapy, health preservation to healthy life style with a view to enhancing our shareholders’ return and bringing value to our partners and customers.

FINANCIAL REVIEW

OVERVIEW

The Group is principally engaged in the (i) healthcare and well-being business, including the operation of a chain of sports and healthcare clubhouses under the brand name of “Megafit” (the “**Sports and Healthcare Business**”) in the People’s Republic of China (the “**PRC**”), a chain of medical centres (the “**Tumours Medical Business**”) specialising in the diagnosis and treatment of tumours in the PRC and a chain of optical products and eye-care services retail shops (the “**Eye-care Business**”) under the brand name of “Hong Kong Optical” in Hong Kong, as well as (ii) asset management business (including investment in financial/fixed/distressed assets and loan financing). The Group is also the single largest shareholder of Rui Kang Pharmaceutical Group Investments Limited (“**Rui Kang**”), a company listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) and engaged in the manufacture, research and development, and distribution of consumer cosmetic, health related and pharmaceutical products in the PRC and Hong Kong.

TURNOVER

During the six months ended 30 June 2015, the Group’s income was derived from (i) the Sports and Healthcare Business (comprising mainly club membership fees of the sports and healthcare clubhouses and the fees for the services provided in the clubhouses (e.g. physical coaching services)); (ii) the Tumours Medical Business (comprising mainly leasing of medical equipment and consultancy service fees); and (iii) the Eye-care Business (comprising mainly sale of optical products and provision of eye-care services).

For the six months ended 30 June 2015, the Group’s turnover increased by 13.3% from the same period in previous year to HK\$57.9 million (six months ended 30 June 2014: HK\$51.1 million), comprising (i) HK\$23.9 million from the Sports and Healthcare Business; (ii) HK\$20.0 million from the Tumours Medical Business; and (iii) HK\$14.0 million from the Eye-care Business. As mentioned in the Company’s annual report for the year ended 31 December 2014, the operation of the Group’s certain medical centres had been ceased during 2014 as a result of the Group’s disposal of its interest in certain radiosurgery equipment in 2014 and receipt of termination notices in 2013. As such, the turnover of the Tumours Medical Business



(leasing of medical equipment and provision of consultancy services) was substantially decreased by more than 60% from HK\$51.1 million for the six months ended 30 June 2014 to HK\$20.0 million for the six months ended 30 June 2015.

Nevertheless, the impact of decrease in turnover from the Tumours Medical Business was largely offset by the turnover of the Sports and Healthcare Business and the Eye-care Business following completion of acquisitions of such businesses in April 2015 and November 2014 respectively. Given the ever tightening regulatory environment for the Tumours Medical Business in the PRC, the Tumours Medical Business is expected to continue to be of much less significance in the Group's business composition going forward.

GROSS PROFIT

For the six months ended 30 June 2015, the Group recorded gross profit of HK\$25.0 million (six months ended 30 June 2014: HK\$40.2 million) and a gross profit margin of 43.2% (six months ended 30 June 2014: 78.6%). The decrease in the gross profit was mainly attributable to the significant decrease in turnover of the Tumours Medical Business and the decrease in the gross profit margin was resulted from the increase in revenue from the Sports and Healthcare Business and the Eye-care Business which have lower gross profit margins than that of the Tumours Medical Business. It is expected that the gross profit margin of the Group will tend to stabilize over time after the change in the business composition of the Group's healthcare and well-being business segment becomes steady.

IMPAIRMENT LOSS ON TRADE RECEIVABLES

As described in the announcement of the Company dated 22 July 2015 (the "**Profit Warning Announcement**"), the Company has received a notice from the business partner of one of the Group's major medical centres (the "**First Subject Medical Centre**") which stated that payment for settlement of the Group's trade receivables of the First Subject Medical Centre by the relevant hospital partner would be halted until the non-compliance matters (as detailed below) relating to the business operation of the First Subject Medical Centre are rectified. The said notice also warned that if such non-compliance matters remain unresolved, operation of the First Subject Medical Centre might be forced to terminate. In addition, the business partner of another medical centre (the "**Second Subject Medical Centre**") has also advised that the non-compliance matters of the Second Subject Medical Centre must be rectified without further delay. The Company is given to understand that the non-compliance matters refer to the involvement of the Group's principal operating subsidiary of the Tumours Medical Business, Anping Medical Treatment Technology (Wuhu) Co., Ltd ("**Anping Medical**"), a majority foreign controlled enterprise, in the operation of the First Subject Medical Centre and the Second Subject Medical Centre located in the PRC military hospitals (details of which are described in the paragraph headed "Business Review" below). Since these non-compliance matters are related to the business models of the First Subject Medical Centre and the Second Subject Medical Centre and similar arrangements are adopted by the other medical centres of the Group, the Board anticipates that similar or even more radical actions may be imposed by other hospital/business partners of the Group. Given the uncertainty in the settlement of its trade receivables from its medical centres and after assessment on the recoverable amount of the relevant trade receivables, an impairment loss of HK\$17.5 million has been made to the Group's trade receivables as at 30 June 2015.



LOSS FOR THE PERIOD

The Group recorded consolidated net loss of HK\$24.0 million for the six months ended 30 June 2015 (six months ended 30 June 2014: profit of HK\$18.9 million) despite its incremental gain of HK\$32.2 million from its asset management business during the period. The loss was mainly attributable to the decrease in the gross profit, increase in administrative, financing and employee related expenses resulting from expansion of the Group's business portfolio and the granting of the share options under the Company's share option scheme, the aforesaid impairment loss on the trade receivables as well as the commission expenses paid to the placing agents for the fund raising activities carried out by the Group during the period.

During the six months ended 30 June 2015, the Company recorded a loss attributable to the owners of the Company of HK\$14.9 million (six months ended 30 June 2014: a profit of HK\$8.4 million). Basic and diluted loss per share for the six months ended 30 June 2015 were approximately HK1.10 cents (six months ended 30 June 2014: basic earnings per share of HK1.06 cents) and HK1.10 cents (six months ended 30 June 2014: diluted earnings per share of HK0.97 cent), respectively.

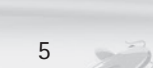
LIQUIDITY AND FINANCIAL RESOURCES

In order to strengthen the Group's capital base, in March and June 2015, the Company entered into two placing agreements with placing agents for the placing of 223,426,687 and 362,853,795 new shares of the Company at the placing prices of HK\$0.19 and HK\$0.335 per share, respectively, and the net proceeds amounted to HK\$41.2 million and HK\$117.9 million, respectively. In addition, in the extraordinary general meeting of the Company held on 20 May 2015, the shareholders of the Company approved the allotment and issue of 473,708,851 conversion shares of the Company under the two tranches of convertible bonds in the aggregate principal amount of HK\$86.7 million at the adjusted conversion price of HK\$0.183 per share of the Company (i.e. full conversion of the convertible bonds). Following the allotment and issue of the conversion shares, the principal of the two tranches of convertible bonds amounted to nil.

As at 30 June 2015, the Group's total assets and net asset value (including non-controlling interest) were increased by 24.7% to HK\$1,127.0 million (31 December 2014: HK\$903.5 million) and 35.2% to HK\$793.7 million (31 December 2014: HK\$587.2 million), respectively. As at 30 June 2015, the Group had cash and bank balances of HK\$79.1 million (31 December 2014: HK\$178.1 million) and a liquidity ratio (calculated based on the Group's current assets to current liabilities) of 1.9 times (31 December 2014: 2.1).

For the six months ended 30 June 2015, the net cash outflow from operating activities and investing activities amounted to HK\$108.1 million (six months ended 30 June 2014: net cash outflow of HK\$44.5 million) and HK\$48.3 million (six months ended 30 June 2014: net cash outflow of HK\$0.6 million), respectively and the net cash inflow from financing activities amounted to HK\$58.0 million (six months ended 30 June 2014: net cash inflow of HK\$18.5 million). As a result, the Group recorded a net cash outflow of HK\$98.4 million for the six months ended 30 June 2015 (six months ended 30 June 2014: net cash outflow of HK\$26.6 million).

