



美瑞健康国际产业集团

Meilleure Health International Industry Group

Meilleure Health International Industry Group Limited

美瑞健康國際產業集團有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code : 2327)



一份 **专注** 两倍 **用心** 三倍 **高效**

十重 **保障** 百倍 **体验** 终身 **受益**

美瑞健康——精准健康管理

2018
Interim Report



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CORPORATE INFORMATION

Board of Directors

Executive Directors

Zhou Xuzhou (*Chairman*)

Zhou Wen Chuan
(*Chief Executive Officer*)

Liu Lailin

Non-Executive Director

Mao Zhenhua

Independent Non-Executive Directors

Gao Guanjiang

Chau Chi Wai, Wilton

Zeng Wentao

Authorised Representatives

Zhou Xuzhou

Zhou Wen Chuan

Company Secretary

Shek Man Fai

Audit Committee

Chau Chi Wai, Wilton (*Chairman*)

Gao Guanjiang

Mao Zhenhua

Remuneration Committee

Gao Guanjiang (*Chairman*)

Chau Chi Wai, Wilton

Liu Lailin

Nomination Committee

Zhou Xuzhou (*Chairman*)

Chau Chi Wai, Wilton

Zeng Wentao

Strategic Committee

Mao Zhenhua (*Chairman*)

Zhou Xuzhou

Liu Lailin

Registered Office

Clarendon House

2 Church Street

Hamilton HM 11

Bermuda

Head Office and Principal Place of Business In Hong Kong Registered Under Part XI of the Company Ordinance

Unit 2906, Tower 1, Lippo Centre,

89 Queensway, Admiralty,

Hong Kong

Auditor

Ernst & Young

Certified Public Accountants

Principal Bankers

Nanyang Commercial Bank Limited

Hang Seng Bank Limited

Principal Share Registrar and Transfer Office

Codan Services Limited

Clarendon House,

2 Church Street,

Hamilton, HK11, Bermuda

Hong Kong Branch Share Registrar and Transfer Office

Tricor Standard Limited

Level 22, Hopewell Centre,

183 Queen's Road East,

Hong Kong

Company Website

www.meilleure.com.cn

Stock Code

2327

MANAGEMENT DISCUSSION AND ANALYSIS

Results

The directors (the “Directors”) of Meilleure Health International Industry Group Limited (the “Company”) are pleased to present the unaudited interim results of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 30 June 2018 (the “Period”).

During the Period, the Group reported revenue of approximately HK\$131,490,000, representing an increase of 93.9% as compared to approximately HK\$67,830,000 for the six months ended 30 June 2017. The Group’s gross profit for the Period was approximately HK\$35,180,000, representing an increase of 11.2% as compared to approximately HK\$31,646,000 for the six months ended 30 June 2017. The Group’s operating profit of HK\$52,683,000, representing a decrease of 4.7% as compared to approximately HK\$55,298,000 for the six months ended 30 June 2017. The profit attributable to the owners of the Company for the Period was approximately HK\$38,840,000, representing an increase of 3.1% as compared to approximately HK\$37,659,000 for the six months ended 30 June 2017.

Dividend

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2018 (2017: HK\$0.6 cents per ordinary share).



Significant Events

Acquisition of an Associate

On 10 February 2018, the Group entered into a framework agreement (the “Framework Agreement with Hemp Investment Group”) with 漢麻投資集團有限公司 (Hemp Investment Group Co., Ltd.) (“Hemp Investment Group”), pursuant to which the Group agreed to acquire from Hemp Investment Group a 20% equity interest in 雲南漢素生物科技有限公司 (Yunnan Hansu Biotechnology Co., Ltd.) (“Yunnan Hansu”), a company established in the PRC at a cash consideration of RMB60,000,000. Subsequently, on 16 March 2018, the parties entered into an equity transfer agreement for the purpose of completing the formalities relating to the equity transfer.

Yunnan Hansu holds the first hemp processing licence that complies with the GMP standard in the PRC. It is also the largest extraction base of Cannabidiol (CBD) and other cannabinol substance in the PRC. Currently thirteen effective non-psychoactive ingredients and terpenoids in hemp can be extracted and isolated in the base. Being the only facility that is capable of extracting geranyl flavonoids from hemp for industrial purposes, it has applied for 17 patents and has been the demonstration project of the anti-drug authority in Yunnan Province.

Hemp Investment Group is one of the global leaders in the hemp industry whose business covers the entire hemp production value chain ranging from hemp planting and hemp flower and leaf processing to the research and development of pharmaceutical products using hemp-base active extracts as ingredients. To the best of the knowledge of the Directors, Hemp Investment Group is the only PRC fully licensed enterprise that possesses both hemp planting licence and hemp flower and leaf processing licence that complies with the GMP (Good Manufacturing Practice) in China, and is dedicated to the research and development of bio-pharmaceutical products using hemp-base active extracts.

The cooperation with Hemp Investment Group is a critical initiative for the Group's strategic investment in medical and healthcare industry. The Board is dedicated to seeking new business development and business growth opportunities, and expands the operation and investment coverage of the Company when and as appropriate.

