



MEGA MEDICAL TECHNOLOGY LIMITED

美加醫學科技有限公司

(Incorporated in Bermuda with limited liability 於百慕達註冊成立之有限公司)

(Stock Code 股份代號: 876)

Interim Report

2016

中期報告



CONTENTS

Corporate Information	2
Report on Review of Condensed Consolidated Financial Statements	3
Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income	5
Condensed Consolidated Statement of Financial Position	7
Condensed Consolidated Statement of Changes in Equity	9
Condensed Consolidated Statement of Cash Flows	10
Notes to the Condensed Consolidated Financial Statements	11
Management Discussion and Analysis	22
Disclosure of Additional Information	28



CORPORATE INFORMATION

DIRECTORS

Executive Directors

Mr. Wu Xiaolin
Mr. Wu Tianyu (*Chief Executive Officer*)

Non-executive Directors

Mr. Lam Kwok Cheong (resigned on 1 July 2016)
Dr. Jiang Feng
Mr. Chow Tak Hung (resigned on 18 March 2016)

Independent Non-executive Directors

Dr. Loke Yu alias Loke Hoi Lam
Mr. Wu Jixian
Mr. Song Qun

AUDIT COMMITTEE

Dr. Loke Yu alias Loke Hoi Lam (*Chairman*)
Mr. Lam Kwok Cheong (resigned on 1 July 2016)
Mr. Wu Jixian
Mr. Song Qun

REMUNERATION COMMITTEE

Mr. Wu Jixian (*Chairman*)
Mr. Wu Tianyu
Mr. Song Qun

NOMINATION COMMITTEE

Mr. Wu Tianyu (*Chairman*)
Mr. Wu Jixian
Mr. Song Qun

COMPANY SECRETARY

Mr. Lam Wai Fung, Dominic (appointed on 14 May 2016)
Ms. Hui Wai Man, Shirley (resigned on 14 May 2016)

AUTHORISED REPRESENTATIVES

Mr. Wu Tianyu
Mr. Lam Wai Fung, Dominic (appointed on 14 May 2016)
Ms. Hui Wai Man, Shirley (ceased to act on 14 May 2016)

INDEPENDENT AUDITOR

Deloitte Touche Tohmatsu
Certified Public Accountants

LEGAL ADVISERS

Hong Kong

Dentons Hong Kong

Bermuda

Conyers Dill & Pearman

PRINCIPAL BANKERS

Hang Seng Bank Limited
Nanyang Commercial Bank, Limited

REGISTERED OFFICE

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2 Church Street
Hamilton HM11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

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Kowloon, Hong Kong

SHARE REGISTRARS

Bermuda Principal

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Clarendon House
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Hamilton HM11
Bermuda

Hong Kong Branch

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Wanchai, Hong Kong

STOCK CODE

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COMPANY WEBSITE

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REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Deloitte. 德勤

TO THE BOARD OF DIRECTORS OF MEGA MEDICAL TECHNOLOGY LIMITED

(incorporated in Bermuda with limited liability)

We have reviewed the condensed consolidated financial statements of Mega Medical Technology Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) set out on pages 5 to 21, which comprise the condensed consolidated statement of financial position as of 30 June 2016 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain 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” (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with 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 these condensed consolidated financial statements 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.



REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

Without qualifying our review conclusion, we draw attention to the fact that the comparative condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period ended 30 June 2015 and the relevant explanatory notes included in these condensed consolidated financial statements have not been reviewed in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity".

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

29 August 2016

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2016

	NOTES	Six months ended	
		30.6.2016 HK\$'000 (unaudited)	30.6.2015 HK\$'000 (unaudited)
Turnover	3	168,650	167,255
Cost of goods sold		(111,691)	(137,295)
Gross profit		56,959	29,960
Other income		1,283	153
Selling and distribution costs		(15,282)	(16,004)
Administrative expenses		(42,203)	(43,808)
Other expenses		(113)	(429)
Gain on disposal of subsidiaries	17	12,541	–
Finance costs		(70)	(162)
Profit (loss) before taxation	4	13,115	(30,290)
Taxation	5	(5,079)	(1,322)
Profit (loss) for the period		8,036	(31,612)
Other comprehensive (expense) income			
<i>Items that may be subsequently reclassified to profit or loss:</i>			
Exchange differences arising on translation of foreign operations:			
Exchange differences arising during the period		(11,565)	1,633
Reclassification of exchange differences upon disposal of subsidiaries	17	2,849	–
		(8,716)	1,633
Total comprehensive expense for the period		(680)	(29,979)



CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2016

		Six months ended	
	NOTE	30.6.2016 HK\$'000 (unaudited)	30.6.2015 HK\$'000 (unaudited)
Profit (loss) for the period attributable to:			
Owners of the Company		9,514	(22,955)
Non-controlling interests		(1,478)	(8,657)
		<u>8,036</u>	<u>(31,612)</u>
Total comprehensive expense attributable to:			
Owners of the Company		(33)	(21,944)
Non-controlling interests		(647)	(8,035)
		<u>(680)</u>	<u>(29,979)</u>
Earnings (loss) per share	7		
– Basic (HK cents)		0.25 HK cents	(0.70) HK cents
– Diluted (HK cents)		0.25 HK cents	(0.70) HK cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2016

	NOTES	30.6.2016 HK\$'000 (unaudited)	31.12.2015 HK\$'000 (audited)
Non-current assets			
Property, plant and equipment	8	9,322	9,113
Prepaid lease payments		–	7,968
Intangible asset		27,991	29,839
Goodwill		330,805	330,805
		368,118	377,725
Current assets			
Inventories		5,947	7,796
Trade and other receivables	9	136,315	89,467
Amount due from a director	10	39,273	40,772
Taxation recoverable		–	122
Bank balances and cash		83,950	130,150
		265,485	268,307
Assets classified as held for sale	11	–	177,652
		265,485	445,959
Current liabilities			
Trade and other payables	12	58,670	186,902
Amounts due to non-controlling shareholders of subsidiaries	13	30,474	1,943
Amounts due to related parties	14	11,482	43,713
Taxation payable		4,318	11,868
Bank loans		–	1,134
		104,944	245,560
Liabilities associated with assets classified as held for sale	11	–	3,508
		104,944	249,068
Net current assets		160,541	196,891
Total assets less current liabilities		528,659	574,616
Non-current liabilities			
Deferred taxation		6,998	7,460
		521,661	567,156



CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2016

	NOTE	30.6.2016 HK\$'000 (unaudited)	31.12.2015 HK\$'000 (audited)
Capital and reserves			
Share capital	15	4,783	4,783
Reserves		510,806	502,577
Equity attributable to owners of the Company		515,589	507,360
Non-controlling interests		6,072	59,796
		521,661	567,156

