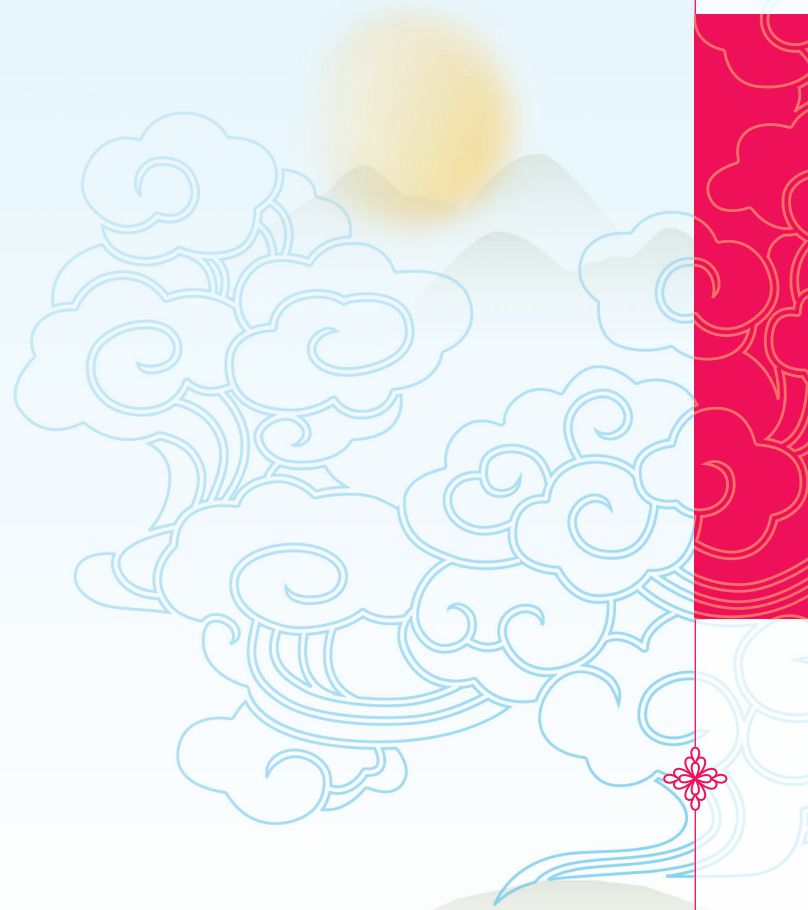




China Wah Yan Healthcare Limited

中國華仁醫療有限公司

Stock Code: 648



2016

Interim Report

CONTENTS

	<i>Pages</i>
Corporate information	2
Chairman's statement	3
Review of the interim results	6
Financial results	
Condensed consolidated statement of profit or loss and other comprehensive income	17
Condensed consolidated statement of financial position	19
Condensed consolidated statement of changes in equity	21
Condensed consolidated statement of cash flows	22
Notes to the condensed consolidated interim financial statements	23



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
TONG Cheuk Man (*appointed on 27 May 2016
and resigned on 12 September 2016*)
WU Yan (*resigned on 22 March 2016*)

AUDIT COMMITTEE

CHAN Yee Ping, Michael (*Chairman*)
HU Xuezheng
LAM Chun Ho
WU Yan (*resigned on 22 March 2016*)

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 (*resigned on 22 March 2016*)

COMPANY SECRETARY

LAM Sung Him, Gaston

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
Hang Seng Bank Limited

LEGAL ADVISERS

Baker & McKenzie
Norton Rose Fulbright Hong Kong
W.K. To & Co.

AUDITORS

HLB Hodgson Impey Cheng Limited
Certified Public Accountants

SHARE REGISTRAR

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

CHAIRMAN'S STATEMENT

During the six months ended 30 June 2016, China Wah Yan Healthcare Limited (the "Company", together with its subsidiaries and associates, the "Group") further streamlined its business portfolio through acquisition/divestment with a view to achieving its business goal of becoming an integrated healthcare and well-being platform.

Acquisition of Rui Kang Pharmaceutical Group Investments Limited ("Rui Kang")

Rui Kang, the shares of which are listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), is principally engaged in (i) provision of medical laboratory testing services and health check services in Hong Kong (the "Medical Laboratory Testing Business") and (ii) manufacture, research and development, sale and distribution of pharmaceutical and health related products in the People's Republic of China (the "PRC") and Hong Kong (the "Pharmaceutical Manufacturing Business"). During the period under review, the Company made a voluntary conditional securities exchange offer to acquire all of the issued shares of Rui Kang (the "Share Offer") and, as a result, Rui Kang became a 75%-owned subsidiary of the Company in May 2016. The Company intends to take a more active role in steering the future business direction, management and operation of Rui Kang for formulation of business strategies with synergy to the Group. For the six months ended 30 June 2016, revenue of HK\$6.6 million of the Group was contributed by Rui Kang.

Acquisition of obstetric and gynaecological business

The Group acquired a company engaged in the provision of obstetric and gynaecological services (the "O&G Business") in June 2016 and, following completion of the acquisition, the Company appointed Dr. Chan Leung Kwok, a renowned specialist in obstetrics and gynaecology and the vendor of the O&G Business, as the chief executive officer of the Company. The acquisition has enabled the Group to gain a foothold in the medical industry in Hong Kong. The Group intends to further extend the O&G Business into in-vitro fertilization and rejuvenation businesses by leveraging on Dr. Chan's expertise and network. During the six months ended 30 June 2016, only minimal revenue of the Group was contributed from the O&G Business as the acquisition was completed in late June 2016.

Investment in New Ray Medicine International Holding Limited ("New Ray Medicine")

In June 2016, the Group acquired 9.9% of the then issued share capital of New Ray Medicine, the shares of which are listed on the Main Board of the Stock Exchange, and has become its single largest shareholder. New Ray Medicine is principally engaged in the distribution of pharmaceutical products and medical devices in the PRC and has maintained a leading position in Zhejiang Province, the PRC. Its distribution network covers the major cities/regions in the PRC including Shanghai, Chongqing, Anhui Province, Sichuan Province and Guangdong Province. The Group expects its investment in New Ray Medicine to benefit from the growth in demand for medical treatment/medicine resulted from ageing population, urbanization, increase in household income, increase in chronic diseases and wider coverage of medical insurance in the PRC and allow Rui Kang to explore the opportunity to leverage on the distribution network of New Ray Medicine to expand the clientele and market coverage of the Pharmaceutical Manufacturing Business.

Participation in the rights issue of IR Resources Limited (“IR Resources”)

The Group is the single largest shareholder of IR Resources, the shares of which are listed on the Growth Enterprise Market of the Stock Exchange and is principally engaged in (i) the forestry and agricultural business and (ii) the resources and logistics business. Following the resumption of trading in the shares of IR Resources in February 2016, the Group participated in full in the rights issue of IR Resources to raise fund. IR Resources is in the course of forming joint ventures with a group of experienced business partners to accelerate the development pace of its forestry and agricultural business in Cambodia and has recently entered into a framework agreement with a solar power operator to extend its business to green resources. It is anticipated that the latest business development of IR Resources will generate return to its shareholders including the Group.

Investment in the ophthalmic business

Subsequent to the period under review, the Group entered into an agreement for a strategic investment in a minority equity interest in one of the leading providers of ophthalmic medical services in Hong Kong (the “Ophthalmic Business”) and such investment had been completed as at the date of this interim report. The Group expects to potentially establish business collaboration between the Ophthalmic Business and the Group’s business in the operation of a chain of optical products and eye-care services retail shops under the brand name of “Hong Kong Optical” (the “Eye-care Business”).

