



**COMMON SPLENDOR INTERNATIONAL  
HEALTH INDUSTRY GROUP LIMITED**

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 286)**

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**Interim Report  
For The Six Months  
Ended 30 June 2019**

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## CORPORATE INFORMATION

### Directors

#### *Executive Directors*

Cheung Wai Kuen (*Chairman*)

Cheng Hau Yan (*Deputy Chairman*)

Ye Jiong Xian (*Chief Executive Officer*)

#### *Non-executive Directors*

Hou Kai Wen

Lin Jiang

Wong Kin Man (Appointed on 16 August 2019)

#### *Independent Non-executive Directors*

Lam Chi Wing

Mai Yang Guang

Wong Yiu Kit, Ernest

### Audit Committee

Wong Yiu Kit, Ernest (*Chairman*)

Lam Chi Wing

Mai Yang Guang

### Remuneration Committee

Mai Yang Guang (*Chairman*)

Lam Chi Wing

Wong Yiu Kit, Ernest

### Nomination Committee

Mai Yang Guang (*Chairman*)

Lam Chi Wing

Wong Yiu Kit, Ernest

### Company Secretary

Wong Wing Cheung

### Auditor

HLB Hodgson Impey Cheng Limited

*Certified Public Accountants*

31st Floor, Gloucester Tower

The Landmark, 11 Pedder Street

Central, Hong Kong

### Principal Bankers

Chong Hing Bank Limited

The Bank of East Asia Limited

Wing Lung Bank Limited

### Place of Incorporation

Bermuda

### Registered Office

Clarendon House

2 Church Street

Hamilton HM 11

Bermuda

### Principal Office

Rooms 2709–10, 27th Floor, North Tower

Concordia Plaza, 1 Science Museum Road

Tsim Sha Tsui, Kowloon, Hong Kong

### Principal Registrar and Transfer Office

MUFG Fund Services (Bermuda) Limited

4th Floor North Cedar House

41 Cedar Avenue

Hamilton HM 12

Bermuda

### Branch Registrar and Transfer Office

Tricor Secretaries Limited

Level 54, Hopewell Centre

183 Queen's Road East

Hong Kong

### Website

[www.cs-ih.com](http://www.cs-ih.com)

### Stock Code

286

### Board Lot

2,000 shares

### Investor Relations

For enquiries relating to investor relations,  
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## UNAUDITED INTERIM RESULTS

The board (the “Board”) of directors (the “Directors”) of Common Splendor International Health Industry Group Limited (the “Company”) would like to announce the unaudited consolidated interim results of the Company and its subsidiaries (together, the “Group”) for the six months ended 30 June 2019 (the “Period”) together with the comparative figures for the corresponding period in 2018 as follows:

### CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

*For the six months ended 30 June 2019*

	<i>Notes</i>	<b>For six months ended 30 June</b>	
		<b>2019</b>	<b>2018</b>
		<b>(Unaudited)</b>	<b>(Unaudited)</b>
		<b>HK\$'000</b>	<b>HK\$'000</b>
Revenue	3	<b>230,841</b>	233,584
Cost of sales		<b>(181,895)</b>	(169,720)
Gross Profit		<b>48,946</b>	63,864
Other income	5	<b>860</b>	13
Administrative expenses		<b>(30,994)</b>	(37,480)
Selling and distribution expenses		<b>(1,391)</b>	(23)
Share of results of associates		<b>4,763</b>	4,569
Profit from operations		<b>22,184</b>	30,943
Fair value change on derivative financial liabilities		<b>–</b>	7,316
Gain on disposal of associate		<b>255</b>	–
Finance cost		<b>(15,131)</b>	(20,620)
Profit before income tax		<b>7,308</b>	17,639
Income tax expense	6	<b>(5,180)</b>	(4,905)
<b>Profit for the period</b>	7	<b>2,128</b>	12,734
<b>Other comprehensive income, net of income tax</b>			
<i>Item that may be reclassified subsequent to profit or loss</i>			
Exchange differences on translating foreign operations arising during the period		<b>1,057</b>	(5,710)
<b>Total comprehensive income for the period</b>		<b>3,185</b>	<b>7,024</b>

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND  
OTHER COMPREHENSIVE INCOME (cont'd)**

*For the six months ended 30 June 2019*

	<b>For six months ended 30 June</b>	
	<b>2019</b>	2018
	<b>(Unaudited)</b>	(Unaudited)
<i>Notes</i>	<b><i>HK\$'000</i></b>	<b><i>HK\$'000</i></b>
<b>Profit for the period attributable:</b>		
Owners of the Company	523	7,327
Non-controlling interests	<u>1,605</u>	<u>5,407</u>
	<u><b>2,128</b></u>	<u>12,734</u>
<b>Total comprehensive income for the period attributable to:</b>		
Owners of the Company	1,275	1,241
Non-controlling interests	<u>1,910</u>	<u>5,783</u>
	<u><b>3,185</b></u>	<u>7,024</u>
<b>Earnings per share for the period attributable to owners of the Company</b>		
Basic (HK cents per share)	<u>0.02</u>	<u>0.24</u>
Diluted (HK cents per share)	<u>0.02</u>	<u>0.24</u>

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## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2019

	<i>Notes</i>	<b>30 June 2019 (Unaudited) HK\$'000</b>	31 December 2018 (Audited) HK\$'000
<b>Non-current assets</b>			
Property, plant and equipment		25,642	30,106
Right-to-use assets		13,476	–
Intangible assets	10	214,240	214,288
Goodwill		229,010	229,010
Interests in associates		200,381	223,789
Equity investments at fair value through other comprehensive income		82,202	77,684
Deposits, prepayments and other receivable	11	80,562	111,350
		<b>845,513</b>	886,227
<b>Current assets</b>			
Deposits, prepayments and other receivable	11	255,188	135,266
Trade receivable	12	15,211	31,351
Inventories		47,749	29,062
Properties under development	13	216,582	209,174
Loan to a shareholder	14	33,117	28,574
Short-term loans receivable	15	35,068	40,048
Bank and cash balances		22,463	8,016
		<b>625,378</b>	481,491
<b>Current liabilities</b>			
Trade payables	16	303	442
Accrual, deposits received and other payables	17	47,999	35,574
Contract liabilities	17	134,843	87,227
Lease liabilities		7,099	–
Obligation under finance leases		–	367
Bank and other borrowings	18	101,486	16,138
Guaranteed notes and bonds payable	19	167,681	213,209
Tax payable		6,989	2,811
		<b>466,400</b>	355,768
<b>Net current assets</b>		<b>158,978</b>	125,723
<b>Total assets less current liabilities</b>		<b>1,004,491</b>	1,011,950
<b>Capital and reserves</b>			
Share capital		29,962	29,962
Reserves		719,516	720,535
Equity attributable to owners of the Company		<b>749,478</b>	750,497
Non-controlling interests		204,221	211,730
<b>Total equity</b>		<b>953,699</b>	962,227
<b>Non-current liabilities</b>			
Deferred tax liabilities		15,157	15,157
Lease liabilities		6,569	–
Obligation under finance leases		–	983
Guaranteed notes and bonds payable	19	29,066	33,583
		<b>50,792</b>	49,723
		<b>1,004,491</b>	1,011,950