The condensed consolidated financial statements on pages 5 to 21 were approved and authorised for issue by the Board of Directors on 29 August 2016 and are signed on its behalf by:

Mr. Wu Xiaolin
DIRECTOR

Mr. Wu Tianyu
DIRECTOR

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2016

	Equity attributable to owners of the Company						Total	Non-controlling interest	Total
	Share capital	Share premium	Special reserve	Translation reserve	Share option reserve	Retained profits			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
At 1 January 2015 (audited)	3,845	106,315	1,545	18,015	-	11,107	140,827	70,682	211,509
Loss for the period	-	-	-	-	-	(22,955)	(22,955)	(8,657)	(31,612)
Exchange differences arising on translation of foreign operations	-	-	-	1,011	-	-	1,011	622	1,633
Total comprehensive income (expense) for the period	-	-	-	1,011	-	(22,955)	(21,944)	(8,035)	(29,979)
Issue of shares	313	99,687	-	-	-	-	100,000	-	100,000
Issue of consideration shares for acquisition of subsidiaries	625	289,067	-	-	-	-	289,692	-	289,692
Acquisition of a subsidiary	-	-	-	-	-	-	-	(480)	(480)
Recognition of equity-settled share-based payment	-	-	-	-	193	-	193	-	193
At 30 June 2015 (unaudited)	4,783	495,069	1,545	19,026	193	(11,848)	508,768	62,167	570,935
At 1 January 2016 (audited)	4,783	495,069	1,545	10,648	14,821	(19,506)	507,360	59,796	567,156
Profit (loss) for the period	-	-	-	-	-	9,514	9,514	(1,478)	8,036
Exchange differences arising on translation of foreign operations	-	-	-	(9,292)	-	-	(9,292)	(2,273)	(11,565)
Reclassification of exchange differences upon disposal of subsidiaries	-	-	-	(255)	-	-	(255)	3,104	2,849
Total comprehensive income (expense) for the period	-	-	-	(9,547)	-	9,514	(33)	(647)	(680)
Dividend paid to a non-controlling shareholder of a subsidiary	-	-	-	-	-	-	-	(51,300)	(51,300)
Acquisition of additional interests in a subsidiary (note)	-	-	-	-	-	(3,137)	(3,137)	(463)	(3,600)
Recognition of equity-settled share-based payment	-	-	-	-	11,399	-	11,399	-	11,399
Disposal of subsidiaries (note 17(b))	-	-	-	-	-	-	-	(1,314)	(1,314)
At 30 June 2016 (unaudited)	4,783	495,069	1,545	1,101	26,220	(13,129)	515,589	6,072	521,661

Note: During the six months ended 30 June 2016, the Group acquired additional interests in a subsidiary. As a result of the acquisition, the difference of HK\$3,137,000 between the consideration paid of RMB3,000,000 (or equivalent to HK\$3,600,000) and the amount of non-controlling interests adjusted of HK\$463,000 is directly recognised in equity.



CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2016

		Six months ended	
	NOTE	30.6.2016	30.6.2015
		HK\$'000	HK\$'000
		(unaudited)	(unaudited)
Net cash (used in) from operating activities		(11,419)	41,779
Investing activities			
Purchase of property, plant and equipment		(1,783)	(722)
Net cash inflow on disposal of subsidiaries	17	27,726	–
Interest received		6	3
Net cash outflow on acquisition of subsidiaries		–	(95,957)
Consideration paid for acquisition of subsidiaries in prior years		–	(65,750)
Net cash from (used in) investing activities		25,949	(162,426)
Financing activities			
Repayments to related parties		(38,578)	–
Dividend paid to a non-controlling shareholder of a subsidiary		(25,000)	–
Advances to non-controlling shareholders of subsidiaries		(1,232)	–
Repayment of bank loans		(1,134)	(224)
Interest paid		(70)	(162)
Advances from related parties		2,400	50,000
Issue of shares		–	100,000
Advance from a former shareholder		–	5,987
Net cash (used in) from financing activities		(63,614)	155,601
Net (decrease) increase in cash and cash equivalents		(49,084)	34,954
Cash and cash equivalents at 1 January		130,150	28,009
Effect of foreign exchange rate changes		2,884	1,467
Cash and cash equivalents at 30 June, representing bank balances and cash		83,950	64,430

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2016

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for investment properties and certain financial instruments, which are measured at fair values.

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2016 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2015.

In the current interim period, the Group has applied, for the first time, the following amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA that are effective during the current period.

Amendments to HKFRS 11	Accounting for acquisitions of interests in joint operations
Amendments to HKAS 1	Disclosure initiative
Amendments to HKAS 16 and HKAS 38	Clarification of acceptable methods of depreciation and amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer plants
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment entities: Applying the consolidation exception
Amendments to HKFRSs	Annual improvements to HKFRSs 2012 – 2014 cycle

The application of the above amendments to HKFRSs in the current interim period has had no material effect on the amounts reported in the condensed consolidated financial statements and/or disclosures set out in the condensed consolidated financial statements.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2016

3. TURNOVER AND SEGMENT INFORMATION

The Group's operating activities are currently attributable to two operating segments focusing on the manufacture of and trading in dental prosthetics and manufacture of and trading in electronic components. These operating segments have been identified on the basis of internal management reports prepared in accordance with accounting policies conformed to HKFRSs, that are regularly reviewed by the executive directors of the Company (the "Executive Directors") (being the chief operating decision maker of the Company). The Executive Directors review the Group's internal reporting in order to assess performance and allocate resources. The details of operating and reportable segments of the Group are as follows:

- Manufacture of and trading in dental prosthetics
- Manufacture of and trading in electronic components

The following is an analysis of the Group's revenue and results by operating segments.