Investment in contracted medical scheme business

Subsequent to the period under review, Rui Kang entered into an agreement for a strategic investment in a minority equity interest in one of the leading contracted medical schemes providers for integrated medical and healthcare check-up services in Hong Kong. The Group expects to leverage on the network of the contracted medical schemes provider to further expand its business portfolio in Hong Kong.

Disposal of the tumours medical business

The Group, in view of the difficult and unfavourable regulatory environment and the continuous deterioration of the performance of its tumour diagnosis and treatment business in the PRC as stated in the past announcements, interim and annual reports of the Company, disposed of its remaining interest in the business in March 2016.

Reduction in equity interest in the Health Management Business

Given the continuing fierce competition in the sports and fitness market in the PRC, the Group had disposed of 10.45% effective interest in its business in the operation of a chain of sports and healthcare clubhouses under the brand name of “Megafit” in the PRC (the “Health Management Business”) to an experienced strategic investor during the period under review for purposes of, on one hand, reducing the Group’s weight in the Health Management Business for business risk management, and, on the other hand, leveraging on the expertise of the new shareholder to improve the operation of the business.

PROSPECTS

The global economy in the first half of 2016 experienced increased global political uncertainty and high volatility in equity and commodity markets, however, the Group had managed to continue to roll out its plan to achieve its business goal of becoming an integrated healthcare and well-being platform during the period. Looking ahead, the Group will continue to advance its business plan through embracing appropriate initiatives and opportunities, including those arising from the “One Belt, One Road” economic development strategy initiated by the PRC. I am confident in the prospects of the Group and I look forward to the enduring support and contribution from our board (the “Board”) of directors (the “Directors”), our colleagues, our partners and our shareholders for the continuous progress of the Group.

By Order of the Board

China Wah Yan Healthcare Limited

CHAN KA CHUNG

Chairman

Hong Kong, 22 August 2016

REVIEW OF THE INTERIM RESULTS

Overview

The Group's principal businesses include (i) the Health Management Business; (ii) the medical and well-being business comprising the Eye-care Business, the Medical Laboratory Testing Business, the Pharmaceutical Manufacturing Business and the O&G Business; and (iii) the asset management business.

Revenue

For the six months ended 30 June 2016, the Group's revenue amounted to HK\$79.8 million, representing a significant increase of 37.8% from the same period in previous year. The increase in revenue was attributable to (i) the recognition of the full-period revenue of the Health Management Business (while only partial revenue of the business was recognised by the Group for the six months ended 30 June 2015); (ii) the increase in the revenue of the Eye-care Business by 25.5%; (iii) the consolidation of Rui Kang's revenue into the Group's financial statements following completion of the Share Offer in May 2016. However, the increase in revenue of the Group was partially offset by the disposal of the Group's interest in the tumours medical business which used to account for a significant weight in the Group's revenue composition.

Gross profit

Gross profit and gross profit margin of the Group declined to HK\$21.2 million (six months ended 30 June 2015: HK\$25.0 million) and 26.6% (six months ended 30 June 2015: 43.2%) during the period under review, respectively. The decrease in gross profit and gross profit margin was attributable to (i) the increase in the weighting of the lower-margin Healthcare Management Business in the Group's revenue composition (accounting for 69.6% of the Group's revenue for the six months ended 30 June 2016 as compared to the 41.3% for the same period in previous year); and (ii) the disposal of the tumours medical business which used to command a much higher gross profit margin.

Loss for the period

Due to the volatile global equity market and Hong Kong financial/property market as a result of, among others, the referendum of the United Kingdom favouring withdrawal from the European Union in June 2016, the Group, for the six months ended 30 June 2016, recorded substantial impairment loss of HK\$194.1 million mainly resulted from the decrease in the prices of its listed securities held as available-for-sale financial assets (mainly attributable to the investment in New Ray Medicine and IR Resources), the unrealised loss of HK\$18.5 million arising from the decrease in fair value of investment properties in accordance with the Hong Kong Accounting Standards and the net decrease in the fair value of the listed securities held by Rui Kang of HK\$15.1 million. The above-mentioned losses were partly offset by the gain on disposal of the tumours medical business of HK\$64.3 million and the bargain purchase of Rui Kang of HK\$46.5 million by the Group and, as such, the Group recorded a consolidated net loss of HK\$166.4 million for the six months ended 30 June 2016 (six months ended 30 June 2015: HK\$24.0 million). Nevertheless, the above impairment loss and unrealised loss are non-cash in nature and did not result in the outflow of cash and other resources of the Group; accordingly, the Company does not expect such losses to have any material adverse impact on the Group's operations. More importantly, the Group's investments in New Ray Medicine and IR Resources are strategic to its business development.

REVIEW ON BUSINESS SEGMENTS

Health Management Business Segment

As mentioned above, due to the recognition of the full-period revenue of the Health Management Business, the revenue and the segment profit of the Health Management Business increased to HK\$55.6 million (six months ended 30 June 2015: HK\$23.9 million) and HK\$2.5 million (six months ended 30 June 2015: HK\$1.4 million) respectively for the six months ended 30 June 2016. During the period under review, the Group had closed down certain non-performing sports and healthcare clubhouses and, as a result, the number of membership decreased to about 24,000 as at 30 June 2016 (31 December 2015: about 31,000). Given the increasingly fierce competition in the sports and fitness market in the PRC, the Group will continue to monitor and review its strategy as to the Health Management Business as and when appropriate.

Medical and Well-being Business Segment

The Eye-care Business

The Eye-care Business, similar to other retail businesses in Hong Kong, has been suffering from the increase in the rent of commercial properties and the decrease in the number of tourists from the PRC. As a result, although the Eye-care Business recorded an increase of 25.5% in revenue during the six months ended 30 June 2016 due to the opening of two additional shops and gross profit margin was able to remain at a similar level to the same period in the previous year, fixed costs (such as rental expenses) have continued to adversely affect the profitability of the Eye-care Business and the Eye-care Business still incurred a net loss for the period. The Group will continue to devise plans to enhance the financial performance of this business including potential business collaboration with the Ophthalmic Business.

The Medical Laboratory Testing Business and the Pharmaceutical Manufacturing Business

Since the Share Offer was just completed in May 2016, the Medical Laboratory Testing Business and the Pharmaceutical Manufacturing Business contributed only HK\$6.6 million to the Group's revenue. It is anticipated that the revenue and profit contribution of these businesses to the Group will increase when their full-period financial results are reflected in the Group's consolidated financial statements. In addition, as disclosed in the interim report of Rui Kang for the six months ended 30 June 2016, Rui Kang will continue to strengthen the Pharmaceutical Manufacturing Business through (i) enhancement of online sales; (ii) introduction of new health related products; and (iii) expansion of distribution network.

The O&G Business

Since the acquisition of the O&G Business was completed only in late June 2016, financial contribution from this business line to the Group was minimal for the period under review.

Asset Management Segment

Investment in financial/fixed/distressed assets

The Group's investment portfolio comprises investment in financial/fixed/distressed assets in Hong Kong. As at 30 June 2016, the Group held 9.9% equity interest in New Ray Medicine and 29.3% equity interest in IR Resources as part of its strategic plan to achieve its business goal.

