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

2019
Interim Report

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CORPORATE INFORMATION

Board of Directors
Executive Directors
Mr. Zhou Xuzhou *(Co-Chairman)* (re-designated from the Chairman to the Co-Chairman with effect from 20 June 2019)
Dr. Zeng Wentao (*Co-Chairman)* (re-designated from an Independent Non-Executive Director to an Executive Director with effect from 27 May 2019 and appointed as the Co-Chairman with effect from 20 June 2019)
Ms. Zhou Wen Chuan *(Vice Chairman and Chief Executive Officer)*
Mr. Liu Lailin (resigned with effect from 27 May 2019)

Non-Executive Director
Dr. Mao Zhenhua

Independent Non-Executive Directors
Professor Chau Chi Wai, Wilton
Mr. Gao Guanjiang
Mr. Wu Peng (appointed with effect from 27 May 2019)

Authorised Representatives
Mr. Zhou Xuzhou
Ms. Zhou Wen Chuan

Company Secretary
Mr. Shek Man Fai (resigned with effect from 30 July 2019)
Mr. Li Shu Pai (appointed with effect from 30 July 2019)

Audit Committee
Professor Chau Chi Wai, Wilton *(Chairman)*
Mr. Gao Guanjiang
Dr. Mao Zhenhua

Remuneration Committee
Mr. Gao Guanjiang *(Chairman)*
Professor Chau Chi Wai, Wilton
Mr. Liu Lailin (resigned with effect from 27 May 2019)
Dr. Zeng Wentao (appointed with effect from 27 May 2019)

Nomination Committee
Mr. Zhou Xuzhou *(Chairman)*
Professor Chau Chi Wai, Wilton
Dr. Zeng Wentao (resigned with effect from 27 May 2019)
Mr. Wu Peng (appointed with effect from 27 May 2019)

Strategic Committee
Dr. Mao Zhenhua *(Chairman)*
Mr. Zhou Xuzhou
Mr. Liu Lailin (resigned with effect from 27 May 2019)
Dr. Zeng Wentao (appointed with effect from 27 May 2019)

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 Companies 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 MH11,
Bermuda

Hong Kong Branch Share Registrar and Transfer Office
Tricor Standard Limited
Level 54, 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 2019.

During the six months ended 30 June 2019, the Group reported revenue of approximately HK$108,594,000, representing a decrease of 17.4% as compared to approximately HK$131,490,000 for the six months ended 30 June 2018. The Group's gross profit for the six months ended 30 June 2019 was approximately HK$44,059,000, representing an increase of 25.2% as compared to approximately HK$35,180,000 for the six months ended 30 June 2018. The Group's profit before tax was approximately HK$49,428,000, representing an increase of 0.1% as compared to approximately HK$49,394,000 for the six months ended 30 June 2018. The profit attributable to the owners of the parent for the six months ended 30 June 2019 was approximately HK$41,102,000, representing an increase of 5.8% as compared to approximately HK$38,840,000 for the six months ended 30 June 2018.

DIVIDEND

The board of directors of the Company (the "Board") does not recommend the payment of an interim dividend for the six months ended 30 June 2019 (six months ended 30 June 2018: Nil).

SIGNIFICANT EVENTS

Acquisition of a Subsidiary

On 3 February 2019, Shenzhen Qianhai Meilleure Health Management Consulting Co., Ltd.* (深圳市前海美瑞健康管理諮詢有限公司) ("Shenzhen Meilleure"), an indirect wholly-owned subsidiary of the Company, entered into the acquisition agreement with Ms. Jiang Shu ("Ms. Jiang"), Mr. Li Zhanhuai ("Mr. Li") and Shenzhen Wingor Biotechnology Co., Ltd.* (深圳市茵冠生物科技有限公司) ("Shenzhen Wingor"), pursuant to which Shenzhen Meilleure has conditionally agreed to acquire from Ms. Jiang and Mr. Li an aggregate of 45% equity interest in Shenzhen Wingor. The total consideration for the acquisition was approximately RMB55,095,000, inclusive of (i) cash consideration of RMB55,278,000; (ii) consideration of approximately RMB360,000 which was determined with reference to the balance of cash and cash equivalents of Shenzhen Wingor as at the acquisition date; and (iii) negative consideration receivable of approximately RMB543,000.

Shenzhen Wingor is a state-level high-tech enterprise in the field of cells, with its business covering preparation and storage, technology research and development, clinical research and transformation applications of cell products. The Directors believe that through the acquisition, the Company will further solidify its existing competitive position in the health management service field through pursuit of precision medicine, and will be afforded the opportunity to tap into new business areas through entering the cell and gene treatment market.

After completing the above acquisition on 27 February 2019, Shenzhen Meilleure held the 45% equity interest in Shenzhen Wingor, and became the single largest shareholder of Shenzhen Wingor, and had a majority of the five seats on the board of directors of Shenzhen Wingor. Shenzhen Wingor and its subsidiaries became indirect non-wholly owned subsidiaries of the Company.

* *For identification purpose only*

Placing of New Shares under General Mandate

On 11 April 2019, a total of 360,000,000 new shares were successfully placed by the placing agent to not less than six placees, who and whose ultimate beneficial owners were independent third parties, at the placing price of HK$0.91 per placing share pursuant to the terms and conditions of the placing agreement under general mandate and the placing of new shares raised net proceeds, after deducting related placing commission, professional fees and all related expenses, of approximately HK$325,707,000 (with a net price of approximately HK$0.905 per placing share) which was intended to be used for investing in the industrial hemp cannabidiol ("CBD") extraction and application businesses and as general working capital of the Group. The closing price as quoted on The Stock Exchange of Hong Kong Limited on 1 April 2019, being the date of the placing agreement was HK$1.08 per share.

The Board considers that the placing represents a good opportunity for the Company to raise additional funds to allow the Company to capture market opportunities associated with the increasingly wider applications of industrial hemp and to facilitate the establishment of its business presence in the global industrial hemp market. Since the Company invested in Yunnan Hansu Biotechnology Co. Ltd.* (雲南漢素生物科技有限公司) ("Yunnan Hansu") in February 2018, the industrial hemp business has attracted tremendous attention from investors, and the legalisation of industrial hemp in certain regions in the People's Republic of China ("PRC") and overseas continues to accelerate. The Board therefore has an optimistic expectation of the market prospect of industrial hemp and hemp used in medical treatments, and the Company intends to increase its investment in the industrial hemp business.

As at 30 June 2019, approximately HK$270 million had been used for subscription of interest in an investment fund ("Subscription"), which can be redeemed on a monthly basis. The Company is entitled to a target return of 6.0% per annum on the amount of its investment. The Subscription provides an opportunity for the Company to maximise the return on its unutilised funds before the Company utilises the funds to invest in the industrial hemp or use as general working capital. The Group will closely monitor its capital need. If there is any additional need in funds for the industrial hemp business, including but not limited to establishing industrial and acquiring suitable industrial hemp business, the Company will redeem the funds to meet the need. The remaining balance of net proceeds from the placement of approximately HK$55.7 million was kept in bank accounts of the Group and used as general working capital.

* *For identification purpose only*

In July 2019, the Company further acquired a 5.55% equity interest in Yunnan Hansu at a consideration of approximately RMB14.6 million (equivalent to approximately HK$16.5 million) by utilising a portion of the funds raised from the placing.

In addition, the Company plans to utilise the remaining funds to invest not less than HK$100 million to establish an industrial hemp holding group company, Meilleure Hemp International Holdings Limited. Currently, the Company has established an Australian subsidiary within this industrial hemp holding group, called Australia Hemp Health Pty Ltd. Also, our Swiss subsidiaries, Meilleure Hemp Health Europe SA and Green Gold Health SA, are in the process of establishment. Also, the Company plans to establish a joint venture with Gippro Industrial (HK) Limited ("Gippro Industrial") to develop Japan and international market. The Company will have a 51% stake in the joint venture company. The estimated investment of the Company in the joint venture will be approximately HK$15.3 million. The joint venture will be the only platform under Gippro Industrial engaging in the research, development, manufacture and sales of CBD and other industrial hemp derivatives related electronic atomization products, with exclusive ownership and business rights of related brands, patents and technology. Besides, the Company has also agreed to subscribe for a 6% equity interest in Shenzhen Gippro Technology Innovation Limited*（深圳龍舞科技創新有限公司）("Gippro Shenzhen") at a consideration of RMB8,268,000 (equivalent to approximately HK$9,191,000) and has the right to subscribe for an additional equity interest of not more than 10% in Gippro Shenzhen at a post-investment valuation of not exceeding RMB500 million after 3 months of the signing of the relevant agreement for the subscription of the 6% equity interest. Gippro Shenzhen is an affiliated company of Gippro Industrial. The Company's investment in Gippro Shenzhen will allow the Company to participate in the sales and promotion of atomization products in China and further broaden the business portfolio of the Group.

* *For identification purpose only*

BUSINESS REVIEW

Trading Business

The revenue derived from the trading business for the six months ended 30 June 2019 was approximately HK$52,949,000, representing a decrease of 44.0% as compared to approximately HK$94,564,000 for the six months ended 30 June 2018. The profit derived from this segment was approximately HK$5,660,000, representing a decrease of 61.6% as compared to approximately HK$14,739,000 for the six months ended 30 June 2018, which was mainly due to a decrease in customers' demand for steel.

