



**COMMON SPLENDOR INTERNATIONAL  
HEALTH INDUSTRY GROUP LIMITED**

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 286)**

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**Interim Report  
For The Six Months  
Ended 30 June 2014**

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## CORPORATE INFORMATION

### Directors

#### *Executive Directors:*

Cheung Wai Kuen (*Chairman*)

Cheng Hau Yan

(*Deputy Chairman and Chief Executive Officer*)

#### *Non-executive Director:*

Lin Jiang

#### *Independent Non-executive Directors:*

Mai Yang Guang

Yau Chi Ming

Huang Liang

### Audit Committee

Yau Chi Ming (*Chairman*)

Mai Yang Guang

Huang Liang

### Remuneration Committee

Huang Liang (*Chairman*)

Mai Yang Guang

Yau Chi Ming

### Nomination Committee

Mai Yang Guang (*Chairman*)

Yau Chi Ming

Huang Liang

### Company Secretary

Wong Yuet Ying

### Auditors

HLB Hodgson Impey Cheng Limited

### Solicitor

Ashurst Hong Kong

### Principal Bankers

Chong Hing Bank Limited

Bank of Communications Co., Ltd.

### Registered Office

Clarendon House

2 Church Street

Hamilton HM 11

Bermuda

### Principal Office

Room 2709-10, 27th Floor, North Tower,  
Concordia Plaza, 1 Science Museum Road,  
Tsim Sha Tsui, Kowloon, Hong Kong

### Principal Registrar and Transfer Office

Butterfield Fulcrum Group (Bermuda) Limited  
26 Burnaby Street  
Hamilton HM 11  
Bermuda

### Branch Registrar and Transfer Office

Tricor Secretaries Limited  
26th Floor, Tesbury Centre  
28 Queen's Road East  
Wanchai, Hong Kong

### Website

<http://www.cs-ih.com>

### Stock Code

286

### Board Lot

2,000 shares

### Investor Relations

For enquiries relating to investor relations,  
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Tel: (852) 2620 6623

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E-mail: [ir@cs-ih.com](mailto:ir@cs-ih.com)

## UNAUDITED INTERIM RESULTS

The board (the “Board”) of directors (the “Directors”) of Common Splendor International Health Industry Group Limited (the “Company”) would like to announce the unaudited consolidated interim results of the Company and its subsidiaries (together, the “Group”) for the six months ended 30 June 2014 (the “Period”) together with the comparative figures for the corresponding period in 2013 as follows:

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

For the six months ended 30 June 2014

|  | Notes | For six months ended 30 June    |                                 |
|--|-------|---------------------------------|---------------------------------|
|  |       | 2014<br>(Unaudited)<br>HK\$'000 | 2013<br>(Unaudited)<br>HK\$'000 |
| Revenue  | 3     | 12,972                          | 4,398                           |
| Costs of sales   |       | (4,994)                         | (43)                            |
| Gross profit   |       | 7,978                           | 4,355                           |
| Other income   | 5     | 944                             | 87                              |
| Selling Expenses   |       | (937)                           | –                               |
| Administrative expenses  |       | (11,615)                        | (6,526)                         |
| Fair value changes on investment properties                                    |       | 3,620                           | 10,600                          |
| (Loss) profit from operations  | 6     | (10)                            | 8,517                           |
| Finance cost   |       | (2)                             | (1)                             |
| (Loss) profit before income tax  |       | (12)                            | 8,516                           |
| Income tax (paid) credit   | 7     | (369)                           | 11                              |
| <b>(Loss) profit for after income tax the period</b>                           |       | <b>(381)</b>                    | <b>8,527</b>                    |
| (Loss) profit after income tax for the period                                  |       | (381)                           | 8,527                           |
| <b>Other comprehensive income, net of income tax</b>                           |       |                                 |                                 |
| <i>Item that may be reclassified subsequent to profit or loss</i>              |       |                                 |                                 |
| Net gain on arising on revaluation of<br>available-for-sales during the period |       | –                               | 365                             |
| Other comprehensive income   |       | –                               | 365                             |
| <b>Total comprehensive (expense) income for the period</b>                     |       | <b>(381)</b>                    | <b>8,892</b>                    |