The Group recorded a gain on bargain purchase in the amount of HK\$6,774,444 during the Period, which was derived from a difference in the valuation of Yunnan Hansu jointly made by the Group and Hemp Investment Group and the valuation of Yunnan Hansu by an independent valuer in connection with the acquisition of certain equity interest in Yunnan Hansu by an independent third party. Such gain on bargain purchase accounted for the profit of the Group for the Period.

Property Sales and Consultancy Service

On 8 November 2017, the Company entered into the Framework Agreement with U-Home Group Limited in respect of the Continuing Connected Transactions pursuant to which the Group will provide the Property Sales and Consultancy Services to U-Home Group for a term of three years commencing from 1 January 2018.

On 29 March 2018, the Company further entered into the supplemental framework agreement with U-Home Group Limited pursuant to which both parties agreed that the maximum annual aggregate amounts for the service fees payable by U-Home Group to the Group in respect of the Property Sales and Consultancy Services under the Framework Agreement will not exceed RMB26,000,000 (equivalent to approximately HK\$32,500,000) for each of the three years ending 31 December 2020. The special resolution of the proposed continuing connected transaction was passed on 31 May 2018.



Shares Subscriptions

On 20 February 2018, the Company entered into the Subscription Agreement with Mr. Tan and Mr. Zhang, pursuant to which Mr. Tan and Mr. Zhang conditionally agreed to procure the Subscriber (being a company to be incorporated by Mr. Tan and Mr. Zhang in Hong Kong) to subscribe for, and the Company conditionally agreed to allot and issue a total of 312,000,000 Subscription Shares at the Subscription Price of HK\$0.35 per Subscription Share. Mr. Tan and Mr. Zhang have incorporated a company, Hanzhong Investment Group Co., Limited (漢眾投資集團有限公司), in the British Virgin Islands (instead of Hong Kong), as the Subscriber in respect of the subscription. The net proceeds are approximately HK\$109,100,000. The allotment of 31,200,000 Subscription Shares, 93,600,000 Subscription Shares and 31,200,000 Subscription Shares were completed on 10 April 2018, 30 April 2018 and 26 June 2018 respectively. The total net proceeds of the completion of the Subscription Shares is HK\$54,580,000. The remaining 156,000,000 Subscription Shares will be completed on or before 30 September 2018.

The Company intends to use the net proceeds from the Subscriptions to enlarge its capital base and prepare for any development opportunities especially the development of hemp health industry and the production of epilepsy, antidepressant, analgesic and Alzheimer's disease prevention and treatment products with cannabidiols ("CBD") as the core, to enlarge its capital base and as working capital. As at 30 June 2018, the total net proceeds HK\$54,580,000 has been applied for general working capital.

Business Review

Trading Business

For the six months ended 30 June 2018, the turnover from trading business increased from approximately HK\$583,000 for the six months ended 30 June 2017 to approximately HK\$94,564,000 for the six months ended 30 June 2018. The profits derived from the trading business increased from approximately HK\$244,000 for the six months ended 30 June 2017 to approximately HK\$17,033,000 for the six months ended 30 June 2018 due to the substantial growth in new business.

Agency Service

The revenue generated from this segment amounted HK\$1,694,000, representing a decrease of 96.1% compared with the previous year. The profits derived decreased by 91.8% from approximately HK\$15,916,000 for the six months ended 30 June 2017 to approximately HK\$1,313,000 for the six month ended 30 June 2018, which was mainly due to the expiry of the approval of the annual cap of the continuing connected transaction in 2017. No any revenue was generated from this segment from January to May 2018. The approval of the annual cap for three years from 1 January 2018 to 31 December 2020 was obtained on 31 May 2018.

Property Investment and Leasing

For the period ended 30 June 2018, the revenue generated from this segment amounted HK\$14,478,000. The increase in revenue for the six months ended 30 June 2018 was mainly due to the increase in rental income.



Healthcare Related Business

The revenue generated from this segment was increased by 2.5% from HK\$20,238,000 for the period ended 30 June 2017 to HK\$20,754,000 for the period ended 30 June 2018. The profits derived was HK\$2,078,000, representing an decrease by 32.4% compared with the previous year, which mainly due to the operating costs incurred in connection with the new clinic in China. It marked an early stage of business investment and operations for the clinic and also the transformation for the Group into a Health Care Related Business operator.

PROSPECTS

In the second half of 2018, the Group will continue to focus on life health and industrialized development of human health solutions based on the existing business, to continuously develop into the world's leading health service provider by integrating the top talents, technology, services, products, channels and various resources.

On 16 March 2018, the Group entered into an equity transfer agreement to acquire a 20% equity interest in Yunnan Hansu, a company established in the PRC. at a cash consideration of RMB60,000,000.

Yunnan Hansu holds the first hemp processing licence that complies with the GMP standard in the PRC. It is also the largest extraction base of Cannabidiol (CBD) and other cannabinol substance in the PRC. Currently thirteen effective non-psychoactive ingredients and terpenoids in hemp can be extracted and isolated in the base. Being the only facility that is capable of extracting geranyl flavonoids from hemp for industrial purposes, it has applied for 17 patents and has been the demonstration project of the anti-drug authority in Yunnan Province.