Agency Service

The revenue derived from the agency service for the six months ended 30 June 2019 was approximately HK$18,204,000, representing an increase of approximately 1.6 times as compared to approximately HK$6,886,000 for the six months ended 30 June 2018. The profit derived from this segment for the six months ended 30 June 2019 was approximately HK$15,400,000, representing an increase of approximately 1.4 times as compared to approximately HK$6,504,000 for the six months ended 30 June 2018, which was mainly because no revenue was generated from this segment from January to May 2018. The approval of the annual cap of continuing connected transaction for agency service for three years from 1 January 2018 to 31 December 2020 was obtained on 31 May 2018.

Property Investment and Leasing

The revenue from the property investment and leasing business for the six months ended 30 June 2019 was approximately HK$9,744,000, representing an increase of 4.9% as compared to approximately HK$9,286,000 for six months ended 30 June 2018. The profit derived from this segment for the six months ended 30 June 2019 was approximately HK$36,877,000, representing an increase of 58.7% as compared to approximately HK$23,231,000 for the six months ended 30 June 2018. The increase was mainly due to an increase in fair value gain on investment properties and an increase in occupancy rate in leasing business.

Healthcare Related Business

The revenue derived from the healthcare related business for the six months ended 30 June 2019 was approximately HK$27,697,000, representing an increase of 33.5% as compared to approximately HK$20,754,000 for the six months ended 30 June 2018. The result for this segment changed from a profit of approximately HK$1,968,000 for the six months ended 30 June 2018 to a loss of approximately HK$860,000 for the six months ended 30 June 2019. This was mainly due to an increase in research and development costs incurred during the six months ended 30 June 2019.

PROSPECTS

In the second half of 2019, the Group will continue to focus on life health and industrialised development of human health solutions and to continuously develop into the world's leading health service provider by integrating the top talents, technology, services, products, channels and various resources.

On 27 February 2019, the Group acquired a 45% equity interest in Shenzhen Wingor, a company established in the PRC at the total consideration of approximately RMB55.1 million. As the Group has a majority of five seats on the board of directors of Shenzhen Wingor, Shenzhen Wingor and its subsidiaries have become subsidiaries of the Group. The Directors believe that through the acquisition, the Group will further solidify its existing competitive position in the health management service field. In addition, Shenzhen Wingor has the world's leading cell treatment and gene editing technology, including more than ten stem cell technologies such as dental pulp, fat and venous blood and more than ten immunocyte technologies. At the early phase, Shenzhen Wingor has gathered large amount of data in relation to the CAR-T cell treatment of Leukemia, Glioblastoma and advanced liver cancer in pre-clinical research. The Group will further proactively promote the research and development and transformation of the results of CAR-T cell therapeutic drugs of the team, improve the pre-clinical research data in line with drug registration, and boost the follow-up actions such as the selection of indications and clinical research pre-experiments.

On the other hand, with continuous acceleration of the legalisation of industrial hemp in overseas markets in recent years, its representative product CBD will have increasingly wider applications in healthcare and the consumer goods markets. To capture the opportunities of this booming business, the Group have further acquired an additional equity interest in Yunnan Hansu. Also, the Group are in the process of establishing an industrial hemp holding group, forming a joint venture company with Gippro Industrial and subscribing for certain equity interest in Gippro Shenzhen.

On 5 July 2019, the Group further acquired a 5.55% equity interest in Yunnan Hansu at a consideration of approximately RMB14.6 million from an A-share company listed on the Shenzhen Stock Exchange, by way of participation in a judicial auction. After completing the acquisition, the Group's equity interest in Yunnan Hansu increases from 20% to 25.55%. In addition, the Group is the second largest shareholder of and has a board seat in Yunnan Hansu which remains to be an associate of the Group.

To the best of the Directors' knowledge, Yunnan Hansu holds the first hemp processing licence that complies with the GMP (Good Manufacturing Practice)standard in the PRC. It is also the largest extraction base of CBD and other cannabinol substance in the PRC. In March 2019, Yunnan Hansu, other shareholders of Yunnan Hanmeng Pharmaceutical Co., Ltd* ("雲南漢盟製藥有限公司") ("Hanmeng"), a fund and an A-share company ("A-share Co.") listed on the Shenzhen Stock Exchange entered into equity sales and purchase and capital increase agreement ("SPA"). According to the SPA, Yunnan Hansu agrees to sell 37.14% equity interest in Hanmeng to A-share Co. at a consideration of RMB200 million. The final consideration will be adjusted with reference to the valuation determined by the appraisal agency, which has securities and futures related business qualifications, and the asset appraisal report will be filed to the state-owned asset management department. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the relevant agreement has been signed and the asset appraisal report has been submitted to the relevant authority for filing.

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To expedite the establishment of the Company's global presence in industrial hemp pharmaceutical business and other parts of the industrial hemp industry value chain, the Company intends to invest not less than HK$100 million to establish its industrial hemp holding group company, Meilleure Hemp International Holdings Limited. Currently, the Company has established an Australian subsidiary within this hemp holding group, called Australia Hemp Health Pty Ltd. Also, our Swiss subsidiaries, Meilleure Hemp Health Europe SA and Green Gold Health SA, are in the process of establishment.

On 12 August 2019, the Group and Gippro Industrial entered into a joint venture agreement ("the JV Agreement"). Pursuant to the JV Agreement, both parties agreed to establish a joint venture company ("JV Company") in Hong Kong to serve as a holding company and market expansion platform, and to form a wholly owned subsidiary in Japan ("Japan Subsidiary") under the JV Company for conducting related business activities. The Japan Subsidiary will engage in the research, development and application of CBD and other industrial hemp extracts related atomisation technology, and the promotion of health-related electronic atomisation products in Japanese and international markets. The Group and Gippro Industrial will hold a 51% and 49% equity interest in the JV Company respectively.

The Directors believe that Japanese market has huge potential because Japan has one of the largest aging population in the world with strong spending power and the CBD can be used in cosmetics, food and beverages, supplements, healthcare and pet snacks related products in Japan. The establishment of the JV Company will add new products to the existing product portfolio, and create new growth opportunities for the Group.

On 12 August 2019, the Group and Gippro Shenzhen together with 4 existing shareholders of Gippro Shenzhen entered into a capital increase agreement. Pursuant to the capital increase agreement, the Group has the right to subscribe for an aggregate of not more than 16% equity interest in Gippro Shenzhen in two rounds of financing, with a 6% equity interest being subscribed for at a consideration of RMB8,268,000 (equivalent to approximately HK$9,191,000) in the first round of financing. Gippro Shenzhen is an innovative company focused on expanding the market for atomisation products in China. The Directors believe that there is a tremendous expansion in the scale and growth of atomisation products in the Chinese market. The participation in the sales and promotion of atomisation products in China brought about by this investment will further broaden the business portfolio of the Group.

The continued uncertainty over US-China trade war, Brexit and political situation in Hong Kong leads to a slowdown in the global economic growth. Against this background, it is expected that there will be more opportunities for mergers and acquisitions which will be offered at lower prices. The Board believes that the Group has sufficient resources and funds so it is in a good position to select and acquire suitable strategic businesses and assets. The Group will endeavour to further increase the return of the shareholders of the Company.

FINANCIAL REVIEW

Liquidity

As at 30 June 2019, total cash and cash equivalents of the Group was approximately HK$140,238,000 (31 December 2018: approximately HK$161,142,000), of which approximately 53.94% was denominated in Chinese Yuan Renminbi, 41.91% was in Hong Kong dollars, 3.64% in Australian dollars, 0.38% in United States dollars, 0.09% in Euro, 0.03% in Japanese Yen and 0.01% in Swiss Franc.

The decrease in cash and cash equivalents was mainly due to net cash flows used in investing activities.

As at 30 June 2019, the Group had current assets of approximately HK$999,194,000 (31 December 2018: HK$546,063,000) whilst current liabilities were approximately HK$300,872,000 (31 December 2018: HK$267,665,000).

Gearing Ratio

As at 30 June 2019, the gearing ratio was 28% (31 December 2018: 23%), which was calculated on net debt divided by the sum of equity attributable to owners of the parent and net debt. Net debt includes bank borrowings, lease liabilities, trade payables, other payables and accruals, amounts due to related parties and obligation arising from a put option to non-controlling shareholders, less cash and cash equivalents. As of 30 June 2019, the Group had a net debt of HK$451,076,000 (31 December 2018: HK$249,922,000), while the equity attributable to owners of the parent was amounted to HK$1,181,778,000 (31 December 2018: HK$817,003,000).

Capital Commitments

As at 30 June 2019, the Company had no capital commitment (31 December 2018: Nil).

Charge on Group's Assets

As at 30 June 2019, bank borrowings amounting to approximately HK$367,913,000 (31 December 2018: HK$219,563,000) were secured by certain assets of the Group having a net book value of approximately HK$626,964,000 (31 December 2018: HK$451,144,000).