As at 30 June 2015, the Group's total borrowings substantially reduced by 36.7% from HK\$253.6 million as at 31 December 2014 to HK\$160.6 million which included borrowings of HK\$129.6 million (31 December 2014: HK\$178.5 million), convertible securities of HK\$2.0 million (31 December 2014: HK\$45.2 million) and bond/note payable of HK\$29.0 million (31 December 2014: HK\$29.9 million). The decrease in borrowings



was resulted from repayments during the period. The borrowings are denominated in Hong Kong dollars and Japanese Yen and will either be repaid by internally generated funds or rolled over upon maturity. The Group's gearing ratio (calculated based on the Group's total borrowings to the equity attributable to the owners of the Company) was also substantially reduced to 23.2% (31 December 2014: 56.0%).

EXPOSURE TO FLUCTUATION IN EXCHANGE RATES

The Group's cash flow from operations is mainly denominated in Renminbi and Hong Kong dollars; whilst its assets are mostly denominated in Renminbi and Hong Kong dollars, and liabilities held are mainly denominated in Japanese Yen and Hong Kong dollars. Therefore, the recent depreciation of Renminbi and appreciation of Japanese Yen have a mixed impact on the Group's costs for repayment of the Japanese Yen dominated debt and interest. The Group will continue to monitor the situation and reduce its debt exposure to Japanese Yen as and when appropriate. In addition, although the Group currently does not have a foreign currency hedging policy, it does and will continue to monitor the foreign exchange exposure closely and will consider hedging if there is significant foreign currency exposure.

CHARGE ON GROUP ASSETS

As at 30 June 2015, investment properties with carrying value of HK\$192.2 million (31 December 2014: HK\$44.9 million) of the Group were pledged to a financial institution to secure borrowings of HK\$58.2 million (31 December 2014: HK\$32.0 million) of the Group.

BUSINESS REVIEW

HEALTHCARE AND WELL-BEING BUSINESS SEGMENT

Sports and Healthcare Business

On 23 April 2015, the Group completed its acquisition of the Sports and Healthcare Business. Based on the audited accounts available to the Company, although the Sports and Healthcare Business had incurred losses in the past years, its gross profit margin had been on a significantly improving trend from 10.7% for the financial year ended 31 March 2012 to 15.7% for the financial year ended 31 March 2013 to 18.1% for the financial year ended 31 March 2014 to 24.3% for the six months ended 30 September 2014 and its loss had been narrowed from HK\$14.1 million for the financial year ended 31 March 2012 to HK\$7.0 million for the financial year ended 31 March 2014. During the period from 23 April 2015 to 30 June 2015, the Sport and Healthcare Business recorded a gross profit margin of 25.3% and a net profit of HK\$1.4 million due to the increase in number of members but only relatively small increment in the cost of operations. As at 30 June 2015, the Group's sports and healthcare clubhouses had more than 31,000 members.

Eye-care Business

The Eye-care Business continued to suffer loss for the six months ended 30 June 2015. In order to turn around the situation, new management has been established together with the management partner to improve operational management and efficiency and strengthen procurement control. Initiatives have also been implemented to improve shop productivity and gross margin including relocating out from expensive locations to more cost-effective ones and focusing sales in progressive and functional lenses. In addition,



in line with the development strategy of the Eye-care Business, resources have been allocated to accelerate the synergy between the Eye-care Business and other businesses of the Group, the management partner and the joint venture partner of the Eye-care Business.

Tumours Medical Business

The Group's income from the Tumours Medical Business is mainly derived from the leasing of medical equipment and provision of consultancy service under its medical centres. The medical centres of the Group are established with its hospital and/or business partners through arrangement such that (i) the Group's hospital partners provide premises of the underlying medical centres; (ii) the Group provides medical equipment to these medical centres through long term leasing arrangement; and (iii) the Group and/or its business partners provide management services to these medical centres.

As reiterated in the Company's annual and interim reports and announcements in 2015 and prior years, the operating environment of the Tumours Medical Business has become more and more difficult and challenging due to the ever tightening regulatory environment. As described in the Profit Warning Announcement, in 2013, the National Health and Family Commission of the PRC launched an exercise (the "**NHFC Reporting and Rectification Exercise**") to strengthen the management of the PRC's hospitals and rectify their non-compliance operations, including the rental/contract out arrangement of medical departments of the PRC hospitals. Under the NHFC Reporting and Rectification exercise, there had been internal exercises conducted by the PRC hospitals to internally review and report their non-compliance operations (including the rental/contracting out arrangements of medical departments) to their supervisory authorities. Given that the Group's leasing of medical equipment and provision of consultancy services are made to its medical centres which are located in the premises of its hospital partners, such business model of the Group is subject to challenge by the relevant supervising authorities as to whether the substance of the aforesaid arrangement with the hospital/business partners constitute "renting/contracting out" of medical departments by the hospitals. As a result, the Group received termination notices in respect of four of its medical centres in 2013.

In April 2015, the Central Committee of the Military Commission of the PRC promulgated to conduct a national-wide audit exercise on military hospitals (the "**CCMC Audit and Rectification Exercise**") to focus on the non-compliance of their operation. Under the CCMC Audit and Rectification Exercise, operations involving provision of for-profit services will be assessed and if such for-profit operations involve entities which are majority foreign owned, they will be forced to cease operation. All of the Group's existing medical centres are located in the PRC military hospitals and the Tumours Medical Business is carried out by Anping Medical, a majority foreign controlled enterprise and an indirect non wholly-owned subsidiary of the Company. In view of the halt of payment for settlement of the Group's trade receivables of the First Subject Medical Centre, it has appeared to the Group that the business model of the Tumours Medical Business is in violation of the relevant requirements pursuant to the CCMC Audit and Rectification Exercise for the reasons that Anping Medical is a majority foreign owned enterprise and, therefore, the Group's hospital partner has taken actions such as holding up payments for the services rendered by the Group pending the Group's rectification of such non-compliance matters (e.g. converting Anping Medical into a majority domestic owned company).



Given the above and in the interest of the Company and its shareholders as a whole, the Group has been taking actions including contemplating to dispose of all of its remaining 45% equity interest in the Tumours Medical Business and/or undergoing a restructuring plan (i.e. converting Anping Medical into a majority domestic owned company) in order to reduce its business risks in association with the Tumours Medical Business (in fact, the Company has, since 2013, been seizing opportunities to progressively reduce its interests in the Tumours Medical Business).

ASSET MANAGEMENT SEGMENT

Investment in financial/fixed/distressed assets

The Group's investment portfolio comprises investment in financial/fixed/distressed assets in Hong Kong. This segment had total assets of HK\$356.2 million as at 30 June 2015 (31 December 2014: HK\$117.7 million) and recorded net gain of HK\$32.2 million during the six months ended 30 June 2015 (six months ended 30 June 2014: nil).

In January 2015, the Company completed the subscription of 257,812,500 new shares of Rui Kang (or 51,562,500 new shares of Rui Kang following its share consolidation in April 2015) and became the single largest shareholder of Rui Kang. In February 2015, Rui Kang entered into a subscription agreement with the Group to subscribe for new shares of a subsidiary of the Group which indirectly holds an equity interest in the Sports and Healthcare Business for a consideration of HK\$4.8 million. It is anticipated that the introduction of Rui Kang as a shareholder in the Sports and Healthcare Business will enable the Group leverage on its expertise and connections in the businesses of healthcare products and consumer cosmetics to complement the services and product offering of the Sports and Healthcare Business. In addition to the aforesaid joint investment in the Sports and Healthcare Business, the Company's strategic investment in Rui Kang is expected to continue to set ground for strategic cooperation between the two parties.