Hemp Investment Group is one of the global leaders in the hemp industry whose business covers the entire hemp production value chain ranging from hemp planting and hemp flower and leaf processing to the research and development of pharmaceutical products using hemp-base active extracts as ingredients. To the best of the knowledge of the Directors, Hemp Investment Group is the only PRC fully licensed enterprise that possesses both hemp planting licence and hemp flower and leaf processing licence that complies with the GMP (Good Manufacturing Practice) in China, and is dedicated to the research and development of bio-pharmaceutical products using hemp-base active extracts.

Industrial hemp has increasingly wide applications in the “big health” area, such as biopharmaceutical, functional food and the beauty industry. Hemp Investment Group is one of the global leaders in the hemp industry whose business covers the entire hemp production value chain ranging from hemp planting and hemp flower and leaf processing to the research and development of pharmaceutical products using hemp-base active extracts as an ingredient. To the best of the knowledge of the Directors, Hemp Investment Group is the only PRC fully licensed enterprise that possesses both hemp planting licence and hemp flower and leaf processing licence that complies with the GMP (Good Manufacturing Practice) in China, and is dedicated to the research and development of bio-pharmaceutical products using hemp-base active extracts as ingredients.

The Board believes that the acquisition of Yunnan Hansu and the other arrangements under the Framework Agreement with Hemp Investment Group enables the Group to progressively deepen its co-operations with Hemp Investment Group, which will start from the extraction of hemp-base active extracts and will thereafter extend to the research and development of bio-pharmaceutical products and other “big health” applications. The Board also believes that the Acquisition and the Co-operations will broaden the Group’s business and revenue sources, thereby realising greater return for the Shareholders and investors of the Company.



FINANCIAL REVIEW

Liquidity

As at 30 June 2018, cash and cash equivalents of the Group totaled approximately HK\$62,088,000 (31 December 2017: approximately HK\$50,852,000), of which approximately 74.9% are in Hong Kong dollars, 22.8% in RMB, 0.9% in US dollars, 0.8% in EURO and 0.6% in AUD.

The increase in cash and cash equivalents is mainly due to the fund raising activities.

As at 30 June 2018, the Group had current assets of approximately HK\$444,363,000 (31 December 2017: HK\$389,914,000) whilst current liabilities were approximately HK\$270,317,000 (31 December 2017: HK\$199,025,000).

Gearing Ratio

As at 30 June 2018, the gearing ratio was 31% (31 December 2017: 36%).



Commitments

Commitments Under Operating Leases

The total future minimum lease payments under non-cancellable operating leases are payable as follows:

	At 30 June 2018 HK\$'000 (Unaudited)	At 31 December 2017 HK\$'000 (Audited)
Within one year	5,156	4,234
After one year but within five years	1,461	7,019
	<u>6,617</u>	<u>11,253</u>

Charge on Group Assets

As at 30 June 2018, bank loans amounting to approximately HK\$167,991,000 (31 December 2017: HK\$128,287,000) were secured by the certain assets of the Group having a net book value of approximately HK\$443,856,000 (31 December 2017: HK\$452,408,000).

Contingent Liabilities

As at 30 June 2018, the Group has not issued corporate guarantees to banks (31 December 2017: Nil) with respect to bank borrowings of the associates of the Group.

The Group was not liable to any material legal proceedings of which provision for contingent liabilities was required.



CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2018

		For the six months ended 30 June 2018 HK\$'000 (Unaudited)	For the six months ended 30 June 2017 HK\$'000 (Unaudited)
Revenue	5	131,490	67,830
Cost of sales		<u>(96,310)</u>	<u>(36,184)</u>
Gross profit		35,180	31,646
Other income		9,196	921
Selling expenses		(37)	(941)
Administrative expenses		(18,339)	(12,594)
Other gains	6	5,851	826
Fair value gain on investment properties	12	15,030	35,440
Share of profit of an associate		5,802	—
Operating Profit		52,683	55,298
Finance costs		(3,289)	(3,832)
Profit before income tax	7	49,394	51,466
Income tax expense	8	(10,343)	(12,812)
Profit for the Period		39,051	38,654



	For the six months ended 30 June 2018	For the six months ended 30 June 2017
<i>Notes</i>	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)

**Other comprehensive
income, after tax**

Item that may be reclassified
subsequently to profit or loss:

Exchange (loss)/gain on
translation of financial
statements of foreign
operations

(17,331)

16,081

**Total comprehensive income
for the period**

21,720

54,735

Profit attributable to:

Owners of the company

38,840

37,659

Non-controlling interests

211

995

Profit for the Period

39,051

38,654

The notes on page 19 to 31 form part of this interim financial statement.



CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2018

	For the six months ended 30 June 2018	For the six months ended 30 June 2017
	<i>Notes</i> HK\$'000	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Total comprehensive income attributable to:		
Owners of the Company	21,509	53,740
Non-controlling interests	211	995
	<u>21,720</u>	<u>54,735</u>
Earnings per share		
— Basic (<i>cents</i>)	10 1.07	1.20
— Diluted (<i>cents</i>)	10 1.07	1.20



CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2018

	Notes	At 30 June 2018 HK\$'000 (Unaudited)	At 31 December 2017 HK\$'000 (Audited)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	11	3,281	3,761
Investment property	12	591,149	583,200
Investment in an Associate	13	82,187	—
Available-for-sales investments		—	12,231
Financial assets at fair value through other comprehensive income		12,072	—
Intangible asset		728	857
Goodwill		82,790	82,790
Deferred tax assets		616	737
		772,823	683,576
Current assets			
Inventories		6,283	816
Land held for development		219,898	230,841
Accounts receivable	15	122,318	72,405
Deposit, prepayments and other receivables	14	25,677	24,941
Tax recoverable		881	2,553
Pledged bank deposits		7,218	7,506
Cash and cash equivalents		62,088	50,852
Total current assets		444,363	389,914
Current liabilities			
Bank borrowings		167,991	128,287
Accounts payable	16	14,941	1,119
Accrued expenses and other payables		32,662	24,546
Amounts due to related parties		43,313	43,092
Tax payable		11,410	1,981
		270,317	199,025
Net current assets		174,046	190,889
Total assets less current liabilities		946,869	874,465



	At 30 June 2018 HK\$'000 (Unaudited)	At 31 December 2017 HK\$'000 (Audited)
Non-Current liabilities		
Obligation arising from a put option to non-controlling shareholders	143,854	143,854
Deferred tax liabilities	40,182	38,147
Other non-current liabilities	—	6,005
Total non-current liabilities	184,036	188,006
Net Assets	762,833	686,459
EQUITY		
Share capital	37,558	35,998
Reserves	721,005	646,402
Equity attributable to owners of the Company	758,563	682,400
Non-controlling interests	4,270	4,059
Total equity	762,833	686,459

The notes on page 19 to 31 form part of this interim financial statement.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2018

	Equity attributable to equity holders of the Company												
	Share capital HK\$'000	Share premium account HK\$'000	Share Contribution surplus account HK\$'000	Statutory surplus reserve HK\$'000	Merger reserve HK\$'000	Other reserve HK\$'000	Investment reserve HK\$'000	Asset revaluation reserve HK\$'000	Exchange fluctuation reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000	Non- controlling Interests HK\$'000	Total equity HK\$'000
At 1 January 2017 (audited)	29,519	408,621	1,091	5,849	-	(134,170)	(992)	22,353	(16,222)	26,839	342,888	2,895	345,783
Issue of new shares under subscriptions	(17)	6,443	219,062	-	-	-	-	-	-	-	225,505	-	225,505
Profit for the period	-	-	-	-	-	-	-	-	-	37,659	37,659	994	38,653
Other comprehensive income Exchange gain on transition of financial statements of foreign operations	-	-	-	-	-	-	-	16,081	16,081	-	16,081	-	16,081
Total comprehensive income for the period	-	-	-	-	-	-	-	16,081	16,081	37,659	53,740	994	54,734
Appropriation to PRC statutory reserve	-	-	-	1,759	-	-	-	-	-	(1,759)	-	-	-
Acquisition of subsidiary Adjustment	-	-	-	-	(13,703)	-	-	-	-	-	(13,703)	-	(13,703)
At 30 June 2017 (unaudited)	35,962	627,663	1,091	7,608	(13,703)	(134,170)	(992)	31,674	(141)	62,739	617,751	3,889	621,640
At 1 January 2018 (audited)	35,998	220,302	409,712	8,119	-	(134,170)	(207)	22,353	37,404	82,889	682,400	4,059	686,459
Issue of new shares under subscriptions	(17)	1,560	53,040	-	-	-	-	-	-	-	54,600	-	54,600
Profit for the period	-	-	-	-	-	-	-	-	-	38,840	38,840	211	39,051
Other comprehensive income Exchange gain on transition of financial statements of foreign operations	-	-	-	-	-	-	-	(17,277)	(17,277)	-	(17,277)	-	(17,277)
Total comprehensive income for the period	-	-	-	-	-	-	-	(17,277)	(17,277)	38,840	21,563	211	21,774
Appropriation to PRC statutory reserve	-	-	-	1,759	-	-	-	-	-	(1,759)	-	-	-
At 30 June 2018 (Unaudited)	37,558	273,342	409,712	9,878	-	(134,170)	(207)	22,353	20,127	119,970	758,563	4,270	762,833



CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2018

	For the six months ended 30 June 2018 HK\$'000 (Unaudited)	For the six months ended 30 June 2017 HK\$'000 (Unaudited)
Net cash (used in) operating activities	(60,657)	(29,575)
Net cash generated from/(used in) investing activities	49,466	(78,085)
Net cash generated from financing activities	39,704	79,943
Net increase/(decrease) in cash and cash equivalents	28,513	(27,717)
Translation difference	(17,277)	16,081
Cash and cash equivalents at 1 January	50,852	55,794
Cash and cash equivalents at 30 June	62,088	44,158

The notes on page 19 to 31 form part of this interim financial statements.