Contingent Liabilities

On 1 November 2016, a writ of summons was issued by Feng Hong Jiao ("Feng") against an indirect subsidiary of the Company, La Clinique De Paris (Hong Kong) Limited ("LCDPHK") and two other co-defendants, claiming that she has suffered from personal injury, loss and damage which was allegedly caused by the medical negligence and/or breach of contract and/or misrepresentation on the part of LCDPHK and the co-defendants, and that LCDPHK and the co-defendants were vicariously liable in the treatment and care given by its employees, servants, agents and/or representatives to Feng (the "Action"). In the Action, Feng claimed against LCDPHK and the co-defendants for unliquidated damages which amounted to approximately HK$2,316,666 plus interests to be assessed. As at 28 August 2019, the Action was at a preliminary stage of court proceedings as Feng and LCDPHK has not yet filed any evidence. The Company was in the process of seeking legal advice from its legal adviser as to the above matter. The Directors are of the opinion that as a result of the preliminary stage of the Action, it is difficult to assess the probability that Feng may recover any amount from the Company. In addition, the Directors represent that the proceeding was incurred prior to the acquisition of La Clinique De Paris International Limited ("LCDPI") by the Group, and hence the losses of the claim would be borne by former shareholders of LCDPI as prescribed by the share purchase agreement. Taking into consideration the above conditions, the Directors are of the view that there is no need to make a provision in respect of the claim.

Save as disclosed above, the Group was not liable to any material legal proceedings of which provision for contingent liabilities was required.

BIOGRAPHY OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Zhou Xuzhou, aged 63, was appointed as an Executive Director of the Company on 30 August 2013, was appointed as the Chairman of the Company on 23 September 2013 and was re-designated to the Co-Chairman of the Company on 20 June 2019. He is the Chairman of the Nomination Committee and a member of the Strategic Committee of the Company.

Mr. Zhou obtained a Master of Arts degree from the University of Wuhan(武漢大學)in 1985. He is the founder and Chairman of the Board of Directors, Chief Executive Officer and the sole shareholder of宇業集團有限公司 (U-Home Group Limited*). U-Home Group Limited is a company incorporated under the laws of the PRC and, together with over twenty of its subsidiaries, is principally engaged in real estate development, hotel management, property management and financial investment in various cities in the PRC.

Mr. Zhou, through subsidiaries wholly owned by him, has started his real estate business since 1992. Mr. Zhou is primarily responsible for leading the strategic planning and business development of U-Home Group Holdings Limited and overseeing all key aspects of the operations of U-Home Group Holdings Limited, including financial management and project development business. He has over 24 years of experience in the property industry. Mr. Zhou is the father of Ms. Zhou Wen Chuan.

Dr. Zeng Wentao, aged 55, was appointed as an Independent Non-Executive Director of the Company on 18 October 2017, and was re-designated to an executive Director of the Company on 27 May 2019 and was appointed as the Co-Chairman of the Company on 20 June 2019. He is a member of the Remuneration Committee and the Strategic Committee of the Company.

* *For identification purpose only*

Dr. Zeng graduated from Wuhan University with a doctorate degree in Economics. Dr. Zeng founded Hainan Sanyou Real Estate Company Limited (海南三友房地產有限公司) in Hainan in 1990 and acted as its general manager. In 1995, he founded Wuhan Yinhai Property Company Limited (武漢銀海置業有限公司), which was principally engaged in real estate development and technology investment, and acted as its chief executive officer. He is the chief executive officer of Zhongjia Capital (Wuhan) Investment Management Company Limited (中珈資本(武漢)投資管理有限公司) since March 2017. He is a part-time professor of Zhongnan University of Economics and Law (中南財經政法大學), a member of Zhongnan University of Economics and Law Education Foundation (中南財經政法大學教育基金會) and a standing council member of Dong Furen Foundation (董輔礽基金會). He was the vice-chairman of 12th and 13th Federation of Industry and Commerce of Wuhan City (武漢市工商聯) and a member of the 11th and 12th People's Consultative Conference of Wuhan City. Dr. Zeng has been a Counselor of the Healthcare Industry Union of Wuhan University Alumni Entrepreneur Association (武漢大學校友企業家聯誼會健康產業聯盟), an organisation dedicated to the promotion of the co-operations in the healthcare industry among entrepreneurs who are alumni of Wuhan University, since July 2017. By taking this position, Dr. Zeng has gained an understanding of the healthcare business and has built good relationships with certain entrepreneurs and market players in the healthcare industry. In 2018, Dr. Zeng was appointed as a researcher in health economics of Dong Fureng Economic & Social Development School of Wuhan University (武漢大學董輔礽經濟社會發展研究院健康經濟學研究員), which demonstrated the recognition of Dr. Zeng's knowledge in health economics by the said organisation and has enabled Dr. Zeng to use his managerial experience to contribute to the research work in the health economics area.

Ms. Zhou Wen Chuan, aged 35, was appointed as an Executive Director of the Company on 30 August 2013 and was appointed as a Chief Executive Officer on 23 September 2013.

Ms. Zhou obtained a master degree in Business Administration from the Chinese University of Hong Kong in 2011, and a master degree in Food Science and a bachelor degree in Science in Food Nutrition and Health from the University of British Columbia in 2008 and 2007 respectively. Ms. Zhou is the daughter of Mr. Zhou Xuzhou.

NON-EXECUTIVE DIRECTOR

Dr. Mao Zhenhua, aged 55, was appointed as a Non-Executive Director of the Company on 5 October 2015. He is the Chairman of the Strategic Committee and a member of the Audit Committee of the Company.

Dr. Mao is currently the Chairman of China Chengxin Credit Management Co., Ltd., Professor of Renmin University of China, Professor of Wuhan University and Chairman of the Institute of Economy. Dr. Mao graduated from Wuhan University with a doctorate in Economics. Dr. Mao had carried out economic analysis and policies research for Hubei Provincial Government, Hainan Provincial Government and Research Office of the State Council.

Dr. Mao founded China Chengxin Company ("China Chengxin") in 1992. He acted as its General Manager, Chairman and General Manager, Chief Executive Officer. He was the major shareholder and controller of China Cheng Xin International Credit Rating Co. Ltd.. Under the leadership of Dr. Mao, China Chengxin has become a company specialising in credit services and a comprehensive enterprise group principally engaging in the business of investing in banks, real estates and industries.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Gao Guanjiang, aged 66, was appointed as an Independent Non-Executive Director of the Company on 30 August 2013. He is the Chairman of the Remuneration Committee and a member of the Audit Committee of the Company.

Mr. Gao graduated from the Wuhan University（武漢大學）with a Ph. D in Economics. Mr. Gao has over 21 years of experience in commercial banking, investment banking, business administration and securities and finance.

Professor Chau Chi Wai Wilton, aged 57, was appointed as an Independent Non-Executive Director of the Company on 30 August 2013. He is the Chairman of the Audit Committee, a member of the Remuneration Committee and a member of the Nomination Committee of the Company.

Professor Chau obtained a doctoral degree in business administration, a master degree in business administration, a bachelor degree in laws and a bachelor degree in science. He is a fellow member of the Chartered Association of Certified Accountants (UK). Prof. Chau is currently the Chairman of Pan Asia Venture Development Platform and a Vice Chairman of Hong Kong Biotechnology Organisation. He is also a Professor of Practice in Entrepreneurship in the Chinese University of Hong Kong, an Ajunct Professor of the National University of Singapore Business School. Prof. Chau has about 31 years of experience in direct investment and venture capital.

Mr. Wu Peng, aged 37, was appointed as an Independent Non-Executive Director of the Company on 27 May 2019. He is a member of the Nomination Committee of the Company.

Mr. Wu graduated from Tsinghua University (清華大學) with a bachelor's degree in information system in July 2004 and a doctorate degree (with the supply chain management as key research area) in January 2010. From September 2005 to January 2010, Mr. Wu worked as a research assistant in the Humanities Key Research Base of the Ministry of Education (教育部人文社科重點研究基地) of the PRC and the Research Center for Contemporary Management Tsinghua University (清華大學現代管理研究中心), where he participated in the study of pharmaceutical products supply chain management strategies. In this position, Mr. Wu conducted investigations and researches on the production and operation process of a number of large-sized pharmaceutical companies in the PRC, and gained a good understanding of their supply chain management. From March 2010 to November 2012, Mr. Wu was a lecturer at the College of Business Administration of South China University of Technology (華南理工大學工商管理學院) and was mainly involved in teaching and the research of green supply chain management. During this period, from November 2010 to April 2012, Mr. Wu was also a postdoctoral at The Martin Centre for Architectural and Urban Studies of University of Cambridge, where he was engaged in low-carbon supply chain and low-carbon urban planning and design research work. Since December 2012, Mr. Wu has been teaching green supply chain management and engaging in the research work in this area in the Business School of Sichuan University, first as an associate professor from December 2012 to September 2017 and subsequently as a professor since September 2017. During a five-year period from 2012 to 2017, Mr. Wu was involved in an industrial chain optimisation consulting project, through which he further gained experience in the supply chain management research area. Mr. Wu has been a Counselor of the Society of Management Science and Engineering of China（中國管理科學與工程學會理事）since October 2018.

SENIOR MANAGEMENT

Mr. Li Shu Pai, aged 43, was appointed as the Chief Financial Officer and the Company Secretary of the Company on 30 July 2019. He has over 16 years of experience in auditing, corporate finance and financial management. Mr. Li had been the chief financial officer and company secretary of Perfectech International Holdings Limited (Stock Code: 765). Also, Mr. Li had been chief financial officer and joint company secretary of Chutian Dragon Corporation Limited. Before that, Mr. Li served as the chief financial officer in R2Game Co., Limited and earlier the deputy chief financial officer in Beijing Tong Ren Tang Chinese Medicine Company Limited (Stock Code: 3613). In addition, Mr. Li had worked for an international audit firm and various investment banks.