Segment revenues and results

	Manufacture of and trading in dental prosthetics HK\$'000	Manufacture of and trading in electronic components HK\$'000	Total HK\$'000
<i>For the six months ended 30 June 2016</i>			
TURNOVER			
External sales	<u>97,198</u>	<u>71,452</u>	<u>168,650</u>
RESULTS			
Segment results	<u>30,858</u>	<u>(11,556)</u>	19,302
Unallocated income			13,846
Unallocated expenses			(19,963)
Finance costs			<u>(70)</u>
Profit before taxation			<u>13,115</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2016

3. TURNOVER AND SEGMENT INFORMATION (CONTINUED)*Segment revenues and results (Continued)*

	Manufacture of and trading in dental prosthetics HK\$'000	Manufacture of and trading in electronic components HK\$'000	Total HK\$'000
<i>For the six months ended 30 June 2015</i>			
TURNOVER			
External sales	<u>23,352</u>	<u>143,903</u>	<u>167,255</u>
RESULTS			
Segment results	<u>6,673</u>	<u>(28,063)</u>	(21,390)
Unallocated income			153
Unallocated expenses			(8,891)
Finance costs			<u>(162)</u>
Loss before taxation			<u>(30,290)</u>

Segment results represents the profit earned (loss incurred) by each segment without allocation of central administration costs and other income/expenses, finance costs and gain on disposal of subsidiaries. This is the measure reported to the Executive Directors for the purposes of resource allocation and performance assessment.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2016

4. PROFIT (LOSS) BEFORE TAXATION

Profit (loss) before taxation has been arrived at after charging (crediting):

	Six months ended	
	30.6.2016	30.6.2015
	HK\$'000	HK\$'000
Amortisation of prepaid lease payments	109	110
Amortisation of intangible asset (included in cost of sales)	1,848	–
Depreciation of property, plant and equipment	1,540	608
Write-off of property, plant and equipment	–	236
Interest on bank deposits	(6)	(3)
Net exchange gain (included in other income)	(973)	(104)

5. TAXATION

	Six months ended	
	30.6.2016	30.6.2015
	HK\$'000	HK\$'000
Current tax:		
Hong Kong Profits Tax	3,460	659
PRC Enterprise Income Tax	2,081	663
	5,541	1,322
Deferred tax credit	(462)	–
	5,079	1,322

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both periods.

The provision for PRC Enterprise Income Tax (“EIT”) is based on the estimated taxable income for PRC taxation purpose at the rate of taxation applicable for the period. Under the Law of the PRC on EIT (the “EIT Law”) and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25%.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2016

6. DIVIDENDS

No dividends were paid, declared or proposed during the current interim period. The directors of the Company have determined that no dividend will be paid in respect of the current interim period.

7. EARNINGS (LOSS) PER SHARE

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

	Six months ended	
	30.6.2016	30.6.2015
	HK\$'000	HK\$'000
Earnings (loss)		
Profit (loss) for the period attributable to owners of the Company for the purpose of basic and diluted per share	<u>9,514</u>	<u>(22,955)</u>
Number of shares		
	30.6.2016	30.6.2015
Weighted average number of ordinary shares for the purpose of basic earnings (loss) per share	3,826,207,031	3,270,958,412
Effect of dilutive potential ordinary shares:		
Share options	<u>4,142,308</u>	–
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>3,830,349,339</u>	<u>3,270,958,412</u>

The computation of diluted loss per share for the period ended 30 June 2015 have not assumed the conversion of the Company's outstanding share options, which would reduce the loss per share.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2016

8. PROPERTY, PLANT AND EQUIPMENT

During the current interim period, the Group acquired property, plant and equipment with an aggregate amount of HK\$1,783,000 (six months ended 30 June 2015: HK\$722,000). In addition, during prior interim period, the Group acquired property, plant and equipment of HK\$6,832,000 through acquisition of subsidiaries (six months ended 30 June 2016: nil).

The Group had also written off certain property, plant and equipment during the prior interim period with carrying amount of HK\$236,000 (six months ended 30 June 2016: nil).

9. TRADE AND OTHER RECEIVABLES

At 30 June 2016, included in trade and other receivables were trade receivables of HK\$57,781,000 (31 December 2015: HK\$73,022,000). Payment terms with customers are mainly on credit. Invoices are normally payable within 30 to 90 days after issuance, except for certain well-established customers, where the terms are extended to 120 days.

The following is an aged analysis of trade receivables, presented based on invoice dates (also approximates to revenue recognition date) at the end of the reporting period:

	30.6.2016	31.12.2015
	HK\$'000	HK\$'000
0 – 90 days	51,752	70,095
91 – 180 days	6,029	2,927
	57,781	73,022

10. AMOUNT DUE FROM A DIRECTOR

The amount represents amount due from Mr. Wu Tianyu ("Mr. Wu"), an executive director of the Company, and is unsecured, interest free, and repayable on demand.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2016

11. ASSETS (LIABILITIES) CLASSIFIED AS HELD FOR SALE

On 24 July 2015, Common Glory Global Limited ("Common Glory"), a non wholly-owned subsidiary of the Company, entered into an agreement with Hang Sheng International Capital Company Limited, an independent third party, in which Common Glory had conditionally agreed to dispose of the entire issue share capital of Decent Choice Limited, a 70% owned subsidiary of the Company, and the shareholder's loan due by Decent Choice Limited (the "Decent Choice Group"). The disposal mainly involved a disposal of a piece of land held by the Group as investment properties. The consideration for the disposal is RMB158,000,000 (approximately HK\$190,638,000). As at 31 December 2015, the directors determined the disposal was highly probable to be completed within the next twelve months. As a result, as at 31 December 2015, the relevant assets and liabilities of Decent Choice Group were classified to assets classified as held for sale and liabilities associated with assets classified as held for sale, respectively.

During the six months period ended 30 June 2016, the Group completed the disposal of the entire equity interest in Decent Choice Group and the details are disclosed in note 17(a).

The major classes of assets and liabilities of the Decent Choice Group at 31 December 2015 were as follows:

	31.12.2015
	HK\$'000
Investment properties	177,600
Other receivables	1
Bank balances and cash	<u>51</u>
Assets classified as held for sale	<u>177,652</u>
Trade and other payables	(2,627)
Amount due to a related party	<u>(881)</u>
Liabilities associated with assets classified as held for sale	<u>(3,508)</u>



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2016

12. TRADE AND OTHER PAYABLES

	30.6.2016	31.12.2015
	HK\$'000	HK\$'000
Trade payables	9,886	24,306
Accrued expenses	26,812	23,428
Other payables	21,972	139,168
	<u>58,670</u>	<u>186,902</u>

The following is an aged analysis of trade payables, presented based on the invoice date at the end of the reporting period.

	30.6.2016	31.12.2015
	HK\$'000	HK\$'000
0 – 90 days	9,826	24,103
91 – 180 days	53	22
Over 180 days	7	181
	<u>9,886</u>	<u>24,306</u>

13. AMOUNTS DUE TO NON-CONTROLLING SHAREHOLDERS OF SUBSIDIARIES

The amounts are unsecured, interest-free and repayable on demand.

14. AMOUNTS DUE TO RELATED PARTIES

The amounts are unsecured, interest-free and repayable on demand.

At 30 June 2016, an amount of HK\$2,664,000 (31 December 2015: HK\$2,388,000) represents balance due to Mr. Wen Jialong ("Mr. Wen"), the former executive director of the Company and a shareholder of the Company. The amount of HK\$1,189,000 (31 December 2015: HK\$1,165,000) represents balance due to Ms. Jiang Sisi, the spouse of Mr. Wu. The amount of HK\$4,027,000 (31 December 2015: HK\$2,182,000) represents balance due to Mr. Wu Yue, the father of Mr. Wu. The remaining amount of HK\$3,602,000 (31 December 2015: nil) represents balance due to a former non-controlling shareholder of a subsidiary.