NOTES ON THE INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2018

(Expressed in Hong Kong dollars)

1. General Information

Meilleure Health International Industry Group Limited (the “Company”) is a limited liability company incorporated in Bermuda. The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and its principal place of business is Unit 2906, Tower 1, Lippo Centre, 89 Queensway, Admiralty, Hong Kong. The Company’s shares are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The Company and its subsidiaries are collectively referred to as the “Group”.

The Company is principally engaged in investment holding. The Group is principally engaged in medical and health management business, drugs, health products and trading business, consultancy business, properties and investment business, research and development and property development.

The directors consider the immediate shareholder is U-Home Group International Limited and the ultimate parent is Shunda Investment Limited, both companies incorporated in British Virgin Islands (“BVI”) with limited liability.

The financial statements for the period from 1 January 2018 to 30 June 2018 were approved for issue by the board of directors on 30 August 2018.

2. Basis of preparation

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and with Hong Kong Accounting Standard 34, “Interim Financial Reporting”.



3. Principal Accounting Policies

The unaudited condensed consolidated financial statements have been prepared on the historical cost basis except for investment property which is measured at fair value.

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2017, as described in those annual financial statements.

The Group has applied the following amendments to HKFRSs issued by the HKICPA for the first time in the current interim period.

HKFRS 9	Financial instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts

Except as described below, the application of the amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

The Group adopted HKFRS 9 Financial Instruments and HKFRS 15 Revenue from Contracts with Customers on 1 January 2018, using a modified retrospective method. The Group did not restate the comparative information and recognized the transitional adjustments to the opening balance of retained earnings at 1 January 2018. The impact of adoption of HKFRS 9 and HKFRS 15 on the Group is as follows:

The Group has performed an assessment on the impact of the adoption of HKFRS 9, except the balance of available-for-sale investments of HK\$12.072 million as at 1 January 2018 was reclassified to financial assets at fair value through other comprehensive income, no other material impact on the Group's financial statement, therefore no adjustments to the opening balance of equity at 1 January 2018 was recognized.

The Group has performed an assessment on the adoption of HKFRS 15 and concluded that no material impact on the Group's financial statement, therefore no adjustments to the opening balance of equity at 1 January 2018 was recognized.

4. Operating segment information

- (a) Trading business — Trading of health care products and construction materials;
- (b) Agency Service — Real estate agency service;
- (c) Property Investment and Leasing Business;
- (d) Health Care Related Business — Anti-aging health management services and sales of medicines.

Management monitors the results of its operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/(loss), which is a measure of adjusted profit/(loss) before tax.

5. Segment Reporting

For the six months ended 30 June 2018

	Trading business		Agency service		Property Investment and leasing		Health care related business		Consolidated	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
		(Restated)		(Restated)						(Restated)
Segment Revenue	94,564	583	1,694	43,789	14,478	3,220	20,754	20,238	131,490	67,830
Segment results	17,033	244	1,313	15,916	26,637	40,522	2,078	3,075	47,061	59,757
Unallocated income/(expense)									(180)	(4,459)
Share of profit of an associate									5,802	—
Profit from operations									52,683	55,298
Finance costs									(3,289)	(3,832)
Profit before income tax expenses									49,394	51,466



6. Other gains

	For the six months ended 30 June 2018 HK\$'000	For the six months ended 30 June 2017 HK\$'000
Exchange (loss)/gains	(923)	(144)
Gain on disposal in investment properties	—	970
Gain on bargain purchase (Note a)	6,774	—
	5,851	826

Note:

(a) Acquisition of an associate

On 16 March 2018, the Group acquired a 20% equity interest in 雲南漢素生物科技有限公司 (Yunnan Hansu Biotechnology Co., Ltd.) (“Yunnan Hansu”), a company established in the PRC. at a cash consideration of RMB60,000,000 (equivalent in HK\$71,110,605).

The fair values of the identifiable assets and liabilities of Yunnan Hansu as at the date of acquisition were as follows:

	HK\$
Plant and equipment	52,327,468
Intangible assets	393,157,173
Inventory	16,008,372
Trade receivables, deposit and prepayment	37,289,356
Bank balance	354,818
Other payable and accruals	(6,914,755)
Income tax payable	(4,547,514)
Deferred tax liabilities	(98,249,671)
Total identifiable net assets at fair value	389,425,247
20% identifiable net assets at fair value	77,885,049
(Gain) on bargain purchase	(6,774,444)
Satisfied by cash (RMB60,000,000)	71,110,605

7. Profit from ordinary activities before taxation

Profit from ordinary activities before taxation is arrived at after charging:

	For the six months ended 30 June 2018 HK\$'000 (Unaudited)	For the six months ended 30 June 2017 HK\$'000 (Unaudited)
Cost of inventories	90,091	28,754
Staff costs	7,611	8,534
Retirement costs	199	321
Depreciation	456	458
Operating lease charges in respect of premises	2,193	2,357
Interest on bank advances wholly repayable within five years	<u>3,289</u>	<u>717</u>





8. Income tax expense

	For the six months ended 30 June 2018 HK\$'000 (Unaudited)	For the six months ended 30 June 2017 HK\$'000 (Unaudited)
Current tax		
— Hong Kong Tax for the period	617	675
— PRC Enterprise Income Tax (“EIT”) for the period	7,657	3,277
— Deferred tax	2,069	8,860
	<u>10,343</u>	<u>12,812</u>

Hong Kong profits tax has been provided at the rate of 16.5% (2017: 16.5%) on the estimated assessable profit for the Period.