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2019

Equity attributable to the owners of the Company										
	Share capital	Share Premium	Translation reserve	Equity investment at fair value through other comprehensive income reserve	Statutory Reserve	Other Reserve	Retained Earnings	Sub-total	Non- controlling interests	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1 January 2018	29,962	681,198	(15,246)	-	11,130	(49,260)	107,549	765,333	212,878	978,211
Profit for the period	-	-	-	-	-	-	7,327	7,327	5,407	12,734
Exchange differences on translating foreign operations arising during the period	-	-	(6,086)	-	-	-	-	(6,086)	376	(5,710)
Total comprehensive income	-	-	(6,086)	-	-	-	7,327	1,241	5,783	7,024
As 30 June 2018	<u>29,962</u>	<u>681,198</u>	<u>(21,332)</u>	<u>-</u>	<u>11,130</u>	<u>(49,260)</u>	<u>114,876</u>	<u>766,574</u>	<u>218,661</u>	<u>985,235</u>
At 1 January 2019	29,962	681,198	(31,552)	(33)	11,796	(46,761)	105,887	750,497	211,730	962,227
Profit for the period	-	-	-	-	-	-	523	523	1,605	2,128
Exchange differences on translating foreign operations arising during the period	-	-	752	-	-	-	-	752	305	1,057
Total comprehensive income	-	-	752	-	-	-	523	1,275	1,910	3,185
Change in non-controlling interests arising from acquisition of non-controlling interests of a subsidiary	-	-	-	-	-	(2,294)	-	(2,294)	(9,419)	(11,713)
As 30 June 2019	<u>29,962</u>	<u>681,198</u>	<u>(30,800)</u>	<u>(33)</u>	<u>11,796</u>	<u>(49,055)</u>	<u>106,410</u>	<u>749,478</u>	<u>204,221</u>	<u>953,699</u>

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2019

	For six months ended 30 June	
	2019 (Unaudited) <i>HK\$'000</i>	2018 (Unaudited) <i>HK\$'000</i>
Net cash used in from operating activities	(7,443)	(20,306)
Net cash generated/(used in) from investing activities	450	(6,982)
Net cash generated/(used in) from financing activities	<u>20,862</u>	<u>(26,398)</u>
Net change in cash and cash equivalents	13,869	(53,686)
Effect of foreign exchange rate changes, net	578	(3,991)
Cash and cash equivalents at beginning of period	<u>8,016</u>	<u>67,038</u>
Cash and cash equivalents at end of period	<u><u>22,463</u></u>	<u><u>9,361</u></u>
Represented by:		
Bank and cash balances	<u><u>22,463</u></u>	<u><u>9,361</u></u>



# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

## 1. Basis of preparation

These unaudited 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 (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) and with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

These unaudited condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements for the year ended 31 December 2018.

These unaudited condensed consolidated financial statements have been prepared on the historical cost basis.

## 2. Application of new and revised Hong Kong Financial Reporting Standards (the “HKFRSs”)

In the current interim period, the Group has applied for the first time, the following new and amendments to HKFRSs issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1 January 2019 for the preparation of the Group’s condensed consolidated financial statements:

HKFRS 16	Leases
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle

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

### 2.1 Impacts and changes in accounting policies of application on HKFRS 16 Leases

The Group has applied HKFRS 16 for the first time in the current interim period. HKFRS 16 superseded HKAS 17 “Leases” (“HKAS 17”), and the related interpretations.

#### 2.1.1 Key changes in accounting policies resulting from application of HKFRS 16

The Group applied the following accounting policies in accordance with the transition provisions of HKFRS 16.

##### Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception or modification date. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

##### As a lessee

##### Short-term leases

The Group applies the short-term lease recognition exemption to leases of office premises that have a lease term of 12 months or less from the date of initial application of HKFRS 16. Lease payments on short-term leases are recognised as expense on a straight-line basis over the lease term.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

### 2. Application of new and revised Hong Kong Financial Reporting Standards (the “HKFRSs”) (cont'd)

#### 2.1 Impacts and changes in accounting policies of application on HKFRS 16 Leases (cont'd)

##### 2.1.1 Key changes in accounting policies resulting from application of HKFRS 16 (cont'd)

As a lessee (cont'd)

##### Right-of-use assets

Except for short-term leases, the Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use asset includes the amount of the initial measurement of the lease liability.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term is depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the condensed consolidated statement of financial position.

##### Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 “Financial Instruments” (“HKFRS 9”) and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

##### Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include fixed payments.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

##### Taxation

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 Income Taxes requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

### 2. Application of new and revised Hong Kong Financial Reporting Standards (the “HKFRSs”) (cont'd)

#### 2.1 Impacts and changes in accounting policies of application on HKFRS 16 Leases (cont'd)

##### 2.1.2 Transition and summary of effects arising from initial application of HKFRS 16

###### Definition of a lease

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 “Determining whether an Arrangement contains a Lease” and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 January 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

###### As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 January 2019. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

- (i) relied on the assessment of whether leases are onerous by applying HKAS 37 “Provisions, Contingent Liabilities and Contingent Assets” as an alternative of impairment review;
- (ii) elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application;
- (iii) excluded initial direct costs from measuring the right-of-use assets at the date of initial application;
- (iv) applied a single discount rate to a portfolio of leases with a similar remaining term for similar class of underlying assets in similar economic environment. Specifically, discount rate for certain leases of office premises in Hong Kong was determined on a portfolio basis; and
- (v) used hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group’s leases with extension and termination options.

On transition, the Group has made the following adjustments upon application of HKFRS 16:

The Group recognised lease liabilities of approximately HK\$17,625,000 and right-of-use assets of approximately HK\$18,463,000 at 1 January 2019.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average lessee’s incremental borrowing rate applied is 7.01%.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

### 2. Application of new and revised Hong Kong Financial Reporting Standards (the "HKFRSs") (cont'd)

#### 2.1 Impacts and changes in accounting policies of application on HKFRS 16 Leases (cont'd)

##### 2.1.2 Transition and summary of effects arising from initial application of HKFRS 16 (cont'd)

As a lessee (cont'd)

	<b>At 1 January 2019</b> <i>HK\$'000</i>
Operating lease commitments disclosed as at 31 December 2018	19,467
Lease liabilities discounted at relevant incremental borrowing rates	7.01%
Add: Obligation under finance leases recognised as at 31 December 2018	1,350
	<hr/>
Lease liabilities as at 1 January 2019	17,625
	<hr/>
Analysed as	
– Current	9,637
– Non-current	7,988
	<hr/>
	<u>17,625</u>

The carrying amount of right-of-use assets as at 1 January 2019 comprises the following:

	<b>Right-of-use assets</b> <i>HK\$'000</i>
Right-of-use assets relating to operating leases recognised upon application of HKFRS 16 (note)	16,275
Adjustments on rental deposits at 1 January 2019	2,155
Amount included in property, plant and equipment under HKAS 17	
– Assets previously under finance leases	33
	<hr/>
	18,463
	<hr/>
By class:	
Buildings	18,430
Equipment	33
	<hr/>
	<u>18,463</u>

*Note:*

Before the application of HKFRS 16, the Group considered refundable rental deposits paid as rights and obligations under leases to which HKAS 17 applied. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use of the underlying assets and were adjusted to reflect the discounting effect at transition. Accordingly, HK\$2,155,000 was adjusted to refundable rental deposits paid and right-of-use assets.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

### 2. Application of new and revised Hong Kong Financial Reporting Standards (the "HKFRSs") (cont'd)

#### 2.1 Impacts and changes in accounting policies of application on HKFRS 16 Leases (cont'd)

##### 2.1.2 Transition and summary of effects arising from initial application of HKFRS 16 (cont'd)

As a lessee (cont'd)