At 31 December 2015, an amount of HK\$37,978,000 (30 June 2016: nil) represented balance due to a company of which Mr. Wen had beneficial interest.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2016

15. SHARE CAPITAL

	Number of shares	Amount HK\$'000
Ordinary shares of HK\$0.00125 each:		
Authorised:		
At 1 January 2016 and 30 June 2016	<u>160,000,000,000</u>	<u>200,000</u>
Issued and fully paid:		
At 1 January 2016 and 30 June 2016	<u>3,826,207,031</u>	<u>4,783</u>

16. SHARE OPTIONS

The Company approved and adopted a share option scheme (the "Scheme") for eligible director (and his associate), employees and consultants.

Details of specific categories of options are as follows:

Option type	Date of grant	Vesting period	Exercisable period	Exercise price
2015A	16.6.2015	16.6.2015 – 15.6.2019	16.6.2016 – 15.6.2020	HK\$0.784
2015B	24.7.2015 (note)	16.6.2015 – 15.6.2019	16.6.2016 – 15.6.2020	HK\$0.784

Note: Option subject to approval of independent shareholders was proposed and granted by Board of Directors on 16 June 2015. The approval was subsequently obtained on 24 July 2015 which is the date of grant as defined in accordance with HKFRS 2.

A summary of the movements of the number of share options under the Scheme for the year is as follows:

Type of participant	Option type	Outstanding at 31.12.2015 and 30.6.2016
Director and his associate	2015B	148,140,000
Employees	2015A	4,900,000
Consultants	2015A	<u>12,000,000</u>
		<u>165,040,000</u>

At 30 June 2016, 50,260,000 shares were exercisable under the Scheme and the weighted average exercise price is HK\$0.784. The Group recognised a share-based payment expense during the period of HK\$11,399,000 (six months ended 30 June 2015: HK\$193,000).



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2016

17. DISPOSAL OF SUBSIDIARIES

(a) *Disposal of Decent Choice Group*

As detailed in note 11, during the six months ended 30 June 2016, the Group completed the disposal of Decent Choice Group, which is principally engaged in property holding business, for a cash consideration of RMB158,000,000 (approximately HK\$190,638,000). Details of the disposal are set out in the Company's circular dated 25 April 2016 and the Company's announcement dated 23 June 2016. The net assets of the Decent Choice Group at the date of disposal were as follows:

HK\$'000

Analysis of consolidated assets and liabilities of Decent Choice Group at the date of disposal were as follows:

Investment properties	172,725
Bank balances and cash	27
Other payables	(2,129)
Amount due to immediate holding company	(7,432)
	<u>163,191</u>
Net assets disposed of	
	<u>163,191</u>
Gain on disposal of subsidiaries:	
Consideration received	190,638
Expenses incurred on disposal of subsidiaries	(3,934)
Net assets disposed of	(163,191)
Assignment of amount due to immediate holding company	(7,432)
Cumulative exchange differences in respect of the net assets of the subsidiary reclassified from equity to profit or loss upon disposal	(10,347)
	<u>5,734</u>
Gain on disposal	
	<u>5,734</u>
Net cash inflow arising on disposal:	
Cash consideration	190,638
Less: deposit received included in other payables as at 31 December 2015	(122,808)
Less: outstanding balances included in other receivables as at 30 June 2016	(43,964)
Bank balances and cash disposed of	(27)
	<u>23,839</u>
	<u>23,839</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2016

17. DISPOSAL OF SUBSIDIARIES (CONTINUED)

- (b) *Disposal of Morning Star Industrial Company Limited and its subsidiary (collectively referred to as the "MSIC Group")*

In June 2016, the Group disposed of its entire equity interest in MSIC Group, principally engaged in property holding business, to an independent third party for a cash consideration of HK\$4,368,000.

HK\$'000

Analysis of consolidated assets and liabilities of MSIC Group at the date of disposal were as follows:

Prepaid lease payments	7,685
Other receivables and prepayments	1,220
Bank balances and cash	481
Other payables	(2,998)
Taxation payable	(15)
	<hr/>
Net assets disposed of	<u>6,373</u>
Gain on disposal of subsidiaries:	
Consideration received	4,368
Net assets disposed of	(6,373)
Non-controlling interests	1,314
Cumulative exchange differences in respect of the net assets of the subsidiary reclassified from equity to profit or loss upon disposal	<hr/> 7,498
Gain on disposal	<u>6,807</u>
Net cash inflow arising on disposal:	
Cash consideration received	4,368
Cash and cash equivalents disposed of	<hr/> (481)
	<hr/> <u>3,887</u>

18. RELATED PARTIES TRANSACTIONS

Other than the transactions and balances with related parties disclosed in the respective notes, the Group had no other significant related party transactions.



MANAGEMENT DISCUSSION AND ANALYSIS

Financial Highlights

For the six months period ended 30 June 2016 (the "Period"), the Company and its subsidiaries (together the "Group") recorded turnover of approximately HK\$168,650,000, representing an increase of 0.8% from HK\$167,255,000 of the corresponding period in 2015. The gross profit margin has been increased from 17.9% for the six months period ended 30 June 2015 to 33.8% for the six months period ended 30 June 2016.

During the Period, the Group recorded profit before taxation of approximately HK\$13,115,000 compared to a loss before taxation of approximately HK\$30,290,000 in the corresponding period in 2015. Profit for the Period of approximately HK\$8,036,000 compared to a loss for the period of approximately HK\$31,612,000 in the corresponding period in 2015. The profit attributable to the owners of the Company was approximately HK\$9,514,000 while there was a loss attributable to the owners of the Company of HK\$22,955,000 in the corresponding period in 2015.

Basic and diluted earnings per share for the Period were 0.25 HK cents per share and 0.25 HK cents per share, respectively; and the basic and diluted loss per share in the corresponding period in 2015 were both 0.70 HK cents per share.

Interim Dividend

The board of Directors (the "Board") did not recommend the payment of an interim dividend for the Period (six months period ended 30 June 2015: Nil).

Business Review

Electronic Manufacturing Services Business (the "EMS Business")

Under the backdrop of a fragile global economy, the first half of 2016 has remained challenging for players in the consumer electronic industry, with continued cut-throat competition and market consolidation. The demand for electronic products remains weak due to the sluggish global economy. The Group is operating under an extremely challenging condition and entering an era of intensive price competition.