As at 30 June 2016, the total assets of the asset management segment of the Group amounted to HK\$383.9 million (31 December 2015: HK\$379.4 million). The slight increase in the total assets of this business segment was attributable to the combined impact of (i) the Group's investment in New Ray Medicine and participation in the rights issue of IR Resources; (ii) the inclusion of the investment portfolio of Rui Kang; (iii) the exclusion of the Group's investment in Rui Kang from this business segment after completion of the Share Offer; (iv) the restructuring of its property portfolio; and (v) the decrease in the fair value of the Company's financial and capital assets held under this business segment (which recorded a segment loss of HK\$224.7 million mainly resulted from the impairment loss on investment in listed securities and investment properties and the decrease in the fair value of Rui Kang's investment portfolio from completion of the Share Offer till 30 June 2016) due to the adverse market sentiments as mentioned above (six months ended 30 June 2015: segment profit of HK\$32.2 million). The Group will continue to monitor the performance of this business segment and review its investment portfolio as and when appropriate to serve the purposes of this business segment of paving the Group's path towards its business goal and diversifying the Group's risk and return.

Loan financing

In order to seize the opportunities in the non-bank financing sector in Hong Kong and the PRC, the Company obtained a money lending license granted by the licensing court in Hong Kong pursuant to the Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong) in 2015. However, since Rui Kang has commenced its money lending business in 2015, the Company intends to focus its loan financing business on the market sectors different from Rui Kang's. The Group will also keep abreast of opportunities for financial services and products platforms which would enhance the capability and sustainability of the loan financing business line.

EVENTS AFTER THE REPORTING PERIOD

On 15 July 2016, Rui Kang entered into an agreement to acquire a minority equity interest in one of the leading contracted medical schemes providers for integrated medical and healthcare check-up services in Hong Kong at a consideration of HK\$19.4 million. As at the date of this interim report, the acquisition had not been completed. Please refer to the announcement of Rui Kang dated 15 July 2016 for details.

On 22 July 2016, Rui Kang entered into an agreement for the placing of 131,380,000 new shares of Rui Kang at the placing price of HK\$0.169 per share. The share placement was completed on 15 August 2016 and accordingly, the Company's interest in Rui Kang diluted to 62.5%. Please refer to the announcements of Rui Kang dated 22 July and 15 August 2016 for details.

As at the date of this interim report, the option deed dated 14 July 2015 and entered into with Mr. Chan Ka Chung (“Mr. Chan”), an executive Director, in relation to the Group’s Chinese medicine therapy business, had been lapsed and the agreement dated 9 September 2015 in relation to the granting of a standby equity credit facility by Mr. Chan to the Company had not been completed and it is the intention of both parties not to further extend the long stop date (30 September 2016).

PROSPECTS

Going forward, the Group will continue to streamline its business portfolio through mergers, acquisitions and integration. In addition, the Group will continue to explore investment opportunities in financial/fixe/d distressed assets with a view to paving its path to achieve its business goal, diversifying the risk and return of its businesses and enhancing return to shareholders.

FUND RAISING ACTIVITIES

The Company has completed the following equity fund raising exercises since 2015 and up to 30 June 2016.

Date of announcement	Event	Net proceeds		Actual use of proceeds
		raised	Intended use of proceeds	
<i>(approximately)</i>				
2014				
9 October	Issue of convertible bonds	HK\$43.3 million	General working capital, reduction of debts and future investment	Used as intended
2015				
29 March	Placing of new shares	HK\$41.1 million	General working capital, reduction of debt and future investment	Used as intended
1 June	Placing of new shares	HK117.5 million	General working capital, reduction of debts and future investment	Used as intended
10 December	Placing of new shares	HK\$47 million	General working capital, future business development and capital structure enhancement	Used as intended

FINANCIAL REVIEW

Liquidity and financial resources

For the six months ended 30 June 2016, the net cash outflow from operating activities amounted to HK\$98.3 million (six months ended 30 June 2015: net cash outflow of HK\$108.1 million), the net cash outflow from investing activities amounted to HK\$20.1 million (six months ended 30 June 2015: net cash outflow of HK\$48.3 million) and the net cash inflow from financing activities amounted to HK\$131.5 million (six months ended 30 June 2015: net cash inflow of HK\$58.0 million). As a result, the Group recorded a net cash inflow of HK\$13.1 million for the six months ended 30 June 2016 (six months ended 30 June 2015: net cash outflow of HK\$98.4 million).

As at 30 June 2016, the Group had cash and bank balances of HK\$104.3 million (31 December 2015: HK\$91.7 million).

As at 30 June 2016, the Group's total borrowings amounted to HK\$493.4 million (31 December 2015: HK\$296.3 million) which included borrowings of HK\$307.8 million (31 December 2015: HK\$197.5 million), convertible securities of HK\$2.0 million (31 December 2015: HK\$2.0 million), promissory note payable of HK\$60.3 million (31 December 2015: Nil) and bonds payable of HK\$123.3 million (31 December 2015: HK\$96.8 million). The increase in total borrowings was due to additional financing and business combination during the period. The borrowings are denominated in Hong Kong dollars and Japanese Yen and will either be repaid by generated funds or rolled over upon maturity.

As at 30 June 2016, the Group's net asset value (including non-controlling interest) was HK\$281.5 million (31 December 2015: HK\$551.6 million) with a liquidity ratio (calculated based on the Group's current assets to current liabilities) of 0.8 times as at 30 June 2016 (31 December 2015: 1.1 times). The Group's gearing ratio (calculated based on the Group's total borrowings to the equity attributable to the owners of the Company) was 233.6% (31 December 2015: 78.3%). Given the net current liabilities position and the significant increase in the gearing ratio (from 31 December 2015) of the Group as at 30 June 2016, the Directors concurred with the view of the auditors to the Group that the Group shall seize appropriate opportunities when available to raise funds to reduce its short term borrowings and liabilities.

Exposure to fluctuation in exchange rates

The Group's cash flow from operations is mainly denominated in Renminbi and Hong Kong dollars. Its assets are mostly denominated in Renminbi and Hong Kong dollars, and liabilities are mainly denominated in Japanese Yen and Hong Kong dollars. The Group recorded currency exchange loss of HK\$11.6 million mainly resulted from the recent appreciation of Japanese Yen during the period under review. The Group will continue to monitor the situation and may consider to reduce its debt exposure to Japanese Yen through external fund raising means as and when appropriate.

Charge on group assets

As at 30 June 2016, investment properties with carrying value of HK\$95.0 million (31 December 2015: HK\$150.6 million) of the Group was pledged to a financial institution to secure borrowings of HK\$52.9 million (31 December 2015: HK\$55.2 million) of the Group.

CONTINGENCIES

There was no provision in respect of contingencies required to be made in the unaudited condensed consolidated interim financial statements of the Group for the six months ended 30 June 2016.

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2016, the total number of employees of the Group was 1,015. 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 its 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 participants option to subscribe for shares of the Company. The 2001 Share Option Scheme had expired on 30 October 2011.

At its annual general meeting held on 12 June 2014, the Company adopted a new share option scheme (the “2014 Share Option Scheme”) under which the Board may at its discretion offer to eligible participants option to subscribe for shares of the Company. As at 30 June 2016, the Company had 170,295,954 outstanding options under the 2014 Share Option Scheme.