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

*For the six months ended 30 June 2014*

|  | <b>For six months ended 30 June</b> |                        |
|--|-------------------------------------|------------------------|
|  | <b>2014</b>                         | 2013                   |
|  | <b>(Unaudited)</b>                  | (Unaudited)            |
| <i>Notes</i>   | <b><i>HK\$'000</i></b>              | <b><i>HK\$'000</i></b> |
| <b>(Loss) profit for the period attributable to:</b>                           |                                     |                        |
| Owners of the Company  | 2,231                               | 8,527                  |
| Non-controlling interests  | <u>(2,612)</u>                      | <u>—</u>               |
|  | <u><b>(381)</b></u>                 | <u><b>8,527</b></u>    |
| <b>Total comprehensive (expense) income for the period attributable to:</b>    |                                     |                        |
| Owners of the Company  | 2,231                               | 8,892                  |
| Non-controlling interests  | <u>(2,612)</u>                      | <u>—</u>               |
|  | <u><b>(381)</b></u>                 | <u><b>8,892</b></u>    |
| <b>Earnings per share for the period attributable to owners of the Company</b> |                                     |                        |
|  | <i>9</i>                            |                        |
| Basic (HK cents per share)   | <u><b>0.09</b></u>                  | <u><b>0.35</b></u>     |
| Diluted (HK cents per share)   | <u><b>0.09</b></u>                  | <u><b>0.35</b></u>     |

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2014

|  | <i>Notes</i> | <b>30 June<br/>2014<br/>(Unaudited)<br/>HK\$'000</b> | 31 December<br>2013<br>(Audited)<br>HK\$'000 |
|--|--------------|--|--|
| <b>Non-current assets</b>                    |              |  |  |
| Property, plant and equipment                |              | 2,036  | 436  |
| Investment properties                        |              | 64,620   | 61,000                                       |
| Goodwill                                     |              | 4,467  | 2,939  |
| Interests in joint ventures                  |              | –  | –  |
| Available-for-sale financial assets          |              | 1,033  | –  |
|  |              | <b>72,156</b>  | <b>64,375</b>                                |
| <b>Current assets</b>                        |              |  |  |
| Inventories                                  |              | 1,061  | –  |
| Amount due from a shareholder                | 10           | 98   | 110  |
| Loan to a shareholder                        | 11           | 220,000  | 220,000                                      |
| Debtors, deposits and prepayments            | 12           | 24,232   | 1,912  |
| Short-term loans receivable                  | 13           | 78,000   | 70,500                                       |
| Time deposits and bank balances              |              | 28,599   | 52,336                                       |
| Tax recoverable                              |              | 10   | 10   |
|  |              | <b>352,000</b>                                       | <b>344,868</b>                               |
| <b>Current liabilities</b>                   |              |  |  |
| Creditors and accruals                       | 14           | 11,434   | 1,131  |
| Deposits received and receipts in advance    |              | 574  | 577  |
| Obligation under a finance lease             |              | 6  | 6  |
| Tax payable                                  |              | 367  | –  |
|  |              | <b>12,381</b>  | <b>1,714</b>                                 |
| <b>Net current assets</b>                    |              | <b>339,619</b>                                       | <b>343,154</b>                               |
| <b>Total assets less current liabilities</b> |              | <b>411,775</b>                                       | <b>407,529</b>                               |
| <b>Capital and reserves</b>                  |              |  |  |
| Share capital                                |              | 24,282   | 24,282                                       |
| Share premium                                |              | 351,638  | 351,638                                      |
| Translation reserve                          |              | 234  | 234  |
| Share options reserve                        |              | 31,248   | 31,248                                       |
| Retained profits                             |              | 2,288  | 57   |
| Equity attributable to owners of the Company |              | <b>409,690</b>                                       | <b>407,459</b>                               |
| Non-controlling interests                    |              | 2,018  | –  |
| <b>Total equity</b>                          |              | <b>411,708</b>                                       | <b>407,459</b>                               |
| <b>Non-current liabilities</b>               |              |  |  |
| Obligation under a finance lease             |              | 17   | 20   |
| Deferred tax liabilities                     |              | 50   | 50   |
|  |              | <b>67</b>  | <b>70</b>                                    |
|  |              | <b>411,775</b>                                       | <b>407,529</b>                               |