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1 January 2019. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported at 31 December 2018 <i>HK\$'000</i>	Adjustments <i>HK\$'000</i>	Carrying amounts under HKFRS 16 at 1 January 2019 <i>HK\$'000</i>
<b>Non-current assets</b>			
Right-of-use assets	–	18,430	18,430
Deposits, prepayments and other receivables	135,266	(2,155)	133,111
	<u>135,266</u>	<u>(2,155)</u>	<u>133,111</u>
<b>Current liabilities</b>			
Obligation under finance leases	367	(367)	–
Lease liabilities	–	9,270	9,270
	<u>367</u>	<u>(367)</u>	<u>–</u>
<b>Non-current liabilities</b>			
Obligation under finance leases	983	(983)	–
Lease liabilities	–	7,005	7,005
	<u>983</u>	<u>(983)</u>	<u>–</u>

### 3. Revenue

#### For six months ended 30 June

	2019 (Unaudited) <i>HK\$'000</i>	2018 (Unaudited) <i>HK\$'000</i>
Revenue represents the aggregate amounts received and receivable from third parties and analysed as follows:		
Interest income from investment and finance	3,234	6,082
Revenue from health industry	227,607	227,502
	<u>230,841</u>	<u>233,584</u>

### 4. Operating segments

The Group manages its businesses by divisions which are organised by business lines. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has presented the following two reportable segments.

Health industry	–	included medical anti-aging and health preservation base, medical and healthcare industry investment management and natural health food business
Investment and finance	–	investing and financing activities

The Group's reportable segments are strategic business units that operate different activities. They are managed separately because each business has different markets and requires different marketing strategies.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

### 4. Operating segments (cont'd)

Operating segment information is presented below:

*For the six months ended 30 June 2019*

	Health Industry			Sub-total HK\$'000	Investment and Finance HK\$'000	Total HK\$'000
	Natural Health Food HK\$'000	Medical Anti-aging and Health Preservation Base HK\$'000	Medical and Healthcare Industry Investment Management HK\$'000			
<b>Revenue</b>						
Revenue from external customers	<u>171,152</u>	<u>54,946</u>	<u>1,509</u>	<u>227,607</u>	<u>3,234</u>	<u>230,841</u>
<b>Results</b>						
Segment results for reportable segments	<u>2,575</u>	<u>26,068</u>	<u>1,505</u>	<u>30,148</u>	<u>(17,963)</u>	<u>12,185</u>
Unallocated corporate expenses						(4,877)
Income tax expenses						<u>(5,180)</u>
<b>Profit for the period</b>						<u>2,128</u>

*As at 30 June 2019*

	Health Industry			Sub-total HK\$'000	Investment and Finance HK\$'000	Total HK\$'000
	Natural Health Food HK\$'000	Medical Anti-aging and Health Preservation Base HK\$'000	Medical and Healthcare Industry Investment Management HK\$'000			
<b>Assets</b>						
Segment assets for reportable segments	<u>202,739</u>	<u>1,154,141</u>	<u>6,867</u>	<u>1,363,747</u>	<u>73,236</u>	<u>1,436,983</u>
Unallocated corporate assets						<u>33,908</u>
<b>Total assets</b>						<u>1,470,891</u>
<b>Liabilities</b>						
Segment liabilities for reportable segments	<u>211,697</u>	<u>44,796</u>	<u>3,159</u>	<u>259,652</u>	<u>224,376</u>	<u>484,028</u>
Unallocated corporate liabilities						<u>33,164</u>
<b>Total liabilities</b>						<u>517,192</u>

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

### 4. Operating segments (cont'd)

For the six months ended 30 June 2018

	Health Industry			Sub-total HK\$'000	Investment and Finance HK\$'000	Total HK\$'000
	Natural Health Food HK\$'000	Medical Anti-aging and Health Preservation Base HK\$'000	Medical and Healthcare Industry Investment Management HK\$'000			
<b>Revenue</b>						
Revenue from external customers	<u>158,231</u>	<u>56,155</u>	<u>13,116</u>	<u>227,502</u>	<u>6,082</u>	<u>233,584</u>
<b>Results</b>						
Segment results for reportable segments	<u>(17)</u>	<u>28,866</u>	<u>7,116</u>	<u>35,965</u>	<u>(13,716)</u>	22,249
Unallocated corporate expenses						(4,610)
Income tax expenses						<u>(4,905)</u>
<b>Profit for the period</b>						<u>12,734</u>

As at 31 December 2018

	Health Industry			Sub-total HK\$'000	Investment and Finance HK\$'000	Total HK\$'000
	Natural Health Food HK\$'000	Medical Anti-aging and Health Preservation Base HK\$'000	Medical and Healthcare Industry Investment Management HK\$'000			
<b>Assets</b>						
Segment assets for reportable segments	<u>98,834</u>	<u>1,134,356</u>	<u>46,293</u>	<u>1,279,483</u>	<u>72,115</u>	1,351,598
Unallocated corporate assets						<u>16,120</u>
<b>Total assets</b>						<u>1,367,718</u>
<b>Liabilities</b>						
Segment liabilities for reportable segments	<u>53,865</u>	<u>44,409</u>	<u>11,966</u>	<u>110,240</u>	<u>283,485</u>	393,725
Unallocated corporate liabilities						<u>11,766</u>
<b>Total liabilities</b>						<u>405,491</u>

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales in the period (2018: Nil).

Segment results represent the profit earned or loss incurred by each segment without allocation of corporate expenses, bank interest income, income tax expense.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

### 4. Operating segments (cont'd)

For the purposes of monitoring segment performance and allocating resources between segments:

All assets are allocated to reportable segments other than unallocated corporate assets which mainly include property, plant and equipment and prepayment and deposits.

All liabilities are allocated to reportable segments other than unallocated corporate liabilities which mainly include accruals, deposits received and other payables.

#### *Geographical information*

In determining the Group's geographical information, revenue information is based on the location of the customers, and asset information is based on the location of the assets.

The Group's revenue from external customers and information about its non-current assets by geographical location are detailed below:

	For six months ended 30 June	
	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000
<b>Revenue</b>		
PRC	180,016	180,382
Hong Kong	50,825	53,202
	<u>230,841</u>	<u>233,584</u>
	30 June 2019 (Unaudited) HK\$'000	31 December 2018 (Audited) HK\$'000
<b>Non-current assets*</b>		
PRC	220,065	240,618
Hong Kong	342,865	344,136
	<u>342,865</u>	<u>344,136</u>

\* Non-current assets excluded those relating to interests in associates and equity investments at fair value through other comprehensive income.

### 5. Other income

	For six months ended 30 June	
	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000
Bank interest income	6	13
Dividend income	854	–
	<u>860</u>	<u>13</u>



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

### 6. Income tax expense

	For six months ended 30 June	
	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000
Income tax expense comprises		
Current tax:		
Hong Kong Profits Tax	4,151	4,623
PRC Enterprise Income Tax	1,029	282
	<u>5,180</u>	<u>4,905</u>

Hong Kong Profits Tax is calculated at 16.5% on the estimated assessable profit for the Period and the six month ended 30 June 2018.

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No.7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day.

Under the two-tiered profits tax rates regime, the first HK\$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%.