Due to instability in the financial markets, purchasing managers worldwide tended to favour a more conservative approach which in turn led to the postponement in orders so as to clear existing inventories and eventually resulted in a reduction of orders from our customers. In addition, the Group's sales performance was constrained by the weakening of the Euro zone demand. Meanwhile, facing foreign control measures implemented by Russia, our branded customers reduced their sales of electronic products in Russia which led to a substantial reduction in the Group's orders accordingly.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review (Continued)

Electronic Manufacturing Services Business (the “EMS Business”) (Continued)

Continuing from the previous year, some of our branded customers already exited from the consumer electronic products markets globally and dramatically reduced their orders for our products. Compounding this, our branded customers that have remained in the electronic products markets continue to face intensive price competition from PRC branded manufacturers of consumer electronic branded and our customers continue to request major price cuts which adversely affect the Group's sales performance. Furthermore, certain branded customers underwent consolidation, which led to continuous shrinkage in market size.

Properties Holdings and Properties Investments

During the Period, the Group has successfully disposed of Decent Choice Limited and its subsidiaries (the “Disposal Group”), which hold the investment properties (the “Investment Properties”) comprising (i) the land which is located in Chuan Hu Industrial District, 24 He Ping Road, Qinghu Community, Longhua Street, Longhua New Zone, Shenzhen, the PRC with a site area of approximately 6,841.81 sq.m.; and (ii) various buildings, including factories, offices, living quarters and ancillary facilities erected thereon. The Group has successfully realised a gain of HK\$5,734,000.

Moreover, in June 2016, the Group disposed of its entire equity interest in Morning Star Industrial Company Limited and its subsidiary, which is engaged in property holding business. The Group has successfully realised a gain of HK\$6,807,000.

Dental Prosthetics Business

Through the completion of the acquisition (the “On Growth Acquisition”) of, among others, 100% equity interests in On Growth Global Development Limited and its subsidiaries on 15 May 2015, the Group commenced to engage in the dental prosthetics business (“Dental Prosthetics Business”), including the sale (both overseas and domestic) and production of dental prosthetics, including crowns and bridges, removable full and partial dentures, implants and full-cast restorations. Since this business sector was acquired on 15 May 2015, it has contributed full six months results during the first half of 2016 while it only recognized approximately 1.5 months results in the corresponding period in 2015. The Dental Prosthetics Business has a higher gross profit margin as compared to other business sectors of the Group. It had shown significant improvement in terms of earning quality for this On Growth Acquisition as compared to other business sectors of the Group and it is expected that this Dental Prosthetics Business will continue to contribute and enhance the earning quality of the Group in the future.



MANAGEMENT DISCUSSION AND ANALYSIS

Prospect

The Group has a business strategy to diversifying its business and further enhancing shareholder value. The Group plans to leverage on the experience and network of the management to capture business and investment opportunities.

EMS Business

The instability of the European economy post the United Kingdom's referendum on the exit from the European Union has already shown its pressure on consumer spending power in the Euro zone in the second half of 2016 and brought adverse impact to the Group's sales performance. Furthermore, the Group expects to face more severe challenges in the second half of 2016 due to the revolutionary technological changes that are phasing out connectors products, and the deteriorating global economy. The Group considers a turnaround in the second half not likely and we will continue to operate under great difficulties on the road ahead.

Dental Prosthetics Business

The Group is optimistic about the long-term outlook of the dental prosthetics market in the PRC, particularly in view of the rising living standard causing surge in sugar consumption by the citizens and thereby faster dental decay among the general public and the increasing awareness of cosmetics, which together are expected to induce augmenting demand for dental prosthesis. In addition, the dental prosthetics industry on a global scale has been growing positively over the past few years and such trend is likely to continue.

After the On Growth Acquisition, the Group has formulated a number of growth strategies in the Dental Prosthetics Business, including enlarging its sales network in the PRC and foreign markets like the US, expanding its production capacity in the PRC and developing high-end new denture prosthetics products with beauty attributes. In order to develop the Dental Prosthetics Business, which in the view of the Company would become the most significant business segment of the Group with strongest growth potential, the Group would devote most of the Group's resources and efforts to this segment going forward.

Apart from the organic growth and sales network integration and consolidation for the Dental Prosthetics Business, the Group will also actively seek investment opportunities in high tech dental-related areas. On 2 June 2016 and 1 August 2016, the Company entered into an exclusivity agreement (the "Exclusivity Agreement") and an addendum to the Exclusivity Agreement respectively, with Condor International NV ("Condor", formerly known as Medical Franchises & Investments NV) and Mr. Guy De Vreese (the "Guarantor"), pursuant to which Condor and the Guarantor agreed to grant exclusivity to the Company in relation to the negotiation of the proposed subscription by the Company or any of its subsidiaries of convertible notes to be issued by Condor and the proposed franchising and the grant of an exclusive licence to the Company or any of its subsidiaries to distribute and sell the Condor IOS in the PRC. As at the date of this Interim Report, the negotiation is still undergoing.

MANAGEMENT DISCUSSION AND ANALYSIS

Operating Results and Financial Review

Revenue

The sales for the Period has remained stable as compared to the corresponding period in 2015, which is a combined effect of: the increase in revenue contributed from the Dental Prosthetics Business (which had contributed full six months revenue during the first half of 2016 while it only recognized approximately 1.5 months revenue in the corresponding period in 2015); and offset by a significant reduction of revenue from the EMS Business.

Gross Profit and Gross Profit Margin

Gross profit for the Period amounted to HK\$57.0 million (six months period ended 30 June 2015: HK\$30.0 million). Gross profit margin for the Period has been significantly increased to 33.8% (six months period ended 30 June 2015: 17.9%). This was mainly attributable to the higher gross profit margin generated from the Dental Prosthetics Business and also higher volume of transactions were recognized from the Dental Prosthetics Business sector during the first half of 2016 as compared to the corresponding period in 2015 due to the On Growth Acquisition was completed on 15 May 2015.

Goodwill and Intangible Assets

Goodwill and intangible assets were generated and acquired from the On Growth Acquisition respectively. Intangible assets represent patents and trademarks of the acquired companies and the expected useful lives of these patents and trademarks were 8.7 years.

Cash Position

The Group has a solid cash position for the Period under review, with cash and cash equivalents amounting to approximately HK\$84.0 million as at 30 June 2016 (31 December 2015: HK\$130.2 million).

Asset classified as held for sale and liabilities associated with assets classified as held for sale

Balances as at 31 December 2015 represent the assets and liabilities of the Disposal Group respectively which has been disposed of during the Period.

Amounts due to non-controlling shareholders of subsidiaries

Included in the balance mainly represents dividend payable to a non-controlling shareholder of a subsidiary of the Group.