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 2016 are as follows:

Grantee	Date of grant	Exercisable period	Adjusted exercise price per share (HK\$)	Number of share options				At 30 June 2016	% of shareholding of the Company (Note 1)
				At 1 January 2016	Granted during the period	Exercised during the period	Lapsed during the period		
Consultants/advisors	10-04-2006	10-04-2006 to 09-04-2016	1.71	5,776,083	–	–	(5,776,083)	–	–
	26-04-2007	26-04-2007 to 25-04-2017	3.42	2,937,268	–	–	–	2,937,268	0.07%
	06-11-2007	06-11-2007 to 05-11-2017	3.46	5,839,500	–	–	–	5,839,500	0.15%
	07-03-2008	07-03-2008 to 06-03-2018	2.23	7,410,676	–	–	–	7,410,676	0.19%
Total:				21,963,527	–	–	(5,776,083)	16,187,444	0.41%

Notes:

- Based on 3,942,679,069 shares of the Company in issue as at 30 June 2016.
- Vesting details under the 2001 Share Option Scheme are as follows:

(i) Options granted to consultants/advisors:

Date of grant	Date of vesting	Number of share options vested
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 2016 were as follows:

Grantee	Date of grant	Exercisable period	Exercise price per share (HK\$)	Number of share options					As at 30 June 2016	% of shareholding of the Company (Note 3)
				As at 1 January 2016	Granted during the period	Exercised during the period	Lapsed during the period			
Directors	31-10-2014	31-10-2014 to 30-10-2016	0.34	8,127,066	–	–	–	8,127,066	0.21%	
	24-06-2015	24-06-2015 to 23-06-2017	0.28	19,319,035	–	–	–	19,319,035	0.49%	
Employees	31-10-2014	31-10-2014 to 30-10-2016	0.34	18,624,529	–	–	–	18,624,529	0.47%	
	24-06-2015	24-06-2015 to 23-06-2017	0.28	60,895,637	–	–	–	60,895,637	1.54%	
Consultants	31-10-2014	31-10-2014 to 30-10-2016	0.34	31,831,016	–	–	–	31,831,016	0.81%	
	24-06-2015	24-06-2015 to 23-06-2017	0.28	31,498,671	–	–	–	31,498,671	0.80%	
Total:				170,295,954	–	–	–	170,295,954	4.32%	

Notes:

- Based on 3,942,679,069 shares of the Company in issue as at 30 June 2016.
- Vesting details under the 2014 Share Option Scheme are as follows:

(i) Options granted to Directors:

Date of grant	Date of vesting	Number 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	Number 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:

Date of grant	Date of vesting	Number 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 2016, 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 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 Appendix 10 to The Rules (the “Listing Rules”) Governing the Listing of Securities on the Stock Exchange, were as follows:

(l) 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	Corporate interest	101,250,000	551,975,069 (Note 2)	653,225,069	16.568%
	Personal	—	11,819,437 (Note 3)	11,819,437	0.300%
Mr. Cheung Wai Kwan	Personal	—	9,095,301 (Note 3)	9,095,301	0.231%
Independent Non-executive Directors					
Mr. Chan Yee Ping, Michael	Personal	—	2,177,121 (Note 3)	2,177,121	0.055%
Mr. Lam Chun Ho	Personal	—	2,177,121 (Note 3)	2,177,121	0.055%
Ms. Hu Xuezheng	Personal	—	2,177,121 (Note 3)	2,177,121	0.055%
	Total	101,250,000	579,421,170	680,671,170	17.264%

Notes:

1. Based on 3,942,679,069 shares of the Company in issue as at 30 June 2016.
2. Pursuant to an equity credit facility agreement dated 9 September 2015 and entered into between the Company and a company wholly-owned by Mr. Chan, the Company was entitled to obtain a credit facility from Mr. Chan through the issuance of shares and/or convertible bonds of the Company (representing 14% of the issued share capital of the Company) to him. Accordingly, based on 3,942,679,069 shares of the Company in issue as at 30 June 2016, Mr. Chan is deemed to be interested in 551,975,069 shares of the Company. However, both the Company and Mr. Chan do not intend to extend the long stop date (30 September 2016) of the equity credit facility agreement.
3. Details of the share option granted by the Company to the Directors are as follows:

Grantee	Date of grant	Exercisable period	Exercise price per share (HK\$)	Number of share options				
				At 1 January 2016	Granted during the period	Exercised during the period	Lapsed during the period	As at 30 June 2016
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 Xuezhen	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:	27,446,101	–	–	–	27,446,101

(ii) Associated Corporation

As at 30 June 2016, Mr. Chan was interested in an associated corporation of the Group.

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

Purchase, Sale or Redemption of Shares

During the six months ended 30 June 2016, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any shares of the Company.

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 2016, 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 code provision A.4.1 of the CG Code, which requires that, 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 CG Code. 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 of 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 the unaudited condensed consolidated interim financial statements of the Group for the six months ended 30 June 2016, as well as the relevant auditing, internal control and financial reporting matters for the period under review.

Model Code for Securities Transactions by Directors

The Company has adopted the Model Code as its own code of conduct regarding securities transactions by the Directors. The Company has made enquiry to all the Directors and each of them has confirmed that he/she had complied with the required standards as set out in the Model Code for the six months ended 30 June 2016.

FINANCIAL RESULTS

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Six months ended 30 June	
	Notes	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Revenue	3	79,847	57,922
Cost of services and goods sold		(58,628)	(32,899)
Gross profit		21,219	25,023
Other gains and losses		22,023	1,315
Distribution costs		(8,494)	(4,179)
Administrative expenses		(62,605)	(48,992)
Change in fair value of financial assets at fair value through profit or loss		(22,590)	23,682
(Loss)/gain arising from change in fair value of investment properties		(18,536)	1,692
Impairment loss on available-for-sale financial assets	11	(194,144)	—
Impairment loss on trade receivables		—	(17,528)
Net gain on disposals of subsidiaries	17	63,348	—
Gain on bargain purchase of subsidiaries	18	46,476	—
Share of results of associates		16	—
Share of results of a joint venture		65	6,983
Finance costs		(13,088)	(8,624)
Loss before taxation		(166,310)	(20,628)
Income tax	4	(94)	(3,334)
Loss for the period	5	(166,404)	(23,962)

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

		Six months ended 30 June	
Notes	2016	2015	
	HK\$'000	HK\$'000	
	(Unaudited)	(Unaudited)	
Loss for the period	(166,404)	(23,962)	
Other comprehensive (loss)/income for the period			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations:			
Exchange differences arising during the period	(667)	3,961	
Reclassification adjustments relating to foreign operations disposed of during the period	(72,191)	—	
	(72,858)	3,961	
Loss on revaluation of available-for-sale financial assets	—	(11,859)	
Other comprehensive loss for the period, net of tax	(72,858)	(7,898)	
Total comprehensive loss for the period	(239,262)	(31,860)	
Loss for the period attributable to:			
Owners of the Company	(157,593)	(14,872)	
Non-controlling interests	(8,811)	(9,090)	
	(166,404)	(23,962)	
Total comprehensive loss for the period attributable to:			
Owners of the Company	(229,799)	(23,528)	
Non-controlling interests	(9,463)	(8,332)	
	(239,262)	(31,860)	
Loss per share attributable to the owners of the Company	(5.36)	(1.10)	
— Basic and diluted (<i>HK cents</i>)	(5.36)	(1.10)	