Loan financing

The Group, during the six months ended 30 June 2015, has obtained a money lenders licence granted by the licensing court in Hong Kong pursuant to the Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong). The Group is adopting loan financing policy and procedures with reference to market practice and the Money Lenders Ordinance and expects to commence the loan financing business in the second half of 2015.

RECENT DEVELOPMENT AND PROSPECTS

RECENT DEVELOPMENT

On 10 July 2015, the Company undertook to Rui Kang and its underwriter to fully participate in the rights issue of Rui Kang (on the basis of four rights share of Rui Kang for every one share of Rui Kang in issue at the subscription price of HK\$0.18 per rights share of Rui Kang) for a total consideration of HK\$37 million. The Group will remain as the single largest shareholder of Rui Kang following Rui Kang's rights issue and expects to benefit from Rui Kang's business growth fueled by funding from the rights issue.



On 14 July 2015, the Group entered into an agreement for establishment of a joint venture to develop a chain of healthcare and therapy centres (the “**Chinese Medicine Healthcare and Therapy Business**”) in Hong Kong and the PRC which integrate modern testing technology and traditional Chinese medicine methodology to provide comprehensive treatment to patients including (i) diagnosis, treatment, prevention or alleviation of disease or symptom of disease; (ii) prescription of Chinese herbal medicine; and (iii) regulation of the functional states of human bodies. The joint venture targets to establish a chain of about 200 Chinese medicine therapy centres by 2018 in Hong Kong and major provinces/cities in the PRC (including the Group’s chain of sports and healthcare clubhouses in the PRC under the Sports and Healthcare Business) through both organic growth and mergers and acquisitions.

In August 2015, as part of the re-defined business strategies of the Eye-care Business, the first Hong Kong Optical Optometry Centre was opened with an aim to utilize the “Hong Kong Optical” brand name to broaden the income sources from deepening its eye-care services and applying medical therapy to eye diseases.

PROSPECTS

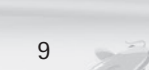
Healthcare and well-being business segment

Following completion of its acquisition of the Sports and Healthcare Business, the Group has been actively formulating development plans and liaising with its potential business partners such as life-style (beauty and spa services), sports and rehabilitation and clinical services providers with a view to upgrading its clubhouses to become full scale healthcare services and recreational centres operation and at the same time, the Group is also re-evaluating the cost structure of the Sports and Healthcare Business to improve its operational efficiency.

The Group expects that the Chinese Medicine Healthcare and Therapy Business will create synergy with (i) the Sports and Healthcare Business through introduction of clinical concepts in sports and exercise by including various specific programs to achieve injury curing and body enhancement objectives (e.g. sport rehabilitation program or recovery from sport injury, strokes and accidents, etc.) and (ii) the Eye-care Business by applying eye illness treatment, especially for short/long/week-sightedness, amblyopia and maculopathy.

Asset management segment

The Group will continue to expand its asset management segment with due care and diligence in exploring investment opportunities in financial/fixed/distressed assets to enhance return to the shareholders of the Company, with a particular focus on healthcare and related listed companies for potential co-operation opportunities and generating investment return. The Group also expects to commence the loan financing business in the second half of 2015. The management of the Group will devote resources to this business and attentively seize any opportunities to facilitate its development.



Looking forward, the Group will continue to (i) invest in the healthcare and well-being and other sectors with synergy to the Group's healthcare management platform; (ii) seize appropriate debt/equity fund raising opportunities to facilitate the Group's development and improve its capital structure; and (iii) enhance the return to its shareholders by continuously investing in financial/fixed/distressed assets and expanding the loan financing business.

FUND RAISING ACTIVITIES

The Company has conducted the following equity fund raising exercise for the six months ended 30 June 2015 and for the year ended 31 December 2014:

Date of announcement/ circular/prospectus	Events	Net proceeds raised	Intended use of proceeds	Actual use of proceeds
2014		<i>(approximately)</i>		
17 April	Issue of Convertible Notes	HK\$10 million	General working capital	Used as intended
16 September	Rights Issue	HK\$96 million	80% of the net proceeds for financing the Group's future investments identified and/or to be identified and the remaining 20% for general working capital purpose	Used as intended
9 October	Issue of Convertible Bonds	HK\$83.7 million	General working capital, reduction of debts and future investment	Used as intended
2015				
29 March	Placing of new shares	HK\$41 million	General working capital, reduction of debts and future investment	(i) HK\$22 million used as intended; and (ii) HK\$19 million reserved for establishment of the joint venture in respect of the Chinese Medicine Healthcare and Therapy Business.
1 June	Placing of new shares	HK\$117 million	General working capital, reduction of debts and future investment	Used as intended

CONTINGENCIES

No provision in respect of contingencies would need to be made in the consolidated financial statements of the Group for the six months ended 30 June 2015.



EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2015, the total number of employees of the Group was 998. The Group remunerates its employees based on their performance, working experience and the prevailing market price. Other employee benefits include retirement benefits, insurance and medical coverage, training programs and share option scheme.

SHARE OPTION SCHEME

At the annual general meeting held on 30 October 2001, the Company adopted a share option scheme (the “**2001 Share Option Scheme**”) under which the Board may, at its discretion, offer to any participant, option to subscribe for ordinary shares in the Company in accordance with the terms and conditions of the 2001 Share Option Scheme. The 2001 Share Option Scheme was expired on 30 October 2011.

On 12 June 2014, at the annual general meeting of the Company, the Company adopted a new share option scheme (the “**2014 Share Option Scheme**”) under which the Board may, offer to eligible participant, options to subscribe for ordinary shares of the Company in accordance with the terms and conditions of the 2014 Share Option Scheme. As at 30 June 2015, the Company had a total of 170,295,954 options.



OPTIONS GRANTED UNDER THE SHARE OPTION SCHEME

2001 SHARE OPTION SCHEME

Details of the movement in share option granted under the 2001 Share Option Scheme during the period and as at 30 June 2015 are as follows:

Grantee	Date of grant	Exercisable period	Adjusted exercise price per share (HK\$)	Number of share options				At 30 June 2015	% of shareholding of the Company (Note 1)
				At 1 January 2015	Granted during the period	Exercised during the period	Lapsed during the period		
<i>Former employees</i>	26-04-2007	26-04-2007 to 25-04-2017	3.42	58,395	—	—	—	58,395	0.003%
	07-03-2008	07-03-2008 to 06-03-2018	2.23	8,136,292	—	—	—	8,136,292	0.37%
				8,194,687	—	—	—	8,194,687	0.373%
<i>Consultants/advisors</i>	10-04-2006	10-04-2006 to 09-04-2016	1.71	5,776,083	—	—	—	5,776,083	0.27%
	26-04-2007	26-04-2007 to 25-04-2017	3.42	2,937,268	—	—	—	2,937,268	0.13%
	06-11-2007	06-11-2007 to 05-11-2017	3.46	5,839,500	—	—	—	5,839,500	0.27%
	07-03-2008	07-03-2008 to 06-03-2018	2.23	7,410,676	—	—	—	7,410,676	0.34%
				21,963,527	—	—	—	21,963,527	1.01%
Total:				30,158,214	—	—	—	30,158,214	1.383%



Notes:

1: 2,177,122,772 shares of the Company in issue as at 30 June 2015 were used for the calculation of the percentage.