Mr. Li graduated from the City University of Hong Kong with a bachelor degree in business administration and obtained his executive master degree in business and administration from the Hong Kong University of Science and Technology. He is a fellow member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2019

	Notes	For the six months ended 30 June 2019 HK$'000 (Unaudited)	2018 HK$'000 (Unaudited)
REVENUE	5	**108,594**	131,490
Cost of sales		**(64,535)**	(96,310)
Gross profit		**44,059**	35,180
Fair value gain on investment properties		**28,466**	15,030
Other income and gains, net		**3,642**	15,047
Selling and distribution expenses		**(1,060)**	(37)
Administrative expenses		**(19,853)**	(18,339)
Impairment losses on financial assets, net		**(542)**	–
Other expenses		**(2,292)**	–
Finance costs		**(6,468)**	(3,289)
Share of profits of associates		**3,476**	5,802
PROFIT BEFORE TAX	6	**49,428**	49,394
Income tax expense	7	**(10,216)**	(10,343)
PROFIT FOR THE PERIOD		**39,212**	39,051
Attributable to:			
Owners of the parent		**41,102**	38,840
Non-controlling interests		**(1,890)**	211
		39,212	39,051
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
– Basic and diluted	9	**HK1.01 cents**	HK1.07 cents

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2019

	For the six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
PROFIT FOR THE PERIOD	**39,212**	39,051
OTHER COMPREHENSIVE INCOME		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(2,493)**	(17,277)
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	**(2,493)**	(17,277)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**36,719**	21,774
Attributable to:		
Owners of the parent	**39,255**	21,563
Non-controlling interests	**(2,536)**	211
	36,719	21,774

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2019

	Notes	**30 June 2019 HK$'000 (Unaudited)**	31 December 2018 HK$'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	*10*	**8,133**	2,767
Investment properties	*11*	**616,610**	586,522
Right-of-use assets		**12,076**	–
Goodwill	*12*	**114,390**	65,256
Other intangible assets	*13*	**5,238**	632
Investments in associates		**86,127**	82,683
Equity investments designated at fair value through other comprehensive income		**11,955**	11,960
Deferred tax assets		**3,147**	703
Other receivable		**618**	–
Total non-current assets		**858,294**	750,523
CURRENT ASSETS			
Inventories		**11,749**	12,222
Trade receivables	*14*	**80,259**	113,712
Prepayments, other receivables and other assets		**172,199**	23,127
Amount due from an associate		**239**	–
Land held for development		**–**	208,874
Properties under development		**211,516**	–
Tax recoverable		**2,167**	2,546
Financial assets at fair value through profit or loss		**290,214**	–
Restricted bank deposits		**3,438**	–
Pledged bank deposits		**79,654**	6,857
Cash and cash equivalents		**140,238**	161,142
		991,673	528,480
Investment properties held for sale		**7,521**	17,583
Total current assets		**999,194**	546,063

	Notes	30 June 2019 HK$'000 (Unaudited)	31 December 2018 HK$'000 (Audited)
CURRENT LIABILITIES			
Trade payables	15	**11,548**	3,521
Other payables and accruals		**39,989**	36,822
Amounts due to related parties		**8,310**	830
Lease liabilities		**4,716**	—
Bank borrowings	16	**236,081**	219,563
Tax payables		**228**	6,929
Total current liabilities		**300,872**	267,665
NET CURRENT ASSETS		**698,322**	278,398
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,556,616**	1,028,921
NON-CURRENT LIABILITIES			
Obligation arising from a put option to non-controlling shareholders		**150,328**	150,328
Lease liabilities		**8,510**	—
Bank borrowings	16	**131,832**	—
Deferred tax liabilities		**59,029**	51,269
Other non-current liabilities		**5,690**	5,692
Total non-current liabilities		**355,389**	207,289
Net assets		**1,201,227**	821,632
EQUITY			
Equity attributable to owners of the parent			
Share capital	17	**42,718**	39,118
Reserves		**1,139,060**	777,885
		1,181,778	817,003
Non-controlling interests		**19,449**	4,629
Total equity		**1,201,227**	821,632

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2019

	Notes	Attributable to owners of the parent											
		Share capital HK$'000	Share premium account HK$'000	Contributed surplus account HK$'000	Statutory surplus reserve HK$'000	Other reserve HK$'000	Fair value reserve HK$'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 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
Profit for the period		–	–	–	–	–	–	–	–	38,840	38,840	211	39,051
Other comprehensive income for the period: Exchange differences on translation of foreign operations		–	–	–	–	–	–	–	(17,277)	–	(17,277)	–	(17,277)
Total comprehensive income for the period		–	–	–	–	–	–	–	(17,277)	38,840	21,563	211	21,774
Issue of subscription shares		1,560	53,040	–	–	–	–	–	–	–	54,600	–	54,600
Transfer from retained profits		–	–	–	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
At 31 December 2018 (audited)		39,118	326,382	409,712	18,327	(134,170)	420	22,353	(18,357)	153,218	817,003	4,629	821,632
Effect arising from initial application of HKFRS 16	3	–	–	–	–	–	–	–	–	(187)	(187)	(202)	(389)
At 1 January 2019 (restated) (unaudited)		39,118	326,382	409,712	18,327	(134,170)	420	22,353	(18,357)	153,031	816,816	4,427	821,243
Profit for the period		–	–	–	–	–	–	–	–	41,102	41,102	(1,890)	39,212
Other comprehensive income for the period: Exchange differences on translation of foreign operations		–	–	–	–	–	–	–	(1,847)	–	(1,847)	(646)	(2,493)
Total comprehensive income for the period		–	–	–	–	–	–	–	(1,847)	41,102	39,255	(2,536)	36,719
Acquisition of a subsidiary	18	–	–	–	–	–	–	–	–	–	–	17,558	17,558
Placing of shares	17	3,600	322,107	–	–	–	–	–	–	–	325,707	–	325,707
At 30 June 2019 (unaudited)		42,718	648,489	409,712	18,327	(134,170)	420	22,353	(20,204)	194,133	1,181,778	19,449	1,201,227

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2019

	For the six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Net cash flows generated from/(used in) operating activities	**44,525**	(60,657)
Net cash flows (used in)/generated from investing activities	**(468,004)**	49,466
Net cash flows generated from financing activities	**402,639**	39,704
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	**(20,840)**	28,513
Cash and cash equivalents at beginning of period	**161,142**	50,852
Effect of foreign exchange rate changes, net	**(64)**	(17,277)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**140,238**	62,088

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

1. General information

Meilleure Health International Industry Group Limited (the "Company") is a limited liability company incorporated in Bermuda. The registered office of the Company is located at 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 mainly involved in the following principal activities:

- Trading business — Trading of healthcare products and construction materials;
- Agency service – Real estate and construction materials agency services;
- Property development — Development of residential properties;
- Property investment and leasing; and
- Healthcare related business — Health management service and sales of medicines.

The directors of the Company 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 with limited liability.

2. Basis of preparation

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

The interim 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 consolidated financial statements for the year ended 31 December 2018.

3. Principal accounting policies

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

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2018, except for the adoption of the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") effective as of 1 January 2019.

Amendments to HKFRS 9	*Prepayment Features with Negative Compensation*
HKFRS 16	*Leases*
Amendments to HKAS 19	*Plan Amendments, Curtailment or Settlement*
Amendments to HKAS 28	*Long-term Interests in Associates and Joint Ventures*
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatments*
Annual improvements 2015-2017 Cycle	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23

Other than as explained below regarding the impact of HKFRS 16 *Leases*, the application of all the other new and revised standards does not have material impact on the amounts reported and/or disclosures set out in the Group's interim condensed consolidated financial statements. The nature and impact of HKFRS 16 is described below:

HKFRS 16 replaces HKAS 17 *Leases*, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases — Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model. Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in HKAS 17. Therefore, HKFRS 16 did not have any financial impact on leases where the Group is the lessor.

The Group adopted HKFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initial adoption as an adjustment to the opening balance of retained earnings at 1 January 2019, and the comparative information for 2018 was not restated and continues to be reported under HKAS 17.

New definition of a lease

Under HKFRS 16, a contract is, or contains a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 at the date of initial application. Contracts that were not identified as leases under HKAS 17 and HK(IFRIC)-Int 4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their standard-alone prices. A practical expedient is available to a lessee, which the Group has adopted, not to separate non-lease components and to account for the lease and the associated non-lease components (e.g., property management services for leases of properties) as a single lease component.

As a lessee — Leases previously classified as operating leases

Nature of the effect of adoption of HKFRS 16

The Group has lease contracts for various items of property and other equipment. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under HKFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low value assets (elected on a lease by lease basis) and short-term leases (elected by class of underlying asset). The Group has elected not to recognise right-of-use assets and lease liabilities for (i) leases of low-value assets; and (ii) leases, that at the commencement date, have a lease term of 12 months or less. Instead, the Group recognises the lease payments associated with those leases as an expense on a straight-line basis over the lease term.

Impacts on transition

Lease liabilities at 1 January 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019 and presented separately in the interim condensed consolidated statement of financial position.

The right-of-use assets for all leases were recognised based on the carrying amount as if the standard had always been applied, except for the incremental borrowing rate where the Group applied the incremental borrowing rate at 1 January 2019. All these assets were assessed for any impairment based on HKAS 36 on that date. The Group elected to present the right-of-use assets separately in the interim condensed consolidated statement of financial position.

For the leasehold land and buildings (that were held to earn rental income and/or for capital appreciation) previously included in investment properties and measured at fair value, the Group has continued to include them as investment properties at 1 January 2019. They continue to be measured at fair value applying HKAS 40.