Accordingly, starting from the year ended 31 December 2018, the Hong Kong Profits Tax of the qualifying group entity is calculated at 8.25% on the first HK\$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK\$2 million. The profits of group entities not qualified for the two-tiered profits tax rates regime continue to be taxed at a flat rate of 16.5%.

Under the Law of the PRC on Enterprise Income Tax ("EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards.

### 7. Profit for the Period

	For six months ended 30 June	
	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000
Profit for the period has been arrived at after charging:		
Total staff costs, including Directors' emoluments:		
Salaries and other benefits	8,523	8,346
Retirement benefit scheme contributions	581	411
	<u>9,104</u>	<u>8,757</u>
Auditors' remuneration	750	750
Cost of inventories recognised as expenses	182,568	167,808
Depreciation of property, plant and equipment	4,413	2,322
Depreciation of right-to-use assets	6,482	–
Interest expense on lease liabilities	502	–
Operating lease rentals in respect of rented premises	–	5,489
	<u>–</u>	<u>5,489</u>

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

### 8. Dividend

The Directors do not recommend any payment of interim dividend for the Period (2018: Nil).

### 9. Earnings per share

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

	For six months ended 30 June	
	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000
<i>Earnings</i>		
Earnings for the purpose of basic earnings per share (profit for the period attributable to owners of the Company)	523	7,327
Add: Interest expense on convertible notes ( <i>note</i> )	—	8,546
	<hr/>	<hr/>
Earnings for the purpose of diluted earnings per share (profit for the period attributable to owners of the Company)	523	15,873
	<hr/>	<hr/>
Number of shares ('000)		
Weighted average number of ordinary shares for the purpose of basic earnings per share	2,996,255	2,996,255
Effect of dilutive potential ordinary share:		
Convertible notes ( <i>note</i> )	—	5,924
	<hr/>	<hr/>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	2,996,255	3,002,179
	<hr/>	<hr/>

*Note:* For the six month ended 30 June 2019, there were no potential ordinary shares in issue.

For the six month ended 30 June 2018, diluted earnings per share assume the outstanding convertible notes to have been fully converted into ordinary shares and the profit for the Period attributable to owners of the Company is adjusted to exclude the interest expense relating to the convertible notes. However, since their assumed conversion had an anti-dilutive effect on earnings per share for the six month ended 30 June 2018, the diluted earnings per share are the same as basic earnings per share.

### 10. Intangible asset

Intangible asset represented an exclusive development right on a parcel of land situated at Luofu Mountain in Guangdong Province, the PRC and the trademark of medical beauty group.

The land development right was acquired by the Company through the acquisition of 100% equity interests of Harvest Luck Investment Limited (“Harvest Luck”) during the year ended 31 December 2016.

The trademark was acquired by the Company through the acquisition of 100% equity interests of Golden Time Ventures Limited (“Golden Time Ventures”) during the year ended 31 December 2017.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

### 11. Deposits, prepayment and other receivable

	<b>30 June 2019 (Unaudited) HK\$'000</b>	31 December 2018 (Audited) HK\$'000
Deposits	871	3,767
Prepayment ( <i>note 1</i> )	265,269	181,818
Other receivables ( <i>note 2</i> )	76,920	68,341
	<u>343,060</u>	<u>253,926</u>
Less: Allowance for credit losses	<u>(7,310)</u>	<u>(7,310)</u>
	<u>335,750</u>	<u>246,616</u>
Analysed for reporting purposes as:		
Non-current	80,562	111,350
Current	255,188	135,266
	<u>335,750</u>	<u>246,616</u>

The directors of the Company consider that carrying amounts of deposits paid and other receivables approximate to their fair values.

*Notes:*

- The prepayments mainly comprised of (i) prepaid land cost situated at Luofu Mountain in Guangdong Province of approximately HK\$20,488,000 (31 December 2018: HK\$20,491,000), (ii) prepaid construction and development costs for Luofu Mountain projects of approximately HK\$60,074,000 (31 December 2018: HK\$90,859,000) and (iii) prepaid cost for the procurement of raw materials and finished goods for health industry business of approximately HK\$174,239,000 (31 December 2018: HK\$59,112,000).
- As at 30 June 2019, the other receivables mainly comprised of advance payment to suppliers and distributors related to medical anti-aging business and healthcare industry investment business of approximately HK\$53,959,000 (31 December 2018: HK\$56,770,000).

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

### 12. Trade receivables

The following is an aged analysis of trade receivables at the end of the reporting period:

	<b>30 June 2019 (Unaudited) HK\$'000</b>	31 December 2018 (Audited) HK\$'000
0-30 days	5,158	2,575
31-60 days	1,315	14,832
61-90 days	524	9,288
91-120 days	569	34
121-180 days	7,645	4,622
	<u>15,211</u>	<u>31,351</u>

### 13. Properties under development

Properties under development represented the construction costs and capitalized expenditures of project in Luofu Mountain, the PRC. During the year ended 31 December 2018, the Group reviewed and reassessed the project in Luofu Mountain, the PRC, and concluded that properties are intended for sale after completion of development and will be completed in normal operating cycle. The management of the Group considered that there was a change in use for those properties based on the latest development plan and were therefore reclassified from construction in progress under property, plant and equipment.

### 14. Loan to a shareholder

Name of shareholder	<b>Maximum amount outstanding during the period (Unaudited) HK\$'000</b>	<b>30 June 2019 (Unaudited) HK\$'000</b>	31 December 2018 (Audited) HK\$'000
Champion Dynasty Limited	<u>33,156</u>	<u>33,117</u>	<u>28,574</u>

The loan to a shareholder is guaranteed by Mr. Cheung Wai Kuen, bears an interest of 12% per annum and is repayable on demand.

### 15. Short-term loans receivable

	<b>30 June 2019 (Unaudited) HK\$'000</b>	31 December 2018 (Audited) HK\$'000
Loans receivable with no guarantee ( <i>note</i> )	<u>35,068</u>	<u>40,048</u>
Carrying amount within one year	<u>35,068</u>	<u>40,048</u>

*Note:* Loans receivable are denominated in Hong Kong dollars and carried at fixed effective interest of 12% per annum (2018: 12% per annum).

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

### 16. Trade payables

The following is an aged analysis of trade payables at the end of the reporting period:

	<b>30 June 2019 (Unaudited) HK\$'000</b>	31 December 2018 (Audited) HK\$'000
0-30 days	–	246
31-60 days	170	–
121-180 days	49	–
181-365 days	–	154
Over 365 days	84	42
	<u>303</u>	<u>442</u>

### 17. Accruals, deposits received and other payables/Contract liabilities

#### (a) Accruals, deposits received and other payables

	<b>30 June 2019 (Unaudited) HK\$'000</b>	31 December 2018 (Audited) HK\$'000
Accruals	12,685	7,800
Other payables (note)	35,314	27,774
	<u>47,999</u>	<u>35,574</u>

Note:

Other payables mainly comprised of (a) approximately HK\$14,229,000 (31 December 2018: HK\$12,256,000) consideration payable to third parties for development and construction of the Luofu Mountain project; (b) approximately HK\$9,877,000 (31 December 2018: HK\$12,286,000) interest payable for the convertible notes, guaranteed notes and bonds payable; and (c) approximately HK\$7,112,000 (31 December 2018: Nil) remaining consideration payable regarding to the acquisition of non-controlling interest of a subsidiary during the Period.