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 2016 HK\$'000 (Unaudited)	As at 31 December 2015 HK\$'000 (Audited)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	8	62,702	26,986
Land use right	8	8,317	3,506
Investment properties	8	95,000	150,600
Goodwill		67,857	61,237
Investment in associates	9	64,322	—
Investment in a joint venture	10	13,143	—
Other intangible assets	8	54,671	3,610
Available-for-sale financial assets	11	256,117	335,324
Long-term prepayments and deposits		2,196	108,921
		624,325	690,184
Current assets			
Land use right		235	84
Inventories		27,582	11,099
Trade receivables	12	16,715	24,011
Other receivables, prepayments and deposits		79,333	133,473
Loan receivables		11,618	—
Tax recoverable		275	—
Available-for-sale financial assets	11	—	67,858
Financial assets at fair value through profit or loss		76,074	75,584
Cash and bank balances		104,251	91,713
		316,083	403,822

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

	<i>Notes</i>	As at 30 June 2016 HK\$'000 (Unaudited)	As at 31 December 2015 HK\$'000 (Audited)
Current liabilities			
Trade and other payables	13	87,990	143,444
Receipt in advance		67,940	77,807
Tax payable		75	17,189
Borrowings		228,515	129,835
		384,520	368,275
Net current (liabilities)/assets		(68,437)	35,547
Total assets less current liabilities		555,888	725,731
Non-current liabilities			
Other payable	13	7,000	7,000
Borrowings		79,272	67,684
Convertible notes		1,976	1,963
Bonds payable	14	123,365	96,828
Promissory note	15	60,266	—
Deferred tax liabilities		2,497	642
		274,376	174,117
Net assets		281,512	551,614
CAPITAL AND RESERVES			
Share capital	16	2,893,161	2,757,283
Reserves		(2,681,944)	(2,379,093)
Equity attributable to the owners of the Company		211,217	378,190
Non-controlling interests		70,295	173,424
Total equity		281,512	551,614

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 2016

	Share capital	Share option reserve	Exchange translation reserve	Equity component of convertible bonds/notes	Warrant reserves	Other reserves	Investment revaluation reserve	Accumulated losses	Sub-total	Non-controlling interests	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Note 16)										
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:											
Items that may be reclassified subsequently to profit or loss:											
Exchange difference on translating foreign operations:											
Exchange differences arising during the period	—	—	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
At 1 January 2016 (Audited)	2,757,283	59,308	76,424	67	179	76,741	—	(2,591,812)	378,190	173,424	551,614
Loss for the period	—	—	—	—	—	—	—	(157,593)	(157,593)	(8,811)	(166,404)
Other comprehensive loss for the period:											
Items that may be reclassified subsequently to profit or loss:											
Exchange difference on translating of foreign operations:											
Exchange differences arising during the period	—	—	(15)	—	—	—	—	—	(15)	(652)	(667)
Reclassification adjustments relating to foreign operations disposed of during the period	—	—	(72,191)	—	—	—	—	—	(72,191)	—	(72,191)
Total comprehensive loss for the period	—	—	(72,206)	—	—	—	—	(157,593)	(229,799)	(9,463)	(239,262)
Acquisition of subsidiaries by share offer, net of transaction costs	135,878	—	—	—	—	—	—	—	135,878	93,658	229,536
Disposals of subsidiaries	—	—	—	—	—	(72,718)	—	—	(72,718)	(180,820)	(253,538)
Changes in ownership interests of subsidiaries (note 19)	—	—	(537)	—	—	1,281	—	—	744	(6,504)	(5,760)
Lapse of disposal of investment in joint ventures	—	—	(1,078)	—	—	—	—	—	(1,078)	—	(1,078)
At 30 June 2016 (Unaudited)	2,893,161	59,308	2,603	67	179	5,304	—	(2,749,405)	211,217	70,295	281,512

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 2016

	Six months ended 30 June	
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Cash flows from operating activities		
Cash used in operations	(98,384)	(108,094)
Interest received	75	—
Net cash used in operating activities	(98,309)	(108,094)
Cash flows from investing activities		
Purchase of financial assets at fair value through profit or loss	(18,212)	(60,841)
Proceeds from disposal of financial assets at fair value through profit or loss	28,610	48,167
Purchase of available-for-sale financial assets	(90,447)	(33,000)
Net cash inflow/(outflow) on acquisitions of subsidiaries	26,321	(13,650)
Net cash inflow on disposals of subsidiaries	27,343	—
Proceeds from change in ownership of a subsidiary	6,650	—
Refund of long-term deposits	—	10,186
Other investments (net)	(354)	802
Net cash used in investing activities	(20,089)	(48,336)
Cash flows from financing activities		
Net proceeds from placing of new shares	—	159,066
Proceeds from borrowings	284,363	85,000
Repayment of borrowings	(167,189)	(221,754)
Proceeds from issue of convertible bonds	—	43,344
Proceeds from issue of bonds payable	25,810	9,000
Repayment of promissory notes	—	(10,240)
Other financing cash flows — net	(11,537)	(6,465)
Net cash generated from financing activities	131,447	57,951
Net increase/(decrease) in cash and cash equivalents	13,049	(98,479)
Effect of foreign exchange rate changes	(511)	(475)
Cash and cash equivalents at the beginning of the period	91,713	178,069
Cash and cash equivalents at the end of the period	104,251	79,115
Analysis of balances of cash and cash equivalents		
Cash and bank balances	104,251	79,115

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 2016 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 Listing Rules. 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 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.

The unaudited condensed consolidated interim financial statements have been prepared in accordance with the same accounting policies adopted in the annual consolidated financial statements for the year ended 31 December 2015.

In preparing the condensed consolidated interim financial statements, the Directors have given careful consideration to the future liquidity of the Group notwithstanding that the Group had incurred loss of approximately HK\$166,404,000 during the six months ended 30 June 2016 and, as of that date, the Company’s current liabilities exceeded its current assets by approximately HK\$68,437,000.

The Directors have given careful consideration and believe that the Group has sufficient financial resources to meet its liabilities as and when they fall due. Therefore, the unaudited condensed consolidated interim financial statements are prepared on a going concern basis.

The financial information relating to the financial year ended 31 December 2015 that is included in this interim 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 2015 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 independent 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

In the current period, the Group has applied, for the first time, the following new and revised standards and interpretations issued by the HKICPA, which are effective for the Group's financial period beginning from 1 January 2016 and are summarized as follows:

HKAS 1 (Amendments)	Disclosure Initiative
HKAS 16 and HKAS 38 (Amendments)	Clarification of Acceptable Methods of Depreciation and Amortisation
HKAS 16 and HKAS 41 (Amendments)	Agriculture: Bearer Plants
HKAS 27 (Amendments)	Equity Method in Separate Financial Statements
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2012–2014 Cycle
HKFRS 10, HKFRS 12 and HKAS 28 (Amendments)	Investment Entities: Applying the Consolidation Exception
HKFRS 11 (Amendments)	Accounting for Acquisition of Interests in Joint Operations
HKFRS 14	Regulatory Deferral Accounts

The Directors considered that the application of the above new or revised standards and interpretations would not have any material impact on the Group's financial performance and financial position for the current and prior periods.

3. REVENUE AND SEGMENT INFORMATION

Information reported to the executive directors of the Company, being the chief operating decision makers, 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) Health management business — Health Management Business.
- (ii) Medical and well-being business —
 - tumour diagnosis and treatment business in the PRC;
 - Eye-caring Business;
 - Pharmaceutical Manufacturing Business;
 - Medical Laboratory Testing Business; and
 - O&G Business.
- (iii) Asset management business — investment in financial/fixed/distressed assets and loan financing.