Deferred Taxation

Deferred taxation represent the deferred tax liabilities of the intangible asset acquired in the On Growth Acquisition.



MANAGEMENT DISCUSSION AND ANALYSIS

Operating Results and Financial Review (Continued)

Capital Expenditure and Capital Commitments

During the Period, the Group invested approximately HK\$1.8 million (six months period ended 30 June 2015: approximately HK\$0.7 million), mainly on production equipment. In addition, during prior interim period, the Group acquired property, plant and equipment of HK\$6.8 million through acquisition of subsidiary (six months ended 30 June 2016: nil). As at 30 June 2016, there was no capital expenditure commitment.

Contingent Liabilities

The Group had no significant contingent liabilities as at 30 June 2016.

Charge on the Group's Assets

As at 30 June 2016, there was no pledge of assets of the Group for banking facilities.

Treasury Policy

The Group's sales were principally denominated in Renminbi, EURO dollars, US dollars and Hong Kong dollars while purchases were transacted mainly in US dollars, Renminbi and Hong Kong dollars. The fluctuation of Hong Kong dollars and other currencies did not materially affect the costs and operations of the Group for the Period and the Directors do not foresee significant risk in exchange rate fluctuation currently. The Group has not entered into any financial instruments for hedging purposes. However, the Group will closely monitor its overall foreign exchange exposures and interest rate exposures, and consider hedging against the exposures should the need arise.

Liquidity, Capital Structure and Financial Resources

Equity attributable to owners of the Company as at 30 June 2016 amounted to approximately HK\$515.6 million (31 December 2015: approximately HK\$507.4 million). As at 30 June 2016, the net current assets of the Group amounted to approximately HK\$160.5 million (31 December 2015: HK\$196.9 million). The current and quick ratio was 2.53 and 2.47 respectively (31 December 2015: 1.79 and 1.76 respectively).

As at 30 June 2016, the borrowings of the Group totaled HK\$42.0 million (31 December 2015: HK\$46.8 million), comprising amount due to a former Director and shareholder of the Company of HK\$2.7 million (31 December 2015: HK\$2.4 million); amount due to the spouse of a Director of the Company of HK\$1.2 million (31 December 2015: HK\$1.2 million); amount due to the father of a Director of the Company of HK\$4.0 million (31 December 2015: HK\$2.2 million); amount due to a former non-controlling shareholder of a subsidiary of HK\$3.6 million (31 December 2015: nil); amounts due to non-controlling shareholders of subsidiaries of HK\$29.3 million and HK\$1.2 million respectively (31 December 2015: HK\$1.9 million). As at 31 December 2015, apart from the above, there was also a bank borrowing of HK\$1.1 million and amount due to a company owned by a former Director and shareholder of the Company of HK\$38.0 million.

MANAGEMENT DISCUSSION AND ANALYSIS

Operating Results and Financial Review (Continued)

Liquidity, Capital Structure and Financial Resources (Continued)

As at 30 June 2016, no gearing ratio of the Group could be calculated as there is no bank loan outstanding (31 December 2015: gearing ratio is calculated by dividing total bank borrowings by equity attributable to owners of the Company: 0.22%).

As at 31 December 2015, bank loan of approximately HK\$1,134,000 are denominated in RMB and carried fixed interest rates of 7.62% per annum and is repayable within one year. There is no bank loan as at 30 June 2016.

The number of issued shares of the Company was 3,826,207,031 as at 30 June 2016 (31 December 2015: 3,826,207,031 shares).

Taking the above figures into account, together with the cash inflow arising from the Disposal as well as its strong operational cash flows arising from the Dental Prosthetics Business, the management is confident that the Group will have adequate resources to settle its outstanding debts and to finance its daily operational and capital expenditures.

Acquisition of Additional Interests in a Subsidiary

In June 2016, the Group acquired an additional 50% equity interest in 深圳市聯合牙科科技有限公司, a then wholly-owned subsidiary of the Group, from a former director and ex-shareholder of 深圳市聯合牙科科技有限公司 for a cash consideration of RMB3,000,000 (approximately HK\$3,600,000).

Disposal of Subsidiaries

In June 2016, the Group disposed of its entire equity interest in Morning Star Industrial Company Limited and its subsidiary, which are engaged in property holding business, to an independent third party for a cash consideration of HK\$4,368,000.

In June 2016, the Group disposed of Decent Choice Limited and its subsidiaries, which are principally engaged in property investment business, to an independent third party for a cash consideration of RMB158,000,000 (approximately HK\$190,638,000).

Employees and Remuneration Policy

The Group employed 1,318 employees in total as at 30 June 2016 (31 December 2015: 1,053) in Hong Kong, Macau and the PRC. The Group implemented its remuneration policy, bonus and share option schemes based on the performance of the Group and its employees. The Group provided benefits such as social insurance and pensions to ensure competitiveness. In addition, the Group had also adopted a share option scheme as a long term incentive to the Directors and eligible employees. The emolument policy for the Directors and senior management of the Group is set up by the Company's Remuneration Committee, having regard to the Group's performance, individual performance and comparable market conditions.



DISCLOSURE OF ADDITIONAL INFORMATION

Model Code for Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules as its own code of conduct regarding Directors' dealings in the Company's securities. Having made specific enquiry to all the Directors, the Company confirmed that all members of the Board complied with the Model Code throughout the six months ended 30 June 2016.

The Company has also established written guidelines on terms no less exacting than the Model Code (the "Employees Written Guidelines") for securities transactions by employees who are likely to be in possession of inside information of the Company or its securities. No incidence of non-compliance of the Employees Written Guidelines by the employees was noted by the Company during the six months ended 30 June 2016.

Changes in Information of Directors

Since the publication of the Company's 2015 Annual Report, Dr. Loke Yu alias Loke Hoi Lam has been appointed as the independent non-executive director of Forebase International Holdings Limited (HKSE, Stock Code: 2310) on 18 April 2016 and as independent non-executive director of Hang Sang (Siu Po) International Holding Company Limited (HKSE, Stock Code: 3626) on 26 April 2016.

Save as disclosed above and apart from the resignation of Mr. Lam Kwok Cheong as a non-executive Director on 1 July 2016, there is no change in the information of the Directors that is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules since the publication of the Company's 2015 Annual Report and up to the date of this Interim Report.

Corporate Governance

The corporate governance principles of the Company emphasis an effective Board, sound internal control, appropriate independence policy, transparency and accountability to the shareholders of the Company. The Board will continue to monitor and revise the Company's corporate governance policies in order to ensure that such policies meet the general rules and standards required by the Listing Rules. For the six months ended 30 June 2016, the Company has complied with all material code provisions set out in the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Listing Rules, save for the following deviations:

Code Provision A.2.1

Code Provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual so that power is not concentrated in one individual. The chairman is responsible for the corporate strategic planning and formulation of corporate policies for the Group, while the chief executive officer is responsible for overseeing day-to-day management of the Group's business.