#### (b) Contract liabilities

	<b>30 June 2019 (Unaudited) HK\$'000</b>	31 December 2018 (Audited) HK\$'000
Contract liabilities (note)	<u>134,843</u>	<u>87,227</u>

Note:

At 30 June 2019, contract liabilities mainly comprised of (a) approximately HK\$122,755,000 (31 December 2018: HK\$53,577,000) of deposits received from customers on sales of raw materials and finished goods of natural health food and (b) approximately HK\$12,088,000 (31 December 2018: HK\$26,499,000) of deferred income relating to medical beauty business.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

### 18. Bank and other Borrowings

	<b>30 June 2019 (Unaudited) HK\$'000</b>	31 December 2018 (Audited) HK\$'000
Bank borrowings, secured ( <i>Note</i> )	<b>85,348</b>	–
Bank borrowings, guaranteed	<b>1,138</b>	1,138
Other borrowings, unsecured	<b>15,000</b>	15,000
	<u><b>101,486</b></u>	<u>16,138</u>
Carrying amount repayable: Within one year or on demand	<u><b>101,486</b></u>	<u>16,138</u>

*Note:*

Secured bank borrowings of approximately RMB75,000,000 (equivalent to approximately HK\$85,348,000) (31 December 2018: Nil) were secured by a land situated at Luofu Mountain in Guangdong Province.

### 19. Guaranteed notes and bonds payable

The Guaranteed notes and bonds payable represented the principal amount of US\$7,000,000 (equivalent to approximately HK\$54,250,000) (31 December 2018: US\$8,000,000 (equivalent to approximately HK\$62,400,000)) secured bonds payable, HK\$109,500,000 (31 December 2018: HK\$107,800,000) unsecured bonds and HK\$50,000,000 (31 December 2018: HK\$80,000,000) secured guaranteed notes.

As at 30 June 2019, the secured bonds payable with coupon rate of 14% per annum was secured by the share capital of several subsidiaries and the carrying amount was approximately HK\$54,250,000 (31 December 2018: approximately HK\$62,400,000).

The unsecured bonds with coupon rate of 6% to 7% per annum due between July 2019 and January 2022. As at 30 June 2019, the carrying amount of the bonds was approximately HK\$94,193,000 (31 December 2018: HK\$104,082,000).

The guaranteed notes bear interest at 11% per annum, are guaranteed by the share capital of several subsidiaries and undertaking granted by Champion Dynasty and Mr. Cheung Wai Kuen. As at 30 June 2019, the carrying amount of the guaranteed notes was approximately HK\$48,304,000 (31 December 2018: HK\$80,310,000).

## MANAGEMENT DISCUSSION AND ANALYSIS

### Interim Dividend

The Board has resolved not to declare payment of any interim dividend for the Period (2018: Nil).

### Financial Review

#### *Results*

Revenue for the Period was approximately HK\$230,841,000 (2018: HK\$233,584,000), decreased by approximately HK\$2,743,000 or 1.2% as compared to the same period of last year. Gross profit for the Period was approximately HK\$48,946,000 (2018: HK\$63,864,000), decreased by approximately HK\$14,918,000 or 23.4% as compared to the same period of last year. The decrease in revenue and gross profit for the Period was mainly attributable to the decrease in revenue of Medical and Healthcare Industry Investment Management business and decrease in gross profit of the medical anti-aging business.

Gross margin of the Group for the Period is 21.2% (2018: 27.3%). The decrease in the Group's gross margin was mainly due to the increase in sales of low margin medical and healthcare related accessories and materials and increase in cost of sale from medical anti-aging business.

#### *Profit for the Period*

Compared with profit before income tax of approximately HK\$17,639,000 last year, profit before income tax of the Group for the Period was approximately HK\$7,308,000, indicating a decrease of approximately HK\$10,331,000. The decrease in profit was mainly due to the combined effect of (i) the decrease in gross profit and the lower gross profit margin of the medical anti-aging business as compared to the same period of last year, which was mainly caused by the increase in the price of raw materials; (ii) the absence of a fair value gain on derivative financial liabilities arising from the redemption of a convertible bond in last year, and partially set off by the decrease in administrative expense and finance cost.

Basic and diluted earnings per share attributable to the owners of the Company for the Period were HK0.02 cents and HK0.02 cents respectively (2018: basic and diluted earnings per share: HK0.24 cents and HK0.24 cents).

#### *Net assets value*

As at 30 June 2019, the net assets of the Group was approximately HK\$953,699,000 (31 December 2018: HK\$962,227,000), indicating a decrease of approximately HK\$8,528,000 as compared to the corresponding period in 2018. The decrease was mainly due to the decrease in non-controlling interests of HK\$11,713,000 arising from the further acquisition of a non-wholly owned subsidiary and increase in total comprehensive income of HK\$3,185,000.

Net assets value per issued ordinary share of the Company as at 30 June 2019 was approximately HK\$0.32 (31 December 2018: HK\$0.32).

## MANAGEMENT DISCUSSION AND ANALYSIS (cont'd)

### Financial Review (cont'd)

#### *Liquidity and financial resources*

As at 30 June 2019, the Group had an outstanding principal amount of US\$7,000,000 (equivalent to approximately HK\$54,250,000) (31 December 2018: US\$8,000,000 (equivalent to approximately HK\$62,400,000)) secured convertible notes (the “Great Wall CB”), HK\$109,500,000 (31 December 2018: HK\$107,800,000) unsecured bonds, HK\$50,000,000 (31 December 2018: HK\$80,000,000) secured guaranteed notes (the “WT Note”), RMB75,000,000 (equivalent to approximately HK\$85,348,000) (31 December 2018: Nil) secured bank borrowings and approximately HK\$16,138,000 (31 December 2018: HK\$16,138,000) unsecured bank and other borrowings, to provide working capital to the Group and the development of the Group’s healthcare business.

The Company is still negotiating the terms of extension of the WT Note and the Great Wall CB with the respective parties, and the Company will comply with the applicable requirements under the Listing Rules as required. The Company will keep its shareholders and the investing public updated of any development of the WT Note and the Great Wall CB as and when appropriate.

Save for disclosed above, the Group did not have any other borrowing as at 30 June 2019.

The Group maintains sufficient working capital and cash position for daily operations. Bank and cash balances as at 30 June 2019 amounted to approximately HK\$24,463,000 (31 December 2018: HK\$8,016,000).

The cash and bank balances were denominated in Renminbi, Hong Kong dollar and United State dollar and the bank borrowings facilities available to the Group were denominated in Renminbi dollar and bore floating interest rates. The Group continued to have no structured investment products, foreign exchange contracts and investment in listed shares, bonds and debentures. The Group is not exposed to material fluctuations in exchange rates.

#### *Debt to equity ratio*

As at 30 June 2019, the debt to equity ratio (as measured by total liabilities to total equity) of the Group was 0.54 (31 December 2018: 0.42).

#### *Remuneration policies and share option scheme*

It is the Group’s policy to recruit the right person for each position based on the person’s qualification and experience. The remuneration of each employee is reviewed every year based on the performance of the employee with reference to the prevailing market conditions. During the Period, total staff costs excluding Directors’ emolument was approximately HK\$6,578,000 (2018: HK\$7,337,000).