3. REVENUE AND SEGMENT INFORMATION (CONTINUED)

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 2016 (Unaudited)

	Health management business HK\$'000	Medical and well-being business HK\$'000	Asset management HK\$'000	Consolidated HK\$'000
Segment revenue				
External sales	<u>55,577</u>	<u>24,185</u>	<u>85</u>	<u>79,847</u>
Segment revenue	<u>55,577</u>	<u>24,185</u>	<u>85</u>	<u>79,847</u>
Segment results	<u>2,538</u>	<u>(10,572)</u>	<u>(224,715)</u>	<u>(232,749)</u>
<i>Reconciliation:</i>				
Other gains and losses				2,894
Central administration costs				(33,272)
Net gain on disposals of subsidiaries				63,348
Gain on bargain purchase of subsidiaries				46,476
Share of results of associates				16
Share of results of a joint venture				65
Finance costs				(13,088)
Loss before taxation				(166,310)
Income tax				(94)
Loss for the period				<u>(166,404)</u>

3. REVENUE AND SEGMENT INFORMATION (CONTINUED)

Segment revenue and results (continued)

For the six months ended 30 June 2015 (Unaudited)

	Health management business HK\$'000 (Restated)	Medical and well-being business HK\$'000 (Restated)	Asset management HK\$'000	Consolidated HK\$'000
Segment revenue				
External sales	<u>23,923</u>	<u>33,999</u>	<u>—</u>	<u>57,922</u>
Segment revenue	<u>23,923</u>	<u>33,999</u>	<u>—</u>	<u>57,922</u>
Segment results	<u>1,408</u>	<u>(17,950)</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><u>(23,962)</u></u>

3. REVENUE 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 2016 (Unaudited)

	Health management business HK\$'000	Medical and well-being business HK\$'000	Asset management HK\$'000	Total HK\$'000
Segment assets	106,438	282,069	383,925	772,432
Unallocated				<u>167,976</u>
Consolidated assets				<u><u>940,408</u></u>
Segment liabilities	106,303	50,210	322	156,835
Unallocated				<u>502,061</u>
Consolidated liabilities				<u><u>658,896</u></u>

31 December 2015 (Audited)

	Health management business HK\$'000	Medical and well-being business HK\$'000	Asset management HK\$'000	Total HK\$'000
Segment assets	112,456	534,931	379,449	1,026,836
Unallocated				<u>67,170</u>
Consolidated assets				<u><u>1,094,006</u></u>
Segment liabilities	109,508	127,976	55,886	293,370
Unallocated				<u>249,022</u>
Consolidated liabilities				<u><u>542,392</u></u>

3. REVENUE 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	
	2016 <i>HK\$'000</i> (Unaudited)	2015 <i>HK\$'000</i> (Unaudited)
PRC	56,317	43,879
Hong Kong	23,530	14,043
	79,847	57,922

4. INCOME TAX

	Six months ended 30 June	
	2016 <i>HK\$'000</i> (Unaudited)	2015 <i>HK\$'000</i> (Unaudited)
Current tax:		
Hong Kong Profits Tax	43	—
PRC Enterprise income tax	125	3,387
	168	3,387
Deferred taxation	(74)	(53)
Tax charge for the period	94	3,334

Hong Kong Profits Tax is calculated at the tax rate of 16.5% of the estimated assessment profit arising in Hong Kong during the six months ended 30 June 2016. During the six months ended 30 June 2015, no Hong Kong Profits Tax has been provided as the Group did not have assessable profit arising in Hong Kong. Taxes on profit assessable elsewhere have been calculated at the rates of the 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 FOR THE PERIOD

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

	Six months ended 30 June	
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Depreciation of property, plant and equipment	3,136	2,183
Amortisation of land use right	39	45
Amortisation of other intangible assets	676	680
Total depreciation and amortisation	3,851	2,908
Cost of inventories recognised as expenses	11,679	6,664
Gain arising from change in fair value of available-for-sale financial assets in relation to acquisition of subsidiaries (included in other gains and losses)	11,214	—
Net loss/(gain) arising from change in fair value of financial assets at fair value through profit or loss	17,663	(9,805)
Loss/(gain) on disposal of financial assets at fair value through profit or loss	4,927	(13,877)
Change in fair value of financial assets at fair value through profit or loss	22,590	(23,682)
Loss/(gain) arising from change in fair value of investment properties	18,536	(1,692)
Impairment loss on trade receivables	—	17,528
Impairment loss on available-for-sale financial assets	194,144	—
Net gain on disposals of subsidiaries	(63,348)	—
Gain on bargain purchase of subsidiaries	(46,476)	—
Share of results of associates	(16)	—
Share of results of a joint venture	(65)	(6,983)
Interest on:		
— Loans from a former intermediate holding company and a former fellow subsidiary not wholly repayable within five years	906	836
— Bank loans	746	962
— Loans from financial institutions	5,853	3,279
— Promissory note	15	62
— Bonds payable	5,022	665
— Convertible notes	63	125
— Convertible bonds	—	2,672
— Others	483	23
Total finance costs	13,088	8,624
Employee benefit expenses, including directors' emoluments:		
— Salaries and other benefits	45,159	9,506
— Equity-settled share-based payments	—	15,148
Net exchange loss/(gain)	11,590	(918)

6. DIVIDENDS

The Board did not recommend the payment of any dividends for the six months ended 30 June 2016 and 2015.

7. LOSS PER SHARE ATTRIBUTABLE TO THE OWNERS OF THE COMPANY

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

Loss

	Six months ended 30 June	
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Loss for the purpose of basic and diluted loss per share	<u>(157,593)</u>	<u>(14,872)</u>

Number of Shares

	Six months ended 30 June	
	2016 '000 (Unaudited)	2015 '000 (Unaudited)
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share (Note)	<u>2,938,558</u>	<u>1,357,734</u>

Note:

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 2016 and 2015 due to the anti-dilutive effects of these instruments on the basic loss per share of the Company during the periods.

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

The total cost of additions to the property, plant and equipment of the Group was approximately HK\$46.3 million mainly through the acquisition of Rui Kang for the six months ended 30 June 2016 (six months ended 30 June 2015: approximately HK\$3.4 million).

Investment properties with fair value of approximately HK\$37.1 million was disposed of for the six months ended 30 June 2016. Investment properties with fair value of approximately HK\$145 million was acquired for the six months ended 30 June 2015.

8. PROPERTY, PLANT AND EQUIPMENT, INVESTMENT PROPERTIES, LAND USE RIGHT AND OTHER INTANGIBLE ASSETS (CONTINUED)

The land use right of approximately HK\$8.7 million was acquired through the acquisition of Rui Kang and approximately HK\$3.6 million was disposed of for the six months ended 30 June 2016. There was no addition to the land use right of the Group for the six months ended 30 June 2015.

The other intangible assets of approximately HK\$52.6 million was acquired through the acquisition of Rui Kang for the six months ended 30 June 2016. There was no addition to the other intangible assets of the Group for the six months ended 30 June 2015.