The Group has used the following elective practical expedients when applying HKFRS 16 at 1 January 2019:

- Used a single discount rate to a portfolio of leases with reasonably similar characteristics.
- Relied on its assessment of whether leases are onerous immediately before the date of initial application.
- Applied the short-term lease exemptions to leases with a lease term that ends within 12 months at the date of initial application.
- Excluded the initial direct costs from the measurement of the right-of-use assets at the date of initial application.
- Used hindsight in determining the lease term where the contract contains options to extend/terminate the lease.

The impacts arising from the adoption of HKFRS 16 as at 1 January 2019 are as follows:

	Deferred tax assets *HK$'000*	**Right-of-use assets** *HK$'000*	**Lease liabilities** *HK$'000*	**Retained profits** *HK$'000*	**Non-controlling interests** *HK$'000*
Carrying amounts previously reported at 31 December 2018 (audited)	703	–	–	153,218	4,629
Effect arising from initial application of HKFRS 16	130	3,497	4,016	(187)	(202)
Carrying amounts under HKFRS 16 at 1 January 2019 (unaudited)	833	3,497	4,016	153,031	4,427

The lease liabilities as at 1 January 2019 reconciled to the operating lease commitments as at 31 December 2018 are as follows:

	HK$'000
Operating lease commitments as at 31 December 2018 (audited)	8,927
Less: Commitments relating to short-term leases and those leases with a remaining lease term ending on or before 31 December 2019	(4,498)
Total undiscounted lease liabilities as at 1 January 2019 for adoption of HKFRS 16	4,429
Weighted average incremental borrowing rate as at 1 January 2019	6%
Lease liabilities as at 1 January 2019 (unaudited)	4,016

Summary of new accounting policies

The accounting policy for leases as disclosed in the annual financial statements for the year ended 31 December 2018 is replaced with the following new accounting policies upon adoption of HKFRS 16 from 1 January 2019:

Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of the estimated useful life and the lease term.

Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

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. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in-substance fixed lease payments or a change in assessment to purchase the underlying asset.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases (i.e. those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases that are considered as low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Significant judgement in determining the lease term of contracts with renewal options

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

Amounts recognised in the interim condensed consolidated statement of financial position and profit or loss

The carrying amounts of the Group's right-of-use assets and lease liabilities, and the movement during the period are as follow:

	Right-of-use assets *HK$'000* **(Unaudited)**	**Lease liabilities** *HK$'000* **(Unaudited)**
At 1 January 2019	**3,497**	4,016
Additions	**4,598**	4,598
Acquisition of a subsidiary *(Note 18)*	**5,411**	5,980
Depreciation charge	**(1,271)**	–
Interest expense	**–**	259
Payments	**–**	(1,452)
Exchange realignment	**(159)**	(175)
At 30 June 2019	**12,076**	13,226

The Group recognised rental expenses from short-term leases of HK$2,852,000 for the six months ended 30 June 2019.

4. Operating segment information

For management purposes, the Group is organised into business units based on their products and services and has five reportable operating segments as follows:

(a) Trading business — Trading of healthcare products and construction materials;

(b) Agency service — Real estate and construction materials agency services;

(c) Property development — Development of residential properties;

(d) Property investment and leasing; and

(e) Healthcare related business — Health management services and sales of medicines.

Management monitors the results of the Group's 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. The adjusted profit/(loss) before tax is measured consistently with the Group's profit before tax except that share of profits of associates, loss on disposal of investment properties held for sale, gain on bargain purchase, finance costs as well as head office and corporate income and expenses are excluded from such measurement.

Segment assets exclude deferred tax assets, tax recoverable and other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude an obligation arising from a put option to non-controlling shareholders, deferred tax liabilities and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

For the six months ended 30 June 2019 (Unaudited)

	Trading business HK$'000	Agency service HK$'000	Property development HK$'000	Property investment and leasing HK$'000	Healthcare related business HK$'000	Total HK$'000
Segment revenue: *(Note 5)*						
Sales to external customers	**52,949**	**18,204**	**–**	**9,744**	**27,697**	**108,594**
Segment results	**5,660**	**15,400**	**148**	**36,877**	**(860)**	**57,225**
Reconciliation:						
Unallocated income						**677**
Loss on disposal of investment properties held for sale						**(1,226)**
Unallocated expenses						**(4,256)**
Share of profits of associates						**3,476**
Finance costs						**(6,468)**
Profit before tax						**49,428**

For the six months ended 30 June 2018 (Restated) (Unaudited)

	Trading business HK$'000	Agency service HK$'000	Property development HK$'000	Property investment and leasing HK$'000	Healthcare related business HK$'000	Total HK$'000
Segment revenue: *(Note 5)*						
Sales to external customers	94,564	6,886	–	9,286	20,754	131,490
Segment results	14,739	6,504	(911)	23,231	1,968	45,531
Reconciliation:						
Unallocated income						54
Gain on bargain purchase						6,774
Unallocated expenses						(5,478)
Share of profit of an associate						5,802
Finance costs						(3,289)
Profit before tax						49,394

The following table presents the asset and liability information of the Group's operating segments as at 30 June 2019 and 31 December 2018, respectively.

At 30 June 2019 (Unaudited)

	Trading business HK$'000	Agency service HK$'000	Property development HK$'000	Property investment and leasing HK$'000	Healthcare related business HK$'000	Total HK$'000
Assets						
Segment assets	**392,175**	**5,048**	**216,565**	**634,722**	**280,716**	**1,529,226**
Reconciliation:						
Tax recoverable						**2,167**
Deferred tax assets						**3,147**
Unallocated corporate assets						**322,948**
Total assets						**1,857,488**
Liabilities						
Segment liabilities	**89,776**	**8**	**–**	**164,250**	**40,823**	**294,857**
Reconciliation:						
Obligation arising from a put option to non-controlling shareholders						**150,328**
Deferred tax liabilities						**59,029**
Unallocated corporate liabilities						**152,047**
Total liabilities						**656,261**

At 31 December 2018 (Audited)

	Trading business *HK$'000*	Agency service *HK$'000*	Property development *HK$'000*	Property investment and leasing *HK$'000*	Healthcare related business *HK$'000*	Total *HK$'000*
Assets						
Segment assets	270,768	2,043	216,100	610,846	106,390	1,206,147
Reconciliation:						
Tax recoverable						2,546
Deferred tax assets						703
Unallocated corporate assets						87,190
Total assets						1,296,586
Liabilities						
Segment liabilities	87,242	250	71,138	12,058	21,446	192,134
Reconciliation:						
Obligation arising from a put option to non-controlling shareholders						150,328
Deferred tax liabilities						51,269
Unallocated corporate liabilities						81,223
Total liabilities						474,954

5. Revenue

An analysis of revenue is as follow:

	For the six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
		(Restated)
Revenue from contracts with customers		
Health management services	**26,778**	19,862
Agency service	**18,204**	6,886
Sales of goods	**53,868**	95,456
	98,850	122,204
Revenue from other sources		
Rental income	**9,744**	9,286
	108,594	131,490

Disaggregated revenue information for revenue from contracts with customers

For the six months ended 30 June 2019 (Unaudited)

Segments	**Trading business** *HK$'000*	**Agency service** *HK$'000*	**Healthcare related business** *HK$'000*	**Total** *HK$'000*
Type of goods or services				
Sales of goods	**52,949**	**–**	**919**	**53,868**
Health management services	**–**	**–**	**26,778**	**26,778**
Agency services	**–**	**18,204**	**–**	**18,204**
Total revenue from contracts with customers	**52,949**	**18,204**	**27,697**	**98,850**
Locations of customers				
Hong Kong	**473**	**–**	**10,092**	**10,565**
Mainland China	**52,476**	**18,204**	**17,605**	**88,285**
Total revenue from contracts with customers	**52,949**	**18,204**	**27,697**	**98,850**
Timing of revenue recognition				
Goods transferred at a point in time	**52,949**	**–**	**919**	**53,868**
Services transferred at a point in time	**–**	**18,204**	**–**	**18,204**
Services transferred over time	**–**	**–**	**26,778**	**26,778**
Total revenue from contracts with customers	**52,949**	**18,204**	**27,697**	**98,850**

For the six months ended 30 June 2018 (Restated) (Unaudited)

Segments	Trading business HK$'000	Agency service HK$'000	Healthcare related business HK$'000	Total HK$'000
Type of goods or services				
Sales of goods	94,564	–	892	95,456
Health management services	–	–	19,862	19,862
Agency services	–	6,886	–	6,886
Total revenue from contracts with customers	94,564	6,886	20,754	122,204
Locations of customers				
Hong Kong	435	–	7,533	7,968
Mainland China	94,129	6,886	13,221	114,236
Total revenue from contracts with customers	94,564	6,886	20,754	122,204
Timing of revenue recognition				
Goods transferred at a point in time	94,564	–	892	95,456
Services transferred at a point in time	–	6,886	–	6,886
Services transferred over time	–	–	19,862	19,862
Total revenue from contracts with customers	94,564	6,886	20,754	122,204

6. Profit before tax

The Group's profit before tax is arrived at after charging/(crediting):

	For the six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Gain on bargain purchase	**–**	(6,774)
Depreciation of property, plant and equipment	**797**	456
Depreciation of right-of-use assets	**1,271**	–
Amortisation of intangible assets	**297**	111
Loss on disposal of investment properties held for sale	**1,226**	–
Impairment losses on financial assets, net:		
— Trade receivables	**542**	–
Minimum lease payments under operating leases	**–**	2,193
Exchange losses, net	**1,895**	923

7. Income tax

Hong Kong profits tax has been provided at the rate of 16.5% (six months ended 30 June 2018: 16.5%) on the estimated assessable profit arising in Hong Kong for the period, except for one group entity operating in Hong Kong which is a qualifying corporate under the two-tiered Profits Tax rate regime. For the qualifying group entity, the first HK$2 million of assessable profits are taxed at 8.25% and the remaining assessable profits are taxed at 16.5%.