2: Vesting details under the 2001 Share Option Scheme are as follows:

(i) Options granted to employees:

Date of grant	Date of vesting	No. of share options vested
26-04-2007	26-04-2007	14,599
	26-04-2008	14,599
	26-04-2009	29,197
07-03-2008	07-03-2009	4,068,146
	07-03-2010	4,068,146

(ii) Options granted to consultants/advisors:

Date of grant	Date of vesting	No. of share options vested
10-04-2006	10-04-2006	4,903,983
	10-04-2007	280,967
	10-04-2008	591,133
26-04-2007	26-04-2007	2,858,435
	26-04-2008	26,278
	26-04-2009	52,555
06-11-2007	01-01-2008	2,919,750
	01-07-2009	2,919,750
07-03-2008	07-03-2010	3,705,338
	07-03-2011	3,705,338

2014 SHARE OPTION SCHEME

Details of the movement in share option granted under the 2014 Share Option Scheme during the period and as at 30 June 2015 were as follows:

Grantee	Date of grant	Exercisable period	Exercise price per share (HK\$)	Number of share options					% of shareholding of the Company (Note 1)
				As at 1 January 2015 (Note 2)	Granted during the period (Note 3)	Exercised during the period	Lapsed during the period	As at 30 June 2015	
Directors	31-10-2014	31-10-2014 to 30-10-2016	0.34	14,899,622	—	—	(6,772,556)	8,127,066	0.37%
	24-06-2015	24-06-2015 to 23-06-2017	0.28	—	19,319,035	—	—	19,319,035	0.89%
Employees	31-10-2014	31-10-2014 to 30-10-2016	0.34	18,624,529	—	—	—	18,624,529	0.86%
	24-06-2015	24-06-2015 to 23-06-2017	0.28	—	60,895,637	—	—	60,895,637	2.80%
Former Director/ Consultants	31-10-2014	31-10-2014 to 30-10-2016	0.34	34,201,411	—	—	(2,370,395)	31,831,016	1.46%
	24-06-2015	24-06-2015 to 23-06-2017	0.28	—	31,498,671	—	—	31,498,671	1.45%
Total:				67,725,562	111,713,343	—	(9,142,951)	170,295,954	7.82%

Notes:

- 2,177,122,772 shares of the Company in issue as at 30 June 2015 were used for the calculation of the percentage.
- Pursuant to an ordinary resolution approved by the shareholders of the Company at the annual general meeting of the Company held on 12 June 2014, the Company was authorised to issue 67,725,562 share options under the 2014 Share Option Scheme. On 31 October 2014, the Company granted a total of 67,725,562 share options.
- Pursuant to an ordinary resolution approved by the shareholders of the Company at the extraordinary general meeting of the Company held on 6 January 2015, the Company was authorised to issue further 111,713,343 share options under the 2014 Share Option Scheme. On 24 June 2015, the Company granted a total of 111,713,343 share options.



4. Vesting details under the 2014 Share Option Scheme are as follows:

(i) Options granted to Directors of the Company:

Date of grant	Date of vesting	No. of share options vested
31 October 2014	31 October 2014	8,127,066
24 June 2015	24 June 2015	19,319,035

(ii) Options granted to employees:

Date of grant	Date of vesting	No. of share options vested
31 October 2014	31 October 2014	18,624,529
24 June 2015	24 June 2015	60,895,637

(iii) Options granted to consultants/advisors:

Date of grant	Date of vesting	No. of share options vested
31 October 2014	31 October 2014	31,831,016
24 June 2015	24 June 2015	31,498,671



INTERESTS OF DIRECTORS AND CHIEF EXECUTIVES OF THE COMPANY IN SHARES AND OPTIONS

As at 30 June 2015, the interests and short positions of the directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporation(s) (within the meaning of Part XV of the Securities and Future Ordinance (the “SFO”)) which (i) were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they were taken or deemed to have under such provisions of the SFO); or (ii) were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (iii) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code (the “Model Code”) for Securities Transactions by Directors of Listed Companies contained in The Rules (the “Listing Rules”) Governing the Listing of Securities on the Stock Exchange, were as follows:

(I) THE COMPANY

Interests in Shares

Name	Capacity	Number of shares of the Company held	Number of underlying shares of the Company held	Total	Approximate % of shareholding of the Company (Note 1)
Executive Directors					
Mr. Chan Ka Chung ("Mr. Chan")	Corporate interest	101,250,000	113,866,396 (Note 2)	215,116,396	9.88%
	Personal	—	11,819,437 (Note 3)		
Mr. Cheung Wai Kwan	Personal	—	9,095,301 (Note 3)	9,095,301	0.42%
Independent Non-executive Directors					
Mr. Chan Yee Ping, Michael	Personal	—	2,177,121 (Note 3)	2,177,121	0.10%
Mr. Lam Chun Ho	Personal	—	2,177,121 (Note 3)	2,177,121	0.10%
Ms. Hu Xuezheng	Personal	—	2,177,121 (Note 3)	2,177,121	0.10%
	Total	101,250,000	141,312,497	242,562,497	11.14%

Notes:

- The total of 2,177,122,772 shares of the Company in issue as at 30 June 2015 was used for the calculation of the approximate percentage.
- It represented Mr. Chan's interests in the underlying Shares in respect of the Shares that can be allotted and issue upon exercise of the subscription rights attached to the unlisted warrants issued by the Company as at 30 June 2015 whereby Mr. Chan is the subscriber.



3. Details of the share option granted by the Company (details as described below) to the Directors are as follows:

Grantee	Date of grant	Exercisable period	Exercise price per share (HK\$)	Number of share options					
				At 1 January 2015	Granted during the period	Exercised during the period	Lapsed during the period	As at 30 June 2015	
Executive Director									
Mr. Chan	24-06-2015	24-06-2015 to 23-06-2017	0.28	–	11,819,437	–	–	11,819,437	
Mr. Cheung Wai Kwan	31-10-2014	31-10-2014 to 30-10-2016	0.34	6,095,301	–	–	–	6,095,301	
	24-06-2015	24-06-2015 to 23-06-2017	0.28	–	3,000,000	–	–	3,000,000	
Independent Non-executive Directors									
Mr. Chan Yee Ping, Michael	31-10-2014	31-10-2014 to 30-10-2016	0.34	677,255	–	–	–	677,255	
	24-06-2015	24-06-2015 to 23-06-2017	0.28	–	1,499,866	–	–	1,499,866	
Mr. Lam Chun Ho	31-10-2014	31-10-2014 to 30-10-2016	0.34	677,255	–	–	–	677,255	
	24-06-2015	24-06-2015 to 23-06-2017	0.28	–	1,499,866	–	–	1,499,866	
Ms. Hu Xuezheng	31-10-2014	31-10-2014 to 30-10-2016	0.34	677,255	–	–	–	677,255	
	24-06-2015	24-06-2015 to 23-06-2017	0.28	–	1,499,866	–	–	1,499,866	
				Total:	8,127,066	19,319,035	–	–	27,446,101

Save as disclosed above, as at 30 June 2015, no other Directors had or were deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2015, other than Mr. Chan's interests in the shares or underlying shares of the Company as disclosed in the paragraph "Interests of Directors and Chief Executives of the Company in Shares and Options" above, Directors are not aware of any other interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept under section 336 of the SFO, or who is, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group as at 30 June 2015.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the six months ended 30 June 2015, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any shares of the Company.

UPDATE ON DIRECTORS' INFORMATION UNDER RULE 13.51(B) OF THE LISTING RULES

MR. CHAN YEE PING, MICHAEL

(Independent Non-executive Director)

During the six months ended 30 June 2015, Mr. Chan Yee Ping, Michael has been appointed as the company secretary of Birmingham International Holdings Limited (stock code: 2309), a company listed on the Main Board of the Stock Exchange.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company is committed to achieving and maintaining a high standard of corporate governance. During the six months ended 30 June 2015, the Company has complied with all the code provisions of the Code on Corporate Governance Practices (the "CG Code") as set out in Appendix 14 to the Listing Rules except for the following deviation:

Code provision A.4.1

Under code provision A.4.1 of the CG Code, non-executive directors should be appointed for a specific term and subject to re-election.

None of the existing non-executive Directors are appointed for a specific term. This constitutes a deviation from the code provision. However, all the non-executive Directors are subject to retirement by rotation at the annual general meetings pursuant to the articles of association of the Company. As such, the Board considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than those in the CG Code.

AUDIT COMMITTEE

The audit committee of the Company has reviewed with management the accounting principles and practices adopted by the Group and discussed the auditing, internal controls and financial reporting matters including review of the unaudited condensed consolidated interim financial statements of the Group for the six months ended 30 June 2015.



MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by the Directors.

Having made enquiry of all Directors, each of them has confirmed that he/she has complied with the required standard as set out in the Model Code for the six months ended 30 June 2015.

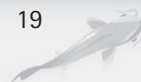
By Order of the Board

China Wah Yan Healthcare Limited

CHAN KA CHUNG

Chairman

Hong Kong, 31 August 2015



FINANCIAL RESULTS

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	Six months ended 30 June	
		2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)
Turnover	3	57,922	51,121
Cost of services and goods sold		(32,899)	(10,921)
Gross profit		25,023	40,200
Other gains and losses		1,315	2,567
Distribution costs		(4,179)	—
Administrative expenses		(48,992)	(19,945)
Net gain arising from change in fair value of financial assets at fair value through profit or loss		23,682	—
Gain arising from change in fair value of investment properties		1,692	—
Impairment loss on trade receivables		(17,528)	—
Share of results of associates		—	(540)
Share of results of a joint venture		6,983	—
Finance costs		(8,624)	(3,101)
(Loss)/profit before taxation		(20,628)	19,181
Income tax	4	(3,334)	(276)
(Loss)/profit for the period	5	(23,962)	18,905



CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME (CONTINUED)

		Six months ended 30 June	
		2015	2014
		HK\$'000	HK\$'000
Notes		(Unaudited)	(Unaudited)
	(Loss)/profit for the period	(23,962)	18,905
	Other comprehensive income/(loss) for the period		
	Items that may be reclassified subsequently to profit or loss:		
	Exchange differences on translating foreign operations	3,961	(5,727)
	Loss on revaluation of available-for-sale financial assets	(11,859)	—
	Other comprehensive loss for the period, net of tax	(7,898)	(5,727)
	Total comprehensive (loss)/income for the period	(31,860)	13,178
	(Loss)/profit for the period attributable to:		
	Owners of the Company	(14,872)	8,370
	Non-controlling interests	(9,090)	10,535
		(23,962)	18,905
	Total comprehensive (loss)/income for the period attributable to:		
	Owners of the Company	(23,528)	3,383
	Non-controlling interests	(8,332)	9,795
		(31,860)	13,178
	(Loss)/earnings per share attributable to owners of the Company (HK cents) (Restated)		
	— Basic	(1.10)	1.06
	— Diluted	(1.10)	0.97

The accompanying notes form an integral part of these condensed consolidated interim financial statements.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<i>Notes</i>	As at 30 June 2015 HK\$'000 (Unaudited)	As at 31 December 2014 HK\$'000 (Audited)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	8	46,925	26,409
Land use right	8	3,783	3,799
Investment properties		192,160	44,850
Goodwill		62,411	5,043
Other intangible assets	8	4,780	5,422
Available-for-sale financial assets	9	287,731	264,602
Long-term prepayments and deposits		99,462	109,098
		697,252	459,223
Current assets			
Land use right		89	88
Inventories		10,163	6,222
Trade receivables	10	29,534	41,593
Other receivables, prepayments and deposits		168,676	133,498
Available-for-sale financial assets	9	67,805	34,806
Financial assets at fair value through profit or loss		74,389	38,033
Amount due from a joint venture		—	11,957
Cash and bank balances		79,115	178,069
		429,771	444,266



CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

	Notes	As at 30 June 2015 HK\$'000 (Unaudited)	As at 31 December 2014 HK\$'000 (Audited)
Current liabilities			
Trade and other payables	11	48,050	45,095
Receipt in advance		85,860	—
Amounts due to directors		2,623	528
Amounts due to non-controlling shareholders		13,200	4,500
Tax payable		15,963	12,547
Borrowings		63,246	109,704
Convertible bonds		—	43,227
		228,942	215,601
Net current assets		200,829	228,665
Total assets less current liabilities		898,081	687,888
Non-current liabilities			
Borrowings		66,423	68,764
Convertible notes		1,962	1,937
Bonds payable		29,018	20,018
Promissory note		—	9,922
Amount due to a non-controlling shareholder		7,000	—
Deferred tax liabilities		6	30
		104,409	100,671
Net assets		793,672	587,217
CAPITAL AND RESERVES			
Share capital	12	2,709,983	2,464,228
Reserves		(2,016,456)	(2,011,775)
Equity attributable to owners of the Company		693,527	452,453
Non-controlling interests		100,145	134,764
Total equity		793,672	587,217

The accompanying notes form an integral part of these condensed consolidated interim financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2015

	Share capital HK\$'000	Share premium HK\$'000	Capital redemption reserve HK\$'000	Share option reserve HK\$'000	Exchange translation reserve HK\$'000	Equity component of		Investment revaluation reserve HK\$'000	Accumulated losses HK\$'000	Sub-total HK\$'000	Non-controlling interests		Total HK\$'000
						convertible bonds/notes HK\$'000	Warrant reserves HK\$'000				Other reserves HK\$'000	interests HK\$'000	
<i>(Note 11)</i>													
As at 1 January 2014 (Audited)	1,354,511	981,851	1,899	35,415	130,864	–	–	68,244	–	(2,164,211)	408,573	89,741	498,314
Profit for the period	–	–	–	–	–	–	–	–	–	8,370	8,370	10,535	18,905
Other comprehensive loss for the period:													
Exchange differences on translating foreign operations	–	–	–	–	(4,987)	–	–	–	–	–	(4,987)	(740)	(5,727)
Total comprehensive income/(loss) for the period	–	–	–	–	(4,987)	–	–	–	–	8,370	3,383	9,795	13,178
Transfer from share premium to share capital upon abolition of par value	981,851	(981,851)	–	–	–	–	–	–	–	–	–	–	–
Placing of warrants, net of expenses	–	–	–	–	–	–	358	–	–	–	358	–	358
Reclassification adjustment upon loss on control arising from disposal of a subsidiary	–	–	–	–	(1,335)	–	–	–	–	(1,335)	(31,940)	(33,275)	(33,275)
Issue of convertible notes	–	–	–	–	–	321	–	–	–	–	321	–	321
As at 30 June 2014 (Unaudited)	2,336,362	–	1,899	35,415	124,542	321	358	68,244	–	(2,155,841)	411,300	67,596	478,896
At 1 January 2015 (Audited)	2,464,228	–	–	45,524	94,910	185	179	72,717	–	(2,225,290)	452,453	134,764	587,217
Loss for the period	–	–	–	–	–	–	–	–	–	(14,872)	(14,872)	(9,090)	(23,962)
Other comprehensive income/(loss) for the period:													
Exchange difference on translation foreign operations	–	–	–	–	3,203	–	–	–	–	–	3,203	758	3,961
Loss on revaluation of available-for-sale financial assets	–	–	–	–	–	–	–	–	(11,859)	–	(11,859)	–	(11,859)
Total comprehensive (loss)/income for the period	–	–	–	–	3,203	–	–	–	(11,859)	(14,872)	(23,528)	(8,332)	(31,860)
Issue of convertible bonds	–	–	–	–	–	181	–	–	–	–	181	–	181
Deferred tax liability arising on issue of convertible bonds	–	–	–	–	–	(29)	–	–	–	–	(29)	–	(29)
Change in ownership interest of a subsidiary	–	–	–	–	–	–	–	3,817	–	–	3,817	1,013	4,830
Issue of shares pursuant to placing	164,007	–	–	–	–	–	–	–	–	–	164,007	–	164,007
Share placement expenses	(4,941)	–	–	–	–	–	–	–	–	–	(4,941)	–	(4,941)
Non-controlling interests arising from acquisition of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	(27,300)	(27,300)
Issue of shares pursuant to conversion of convertible bonds	86,689	–	–	–	–	(270)	–	–	–	–	86,419	–	86,419
Recognition of share-based payments	–	–	–	15,148	–	–	–	–	–	–	15,148	–	15,148
Share options lapsed	–	–	–	(1,364)	–	–	–	–	–	1,364	–	–	–
At 30 June 2015 (Unaudited)	2,709,983	–	–	59,308	98,113	67	179	76,534	(11,859)	(2,238,798)	693,527	100,145	793,672

The accompanying notes form an integral part of these condensed consolidated interim financial statements.



CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2015

	Six months ended 30 June	
	2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)
Cash flows from operating activities		
Cash used in operations	(108,094)	(40,994)
Tax paid	—	(3,470)
Net cash used in operating activities	(108,094)	(44,464)
Cash flows from investing activities		
Purchase of financial assets at fair value through profit or loss	(60,841)	—
Proceeds from disposal of financial assets at fair value through profit or loss	48,167	—
Purchase of available-for-sale financial assets	(33,000)	—
Net cash outflow on acquisition of subsidiaries	(13,650)	—
Refund of long-term deposits	10,186	—
Other investing cash flows — net	802	(591)
Net cash used in investing activities	(48,336)	(591)
Cash flows from financing activities		
Net proceeds from placing of new shares	159,066	—
Proceeds from borrowings	85,000	—
Repayment of borrowings	(221,754)	—
Proceeds from issue of convertible bonds/notes	43,344	8,500
Proceeds from issue of bonds payable	9,000	10,000
Repayment of promissory notes	(10,240)	—
Other financing cash flows — net	(6,465)	—
Net cash generated from financing activities	57,951	18,500
Net decrease in cash and cash equivalents	(98,479)	(26,555)
Effect of foreign exchange rate changes	(475)	(1,689)
Cash and cash equivalents at the beginning of the period	178,069	83,767
Cash and cash equivalents at the end of the period	79,115	55,523
Analysis of balances of cash and cash equivalents		
Cash and bank balances	79,115	55,523

The accompanying notes form an integral part of these condensed consolidated interim financial statements.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements for the six months ended 30 June 2015 have been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and the disclosure requirements of Appendix 16 to the Rules (the “Listing Rules”) Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “Stock Exchange”). They have been prepared under the historical cost convention, except for certain properties and financial instruments, which are carried at fair values. The unaudited condensed consolidated interim financial statements are presented in Hong Kong dollars (“HK\$”) and all values are rounded to the nearest thousand except when otherwise indicated. The condensed consolidated interim financial statements are unaudited but have been reviewed by the audit committee of the Company.

Pursuant to the special resolution of the Company dated 27 May 2015, the name of the Company has been changed from China Renji Medical Group Limited to China Wah Yan Healthcare Limited with effect from 25 June 2015.

The financial information relating to the financial year ended 31 December 2014 that is included in this interim financial report as comparative information does not constitute the Company’s statutory annual consolidated financial statements for that financial year but is derived from those financial statements. Further information relating to these statutory financial statements disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap. 622) is as follows:

The Company has delivered the financial statements for the year ended 31 December 2014 to the Registrar of Companies in accordance with section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance.

The Company’s auditors have reported on the above-mentioned financial statements. The auditors report was unqualified; did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying its report; and did not contain a statement under section 406(2), 407(2) or (3) of the Companies Ordinance (or under their equivalent requirements found in section 141 of the predecessor Companies Ordinance (Cap. 32)).

2. CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued the following amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) that are first effective for the current accounting period of the Group and of the Company:

- HKAS 19 (2011) (Amendments) Defined Benefit Plans: Employee Contributions
- Annual Improvements to HKFRSs 2010–2012 Cycle
- Annual Improvements to HKFRSs 2011–2013 Cycle

None of these developments have had a material effect on how the Group’s results and financial position for the current or prior periods that have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.



3. TURNOVER AND SEGMENT INFORMATION

Information reported to the executive directors of the Company, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance focuses on the types of goods or services delivered or provided.

Specifically, the Group's reportable and operating segments are as follows:

- (i) Healthcare and well-being business
 - chain of sports and healthcare clubhouses in the People's Republic of China (the "PRC");
 - chain of medical centres specialising in the diagnosis and treatment of tumours in the PRC;
 - chain of optical products and eye-care services retail shops in Hong Kong
- (ii) Asset management
 - investment in financial/fixed/distressed assets and loan financing

SEGMENT REVENUE AND RESULTS

The following is an analysis of the Group's revenue and results by reportable segment:

For the six months ended 30 June 2015 (Unaudited)

	Healthcare and well-being business HK\$'000	Asset management HK\$'000	Consolidated HK\$'000
Segment revenue			
External sales	<u>57,922</u>	<u>–</u>	<u>57,922</u>
Segment revenue	<u>57,922</u>	<u>–</u>	<u>57,922</u>
Segment results	<u>(16,542)</u>	<u>32,224</u>	<u>15,682</u>
<i>Reconciliation:</i>			
Other gains and losses			1,315
Central administration costs			(29,001)
Finance costs			<u>(8,624)</u>
Loss before taxation			(20,628)
Income tax			<u>(3,334)</u>
Loss for the period			<u>(23,962)</u>

3. TURNOVER AND SEGMENT INFORMATION (CONTINUED)

SEGMENT REVENUE AND RESULTS (CONTINUED)

For the six months ended 30 June 2014 (Unaudited)

	Healthcare and well-being business HK\$'000	Consolidated HK\$'000
Segment revenue		
External sales	51,121	51,121
Segment revenue	51,121	51,121
Segment results	30,518	30,518
<i>Reconciliation:</i>		
Other gains and losses		1,263
Central administration costs		(8,959)
Share of results of associates		(540)
Finance costs		(3,101)
Profit before taxation		19,181
Income tax		(276)
Profit for the period		18,905



3. TURNOVER AND SEGMENT INFORMATION (CONTINUED)

SEGMENT ASSETS AND LIABILITIES

The following is an analysis of the Group's assets and liabilities by reportable segment:

30 June 2015 (Unaudited)

	Healthcare and well-being business <i>HK\$'000</i>	Asset management <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment assets	717,432	356,150	1,073,582
Unallocated			53,441
Consolidated assets			<u>1,127,023</u>
Segment liabilities	158,557	13,495	172,052
Unallocated			161,299
Consolidated liabilities			<u>333,351</u>

31 December 2014 (Audited)

	Healthcare and well-being business <i>HK\$'000</i>	Asset management <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment assets	605,126	117,689	722,815
Unallocated			180,674
Consolidated assets			<u>903,489</u>
Segment liabilities	20,988	57,926	78,914
Unallocated			237,358
Consolidated liabilities			<u>316,272</u>

3. TURNOVER AND SEGMENT INFORMATION (CONTINUED)

GEOGRAPHICAL INFORMATION

The Group operates in Hong Kong and the PRC.

The Group's revenue from external customers by location of operations are detailed below:

	Six months ended 30 June	
	2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)
PRC	43,879	51,121
Hong Kong	14,043	—
	<u>57,922</u>	<u>51,121</u>

4. INCOME TAX

	Six months ended 30 June	
	2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)
PRC Enterprise income tax	3,387	297
Deferred taxation	(53)	(21)
Tax charge for the period	<u>3,334</u>	<u>276</u>

No Hong Kong profits tax has been provided as the Group did not have assessable profit arising in Hong Kong for both periods. Taxes on profit assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof. The applicable PRC Enterprise income tax rate is 25% for both periods.