9. INVESTMENTS IN ASSOCIATES

As at 30 June 2016, investment in associates of approximately HK\$64.3 million (31 December 2015: nil) comprised of:

- Rui Kang's 27.8% equity interest in a company principally engaged in the development, manufacture and sale of cosmetic products in Switzerland of approximately HK\$28.8 million;
- Rui Kang's 30% equity interest in a company principally engaged in the sale of medicated oil products in the PRC of approximately HK\$8.1 million;
- the Group's interest in an associate of approximately HK\$27.4 million following the disposal of its interest in a subsidiary holding property asset interest to Mr. Chan during the period under review.

10. INVESTMENT IN A JOINT VENTURE

As at 30 June 2016, investment in a joint venture of approximately HK\$13.1 million (31 December 2015: nil) represented Rui Kang's 6.136% equity interest in a company principally engaged in money lending business in the PRC.

11. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	As at 30 June 2016 HK\$'000 (Unaudited)	As at 31 December 2015 HK\$'000 (Audited)
Available-for-sale financial assets comprise:		
Listed investments — Equity securities listed in Hong Kong (Note 1)	163,694	153,146
Unlisted investments, at cost (Note 2)	92,423	250,036
	<u>256,117</u>	<u>403,182</u>
Analysed for reporting purposes as:		
Current assets	—	67,858
Non-current assets	256,117	335,324
	<u>256,117</u>	<u>403,182</u>

Notes:

- Balances mainly comprised the Group's investment in the shares of companies listed on the Stock Exchange and are detailed as follows:

As at 31 December 2015 and 30 June 2016, the Group's investment in IR Resources amounted to HK\$67.8 million (29.3% of the issued share capital of IR Resources) and HK\$30.4 million (29.3% of the issued share capital of IR Resources), respectively. During the period under review, the Group recorded an impairment loss of HK\$114.2 million in respect of its investment in IR Resources based on the price of the shares of IR Resources as at 30 June 2016 and taking into account its contribution of HK\$76.8 million in the rights issue of IR Resources.

As at 30 June 2016, the Group's investment in New Ray Medicine amounted to HK\$15.6 million (9.9% of its issued share capital) and an impairment loss of HK\$58.8 million was recorded in respect of such investment based on the share price of New Ray Medicine as at 30 June 2016.

As at 31 December 2015 and 30 June 2016, the Group's investment in the shares of other Hong Kong listed companies amounted to HK\$55.9 million and HK\$117.7 million respectively and recorded an impairment loss of HK\$21.1 million during the period under review. Such investment of the Group comprised companies principally engaged in the healthcare and financial services sectors including 0.7% issued share capital of Town Health International Medical Group Limited (a company principally engaged in the provision of healthcare services in Hong Kong and the PRC) of fair value of HK\$72.0 million (which was re-classified from "financial assets at fair value through profit or loss" during the period under review) as at 30 June 2016.

As at 31 December 2015, the Group's investment in Rui Kang of HK\$29.4 million was included in its available-for-sale financial assets. Since Rui Kang has become a non wholly-owned subsidiary of the Company following the share offer. The Group's investment in Rui Kang was no longer accounted for as available-for-sale financial assets as at 30 June 2016.

- As at 30 June 2016, the unlisted investment mainly represented the Group's attributable interest in a hospital project amounting to HK\$88.8 million. The unlisted investments of the Group of HK\$250.0 million as at 31 December 2015 represented the said hospital project and the Group's attributable interest in other healthcare related projects (which were disposed of during the period under review).
- During the period under review, the Group neither recorded any realised gain/loss nor received any dividend in respect of the above-mentioned listed and unlisted investments.

12. TRADE RECEIVABLES

	As at 30 June 2016 HK\$'000 (Unaudited)	As at 31 December 2015 HK\$'000 (Audited)
Trade receivables	16,715	41,183
Less: provision for impairment of trade receivables	—	(17,172)
Trade receivables (net)	<u>16,715</u>	<u>24,011</u>

The following is an ageing analysis of trade receivables based on the invoice date as at the end of reporting period:

	As at 30 June 2016 HK\$'000 (Unaudited)	As at 31 December 2015 HK\$'000 (Audited)
0–180 days	13,105	1,146
181–270 days	763	1,047
271–365 days	588	7,373
Over 365 days	2,259	14,445
	<u>16,715</u>	<u>24,011</u>

13. TRADE AND OTHER PAYABLES

	As at 30 June 2016 HK\$'000 (Unaudited)	As at 31 December 2015 HK\$'000 (Audited)
Trade payables	10,340	5,975
Provision for clawback of fund performance fee	8,915	8,915
Provision for long service payment	228	537
Other payables and accruals	44,518	47,030
Withholding tax in relation to offshore transfer of available-for-sale financial assets	—	66,987
Amounts due to non-controlling shareholders of subsidiaries	30,989	21,000
	94,990	150,444
Less: Non-current portion	(7,000)	(7,000)
	87,990	143,444

The following is an ageing analysis of trade payables based on the invoice date as at the end of reporting period:

	As at 30 June 2016 HK\$'000 (Unaudited)	As at 31 December 2015 HK\$'000 (Audited)
Within 30 days	4,295	1,508
31–60 days	2,049	1,537
61–90 days	1,090	1,822
Over 90 days	2,906	1,108
	10,340	5,975

14. BONDS PAYABLE

On 13 June 2016, the Company issued bonds payable with aggregate principal amount of HK\$29,000,000 which mature in 2022 and bear interest rate of 6.5% per annum.

As at 30 June 2016, the carrying amount of bonds payable were in aggregate of HK\$123,365,000 (31 December 2015: HK\$96,828,000).

15. PROMISSORY NOTE

On 29 June 2016, the Company issued a promissory note with principal amount of HK\$65,000,000 which matures in 2018 and bears interest rate of 5% per annum.

As at 30 June 2016, the carrying amount of the promissory note was HK\$60,266,000 (31 December 2015: nil).

16. SHARE CAPITAL

	Number of shares '000	Amount HK\$'000
Issued and fully paid:		
At 1 January 2016 (audited)	2,612,547	2,757,283
Issue of shares pursuant to the Share Offer (note)	1,330,132	135,878
At 30 June 2016 (unaudited)	<u>3,942,679</u>	<u>2,893,161</u>

Note: The Company allotted and issued 1,330,131,743 new shares in May 2016 pursuant to the Share Offer.

17. NET GAIN ON DISPOSALS OF SUBSIDIARIES

Disposal of tumours diagnosis and treatment business

On 22 March 2016, the Group entered into an agreement to dispose of its remaining 45% equity interest in a subsidiary engaged in the tumours diagnosis and treatment business in the PRC at an initial consideration of HK\$34,000,000 (subject to adjustments).

Analysis of assets and liabilities over which control was lost:

	<i>HK\$'000</i>
Property, plant and equipment	5,779
Land use right	3,556
Other intangible assets	753
Long-term prepayments and deposits	88,457
Other receivables	131,739
Cash and bank balances	7,357
Other payables	(28,473)
	<hr/>
	209,168
Less: Non-controlling interest	(94,539)
	<hr/>
Net asset disposal of	114,629
	<hr/> <hr/>
Gain on disposal of subsidiaries:	
Consideration	34,000
Net assets disposed of	(114,629)
Release of cumulative exchange difference on translation of foreign operations	72,191
Reclassification of cumulative other reserve in relation to changes in ownership interests in prior years that did not result in loss of control	72,718
	<hr/>
Gain on disposal of subsidiaries engaged in tumours diagnosis and treatment business	<hr/> <hr/> 64,280

17. NET GAIN ON DISPOSALS OF SUBSIDIARIES (CONTINUED)

Disposal of other subsidiaries

On 26 May 2016, the Group entered into an agreement with an independent third party to dispose of its owned 45% equity interest in an investment company holding interest in a number of healthcare related projects at a consideration of HK\$89,500,000.