Taxation on profits generated in the PRC has been calculated on the estimated assessable profit for the period at the rate of 25% (2017: 25%).

9. Dividends

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2018 (2017: HK\$0.6 cents per ordinary share).

10. Earnings per share

The calculation of basic earnings per share is based on the Group’s profit attributable to owners of HK\$38,840,000 (2017: HK\$37,659,000) and on the weighted average of 3,645,614,931 (2017: 3,127,778,134) ordinary shares in issue during the Period.

The basic and diluted profits per share for the six months ended 30 June 2018 were the same as the Company had no dilutive potential shares in issue during the period.

11. Property, plant and equipment

	At 30 June 2018 HK\$'000 (Unaudited)	At 31 December 2017 HK\$'000 (Audited)
Opening net book amount		
At 1 January 2018/1 January 2017	3,761	841
Additions	22	3,709
Depreciation	(456)	(672)
Exchange adjustment	(46)	(117)
	<u>3,281</u>	<u>3,761</u>
Net book amount		
At 30 June 2018/31 December 2017	3,281	3,761

12. Investment properties

	At 30 June 2018 HK\$'000 (Unaudited)	At 31 December 2017 HK\$'000 (Audited)
At 1 January 2018/1 January 2017	583,200	399,590
Additions	—	67,720
Change in fair value	15,030	97,886
Exchange adjustments	(7,081)	18,004
	<u>591,149</u>	<u>583,200</u>
At 30 June 2018/31 December 2017	591,149	583,200



13. Investment in an associate

	30 June 2018 HK\$'000 (Unaudited)	31 December 2017 HK\$'000 (Audited)
Unlisted investment in an associate <i>(Note 6(a))</i>	71,111	—
Share of profit of an associate	5,802	—
Gain on bargain purchase <i>(Note 6)</i>	6,774	—
Amortisation on intangible assets	(1,955)	—
Deferred tax asset	489	—
Exchange adjustment	(34)	—
	82,187	—

Details of the Group's associate as at 30 June 2018 is as follows:

Name of associate	Country of registration and principal of operation	Paid up registration capital	Attributable equity interest held by the Group	Principal activity
Yunnan Hansu Biotechnology Co., Ltd.	China/China	RMB60,000,000	20%	Hemp processing

14. Deposits, prepayments and other receivables

	At 30 June 2018 HK\$'000	At 31 December 2017 HK\$'000
Current assets:		
– Deposits	1,709	989
– Other receivables	23,497	23,534
– Prepayments	471	418
	<u>25,677</u>	<u>24,941</u>

The carrying amounts of deposits and other receivables are considered a reasonable approximation of fair value.

15. Accounts receivable

An ageing analysis of the accounts receivable is as follows:

	At 30 June 2018 HK\$'000 (Unaudited)	At 31 December 2017 HK\$'000 (Audited)
Within 3 months	56,488	55,867
Over 3 months but less than 6 months	61,416	16,471
Over 6 months	4,414	67
	<u>122,318</u>	<u>72,405</u>

All of the above balances are expected to be recovered within one year.



16. Accounts payable

An ageing analysis of the accounts payable is as follows:

	At 30 June 2018 HK\$'000 (Unaudited)	At 31 December 2017 HK\$'000 (Audited)
Accounts payable		
Within 3 months	14,937	1,093
Over 3 months but within 6 months	—	4
Over 6 months but within 12 months	—	—
Over 1 year	4	22
	<hr/> 14,941	<hr/> 1,119

All of the above balances are expected to be settled within one year.



17. Share capital

	At 30 June 2018		At 31 December 2017	
	Number of shares	Amount HK\$'000	Number of shares	Amount HK\$'000
Authorised:				
Ordinary shares of HK\$0.01 each	10,000,000,000	100,000	10,000,000,000	100,000
Issued and fully paid:				
Ordinary shares of HK\$0.01 each At 1 January 2018/ 1 January 2017	3,599,752,636	35,998	2,951,919,718	29,519
Issue of consideration share	–	–	644,298,761	6,444
Issue of subscription shares	156,000,000	1,560	3,534,157	35
At 30 June 2018/ 31 December 2017	3,755,752,636	37,558	3,599,752,636	35,998

Note:

- On 10 April, 30 April and 26 June 2018, the Company completed the new Shares allotment under subscriptions in which 156,000,000 Subscription shares were issued with the par value of HK\$0.01 each. Accordingly, the Company's issued share capital was increased by approximately HK\$1,560,000 and its share premium account was increased by approximately HK\$53,040,000.