Enterprise Income Tax ("EIT") of the People's Republic of China ("PRC") has been provided at the rate of 25% (six months ended 30 June 2018: 25%) on the estimated assessable profits arising in Mainland China for the period, except for certain subsidiary of the Group in Mainland China which is granted tax concession and is taxed at preferential tax rate.

One of the subsidiaries is qualified as High and New Technology Enterprise. It was subject to income tax at a preferential tax rate of 15% for the period.

	For the six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Current income tax expense		
— Hong Kong profits tax	**136**	617
— PRC EIT	**4,145**	7,657
Deferred income tax expense	**5,935**	2,069
	10,216	10,343

8. Dividends

The board of directors of the Company does not recommend the payment of an interim dividend for the six months ended 30 June 2019 (six months ended 30 June 2018: Nil).

9. Earnings per share attributable to ordinary equity holders of the parent

The calculation of the basic earnings per share amount is based on the profit for the period attributable to ordinary equity holders of the parent of HK$41,102,000 (six months ended 30 June 2018: HK$38,840,000) and the weighted average number of ordinary shares of 4,072,857,608 (six months ended 30 June 2018: 3,645,614,931) shares in issue during the period.

The basic and diluted earnings per share for the six months ended 30 June 2018 and 2019 were the same as the Company had no potentially dilutive ordinary shares in issue during both periods.

10. Property, plant and equipment

	30 June 2019 HK$'000 (Unaudited)	31 December 2018 HK$'000 (Audited)
Net carrying amount		
At 1 January 2019/1 January 2018	**2,767**	3,761
Additions	**4,298**	76
Acquisition of a subsidiary *(Note 18)*	**1,923**	–
Depreciation provided during the period/ year	**(797)**	(907)
Exchange realignment	**(58)**	(163)
Net carrying amount		
At 30 June 2019/31 December 2018	**8,133**	2,767

11. Investment properties

	30 June 2019 HK$'000 (Unaudited)	31 December 2018 HK$'000 (Audited)
Carrying amount		
At 1 January 2019/1 January 2018	**586,522**	583,200
Disposal	**–**	(6,658)
Net gain from a fair value adjustment	**28,466**	56,227
Classified as held for sale	**–**	(17,583)
Transfer from held for sale	**1,867**	–
Exchange realignment	**(245)**	(28,664)
Carrying amount		
At 30 June 2019/31 December 2018	**616,610**	586,522

12. Goodwill

	30 June 2019 HK$'000 (Unaudited)	31 December 2018 HK$'000 (Audited)
Net carrying amount		
At 1 January 2019/1 January 2018	**65,256**	82,790
Acquisition of a subsidiary *(Note 18)*	**50,602**	–
Impairment during the period/year	**–**	(17,534)
Exchange realignment	**(1,468)**	–
Net carrying amount		
At 30 June 2019/31 December 2018	**114,390**	65,256

13. Other intangible assets

	30 June 2019 HK$'000 (Unaudited)	31 December 2018 HK$'000 (Audited)
Net carrying amount		
At 1 January 2019/1 January 2018	**632**	857
Additions	**–**	35
Acquisition of a subsidiary *(Note 18)*	**5,049**	–
Amortisation provided during the period/year	**(297)**	(256)
Exchange realignment	**(146)**	(4)
Net carrying amount		
At 30 June 2019/31 December 2018	**5,238**	632

14. Trade receivables

An ageing analysis of the trade receivables as at the end of the reporting period, based on the invoice date and net of loss allowance, is as follows:

	30 June 2019 HK$'000 (Unaudited)	31 December 2018 HK$'000 (Audited)
Within 3 months	**45,046**	67,315
3 to 6 months	**22,678**	44,134
Over 6 months	**12,535**	2,263
	80,259	113,712

15. Trade payables

An ageing analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	30 June 2019 HK$'000 (Unaudited)	31 December 2018 HK$'000 (Audited)
Within 3 months	**11,108**	3,342
3 to 6 months	**361**	175
Over 6 months	**79**	4
	11,548	3,521

16. Bank borrowings

During the six months ended 30 June 2019, the Group obtained new bank borrowings amounting to HK$224,173,000 in aggregate, which carry at variable market rates.

Among the above new bank borrowings, HK$76,210,000 of the borrowings is denominated in HK$ and repayable on 24 February 2020. As at 30 June 2019, the bank borrowing was secured by a pledged deposit of HK$79,654,000.

The remaining borrowing is denominated in RMB and repayable in instalments over a period of 10 years. As at 30 June 2019, the bank borrowing was guaranteed by Mr. Zhou Xuzhou and secured by the Group's investment properties situated in Nanjing, China, which had an aggregated carrying value at the end of the reporting period of HK$301,324,000.

17. Share capital

	30 June 2019 Number of shares	30 June 2019 Amount HK$'000	31 December 2018 Number of shares	31 December 2018 Amount HK$'000
Authorised:				
Ordinary shares of HK$0.01 each				
At 1 January 2018, 31 December 2018, 1 January 2019 and 30 June 2019	**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 2019/1 January 2018	**3,911,752,636**	**39,118**	3,599,752,636	35,998
Issue of subscription shares *(note (a))*	**–**	**–**	312,000,000	3,120
Placing of shares *(note (b))*	**360,000,000**	**3,600**	–	–
At 30 June 2019/31 December 2018	**4,271,752,636**	**42,718**	3,911,752,636	39,118

Notes:

(a) In April, June and September 2018, the Company completed the new shares allotment under subscriptions in which 312,000,000 subscription shares were issued with the par value of HK$0.01 each. The issue price of HK$0.35 per share has led to the increase in share capital and share premium of approximately HK$3,120,000 and HK$106,080,000 respectively.

(b) On 11 April 2019, the Company completed placement of 360,000,000 new ordinary shares with the par value of HK$0.01 each at the placing price of HK$0.91 per share under general mandate. Therefore, share capital and share premium increase approximately HK$3,600,000 and HK$322,107,000 respectively.

All new shares issued during the year ended 31 December 2018 and the six months ended 30 June 2019 rank pari passu in all respects with the existing shares.

18. Acquisition of a subsidiary

On 3 February 2019, Shenzhen Qianhai Meilleure Health Management Consulting Co., Ltd.* (深圳市前海美瑞健康管理諮詢有限公司) ("Purchaser"), an indirect wholly-owned subsidiary of the Company, Mr. Li Zhanhuai and Ms. Jiang Shu ("Vendors") entered into an acquisition agreement, pursuant to which the Purchaser has conditionally agreed to acquire and the Vendors have conditionally agreed to sell the 45% equity interest of Shenzhen Wingor Biotechnology Co., Ltd.* (深圳市茵冠生物科技有限公司) ("Shenzhen Wingor"). The total consideration for the acquisition was approximately RMB55,095,000 (equivalent to approximately HK$64,566,000), inclusive of (i) cash consideration of RMB55,278,000 (equivalent to approximately HK$64,781,000); (ii) consideration of approximately RMB360,000 (equivalent to approximately HK$422,000) which was determined with reference to the balance of cash and cash equivalents of Shenzhen Wingor as at the acquisition date; and (iii) negative consideration receivable of approximately RMB543,000 (equivalent to approximately HK$637,000). This acquisition was completed on 27 February 2019. The Group considers that it controls Shenzhen Wingor even though it owns less than 50% of the voting rights. This is because the Group is the single largest shareholder of Shenzhen Wingor and have a majority of the five seats on the board of directors of Shenzhen Wingor. This acquisition has been accounted for using the purchase method. Shenzhen Wingor and its subsidiaries (collectively, "Shenzhen Wingor Group") are principally engaged in the research and development and commercialisation of new products, new technologies and techniques in the biotechnology field, as well as the provision of health management consulting and medical treatment service. Shenzhen Wingor was acquired so as to solidify existing competitive position of the Group in the health management service field through pursuit of precision medicine, with a more comprehensive product portfolio, a more rationalised business structure and further enhanced research and development capabilities, and to be afforded the opportunity to tap into new business areas through entering the cell and gene treatment market.

The Group has elected to measure the non-controlling interests in Shenzhen Wingor Group at the non-controlling interests' proportionate share of Shenzhen Wingor Group's identifiable net assets.

Consideration transferred

	HK$'000 **(Unaudited)**
Cash paid	64,781
Other payable	422
Negative consideration receivable	(637)
	64,566

The acquisition-related costs of the acquisition were insignificant.