DISCLOSURE OF ADDITIONAL INFORMATION

Corporate Governance (Continued)

Code Provision A.2.1 (Continued)

As at the date of this Interim Report, the chairman of the Board is vacant while Mr. Wu Tianyu is the chief executive officer of the Company (the "Chief Executive Officer"). The role of the chairman has been performed collectively by all the executive Directors. The Board considers that this arrangement have allowed contributions from all executive Directors with different expertise and is beneficial to the continuity of the Company's policies and strategies and therefore is the interest of the shareholders of the Company as a whole. However, as the Board considers necessary to vest the two roles in different persons in order to enhance the effectiveness of the Group's corporate governance structure, the Board will continue to identify suitable candidate to fill up the vacancy of Chairman.

Code Provision A.5.1

There is a deviation from Code Provision A.5.1 of the CG Code: Nomination Committee should be chaired by the chairman of the Board or an independent non-executive director. Mr. Wu Tianyu, CEO and executive Director, was appointed as the chairman of the Nomination Committee since 30 June 2015.

Code Provision A.6.7

Pursuant to Provision A.6.7 of the CG Code, independent non-executive Directors and non-executive Directors should attend general meetings in order to develop a balanced view of the shareholders. Due to the various business commitments, not all the independent non-executive Directors and non-executive Directors of the Company attended the special general meeting of the Company held on 12 May 2016 and the annual general meeting of the Company held on 31 May 2016. Going forward, the Company will finalise and inform the dates of the general meetings as earliest as possible to make sure that all the independent non-executive Directors and non-executive Directors can attend the general meetings.

Purchase, Sale or Redemption of the Company's Listed Securities

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

Directors' Rights to Acquire Shares or Debentures

Save as disclosed in the section headed "Directors' and Chief Executives' Interest and Short Position in Shares, Underlying Shares and Debentures of the Company and its Associated Corporations" of this Interim Report, at no time during the period was the Company, its subsidiaries or any of its associated corporations (within the meaning of Part XV of the SFO) a party to any arrangement to enable the Directors or their associates (as defined in the Listing Rules) to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.



DISCLOSURE OF ADDITIONAL INFORMATION

Directors' and Chief Executives' Interest and Short Position in Shares, Underlying Shares and Debentures of the Company and its Associated Corporations

As at 30 June 2016, the interests of the Directors and the chief executives in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO") which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of the SFO), or as recorded in the register maintained by the Company pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers and the SFO, were as follows:

(a) *Long position in the shares of the Company*

Name	Capacity/ nature of interest	Number of shares held	Total interests in the issued share capital (approximately)
Mr. Wu Tianyu	Beneficial owner	61,940,000 (Note 1)	1.62%
Ms. Jiang Sisi	Interest of spouse	61,940,000 (Note 1)	1.62%

Note 1: Mr. Wu Tianyu, executive Director of the Company has personal interests in 61,940,000 Shares and Ms. Jiang Sisi is the spouse of Mr. Wu Tianyu and therefore was deemed to be interested in these shares.

(b) *Long position in the share options of the Company*

Name	Balance as at 1 January 2016	Granted during the period	Exercised during the period	Balance as at 30 June 2016	Exercisable period	Exercisable price	Approximate percentage of issued share capital of the Company
Mr. Wu Tianyu (Note 1)	74,070,000 (Note 2)	-	-	74,070,000	16 June 2016- 15 June 2020	HK\$0.784	1.94%
Ms. Jiang Sisi (Note 1)	74,070,000 (Note 2)	-	-	74,070,000	16 June 2016- 15 June 2020	HK\$0.784	1.94%

Note 1: Ms. Jiang Sisi is the Chief Operating Officer of the Group and also the director of certain subsidiaries of the Company. She is also the spouse of Mr. Wu Tianyu. As such, Ms. Jiang Sisi and Mr. Wu Tianyu were deemed or taken to be interested in the share options of each other for the purposes of the SFO. The aggregate family interest in share options is 148,140,000 as at 30 June 2016.

Note 2: These share options were granted on 24 July 2015. 25% of the granted share options were vested on 16 June 2016 and are exercisable from 16 June 2016 to 15 June 2020. Another 25% of the granted share options will be vested on 16 June 2017 and be exercisable from 16 June 2017 to 15 June 2020. A further 25% of the granted share options will be vested on 16 June 2018 and be exercisable from 16 June 2018 to 15 June 2020. The remaining 25% of the granted share options will be vested on 16 June 2019 and be exercisable from 16 June 2019 to 15 June 2020.

DISCLOSURE OF ADDITIONAL INFORMATION

Directors' and Chief Executives' Interest and Short Position in Shares, Underlying Shares and Debentures of the Company and its Associated Corporations (Continued)

Save as disclosed above, as at 30 June 2016, so far as is known to any Directors or chief executives of the Company, none of the Directors or chief executives of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or (b) were required, pursuant to section 352 of the SFO, to be entered in the register required to be kept by the Company referred to therein or (c) were required, pursuant to the Model Code to be notified to the Company and the Stock Exchange.

Interest and Short Positions of Substantial Shareholders in Shares and Underlying Shares of the Company

As at 30 June 2016, the following persons (other than the Directors and chief executives of the Company) had or were deemed or taken to have an interest and/or short position in the shares or the underlying shares which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company under section 336 of the SFO, or who was, directly or indirectly, interested in 5% or more of the issued shares of the Company.

Name	Capacity/ Nature of interest	Total number of Shares (Note 1)	Approximate percentage of the Company's issued share capital
Xianjian Advanced Technology Limited (Note 2)	Beneficial owner	744,000,000 (L)	19.44%
Mr. Xie Yuehui (Note 2)	Interest of controlled corporation	744,000,000 (L)	19.44%
Genius Earn Limited (Note 3)	Interest of controlled corporation/ Beneficial owner	356,410,256 (L)	9.31%
Mr. Liu Xiaolin (Note 3)	Interest of controlled corporation	356,410,256 (L)	9.31%
Silver Empire Holding Limited (Note 3)	Beneficial owner	256,410,256 (L)	6.70%
ABG II-RYD Limited (Note 4)	Beneficial owner	270,300,000 (L)	7.06%
Ally Bridge Group Capital Partners II, L.P. (Note 4)	Interest of controlled corporation	270,300,000 (L)	7.06%
ABG Capital Partners II GP, L.P. (Note 4)	Interest of controlled corporation	270,300,000 (L)	7.06%
ABG Capital Partners II GP Limited (Note 4)	Interest of controlled corporation	270,300,000 (L)	7.06%
Mr. Yu Fan (Note 4)	Interest of controlled corporation	270,300,000 (L)	7.06%
View Bright Global Investment Limited (Note 5)	Beneficial owner	500,000,000 (L)	13.07%
Mr. Yan XT Timothy (Note 5)	Interest of controlled corporation	500,000,000 (L)	13.07%