5. LOSS/(PROFIT) FOR THE PERIOD

Loss/(profit) for the period has been arrived at after charging/(crediting):

	Six months ended 30 June	
	2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)
Depreciation of property, plant and equipment	2,183	4,437
Depreciation of jointly-controlled assets	—	111
Amortisation of land use right	45	44
Amortisation of other intangible assets included in cost of services	680	818
Total depreciation and amortisation	2,908	5,410
Cost of inventories recognised as expenses	6,664	—
Net gain arising from change in fair value of financial assets at fair value through profit or loss	(23,682)	—
Gain arising from change in fair value of investment properties	(1,692)	—
Impairment loss on trade receivables	17,528	—
Share of results of associates	—	540
Share of results of a joint venture	(6,983)	—
Interest on:		
— Loans from a former intermediate holding company and a former fellow subsidiary		
— wholly repayable within five years	—	1,133
— not wholly repayable within five years	836	—
— Bank loans	962	—
— Loans from financial institutions	3,279	—
— Promissory note	62	1,849
— Bonds payable	665	43
— Convertible notes	125	76
— Convertible bonds	2,672	—
— Others	23	—
Total finance costs	8,624	3,101
Employee benefit expenses, including directors' emoluments:		
— Salaries and other benefits	9,506	8,694
— Equity-settled share-based payments	15,148	—
Net exchange (gain)/loss	(918)	3,038

6. DIVIDENDS

The Board did not recommend the payment of any dividends for the six months ended 30 June 2015 and 2014.

7. (LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of the basic and diluted (loss)/earnings per share attributable to owners of the Company is based on the following data:

(LOSS)/EARNINGS

	Six months ended 30 June	
	2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)
(Loss)/profit for the purpose of basic (loss)/earnings per share	(14,872)	8,370
Effect of dilutive potential ordinary shares:		
Interests on convertible notes	—	76
(Loss)/profit for the purpose of diluted (loss)/earnings per share	<u>(14,872)</u>	<u>8,446</u>

NUMBER OF SHARES

	Six months ended 30 June	
	2015 '000 (Unaudited)	2014 '000 (Unaudited) (Restated)
Weighted average number of ordinary shares for the purpose of basic (loss)/earnings per share (Note (a))	1,357,734	791,057
Effect of dilutive potential ordinary shares:		
— Share options (Notes (b) and (c))	—	—
— Guaranteed convertible note (Notes (c))	—	—
— Warrants (Note (b))	—	78,842
— Convertible notes (Notes (b) and (c))	—	—
Weighted average number of ordinary shares for the purpose of diluted (loss)/earnings per share	<u>1,357,734</u>	<u>869,899</u>



7. (LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY (CONTINUED)

NUMBER OF SHARES (CONTINUED)

Notes:

- (a) *The number of ordinary shares adopted in the calculation of the basic and diluted loss per share for the six months ended 30 June 2015 has been adjusted to reflect the impact of issue of shares pursuant to shares placing and exercise of conversion right of convertible bonds during the period. The number of ordinary shares for the six months ended 30 June 2014 has also been restated to reflect the impact of rights issue completed on 10 October 2014 on a retrospective basis.*
- (b) *The effects of the outstanding convertible notes, outstanding share options and outstanding unlisted warrants were not included in the calculation of diluted loss per share for the six months ended 30 June 2015 as they have an anti-dilutive effect on the basic loss per share of the Company during the period.*
- (c) *The effects of the guaranteed convertible note, share options and convertible notes were not included in the calculation of diluted earnings per share for the six months ended 30 June 2014 because they have an anti-dilutive effect on the basic earnings per share of the Company during the period.*

8. PROPERTY, PLANT AND EQUIPMENT, LAND USE RIGHT AND OTHER INTANGIBLE ASSETS

The total cost of additions to the property, plant and equipment of the Group during the six months ended 30 June 2015 was HK\$3.4 million (six months ended 30 June 2014: HK\$1.0 million).

There was no addition to the land use right of the Group during the six months ended 30 June 2015 and 2014.

There was no addition to the other intangible assets of the Group during the six months ended 30 June 2015 and 2014.

9. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	As at 30 June 2015 HK\$'000 (Unaudited)	As at 31 December 2014 HK\$'000 (Audited)
Available-for-sale financial assets comprise:		
Listed investments – Equity securities listed in Hong Kong (<i>Note</i>)	88,946	34,806
Unlisted investments, at cost	266,590	264,602
	<u>355,536</u>	<u>299,408</u>
Analysed for reporting purposes as:		
Current assets	67,805	34,806
Non-current assets	287,731	264,602
	<u>355,536</u>	<u>299,408</u>

Note:

The balance represented:

- The investment cost of listed securities (mainly comprising shares of IR Resources Limited (formerly known as China Asean Resources Limited), a company listed on the Growth Enterprise Market of the Stock Exchange) which were acquired by the Group as distressed assets under its asset management business; and
- The fair value of shares of Rui Kang Pharmaceutical Group Investments Limited, a company listed on the Growth Enterprise Market of the Stock Exchange, held by the Group under its asset management business.

10. TRADE RECEIVABLES

	As at 30 June 2015 HK\$'000 (Unaudited)	As at 31 December 2014 HK\$'000 (Audited)
Trade receivables	47,062	41,593
Less: impairment loss	(17,528)	–
Trade receivables (net)	<u>29,534</u>	<u>41,593</u>



10. TRADE RECEIVABLES (CONTINUED)

The Group generally allows a credit period ranging from 30 to 180 days (2014: 180 days) to its trade customers. The following is an ageing analysis of trade receivables by due date as at the end of reporting period which are neither individually nor collectively considered to be impaired:

	As at 30 June 2015 HK\$'000 (Unaudited)	As at 31 December 2014 HK\$'000 (Audited)
0–180 days	7,848	24,838
181–270 days	14,076	9,212
271–365 days	7,610	7,543
	29,534	41,593

11. TRADE AND OTHER PAYABLES

	As at 30 June 2015 HK\$'000 (Unaudited)	As at 31 December 2014 HK\$'000 (Audited)
Trade payables	7,500	5,189
Provision for clawback of fund performance fee	8,915	8,915
Amounts due to former directors of a subsidiary	—	2,257
Provision for long service payment	537	537
Other payables	28,818	28,197
Amounts due to related companies of subsidiaries	2,280	—
	48,050	45,095

11. TRADE AND OTHER PAYABLES (CONTINUED)

The following is an analysis of trade payables by age based on invoice date.

	As at 30 June 2015 HK\$'000 (Unaudited)	As at 31 December 2014 HK\$'000 (Audited)
Within 30 days	6,789	3,027
31–60 days	203	674
61–90 days	59	413
Over 90 days	449	1,075
	7,500	5,189

12. SHARE CAPITAL

	Number of shares HK\$'000	Amount HK\$'000
Issued and fully paid:		
At 1 January 2015 (audited)	1,117,133	2,464,228
Issue of shares pursuant to placing (note (a))	223,427	42,451
Share placement expenses	—	(1,281)
Issue of shares pursuant to conversion of convertible bonds (note (b))	473,709	86,689
Issue of shares pursuant to placing (note (c))	362,854	121,556
Share placement expenses	—	(3,660)
At 30 June 2015 (unaudited)	2,177,123	2,709,983

Notes:

- (a) The Company allotted and issued 223,426,687 new shares on 10 April 2015 pursuant to the placing the new shares under general mandate.
- (b) The Company allotted and issued 473,708,851 new shares on 21 May 2015 pursuant to the conversion of the convertible bonds.
- (c) The Company allotted and issued 362,853,795 new shares on 15 June 2015 pursuant to the placing the new shares under general mandate.



13. FAIR VALUE MEASUREMENTS

The fair value of financial assets and financial liabilities are determined as follows:

- (i) the fair value of financial assets and financial liabilities with standard terms and conditions and traded in active markets are determined with reference to quoted market bid prices and ask prices respectively.
- (ii) the fair value of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models (e.g. discounted cash flow analysis using observable and/or unobservable inputs).
- (iii) the fair values of derivative instruments are calculated using quoted prices. Where such prices are not available, a discounted cash flow analysis is performed using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives.

The Group's financial instruments that are measured subsequent to initial recognition at fair value are grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quote prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

No analysis is disclosed since the Group has no financial instruments that are measured subsequent to initial recognition at fair value at the end of the reporting period.

There was no transfer between Levels 1 and 2 in the both reporting periods.