* *For identification purpose only*

The fair values of the identifiable assets and liabilities of Shenzhen Wingor Group as at the date of acquisition (determined on a provisional basis):

	Acquiree's provisional fair value recognised on acquisition ***HK$'000*** **(Unaudited)**
Non-current assets	
Property, plant and equipment	1,923
Right-of-use assets	5,411
Intangible assets	5,049
Investments in associates	7
Deferred tax assets	1,800
Current assets	
Prepayments, other receivables and other assets	5,104
Financial assets at fair value through profit or loss	28,625
Restricted bank deposits	5,245
Cash and cash equivalents	639
Current liabilities	
Trade payables	(7)
Other payables and accruals	(14,972)
Lease liabilities	(1,842)
Non-current liabilities	
Lease liabilities	(4,138)
Deferred tax liabilities	(1,322)
Total identifiable net assets at fair value	31,522
Non-controlling interests	(17,558)
Goodwill on acquisition	50,602
Total consideration	64,566

The fair value of trade receivables and financial assets included in prepayments, other receivables and other assets at the date of acquisition amounted to Nil and HK$319,000 respectively. The gross contractual amounts of those trade receivables and financial assets included in prepayments, other receivables and other assets acquired amounted to HK$1,415,000 and HK$4,421,000 respectively at the date of acquisition. The best estimate at acquisition date of the contractual cash flows not expected to be collected of trade receivables and financial assets included in prepayments, other receivables and other assets amounted to HK$1,415,000 and HK$4,102,000 respectively.

The initial accounting for the above acquisition in the interim condensed consolidated financial statements has been determined provisionally as the Group is awaiting the final result of an independent valuation in relation to property, plant and equipment, intangible assets and other net assets acquired in the transaction. The valuation has not been completed by the date of the approval of the interim condensed consolidated financial statements. Accordingly, the amounts of the identifiable net assets, goodwill and non-controlling interests as stated above may be subsequently adjusted.

Goodwill arose on the acquisition of Shenzhen Wingor Group because of the cost of combination included a control premium. In addition, the consideration transferred for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development and the assembled workforce of Shenzhen Wingor Group. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

None of the goodwill arising on this acquisition is expected to be deductible for tax purposes.

An analysis of the cash flows in respect of the acquisition of Shenzhen Wingor Group is as follows:

Net cash outflows arising on acquisition of Shenzhen Wingor Group

	HK$'000 **(Unaudited)**
Consideration paid in cash	(64,781)
Cash and cash equivalents balance acquired	639
Net outflow of cash and cash equivalents	(64,142)

Impact of acquisition on the results of the Group

Included in the profit for the interim period, loss for the interim period of HK$3,587,000 is attributable to Shenzhen Wingor Group. Revenue for the interim period includes HK$1,031,000 is attributable to Shenzhen Wingor Group.

Had the acquisition of Shenzhen Wingor Group been effected at the beginning of the interim period, the total amount of revenue of the Group for the six months ended 30 June 2019 would have been HK$108,611,000, and the amount of the profit for the interim period would have been HK$31,691,000. The proforma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed at the beginning of the interim period, nor is it intended to be a projection of future results.

In determining the 'pro-forma' revenue and profit of the Group had Shenzhen Wingor Group been acquired at the beginning of the interim period, the directors of the Company calculated depreciation of property, plant and equipment and amortisation of intangible assets based on their recognised amounts at the date of the acquisition.

19. Related party transactions

(a) In addition to the transactions detailed elsewhere in this interim condensed consolidated financial statements, the Group had the following transactions with related parties during the period:

	Notes	**For the six months ended 30 June 2019** **HK$'000** **(Unaudited)**	2018 *HK$'000* (Unaudited)
Fellow subsidiaries:			
Sales commission income	*(i)*	**18,151**	1,694
Rental income	*(ii)*	**240**	240
Consultancy fee	*(iii)*	**184**	–
Hotel accommodation fee	*(iv)*	**174**	–
Directors of the Company:			
Health management related income	*(v)*	**30**	4
Related company:			
Health management related income	*(vi)*	**176**	–

Notes:

(i) The Company provided real estate property sale services to real estate development companies owned and controlled by Mr. Zhou Xuzhou, the controlling shareholder of the Company. The service income is based on the transaction value with commission ratio of 2% (six months ended 30 June 2018: 1% to 2.5%).

(ii) The Company leased its real estate property to Yee Sheng Enterprises Co. Ltd., controlled by Mr. Zhou Xuzhou, at the price similar to other third parties.

(iii) The medical service was procured from Clinique Eden Suisse SA, owned and controlled by Mr. Zhou Xuzhou, the controlling shareholder of the Company, according to the published prices and conditions to their major customers.

(iv) Hotel accommodation service was provided from BT Gestion SA, owned and controlled by Mr. Zhou Xuzhou, the controlling shareholder of the Company, for customers in healthcare related business.

(v) The directors of the Company, Mr. Zhou Xuzhou, Mr. Liu Lailin and Ms. Zhou Wen Chuan (six months ended 30 June 2018: Mr. Zhou Xuzhou) received health check services from the Company.

(vi) The Company provided health management service to Shenzhen Xiaozhou Investment Company Limited* (深圳市曉舟投資有限公司) owned and controlled by Ms. Zhou Wen Chuan, the director of the Company.

* *For identification purpose only*

(b) Other transactions with related parties:

As at 30 June 2019, bank borrowings of the Group amounting to HK$68,274,000 (31 December 2018: HK$68,306,000) were guaranteed by Nanjing Yuda Real Estate Co. Ltd.* (南京宇達置業有限公司) and Wuhu Yushang Real Estate Co. Ltd.* (蕪湖宇尚地產有限公司), both of which were related parties of the Group.

As at 30 June 2019, bank borrowings of the Group amounting to HK$147,929,000 (31 December 2018: Nil) was guaranteed by Mr. Zhou Xuzhou, the controlling shareholder of the Company.

(c) Outstanding balances with related parties:

The Group's balances due to fellow subsidiaries and balance due from an associate as at the end of the reporting period are unsecured, interest-free and has no fixed terms of repayment.

(d) Compensation of key management personnel of the Group

	For the six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Short term employee benefits	**1,825**	1,745
Post-employment benefits	**18**	16
Total compensation paid to key management personnel	**1,843**	1,761

* *For identification purpose only*

20. Fair value and fair value hierarchy of financial instruments

The carrying amounts and fair values of the Group's financial instruments, other than lease liabilities and those with carrying amounts that reasonably approximate to fair values, are as follows:

	Carrying amounts		Fair values	
	30 June 2019	31 December 2018	**30 June 2019**	31 December 2018
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
	(Unaudited)	(Audited)	**(Unaudited)**	(Audited)
Finance assets				
Equity investments designated at fair value through other comprehensive income	**11,955**	11,960	**11,955**	11,960
Financial assets at fair value through profit or loss	**290,214**	–	**290,214**	–
Other receivable, non-current portion	**618**	–	**618**	–
	302,787	11,960	**302,787**	11,960
Finance liabilities				
Bank borrowings	**367,913**	219,563	**367,893**	219,705
Obligation arising from a put option to non-controlling shareholders	**150,328**	150,328	**150,328**	150,328
Other non-current liabilities	**5,690**	5,692	**5,690**	5,692
	523,931	375,583	**523,911**	375,725

Management has assessed that the fair values of cash and cash equivalents, restricted bank deposits, pledged bank deposits, trade receivables, financial assets included in prepayments, other receivables and other assets, trade payables, financial liabilities included in other payables and accruals, amounts due to related parties and amounts due from an associate approximate to their carrying amounts largely due to the short term maturities of these instruments.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair values of the non-current portion of other receivable, bank borrowings, obligation arising from a put option to non-controlling shareholders and other non-current liabilities have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The Group's own non-performance risk for bank borrowings, obligation arising from a put option to non-controlling shareholders and other non-current liabilities as at 31 December 2018 and 30 June 2019 was assessed to be insignificant.

The fair value of the unlisted equity investment designated at fair value through other comprehensive income has been estimated by using the market approach, using ratio of price to book value ("PB ratio") of certain comparable companies in the same industry, in arriving at an indicated value of the unlisted equity interest. The valuation takes account of a discount for lack of marketability on this investment. The directors of the Company believe that the estimated fair values resulting from the valuation technique, which are recorded in the interim condensed consolidated statement of financial position, and the related changes in fair values, which are recorded in other comprehensive income, are reasonable, and that they were the most appropriate values at the end of the reporting period.

The Group invests in unlisted investments, which represent wealth management products issued by banks in Mainland China. The Group has estimated the fair value of these unlisted investments by using a discounted cash flow valuation model based on the market interest rates of instruments with similar terms and risks.

The fair value of unlisted investment fund is determined by reference to the net asset value indicated on the net asset value statement issued by the investment fund manager, which take into consideration the fair values of the underlying assets held under the investment.

Below is a summary of significant unobservable inputs to the valuation of financial instruments together with a quantitative sensitivity analysis as at 31 December 2018 and 30 June 2019:

	Valuation technique	Significant unobservable input	Range	Sensitivity of fair value to the input
Unlisted equity investments	Market approach	PB ratio	30 June 2019: 1.17 (31 December 2018: 1.17)	1% (31 December 2018: 1%) increase/(decrease) in PB ratio would result in increase/(decrease) in fair value by HK$118,000 (31 December 2018: HK$118,000)
		Discount for lack of marketability	30 June 2019: 20% (31 December 2018: 20%)	1% (31 December 2018: 1%) increase/(decrease) in discount would result in decrease/(increase) in fair value by HK$30,000 (31 December 2018: HK$30,000)

The discount for lack of marketability represents the amounts of premiums and discounts determined by the Group that market participants would take into account when pricing the investments.