	<i>HK\$'000</i>
Available-for-sale financial assets	161,213
Deposit paid for acquisition of available-for-sale financial assets	17,913
Other receivable	88,800
Other payable	(66,987)
Less: Non-controlling interest	<u>(110,507)</u>
Net assets disposed of	<u><u>90,432</u></u>
Loss on disposal of subsidiary	
Consideration	89,500
Net assets disposed of	<u>(90,432)</u>
Loss on disposal of other subsidiaries	<u><u>(932)</u></u>

18. ACQUISITION OF SUBSIDIARIES

Business Combination

- (a) In May 2016, the Company completed the Share Offer on the basis of 7 new shares of the Company to 2 shares of Rui Kang, and as a result, the Group's equity interest in Rui Kang increased from 19.6% to 75.0% and Rui Kang became a subsidiary of the Group.

The carrying amounts and fair value of assets acquired and liabilities recognised of Rui Kang at the date of acquisition are as follows:

	Carrying amount	Fair value adjustment	Fair value
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Property, plant and equipment	45,359	423	45,782
Land use right — after one year	8,428		8,428
Intangible assets	57,949	(5,329)	52,620
Interests in associates	42,892		42,892
Available-for-sale financial assets	3,600		3,600
Inventories	10,760	7,350	18,110
Trade and bills receivables	19,220		19,220
Loan receivable	11,832		11,832
Land use right — within one year	237		237
Deposits, prepayments and other receivables	26,416		26,416
Financial assets	116,253		116,253
Tax recoverable	316		316
Bank balances and cash	34,094		34,094
Trade payables	(4,752)		(4,752)
Other payables and accruals	(41,325)		(41,325)
Bank and other borrowings	(15,706)		(15,706)
Tax payable	(71)		(71)
Deferred tax liabilities	(1,928)		(1,928)
Net assets acquired	313,574	2,444	316,018
Fair value of 19.6% ordinary shares held originally classified as available-for-sale financial assets			40,605
Issue of shares of the Company on acquisition			135,279
Total consideration			175,884
Less: Net assets acquired			(316,018)
Add: Net asset value on non-controlling interests of Rui Kang Group			93,658
Gain on bargain purchase			(46,476)

The gain on bargain purchase represented the difference between the then fair value of the shares of the Company issued as consideration and the net asset value of Rui Kang acquired based on the terms of the Share Offer as mentioned above.

18. ACQUISITION OF SUBSIDIARIES (CONTINUED)

Business Combination (continued)

- (b) On 23 June 2016, the Company acquired 100% issued share capital of Women's Health And Reproductive Medicine Centre Limited, which is principally engaged in the O&G Business, at a cash consideration of HK\$8,850,000.

The carrying amount and fair value of assets acquired and its liabilities of the O&G Business recognised at the date of acquisition are as follows:

	<i>HK\$'000</i>
Property, plant and equipment	180
Trade receivables	161
Other receivables, prepayment and deposits	1,830
Cash and bank balances	1,077
Trade and other payable	(1,016)
Tax payable	(2)
	<hr/>
Net assets acquired	2,230
Goodwill	6,620
	<hr/>
Consideration	8,850
	<hr/> <hr/>
Satisfied by:	
Cash	8,850
	<hr/> <hr/>
Net cash outflow on acquisition of a subsidiary:	
Consideration paid by cash	8,850
Less: Cash and cash equivalents acquired	(1,077)
	<hr/> <hr/>
	7,773

19. CHANGES IN OWNERSHIP INTERESTS OF SUBSIDIARIES

In February 2016, a wholly-owned subsidiary of the Company entered into a disposal agreement to dispose of the sale shares and assign the sale loan of a subsidiary holding indirect interest in the Health Management Business for a cash consideration of HK\$6,650,000. The disposal was completed on 30 March 2016 and the Group's effective interest in that subsidiary was decreased by 10.45% since then. An amount of HK\$5,843,000 (being the proportionate share of the then carrying amount of the net liabilities of that subsidiary) has been transferred and debited to non-controlling interests. The difference of HK\$6,380,000 between the change in the non-controlling interests, proportionate share of the exchange reserve of that subsidiary, sale loan and the consideration received has been credited to other reserves.

Upon completion of the Share Offer in May 2016, Rui Kang has become a non-wholly owned subsidiary of the Company and the Company was deemed to have acquired the 23% equity interest in an associate held by Rui Kang (which is also a non-wholly owned subsidiary of the Company in the Health Management Business). The difference of HK\$5,099,000 between the carrying amount of Rui Kang's said investment in the associate and the non-controlling interests previously shared to Rui Kang has been debited to other reserve.

20. CAPITAL COMMITMENT

Rui Kang holds an indirect wholly-owned wholly foreign-owned enterprise incorporated in Guizhou Province, the PRC. Its registered capital is RMB30,000,000 and RMB10,000,000 had been paid up to 30 June 2016. As at 30 June 2016, the remaining capital commitment of Rui Kang was RMB20,000,000 (equivalent to approximately HK\$25,438,000) (31 December 2015: nil).

21. MATERIAL RELATED PARTIES 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 2016 and 2015.

COMPENSATION OF KEY MANAGEMENT PERSONNEL OF THE GROUP

The remuneration of members of key management, comprising only the Directors (whose remuneration was determined by the Remuneration Committee and having regard to the performance of individual and market trends), for the six months ended 30 June 2016 amounted to HK\$8,068,000 (six months ended 30 June 2015: HK\$1,510,000).

22. 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.

22. FAIR VALUE MEASUREMENTS (CONTINUED)

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).

Financial assets	Fair value as at		Fair value hierarchy	Valuation techniques and key inputs
	30 June 2016 HK\$'000 (Unaudited)	31 December 2015 HK\$'000 (Audited)		
Financial assets at fair value through profit or loss	Listed equity securities: HK\$76,074	Listed equity securities: HK\$75,584	Level 1	Quoted bid prices in an active market
Available-for-sale financial assets	Listed equity securities: HK\$163,694	Listed equity securities: HK\$85,288	Level 1	Quoted bid prices in an active market

FAIR VALUE OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES THAT ARE NOT MEASURED AT FAIR VALUE (BUT 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.

Financial liabilities	As at 30 June 2016		As at 31 December 2015	
	Carrying amount HK\$'000 (Unaudited)	Fair value HK\$'000	Carrying amount HK\$'000 (Audited)	Fair value HK\$'000
Convertible notes	1,976	1,935	1,963	1,965
Promissory note	60,266	60,260	—	—

22. FAIR VALUE MEASUREMENTS (CONTINUED)

Fair value hierarchy

	As at 30 June 2016 (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	76,074	—	—	76,074
Available-for-sale financial assets	163,694	—	—	163,694

	As at 31 December 2015 (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	75,584	—	—	75,584
Available-for-sale financial assets	85,288	—	—	85,288

During the six months ended 30 June 2016 and 2015, there was no transfer between Level 1 and Level 2 fair value measurements.

23. COMPARATIVE FINANCIAL INFORMATION

Certain comparative figures have been restated to confirm with current period's presentation.

24. APPROVAL OF THE INTERIM FINANCIAL STATEMENTS

The unaudited condensed consolidated interim financial statements were approved and authorised for issue by the Board on 22 August 2016.