## MANAGEMENT DISCUSSION AND ANALYSIS (cont'd)

### Financial Review (cont'd)

#### *Remuneration policies and share option scheme (cont'd)*

At the annual general meeting of the Company held on 11 October 2012, the shareholders of the Company approved the adoption of a share option scheme (“2012 Share Option Scheme”). The purpose of the 2012 Share Option Scheme is to provide incentives or rewards to Eligible Participants (as defined in the 2012 Share Option Scheme) of the 2012 Share Option Scheme for their contribution to, and continuing efforts to promote the interests of the Group. The Eligible Participants include any employees of the Group (including any directors, whether executive or non-executive and whether independent or not, of the Company or any of its subsidiaries) and any customer, supplier, service provider, shareholder, adviser or consultant and any person who, in the sole discretion of the Board, has contributed or may contribute to the Group. Unless otherwise cancelled or amended, the 2012 Share Option Scheme will remain in force for ten years from the commencement date. As at 30 June 2019, no share option was outstanding (31 December 2018: Nil).

The Board has approved the adoption of a share award scheme (the “Scheme”) on 5 July 2018 and it was approved by the shareholders of the Company at the special general meeting held on 30 August 2018. The purposes and objectives of the Scheme are to recognise the contributions by certain employee, director, officer, consultant or adviser of the Group and to provide them with incentives in order to retain them for the continual operation and development of the Group, and to attract suitable personnel for further development of the Group. No share award was granted pursuant to the Scheme during the Period.

#### *Pledge of assets*

As at 30 June 2019, the entire issued share capital of a wholly owned subsidiary of the Company, Common Splendor Hong Kong Investment Fund Management Limited (“CSHK Investment Fund Management”), was charged to China Great Wall AMC (International) Holdings Company Limited as security for convertible notes issued by the Company in the principal amount of US\$7,000,000 (equivalent to approximately HK\$54,250,000). As at 30 June 2019, total assets of CSHK Investment Fund Management and its subsidiaries amounted to approximately HK\$439,775,000 (31 December 2018: HK\$308,064,000). As at 30 June 2019, the entire share capital of two wholly owned subsidiaries of the Company, namely Harvest Luck Investment Limited (“Harvest Luck”) and Great King Limited (“Great King”) were charged to Wan Tai Investments Limited, an indirect wholly owned company of CCB International (Holdings) Limited, as security for guaranteed notes issued by the Company in the principal amount of HK\$50,000,000. As at 30 June 2019, total assets of Harvest Luck, Great King and their subsidiaries amounted to approximately HK\$424,330,000 (31 December 2018: HK\$448,267,000).

During the Period, a land situated at Luofu Mountain, Guangdong, the PRC, was pledged to a bank in PRC for a loan facility amounted to RMB75,000,000 (equivalent to approximately HK\$85,348,000) (2018: Nil).

Save as disclosed above, no other assets were pledged by the Group as at 30 June 2019 and 31 December 2018.

## MANAGEMENT DISCUSSION AND ANALYSIS (cont'd)

### Financial Review (cont'd)

#### *Capital commitments and contingent liabilities*

As at 30 June 2019, the capital commitments of the Group amounted to approximately RMB20,000,000 (equivalent to approximately HK\$22,768,000) (31 December 2018: RMB20,000,000 (equivalent to approximately HK\$22,768,000)) which is related to the construction of Luofu Mountain Project.

As at 30 June 2019, the Group did not have any material contingent liability (31 December 2018: Nil).

### Business Review

During the Period, the Group was principally engaged in the business of healthcare industry which included medical anti-aging and health preservation base, medical and healthcare industry investment management, trading of natural health food and investment and finance activities.

#### *Health Industry*

##### *Medical Anti-aging and Health Preservation Base*

Realyoung Life is dedicated to life anti-aging business for high-end people “Body Purification, Functions Modulation and Repair and Reborn” trilogy life anti-aging. The Group has set up three Life Anti-aging Centres, namely, (i) Life Anti-aging Centre located in Guangzhou International Biological Island, the PRC; (ii) Life Anti-aging Centre situated in Qiaocheng East Road, Nanshan District, Shenzhen, the PRC; and (iii) Life Anti-aging Centre situated in Luofu Mountain, Guangdong, the PRC which is currently under construction.

With a view to expand the Group's business on life anti-aging, the Group had entered into a sale and purchase agreement to acquire a medical beauty anti-aging group in August 2017. The Company believes that the acquisition is mutually beneficial to the existing Medical Antiaging business and the beauty its anti-aging group as it allows the Group to provide more comprehensive and competitive quality health services to customers. The relevant business remained stable during the Period.

The Group has acquired a parcel of land with land development right in Luofu Mountain for the construction of a Health Preservation Base. The project is under progress. The Health Preservation Base is targeted at the elites. It will provide integrated health preservation services such as Chinese medical health preservation, sleeping health preservation, and diet health preservation. Relevant health preservation properties are expected to be available for lease or for sale.

During the Period, revenue from Medical Anti-aging and Healthcare Preservation Base amounted to approximately HK\$54,946,000 (2018: HK\$56,155,000), which represented a decrease of approximately HK\$1,209,000 compared to 2018. The decrease in revenue was mainly due to the decrease of revenue from the life anti-aging business which compared with last year.

## MANAGEMENT DISCUSSION AND ANALYSIS (cont'd)

### Business Review (cont'd)

#### *Health Industry (cont'd)*

##### *Medical and Healthcare Industry Investment Management*

The Group focuses on the development of Life Healthcare Industry and adjusts for its composition of businesses from time to time in order to develop its core businesses. The Group would also divest certain investments to take profit and to enhance the Group's income from time to time. Investment projects currently held by the Group includes JP Partners Medical Group, Fengshuo Bio Medical Tech Group and Aidigong Maternity Health Group. JP Partners Medical Group comprises eighteen private medical centres in Hong Kong. Fengshuo Bio Medical Tech Group is principally engaged in the research of the dioscorea composita root extract technology's commercial applications and production. Aidigong Maternity Health Group is mainly engaged in the operation of maternity health centres and the provision of maternal health services. Aidigong Maternity Health Group has established maternity health centres in Shenzhen Xiangmihu Resort, Shenzhen Yinhu, Shenzhen Nanshan, Chengdu and Beijing.

During the Period, revenue from medical and healthcare industry investment management amounted to approximately HK\$1,509,000 (2018: HK\$13,116,000), which represented a decrease of approximately HK\$11,607,000 as compared to 2018. The decrease in revenue was mainly due to the reduction of development on this business as the industry chain of such business requires the Group to operate a health-related and medical-related products trading business, which will develop in stages while such business volume was historically unstable with a lower grow profit margin since last year.

##### *Natural Health Food Business*

Trading of grain and oil is the main business of the Group's natural health food segment. It has been shown a relatively noticeable growth in revenue as a result of sustainable relationship between the Group and its customers. The Group's increase in revenue which has generated approximately HK\$158,231,000 in 2018 and further increased to approximately HK\$171,152,000 in 2019. However, due to the fact that gross profit margin of grain and oil trading is low and sales are susceptible to market fluctuation, the Group will adjust the prospective business development of the respective segment in a timely manner according to market conditions.

##### *Investment and Finance*

During the Period, revenue from the Group's investment and finance segment amounted to approximately HK\$3,234,000 (2018: HK\$6,082,000), which represented a decrease of approximately HK\$2,848,000 as compared to 2018. As a result of decrease in loan amount lent out during the Period, the performance of this segment had deteriorated during the Period from segment loss of approximately HK\$13,716,000 in 2018 to a segment loss of approximately HK\$17,963,000 in 2019.