FAIR VALUE OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES THAT ARE MEASURED AT FAIR VALUE ON A RECURRING BASIS

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used).

	Fair value as at		Fair value hierarchy	Valuation techniques and key inputs
	30 June 2015 HK\$'000 (Unaudited)	31 December 2014 HK\$'000 (Audited)		
Financial assets at fair value through profit or loss	Listed equity securities in Hong Kong: HK\$74,389	Listed equity securities in Hong Kong: HK\$38,033	Level 1	Quoted bid prices in an active market
Available-for-sale financial assets	Listed equity securities in Hong Kong: HK\$21,141	—	Level 1	Quoted bid prices in an active market



13. FAIR VALUE MEASUREMENTS (CONTINUED)

FAIR VALUE OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES THAT ARE NOT MEASURED AT FAIR VALUE (BUT THE FAIR VALUE DISCLOSURES ARE REQUIRED)

Except as detailed in the following table, the directors consider that the carrying amounts of financial assets and financial liabilities recognised in the consolidated financial statements approximate to their fair value.

	As at 30 June 2015		As at 31 December 2014	
	Carrying amount HK\$'000 (Unaudited)	Fair value HK\$'000	Carrying amount HK\$'000 (Audited)	Fair value HK\$'000
Financial liabilities				
Convertible notes/bonds	1,962	1,965	45,164	45,143
Promissory note	—	—	9,922	9,906

Fair value hierarchy

	As at 30 June 2015 (Unaudited)			
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Financial assets measured at fair value				
Financial assets at fair value through profit or loss	74,389	—	—	74,389
Available-for-sale financial assets	21,141	—	—	21,141

	As at 31 December 2014 (Audited)			
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Financial assets measured at fair value				
Financial assets at fair value through profit or loss	38,033	—	—	38,033

During the six months ended 30 June 2015 and 2014, there was no transfer between Level 1 and Level 2 fair value measurements.



14. ACQUISITIONS OF ASSETS THROUGH ACQUISITION OF SUBSIDIARIES/ACQUISITIONS OF SUBSIDIARIES

- (a) On 23 April 2015, Golden Oasis Health Limited, an indirect non wholly-owned subsidiary of the Company, acquired 55% issued share capital of Mega Fitness (Shanghai) Investments Limited (“Mega Fitness”) at a cash consideration of HK\$24,000,000. Mega Fitness is principally engaged in operating a chain of sports and healthcare clubhouses in the PRC.

Carrying amounts and fair values of assets acquired and liabilities recognised at the date of acquisition

	<i>HK\$'000</i>
<hr/>	
<i>Non-current assets</i>	
Property, plant and equipment	18,802
<i>Current assets</i>	
Inventories	1,240
Trade receivables	1,115
Other receivables, prepayment and deposits	6,623
Amount due from a non-controlling shareholder	1,792
Amounts due from related parties	2,242
Cash and bank balances	13,822
<i>Current liabilities</i>	
Trade and other payables	(16,674)
Receipt in advance	(87,375)
Amounts due to related parties	(2,257)
Net liabilities	<u>(60,670)</u>
55% of net liabilities acquired	(33,368)
Goodwill arising on acquisition of a subsidiary	<u>57,368</u>
Total consideration	<u>24,000</u>
<i>Satisfied by:</i>	
Cash	<u>24,000</u>
<i>Net cash outflow on acquisition of a subsidiary:</i>	
Consideration paid by cash	24,000
Less: Cash and cash equivalents acquired	<u>(13,822)</u>
	<u>10,178</u>

14. ACQUISITIONS OF ASSETS THROUGH ACQUISITION OF SUBSIDIARIES/ACQUISITIONS OF SUBSIDIARIES (CONTINUED)

- (b) On 20 May 2015, Commerce Sea Global Investment Limited (“Commerce Sea”), a wholly-owned subsidiary of the Company, acquired the remaining 50% issued share capital of Golden Times Management Limited (“Golden Times”) at a cash consideration of HK\$3,500,000. Golden Times is principally engaged in investment holding. The Group already have 50% equity interests in Golden Times arising from completion of acquisition of 100% equity interests in Commerce Sea on 26 November 2014.

The acquisition of Golden Times did not constitute a business. In accordance with HKFRS 3, such acquisition did not give rise to goodwill. The acquisition has been accounted for as an acquisition of assets and liabilities.

Carrying amounts and fair values of assets acquired and liabilities recognised at the date of acquisition

	<i>HK\$'000</i>
<hr/>	
<i>Non-current assets</i>	
Investment properties	145,000
<i>Current assets</i>	
Other receivables, prepayment and deposits	17
Cash and bank balance	28
<i>Current liabilities</i>	
Other payables	(11,533)
Borrowings	(59,000)
Amounts due to the joint venture partner	(67,512)
	<hr/>
Net assets	7,000
50% of net assets acquired	<hr/> 3,500
Total consideration	<hr/> <hr/> 3,500
<i>Satisfied by:</i>	
Cash	<hr/> <hr/> 3,500
<i>Net cash outflow on acquisition of a subsidiary:</i>	
Consideration paid by cash	3,500
Less: Cash and cash equivalents acquired	<hr/> (28)
	<hr/> <hr/> 3,472



15. SHARE-BASED PAYMENTS

The Company has two share option schemes for eligible persons of the Group. Details of the movement of two share option schemes during the current interim period are as follows:

	2015 Share Option Scheme	2014 Share Option Scheme
	<i>Number of Share options</i>	<i>Number of Share options</i>
Outstanding as at 1 January 2015 (audited)	30,158,214	67,725,562
Granted during the period	—	111,713,343
Lapsed during the period	—	(9,142,951)
	<u>30,158,214</u>	<u>170,295,954</u>
Outstanding as at 30 June 2015 (unaudited)	<u>30,158,214</u>	<u>170,295,954</u>
Exercisable as at 30 June 2015	<u>30,158,214</u>	<u>170,295,954</u>

16. PLEDGE OF ASSETS

As at 30 June 2015, investment properties with carrying value of HK\$192.2 million (31 December 2014: HK\$44.9 million) of the Group were pledged to a financial institution to secure borrowings of HK\$58.2 million (31 December 2014: HK\$32.0 million) of the Group.

17. MATERIAL RELATED PARTY TRANSACTIONS

Except for those disclosed elsewhere in the condensed consolidated interim financial statements, the Group also has the following material related party transactions for the six months ended 30 June 2015 and 2014.

COMPENSATION OF KEY MANAGEMENT PERSONNEL OF THE GROUP

The remuneration of members of key management, comprised of only the directors whose remuneration was determined by the Remuneration Committee, having regard to the performance of individual and market trends, for the six months ended 30 June 2015 amounted to HK\$1,510,000 (six months ended 30 June 2014: HK\$1,262,000).



18. EVENTS AFTER THE REPORTING PERIOD

- (a) On 14 July 2015, the Company entered into a joint venture agreement (the “Joint Venture Agreement”) with a third party to form a joint venture (“JV”) in which the Company will own as to 80% to develop a chain of healthcare and therapy centres in Hong Kong and the PRC which integrates modern testing technology and traditional Chinese medicine methodology for provision of comprehensive treatment to patients for health enhancement. Pursuant to the terms of the Joint Venture Agreement, the Company will contribute HK\$20 million to the capital of the JV and, has undertaken to, provide interest-free shareholder’s loans of up to HK\$100 million to the JV. For details, please refer to the Company’s announcement dated 14 July 2015.
- (b) On 29 July 2015, the Company entered into a placing agreement with a placing agent for the placing of bonds in the aggregate principal amount of up to HK\$200 million maturing on the second anniversary of the date of issue of the bonds on a best effort basis. For details, please refer to the Company’s announcement dated 29 July 2015.

19. APPROVAL OF THE INTERIM FINANCIAL STATEMENTS

The condensed consolidated interim financial statements were approved and authorised for issue by the Board on 31 August 2015.