18. Material related party transactions

The following represents a summary of material recurring transactions during the relevant Period between the Group and the related parties:

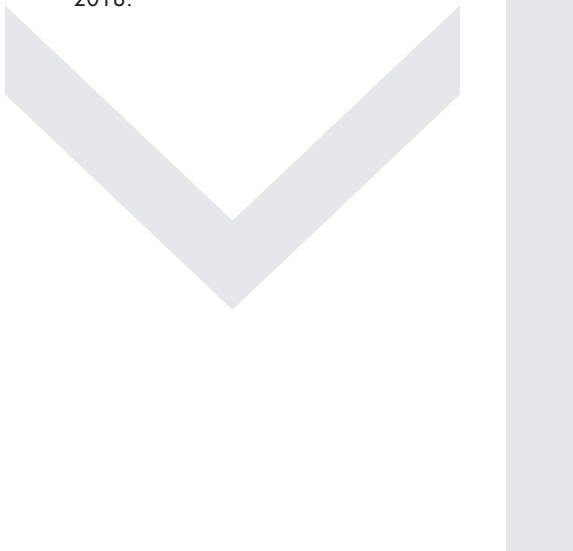
	Notes	For the six months ended 30 June 2018 HK\$'000 (Unaudited)	For the six months ended 30 June 2017 HK\$'000 (Unaudited)
Rental Income			
— Yee Sheng Enterprises Company Limited	(i)	240	—
— 南京宇尚地產有限公司	(ii)	—	40
Agency Service income			
蘇州宇潤置業有限公司	(iii)	—	8,344
湖南宇尚置業有限公司	(iv)	1,694	2,053
南京宇達置業有限公司	(v)	—	2,752
Anti-aging and health management related income			
Zhou Xuzhou	(vi)	4	120
Zhou Wen Chuan	(vi)	—	5
Liu Lailin	(vi)	—	129

Notes:

- (i) Yee Sheng Enterprises Company Limited is owned and controlled by Mr. Zhou Xuzhou and Ms. Zhou Wen Chuan, the directors of the Company.
- (ii) 南京宇尚地產有限公司 is owned and controlled by Mr. Zhou Xuzhou, the director of the Company.
- (iii) 蘇州宇潤置業有限公司 is owned and controlled by Mr. Zhou Xuzhou, the director of the Company.
- (iv) 湖南宇尚置業有限公司 is owned and controlled by Mr. Zhou Xuzhou, the director of the Company.
- (v) 南京宇達置業有限公司 is owned and controlled by Mr. Zhou Xuzhou, the director of the Company.
- (vi) Zhou Xuzhou, Zhou Wen Chuan and Liu Lailin are the directors of the Company.

19. Approval of the interim financial statements

The interim financial statements were approved by the Board on 30 August 2018.





OTHER INFORMATION

Employment and Remuneration Policy

As at 30 June 2018, the Group had a total of approximately 94 employees (31 December 2017: approximately 67 employees). The Group's remuneration policies are in line with prevailing market practice and formulated on the basis of the performance and experience of individual employees. Apart from basic salaries, other staff benefits included provident funds and medical schemes.

Purchase, Sale or Redemption of Listed Securities of the Company

There were no purchase, sale or redemption of the Company's listed securities by the Company or any of its subsidiaries during the six months ended 30 June 2018.





Disclosure of Interests

Directors' and Chief Executive's Interest in Shares

The directors and chief executive of the Company who held office as at 30 June 2018 had the following interests in the shares of the Company, its subsidiaries and other associated corporations (within the meaning of Part XV of the Securities and Future Ordinance ("SFO")) at that date as recorded in the register of directors' and chief executives' interests and short positions required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"):

Long position

Name of Director	Personal Interest	Corporate interest	Interest of spouse	Total number of Shares held	% of total issued Shares
Zhou Xuzhou (Note 1)	66,038,470	2,006,942,291	—	2,072,980,761	55.19%
Zhou Wen Chuan (Note 2)	26,868,000	—	—	26,868,000	0.72%
Liu Lailin (Note 2)	—	—	5,000,000	5,000,000	0.13%
Mao Zhenhua (Note 3)	—	100,000,000	—	100,000,000	2.66%
Chau Chi Wai, Wilton (Note 4)	600,000	—	—	600,000	0.02%



Notes:

1. These Shares are held by U-Home Group International Limited, U-Home Group Investment Limited and Zhongjia U-Home Investment Limited (formerly known as Hong Ling Investment Limited).
2. Ms. Zhou Wen Chuan and Mr. Liu Lailin are executive directors.
3. 100,000,000 shares are beneficially owned by Eagle Best Limited. Eagle Best Limited is wholly owned by Zhongchengxin (HK) Investment Services Limited ("Zhongchengxin HK"), a company incorporated in Hong Kong with limited liability. Zhongchengxin HK is wholly owned by 中誠信投資有限公司 (Zhongchengxin Investment Company Limited*) ("Zhongchengxin Investment"), a company established in the PRC with limited liability. Zhongchengxin Investment is owned as to 60% by 湖北東亞實業有限公司 (Hubei East Asia Enterprise Company Limited*) ("Hubei East Asia"), a company established in the PRC with limited liability. Hubei East Asia is owned as to 50% by Dr. Mao Zhenhua, a non-executive director.
4. Professor Chau Chi Wai, Wilton is an independent non-executive director.

Interests in Underlying Shares

As at 30 June 2018, save as disclosed above, none of the directors and chief executive of the Company has interests or short positions in the shares, underlying shares or debentures of the Company, any of its holding company, subsidiaries or fellow subsidiaries, as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company pursuant to the Model Code.