Among the revenue, interest income amounting to approximately HK\$887,000 (2018: HK\$4,102,000) was generated from the loan of Champion Dynasty Limited ("Champion Dynasty") and interest income from the money lending business amounted to approximately HK\$2,347,000 (2018: HK\$1,980,000). The revenue decrease of this segment was mainly due to the decrease in average outstanding principal loan amount to Champion Dynasty during the Period as compared with the six months ended 30 June 2018.

## MANAGEMENT DISCUSSION AND ANALYSIS (cont'd)

### Business Review (cont'd)

#### *Material acquisition and disposal*

##### *Possible Acquisition of Shenzhen Aidigong*

On 24 January 2019, Guangdong Common Splendor Health Industry Company Limited\* (廣東同佳健康產業集團有限公司), a wholly-owned subsidiary of the Company, entered into an equity transfer agreement (the "Aidigong Agreement") with the other six parties (the "Vendors"), in relation to the sale and purchase of 88.5184% equity interest in Shenzhen Aidigong Maternity Health Management Co., Ltd ("Aidigong"), at the aggregate maximum consideration of RMB888,000,000 (equivalent to approximately HK\$1,025,404,000). According to the Aidigong Agreement, the effective conditions of the Aidigong Agreement shall have to be satisfied on or before 23 July 2019 (the "Acquisition Long Stop Date"). In such connection, on 25 January 2019 (after trading hours), the Company and the Ms. Zhu Yufei and 深圳市愛心恒久遠資本管理合夥企業(有限合夥) (Shenzhen City Aixinhengjiuyuan Assets Management Partnership (Limited Partnership)\*) (as subscribers) entered into the conditional subscription agreement dated 25 January 2019 pursuant to which the Company conditionally agreed to issue, and the subscribers conditionally agreed to subscribe for, an aggregate of maximum 264,099,966 new Shares. On 23 July 2019, the Company and Ms. Zhu Yufei entered into the supplemental agreement to extend the Acquisition Long Stop Date to 31 August 2019. Please refer to the Company's announcements dated 25 January 2019 and 26 July 2019 and the section headed "Source of Funding" and other information in the Company's circular dated 26 July 2019 for information relating to the acquisition.

##### *Other possible issue of shares under specific mandate*

On 28 May 2019, the Company entered into the subscription agreement (the "Subscription Agreement") with an independent third party subscriber (the "Subscriber"), pursuant to which the Subscriber has conditionally agreed to subscribe, and the Company has conditionally agreed to allot and issue, an aggregate of 500,000,000 new Shares (the "Subscription Shares") at the subscription price of HK\$0.4 per subscription share. Please refer to the Company's announcement dated 28 May 2019 for information relating to the Subscription Agreement.

On 28 May 2019, the Company entered into the placing agreement (the "Placing Agreement") with Kingston Securities Limited (the "Placing Agent") in relation to the conditional placing (the "Placing") of up to 750,000,000 placing shares to not less than six places at the placing price of HK\$0.4 (the "Placing Price") per placing share. On 15 August 2019, the Company and the Placing Agent entered into a side letter to the Placing Agreement to extend the placing long stop date (the "Placing Long Stop Date") to (i) the 30 (thirtieth) calendar day from the date of the SGM; or (ii) by 13 September 2019 (whichever is earlier) or such later date to be agreed between the parties to the Placing Agreement in writing. Please refer to the Company's announcements dated 28 May 2019 and 15 August 2019 for information relating to the Placing Agreement.

Each of the acquisition, placing and subscription of shares set out above were subject to approval of the Shareholders, which approval was obtained at the Company's special general meeting held on 28 August 2019 (the "SGM").

## MANAGEMENT DISCUSSION AND ANALYSIS (cont'd)

### Business Review (cont'd)

#### ***Acquisition of 30% equity interest in Wealthy Kingdom and disposal of 12.2% equity interest in Dragon Pride***

On 6 March 2019, Wealthy Kingdom Group Limited (“Wealthy Kingdom”), a non wholly-owned subsidiary of the Company, as the vendor, and Yellow Dragon Medical Alliance Limited (“Yellow Dragon”), as the purchaser, entered into the share purchase agreement dated 6 March 2019 (the “Disposal Agreement”), pursuant to which, Yellow Dragon has agreed to purchase and Wealthy Kingdom has agreed to sell approximately 12.2% of the issued shares of Dragon Pride Enterprises Limited at a consideration of approximately HK\$19.52 million (the “Dragon Pride Disposal”). The Dragon Pride Disposal was completed on 1 April 2019 in accordance with the Disposal Agreement.

On 6 March 2019, Gold Stable Limited (the “Gold Stable”), a direct wholly-owned subsidiary of the Company as the purchaser, and Billion High Worldwide Investments Limited (the “Billion High”), as the vendor, entered into the share purchase agreement dated 6 March 2019 (the “Acquisition Agreement”), pursuant to which, Gold Stable has conditionally agreed to purchase and Billion High has conditionally agreed to sell the 30% of the issued shares of Wealthy Kingdom at a consideration of approximately HK\$11.71 million (the “Wealthy Kingdom Acquisition”). Pursuant to the Acquisition Agreement, the completion of the Wealthy Kingdom Acquisition is subject to, among other things, completion of the Dragon Pride Disposal. As at the date of this report, the Wealthy Kingdom Acquisition has been completed. Please refer to the Company’s announcements dated 6 March 2019 and 1 April 2019 for information relating to the Dragon Pride Disposal and the Wealthy Kingdom Acquisition.

### Other Information

#### ***Profit and technical guarantee of an associate***

Reference is made to the announcements dated 23 November 2015, 28 March 2018, 6 September 2018, 30 November 2018 and 19 December 2018. The guarantee technical requirement of Guangdong Fengyuan Huake Bio Tech Company Limited (“Guangdong Fengyuan”) has been achieved. However, the guarantee profit of RMB38 million for the year ended 31 December 2017 had not been met.

On 30 November 2018, among other parties, the Group and Guangdong Fengyuan Technology Innovation Bio Tech Company Limited\* (廣東豐源科創生物科技有限公司) (the “Vendor”), Guangdong Fengyuan and Fengshuo Bio Medical Tech Company Limited entered into a supplemental agreement (“Supplemental Agreement”). According to the Supplemental Agreement, the Vendor has agreed to compensate the Group in the amount of RMB5.69 million, which was paid to the Group in 2018. Under the Supplemental Agreement, the guarantee net profit of Guangdong Fengyuan for the years ending 31 December 2018, 31 December 2019 and 31 December 2020 will not be less than RMB20 million, RMB20 million and RMB38 million respectively. In the event that the guarantee net profits are not achieved, the Vendor shall transfer a percentage of the equity interest in Guangdong Fengyuan held by the Vendor to the Group at no further consideration based on the relevant formula. Please refer to the Company’s announcements stated in the paragraph above.

## MANAGEMENT DISCUSSION AND ANALYSIS (cont'd)

### Other Information (cont'd)

#### *Events after the reporting period*

Save as disclosed in this report, there are no other significant events after the end of the Period that either require adjustment to the financial statements or are material to the understanding of the Group's current position.

#### **Prospect**

The Group is committed to building itself into an international leading healthcare conglomerate. It is expected to focus on life healthcare and industrialization development in respect of human health solutions. By employing the development strategy of “global integration, global layout”, the Group will continue to draw in top talent and technology, deploy services, products and various resources, and through acquisition and reorganization, in order to achieve rapid expansion in the life healthcare industry, as well as seeking various investment development opportunities from time to time in the healthcare field.