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

At 30 June 2019 (Unaudited)

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
Equity investments designated at fair value through other comprehensive income	**–**	**–**	**11,955**	**11,955**
Financial assets at fair value through profit or loss	**–**	**290,214**	**–**	**290,214**
	–	**290,214**	**11,955**	**302,169**

At 31 December 2018 (Audited)

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Equity investments designated at fair value through other comprehensive income	–	–	11,960	11,960

There were no movements in fair value measurements within Level 3 during the period (six months ended 30 June 2018: Nil).

The Group did not have any financial liabilities measured at fair value as at 31 December 2018 and 30 June 2019.

During the period, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (six months ended 30 June 2018: Nil).

Asset for which fair value is disclosed:

At 30 June 2019 (Unaudited)

	Fair value measurement using			
	Quoted prices in active markets (Level 1) *HK$'000*	Significant observable inputs (Level 2) *HK$'000*	Significant unobservable inputs (Level 3) *HK$'000*	Total *HK$'000*
Other receivable, non-current portion	–	618	–	618

The Group did not have any financial assets for which fair value were disclosed as at 31 December 2018.

Liabilities for which fair value are disclosed:

At 30 June 2019 (Unaudited)

	Fair value measurement using			
	Quoted prices in active markets (Level 1) *HK$'000*	Significant observable inputs (Level 2) *HK$'000*	Significant unobservable inputs (Level 3) *HK$'000*	Total *HK$'000*
Bank borrowings	–	367,893	–	367,893
Obligation arising from a put option to non-controlling shareholders	–	150,328	–	150,328
Other non-current liabilities	–	5,690	–	5,690
	–	523,911	–	523,911

At 31 December 2018 (Audited)

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Bank borrowings	–	219,705	–	219,705
Obligation arising from a put option to non-controlling shareholders	–	150,328	–	150,328
Other non-current liabilities	–	5,692	–	5,692
	–	375,725	–	375,725

21. Comparative amounts

Certain comparative amounts have been reclassified to conform with presentation and disclosures of the current interim period.

22. Approval of the interim condensed consolidated financial statements

The interim condensed consolidated financial statements were approved by the board of directors of the Company on 28 August 2019.

OTHER INFORMATION

Employment and Remuneration Policy

As at 30 June 2019, the Group had a total of approximately 103 employees (31 December 2018: approximately 86 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.

Share Option Scheme

At a special general meeting (the "SGM") held on 20 June 2019, shareholders of the Company adopted a share option scheme (the "Share Option Scheme"), pursuant to which the Company may grant options under the Share Option Scheme and any other share option schemes of the Company in respect of which up to 427,175,263 shares, representing 10% of the shares in issue as at the date of the SGM, may be issued. The Share Option Scheme became effective on 28 June 2019, being the date on which the Stock Exchange approved the listing of, and permission to deal in, the shares falling to be issued pursuant to the exercise of options under the Share Option Scheme.

As at 30 June 2019 and the date of this report, no options have been issued under the Share Option Scheme.

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 2019.

Disclosure of Interests

Directors' and Chief Executive's Interest and Short Positions in Shares, Underlying Shares and Debentures

The Directors and chief executive of the Company who held offices as at 30 June 2019 had the following interests and short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register maintained by the Company pursuant to Section 352 of the SFO or otherwise notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which were taken or deemed to have under such provisions of the SFO) or pursuant to the Model Code for Securities Transactions (the "Model Code") in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") by the Directors and chief executives of the Company:

Interests in Issued Shares

Name of director	Personal interest *(Note 5)*	Corporate interest *(Note 5)*	Total number of shares held *(Note 5)*	% of total issued shares
Mr. Zhou Xuzhou *(Notes 1,2)*	70,412,470 (L)	2,089,148,291 (L)	2,159,560,761 (L)	50.55%
	–	2,004,124,291 (S)	2,004,124,291 (S)	46.92%
Ms. Zhou Wen Chuan *(Note 2)*	29,388,000 (L)	–	29,388,000 (L)	0.69%
Dr. Mao Zhenhua *(Note 3)*	–	83,890,000 (L)	83,890,000 (L)	1.96%
Professor Chau Chi Wai, Wilton *(Note 4)*	510,000 (L)	–	510,000 (L)	0.01%
Dr. Zeng Wentao *(Note 2)*	15,000,000 (L)	–	15,000,000 (L)	0.35%

Notes:

1. These shares are held by U-Home Group International Limited, U-Home Group Investment Limited and Zhongjia U-Home Investment Limited.

2. Mr. Zhou Xuzhou, Ms. Zhou Wen Chuan and Dr. Zeng Wentao are Executive Directors.

3. 83,890,000 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.

5. 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.

* *For identification purpose only*

Save as disclosed above, none of the Directors and chief executive of the Company or their respective associates had any interests and short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register maintained by the Company pursuant to Section 352 of the SFO or otherwise notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which were taken or deemed to have under such provisions of the SFO) or pursuant to the Model Code as at 30 June 2019.

Substantial Shareholders' and Other Persons' Interests and Short Positions in Shares, Underlying Shares

As at 30 June 2019, the Company had been notified by the following person (other than the Directors or chief executive of the Company) who had interests or short positions in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or be directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances of general meetings of the Company or who were recorded in the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO or had otherwise notified the Company:

Interests in Issued Shares

Name of substantial shareholders	**Capacity**	**Total interests** *(Note 1)*	**% of total issued shares**
U-Home Group International Limited *(Note 2)*	Beneficial owner	964,172,530(L) 964,172,530(S)	22.57% 22.57%
U-Home Group Investment Limited *(Note 3)*	Beneficial owner	499,653,000(L) 499,653,000(S)	11.70% 11.70%
Yuhua Enterprises Company Limited *(Notes 3)*	Interest in controlled corporation	499,653,000(L) 499,653,000(S)	11.70% 11.70%

Name of substantial shareholders	Capacity	Total interests *(Note 1)*	% of total issued shares
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)	11.70% 11.70%
Yee Sheng Enterprises Company Limited *(Note 3)*	Interest in controlled corporation	499,653,000(L) 499,653,000(S)	11.70% 11.70%
Kambert Enterprises Limited *(Note 3)*	Interest in controlled corporation	499,653,000(L) 499,653,000(S)	11.70% 11.70%
U-Home Property (Group) Limited *(Note 3)*	Interest in controlled corporation	499,653,000(L) 499,653,000(S)	11.70% 11.70%
Shunda Investment Limited *(Notes 2, 3, 4)*	Interest in controlled corporation	2,089,148,291(L) 2,004,124,291(S)	48.91% 46.92%
Zhongjia U-Home Investment Limited *(Note 4)*	Beneficial owner	625,322,761(L) 540,298,761(S)	14.64% 12.65%
Mr. Zhou Xuzhou *(Notes 2, 3, 4)*	Interest in controlled corporation Beneficial owner	2,089,148,291(L) 2,004,124,291(S) 70,412,470(L)	48.91% 46.92% 1.64%
Hanzhong Investment Group Co., Limited *(Note 5)*	Beneficial owner	312,000,000(L)	7.30%
Mr. Tan Xin *(Note 5)*	Interest in controlled corporation	312,000,000(L)	7.30%
Mr. Zhang Ke *(Note 5)*	Interest in controlled corporation	312,000,000(L)	7.30%

Name of substantial shareholders	Capacity	Total interests (Note 1)	% of total issued shares
Haitong UT Leasing HK Limited	Person having a security interest in shares	1,463,825,530(L)	34.27%
HTI Advisory Company Limited *(Note 6)*	Person having a security interest in shares	540,298,761(L)	12.65%
Haitong International (BVI) Limited *(Note 6)*	Interest in controlled corporation	540,298,761(L)	12.65%
Haitong International Securities Group Limited *(Note 6)*	Interest in controlled corporation	540,298,761(L)	12.65%
Haitong International Holdings Limited *(Note 6)*	Interest in controlled corporation	540,298,761(L)	12.65%
Haitong Securities Co., Ltd. *(Note 6)*	Interest in controlled corporation	540,298,761(L)	12.65%

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 is wholly and beneficially owned by Shunda Investment Limited which in turn is wholly and beneficially owned by Mr. Zhou Xuzhou.

5. Hanzhong Investment Group Co., Limited is beneficially owned by Mr. Tan Xin and Mr. Zhang Ke.

6. HTI Advisory Company Limited is wholly and beneficially owned by Haitong International (BVI) Limited. Haitong International (BVI) Limited is wholly and beneficially owned by Haitong International Securities Group Limited. Haitong International Securities Group Limited is owned as to 63.08% by Haitong International Holdings Limited, which in turn is wholly and beneficially owned by Haitong Securities Co., Ltd..

* *For identification purpose only*

Save as disclosed above, the Company has not been notified by any person (other than the Directors or chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or be directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances of general meetings of the Company or who were recorded in the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO or had otherwise notified the Company as at 30 June 2019.

Directors' Rights to Acquire Shares or Debentures

Save as disclosed under the heading, "Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures" above, at no time during the six months ended 30 June 2019 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 Listing Rules during the six months ended 30 June 2019.

Model Code for Securities Transactions by Directors

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding 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 2019.

Review of Interim Results

The audit committee, comprising 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 condensed financial statements of the Group for the six months ended 30 June 2019.

Publication of Interim Results Announcement and Interim Report

The interim report will be dispatched 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

On behalf of the Board, I would like to express my deepest appreciation for all staff of the Group for their excellent contribution, thank our shareholders for their trust and acknowledge our business partners for their support.

By order of the Board
Zhou Wen Chuan
Chief Executive Officer

Hong Kong, 28 August 2019