Substantial Shareholders' Interests in Shares

As at 30 June 2018, the Company had been notified by the following person (other than the directors or chief executives of the Company) who had interests or short positions in the shares and underlying shares of the Company as at 30 June 2018 which were required to be disclosed to the Company under Part XV of the SFO or which were recorded in the register required to be kept by the Company under section 336 of the SFO.

Interests in Issued Shares

Name of substantial Shareholders	Capacity	Total interests (Note 1)	Percentage of total issued Shares
U-Home Group International Limited (Note 2)	Beneficial owner	964,172,530(L) 964,172,530(S)	25.67 25.67
U-Home Group Investment Limited (Note 3)	Beneficial owner	499,653,000(L) 499,653,000(S)	13.30 13.30
Yuhua Enterprises Company Limited	Interest in controlled corporation	499,653,000(L) 499,653,000(S)	13.30 13.30
安徽宇華房地產開發有限公司 (Anhui Yuhua Real Estate Development Company Limited*) (Note 3)	Interest in controlled corporation	499,653,000(L) 499,653,000(S)	13.30 13.30
Yee Sheng Enterprises Company Limited (Note 3)	Interest in controlled corporation	499,653,000(L) 499,653,000(S)	13.30 13.30
Kambert Enterprises Limited (Note 3)	Interest in controlled corporation	499,653,000(L) 499,653,000(S)	13.30 13.30

* For identification purpose only



Name of substantial Shareholders	Capacity	Total interests (Note 1)	Percentage of total issued Shares
U-Home Property (Group) Limited (Note 3)	Interest in controlled	499,653,000(L)	13.30
	corporation	499,653,000(S)	13.30
Shunda Investment Limited (Notes 2 and 3)	Interest in controlled	2,006,942,291(L)	53.43
	corporation	2,004,024,291(S)	53.36
Zhongjia U-Home Investment Limited (Note 4)	Interest in controlled	543,116,761(L)	14.46
	corporation	540,198,761(S)	14.38
Mr. Zhou Xuzhou (Note 2 and 3)	Interest in controlled	2,006,942,291(L)	53.43
	corporation	2,004,024,291(S)	53.36
	Beneficial owner	66,038,470(L)	1.76
Ms. Zhou Wen Chuan	Beneficial owner	26,868,000(L)	0.72
Professor Chau Chi Wai, Wilton	Beneficial Owner	600,000(L)	0.02

Notes:

1. The letter "L" denotes the person's long position in the Shares whereas the letter "S" denotes the person's short position in the Shares.
2. U-Home Group International Limited is wholly and beneficially owned by Shunda Investment Limited which in turn is wholly and beneficially owned by Mr. Zhou Xuzhou.
3. U-Home Group Investment Limited is wholly and beneficially owned by Yuhua Enterprises Company Limited. Yuhua Enterprises Company Limited is wholly and beneficially owned by Anhui Yuhua Real Estate Development Company Limited*. Anhui Yuhua Real Estate Development Company Limited* is wholly and beneficially owned by Yee Sheng Enterprises Company Limited. Yee Sheng Enterprises Company Limited is wholly and beneficially owned by Kambert

Enterprises Limited. Kambert Enterprises Limited is wholly and beneficially owned by U-Home Property (Group) Limited. U-Home Property (Group) Limited is wholly and beneficially owned by Shunda Investment Limited, which in turn is wholly and beneficially owned by Mr. Zhou Xuzhou.

4. Zhongjia U-Home Investment Limited (formerly known as Hong Ling Investment Limited) is wholly and beneficially owned by Shunda Investment Limited which in turn is wholly and beneficially owned by Mr. Zhou Xuzhou.

Directors' Rights to Acquire Shares or Debentures

Save as disclosed under the heading, "Directors' and Chief Executive's interests in shares" above, at no time during the Period or up to the date of this report were there any rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director or their respective spouse or minor children, or were any such rights exercised by them; or was the Company, its holding company, or any of its subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

Corporate Governance

The Company has complied with the requirements of the Code on Corporate Governance Practices as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") during the Period.

Model Code for Securities Transactions By Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding directors' securities transactions. Specific enquiry has been made with all Directors and the Directors have confirmed compliance with the required standard set out in the Model Code during the six months ended 30 June 2018.



Review of Interim Results

The audit committee, comprising of the two independent non-executive directors and one non-executive director of the Company, has reviewed with the management of the Company the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including the review of the unaudited interim financial statements of the Group for the six months ended 30 June 2018.

Publication of Interim Results Announcement and Interim Report

The interim report will be despatched to shareholders as well as made available on our Company's website at www.meilleure.com.cn and the Stock Exchange's website at www.hkexnews.hk.

Appreciation

The sustained growth of the Group's results is hinged on the continuous support, commitment and contributions of the management and staff during the Period and the support shown to us by our investors. On behalf of the Board, I would like to express our deepest gratitude to the investors of the Company and the staff of the Group.

Hong Kong, 30 August 2018

By order of the Board
Zhou Wen Chuan
Chief Executive Officer