DISCLOSURE OF ADDITIONAL INFORMATION

Interest and Short Positions of Substantial Shareholders in Shares and Underlying Shares of the Company (Continued)

Note:

1. The letters "L" denote long position in the shares of the Company.
2. Xianjian Advanced Technology Limited is a company incorporated in the BVI and is wholly owned by Mr. Xie Yuehui.
3. According to the information available to the Company, Silver Empire Holding Limited is wholly owned by Genius Earn Limited, which is wholly owned by Mr. Liu Xiaolin.
4. According to the information available to the Company, ABG II-RYD Limited is wholly owned by Ally Bridge Group Capital Partners II, L.P.. Ally Bridge Group Capital Partners II, L.P.'s general partner is ABG Capital Partners II GP, L.P. and Ally Bridge Group Capital Partners II, L.P. is also 0.91% owned by ABG Capital Partners II GP, L.P. ABG Capital Partners II GP, L.P. is 50% owned by Mr. Yu Fan and 50% owned by ABG Capital Partners II GP Limited which is wholly owned by Mr. Yu Fan.
5. These shares represent the consideration shares in relation to the On Growth Acquisition and had been issued and allotted to View Bright Global Investment Limited and had been kept in escrow by the Company since 15 May 2015. On 26 July 2016, the 2015 adjustment threshold has been satisfied and the net profit after tax of On Growth Global Development Limited and its subsidiaries for the fiscal year ended 31 December 2015 was more than HK\$34,500,000. Hence, 300,000,000 consideration shares have been released to View Bright Global Investment Limited on 26 July 2016 pursuant to the terms and conditions of the acquisition agreement dated 16 March 2015.

Without taking into account any adjustments that may be made to the number of the consideration shares as disclosed in the circular of the Company dated 17 April 2015, the remaining balance of 200,000,000 consideration shares will be released to View Bright Global Investment Limited pursuant to the acquisition agreement dated 16 March 2015 if the aggregated net profit after tax of On Growth Global Development Limited and its subsidiaries for the fiscal year ended 31 December 2015 and ending 31 December 2016 is not less than HK\$80,000,000.

Save as disclosed above, as at 30 June 2016, the Directors and chief executive of the Company were not aware of any person (other than a Director or chief executive of the Company) who had any other interests or short positions in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO.

DISCLOSURE OF ADDITIONAL INFORMATION

Share Option Scheme

The share option scheme adopted by the Company in 2003 (the “2003 Scheme”) had already expired on 31 January 2013. There were no share options outstanding under the 2003 Scheme.

A new share option scheme (the “Scheme”) was approved by an ordinary resolution passed by the shareholders of the Company at the special general meeting held on 8 June 2015. The purpose of the Scheme is to provide an incentive or reward for the Directors of the Company, employees and consultants of the Group for their contribution or potential contribution to the Group. The major terms of the Scheme are summarised as follows:

1. Eligible participants of the Scheme include any full-time or part-time employees, consultants or potential employees, consultants, executives or officers (including executive, non-executive and independent non-executive directors) of the Company or any of its Subsidiaries and any suppliers, customers, consultants, agents and advisers who, in the sole opinion of the Board, will contribute or has contributed to the Company and/or any of its Subsidiaries;
2. the maximum number of Shares in respect of which Options under this Scheme or options under the other schemes may be granted must not in aggregate exceed 10% of the issued share capital of the Company at the date of approval of the Scheme and such limit may be refreshed by the shareholders of the Company in general meeting. The overall limit on the number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other share option schemes of the Company must not exceed 30% of the Shares in issue from time to time.
3. The total number of Shares to be issued upon exercise of the options granted and to be granted to each eligible person (including both exercised and outstanding options) in any 12-month period up to and including the date of grant is limited to 1% of the Shares then in issue. Any further grant of options in excess of this limit is subject to separate shareholders' approval in a general meeting of the Company.
4. Any grant of share options to any connected person (as defined in the Listing Rules) shall be subject to the approval by all the independent non-executive directors of the Company (and in the event that the Board offers to grant Options to an independent non-executive director of the Company, the vote of such independent non-executive director shall not be counted for the purposes of approving such grant);
5. Any grant of share options to a substantial shareholder or an independent non-executive Director of the Company, or any of their associates, which would result in the Shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person within the 12-month period up to the date of grant of options representing in aggregate in excess of 0.1% of the Shares then in issue and having an aggregate value (based on closing price of the Company's Shares at the date of the grant) in excess of HK\$5 million, is subject to prior approval by shareholders in a general meeting.



DISCLOSURE OF ADDITIONAL INFORMATION

Share Option Scheme (Continued)

6. The offer for the grant of options (the "Offer") must be taken up within 14 days from the date of Offer, with a payment of HK\$1.00 as consideration by the grantee.
7. The exercise price of the share option will be determined at the highest of (i) the average closing prices of Shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of the Offer; (ii) the closing price of Shares as stated in the Stock Exchange's daily quotations sheet on the date of the Offer; and (iii) the nominal value of the Shares.
8. The period within which the Shares must be taken up under the option must not be more than 10 years from the date of grant of the option;
9. The Scheme will, unless otherwise cancelled or amended, remain in force for 10 years commencing on the date of approval of the Scheme and ending on 7 June 2025 (both dates inclusive);

Audit Committee

The Audit Committee of the Board was established with written terms of reference in accordance with Appendix 14 to the Listing Rules. As at the date of this Interim Report, the Audit Committee comprises of three independent non-executive Directors, namely Dr. Loke Yu alias Loke Hoi Lam (chairman), Mr. Wu Jixian and Mr. Song Qun. Mr. Lam Kwok Cheong has ceased to be a member of the Audit Committee upon his resignation on 1 July 2016.

The Audit Committee met with the management on 29 August 2016 to review the accounting standards and practices adopted by the Group and to discuss matters regarding internal control and financial reporting including the review of the Group's interim results for the Period, before proposing them to the Board for approval. The Audit Committee has reviewed the unaudited interim results announcement and this Interim Report of the Company for the Period.

Sufficiency of Public Float

Based on the information that is publicly available and within the knowledge of the Directors, it is confirmed that there is sufficient public float of more than 25 per cent of the Company's issued shares during the Period and as at the date of this Interim Report.

MEGA MEDICAL TECHNOLOGY LIMITED

美加醫學科技有限公司