Following the Group's adjustments to its development strategy in the recent years, the Group has already formed a complete business structure in the medical anti-aging sector, including “Life Anti-aging” which mainly aims at inner and “Medical Beauty Anti-aging” which mainly aims at outer, and “Health Preservation Base”, an inherited Chinese cultural legacy, and “Health Preservation Anti-aging”. As long as China continues its economic growth, the wealthy population and the number of elites will continue to expand and their spending power will be strengthened. In addition to the basic clinical services, demand for life healthcare services is expected to be ever increasing. Despite the fearful competition in the market, the Company believes that the Group has established an respectable position in this arena and will gradually expand its businesses on such basis.

As disclosed in the Company's announcement dated 25 January 2019 and the Company's circular dated 26 July 2019, the Company entered into an equity transfer agreement to acquire 88.5184% of the issued share capital of Aidigong. Subject to completion, Aidigong will become an indirect non-wholly owned subsidiary of the Company and its financial results will be consolidated to the consolidated financial statements of the Group. With the relaxation of its birth control policy through the implementation of the two-child policy in the PRC in 2015, together with the increase in the per capita disposable income and per capita healthcare expenditure in the PRC, the Directors are of the view that the maternal and child healthcare related services have a rigid demand and the overall market will continue to grow rapidly.

## MANAGEMENT DISCUSSION AND ANALYSIS (cont'd)

### Prospect (cont'd)

The board of directors of the Company (the “Board”) continues to be optimistic on the outlook of the healthcare industry and will, from time to time, adjust the Group’s development strategy according to the industry changes as and when needed. The Group’s overall strategy is to gradually optimise its main business, and develop its core businesses while holding the largest possible stake in such core businesses. Non-core businesses and segments of the Group is expected to be held by way of investments and be adjusted as and when appropriate based on the principle of profit maximisation, including disposals or held as investment funds.

### Directors’ and Chief Executive(s)’ Interests in the Securities of the Company and Associated Corporations

Name of Directors	Number of Shares			Capacity	Notes	Percentage of issued share capital
	Ordinary Shares	Underlying Shares	Total			
Mr. Cheung Wai Kuen (“Mr. Cheung”)	930,379,671	–	930,379,671 (L)	Interest of controlled corporation	1	31.05%
Mr. Cheng Hau Yan (“Mr. Cheng”)	4,300,000	–	4,300,000 (L)	Beneficial owner/ Interest of spouse	2	0.14%

*Remark:*

*The letter “L” denotes the long position in shares of the Company.*

*Notes:*

1. Mr. Cheung, through his controlled corporation, Champion Dynasty is deemed to be interested in 930,379,671 shares of the Company held by Champion Dynasty.
2. Mr. Cheng owned 4,000,000 Shares and his spouse, being a staff of a subsidiary of the Company, owned 300,000 Shares. Pursuant to the Securities and Futures Ordinance (the “SFO”), Mr. Cheng was deemed to be interested in same parcel of Shares which his spouse was interested.

Save as disclosed above, as at 30 June 2019, none of the Directors, chief executive(s) nor their associates, had any interests or short positions in the Shares, underlying Shares or debentures of the Company and its associated corporations, as recorded in the register maintained by the Company under section 352 of the SFO or otherwise notified the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (“Model Code”) contained in the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”).

## MANAGEMENT DISCUSSION AND ANALYSIS (cont'd)

### Substantial Shareholders' Interests in the Securities of the Company

As at 30 June 2019, so far as are known to any Director or chief executive of the Company, the following party (other than the Directors or chief executive of the Company) was recorded in the register kept by the Company under section 336 of the SFO, or as otherwise notified the Company, as being directly or indirectly interested or deemed to be interested in 5% or more of the issued Shares of the Company:

Name of substantial shareholders	Number of Shares	Capacity	Percentage of issued share capital
Champion Dynasty ( <i>note</i> )	930,379,671 (L)	Beneficial owner	31.05%

*Remark:*

*The letter "L" denotes the long position in shares of the Company.*

*Note:*

Mr. Cheung is the sole director of Champion Dynasty and owned its entire issued capital.

All the interests stated above represent long position which included interests in Shares and underlying Shares. As at 30 June 2019, no short position was recorded in the register kept by the Company under section 336 of the SFO.

### Directors' Right to Acquire Shares

Save as disclosed in the section titled "Directors' and Chief Executive(s)' interests in the securities of the Company and associated corporations" above, at no time during the six months ended 30 June 2019 were rights to acquire benefits by means of the acquisition of Shares granted to any director or their respective spouse or minor children, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

### Continuing Connected Transaction

On 5 October 2018, the Company, as lender, entered into a new facility agreement and agreed to renew a loan agreement with Champion Dynasty, as borrower, and Mr. Cheung, as individual guarantor, for a period of three years from 19 November 2018 to 18 November 2021 in relation to a three-year revolving loan facility of up to HK\$200,000,000 to Champion Dynasty at an interest rate of 12% per annum. The loan transaction was approved by the independent Shareholders at the special general meeting held on 19 November 2018. The loan is repayable on demand.

As at 30 June 2019, the loan to Champion Dynasty amounted to approximately HK\$33,117,000 (31 December 2018: HK\$28,574,000).

### Treasury policies

The Group has adopted a prudent financial management approach towards its treasury policies. Substantial amounts of the Group's cash and cash equivalent are held in major financial institutions located in Mainland China. The Group seeks to maintain strict control over its outstanding receivables and the senior management of the Company reviews and assesses the creditworthiness of the Group's existing customers on an ongoing basis. To manage liquidity risk, the Group monitors its exposure to a shortage of funds by considering the maturity of both its financial liabilities and financial assets and projected cash flows from operations. Cash and cash equivalents of the Group is mainly denominated in RMB.



## MANAGEMENT DISCUSSION AND ANALYSIS (cont'd)

### Corporate Governance

The Company had fully applied the principles and complied with the requirements of the Corporate Governance Code (the “CG Code”) as set out in Appendix 14 of the Listing Rules throughout the Period. None of the Directors was aware of any information that would reasonably indicate that the Company did not comply with code provisions of the CG Code during the Period.

### Purchase, Sale or Redemption of the Company’s Listed Securities

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

### Model Code for Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) contained in Appendix 10 to the Listing Rules as a code of conduct regarding securities transactions by the Directors. Having made specific enquiry of all Directors, all Directors confirmed that they have complied with the required standards set out in the Model Code throughout the Period.

### Review by Audit Committee

The interim results for the Period are unaudited and have not been reviewed by the auditor of the Company. The Audit Committee, comprised all the independent non-executive Directors, has reviewed the accounting principles and practices adopted by the Group and the unaudited condensed consolidated financial statements for the Period.

### Changes in Information of Directors

There were no change in information of Directors since the date of the 2018 annual report of the Company pursuant to Rule 13.51(B) of the Listing Rules.

After the end of the Period, Mr. Wong Kin Man, has been appointed as a non-executive Director with effect from 16 August 2019, details of which have been disclosed in the Company’s announcement dated 16 August 2019.

### Appreciation

I would like to take this opportunity to express our gratitude to the shareholders of the Company for their continued support, and to our fellow Directors and those who have worked for the Group for their valuable contribution.

By order of the Board  
**Common Splendor International  
Health Industry Group Limited**  
**Cheung Wai Kuen**  
*Chairman*

Hong Kong, 28 August 2019