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

*For the six months ended 30 June 2014*

|  | Equity attributable to the owners of the Company |                  |                        |                                     |                            |                    |                 | Non-<br>controlling<br>interests | Total<br>equity |
|--|--|------------------|------------------------|-------------------------------------|----------------------------|--------------------|-----------------|----------------------------------|-----------------|
|  | Share<br>capital                                 | Share<br>premium | Translation<br>reserve | Securities<br>investment<br>reserve | Share<br>option<br>reserve | Retained<br>profit | Total           |                                  |                 |
|  | <i>HK\$'000</i>                                  | <i>HK\$'000</i>  | <i>HK\$'000</i>        | <i>HK\$'000</i>                     | <i>HK\$'000</i>            | <i>HK\$'000</i>    | <i>HK\$'000</i> | <i>HK\$'000</i>                  | <i>HK\$'000</i> |
| At 1 January 2013 (Audited)  | 24,282   | 351,638          | 234                    | 39                                  | 31,248                     | (8,995)            | 398,446,        | –                                | 398,446         |
| Profit for the period  | –  | –                | –                      | –                                   | –                          | 8,527              | 8,527           | –                                | 8,527           |
| Net gain on arising on revaluation of available-for-sale financial assets                              | –  | –                | –                      | 365                                 | –                          | –                  | 365             | –                                | 365             |
| Total comprehensive income   | –  | –                | –                      | 365                                 | –                          | 8,527              | 8,892           | –                                | 8,892           |
| At 30 June 2013 (Unaudited)  | 24,282   | 351,638          | 234                    | 404                                 | 31,248                     | (468)              | 407,338         | –                                | 407,338         |
| Profit for the Period  | –  | –                | –                      | –                                   | –                          | 525                | 529             | –                                | 529             |
| Net gain on arising on revaluation of available-for-sale financial assets                              | –  | –                | –                      | –                                   | –                          | –                  | –               | –                                | –               |
| Reclassification adjustment relating to available-for-sale financial assets disposal during the period | –  | –                | –                      | (408)                               | –                          | –                  | (408)           | –                                | (408)           |
| Total comprehensive income (expense)   | –  | –                | –                      | (404)                               | –                          | 525                | 121             | –                                | 121             |
| At 31 December 2013 (Audited)  | 24,282   | 351,638          | 234                    | –                                   | 31,248                     | 57                 | 407,459         | –                                | 407,459         |
| Profit for the period  | –  | –                | –                      | –                                   | –                          | 2,231              | 2,231           | (2,612)                          | (381)           |
| Other comprehensive income   | –  | –                | –                      | –                                   | –                          | –                  | –               | –                                | –               |
| Other comprehensive income (expense) during the Period   | –  | –                | –                      | –                                   | –                          | 2,231              | 2,231           | (2,612)                          | (381)           |
| Deem as disposal partial equity of a subsidiary  | –  | –                | –                      | –                                   | –                          | –                  | –               | 790                              | 792             |
| Acquisition of a subsidiary  | –  | –                | –                      | –                                   | –                          | –                  | –               | 1,780                            | 1,782           |
| Deem as non-controlling interest capital injection   | –  | –                | –                      | –                                   | –                          | –                  | –               | 2,060                            | 2,060           |
| As 30 June 2014 (Unaudited)  | <u>24,282</u>                                    | <u>351,638</u>   | <u>234</u>             | <u>–</u>                            | <u>31,248</u>              | <u>2,288</u>       | <u>409,690</u>  | <u>2,018</u>                     | <u>411,708</u>  |

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2014

|  | For six months ended 30 June   |                                |
|--|--------------------------------|--------------------------------|
|  | 2014                           | 2013                           |
|  | (Unaudited)<br><i>HK\$'000</i> | (Unaudited)<br><i>HK\$'000</i> |
| Net cash used in operating activities                | (20,518)                       | (79,493)                       |
| Net cash used in investing activities                | (3,366)                        | 45,068                         |
| Net cash used in financing activities                | (5)                            | (8)                            |
|  | <hr/>                          | <hr/>                          |
| Net decrease in cash and cash equivalents            | (23,889)                       | (34,433)                       |
| Effect of foreign exchange rate changes, net         | 152                            | –                              |
| Cash and cash equivalents at 1 January               | 52,336                         | 86,769                         |
|  | <hr/>                          | <hr/>                          |
| Cash and cash equivalents at 30 June                 | <u>28,599</u>                  | <u>52,336</u>                  |
|  | <hr/>                          | <hr/>                          |
| Analysis of the balance of cash and cash equivalents |                                |                                |
| Time deposits and bank balances                      | <u>28,599</u>                  | <u>52,336</u>                  |

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

## 1. Basis of preparation

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

These unaudited condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements as at 31 December 2013.

These unaudited condensed consolidated financial statements have been prepared on the historical cost basis except for investment properties, which are measured at fair values, as appropriate.

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

The accounting policies adopted in these unaudited condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2013 except as described below.

Within the Period, the Group has applied, for the first time, the following the new HKFRSs issued by the HKICPA, which are effective for current accounting period of the Group. The new HKFRSs adopted by the Group in the unaudited condensed consolidated financial statements are set out below:

|  |  |
|--|--|
| HKFRS 10, HKFRS 12 and<br>HKAS 27 (Amendments) | Investment Entities  |
| HKAS 32 (Amendments)                           | Offsetting Financial Assets and Financial Liabilities        |
| HKAS 36 (Amendments)                           | Recoverable Amount Disclosures for Non-Financial Assets      |
| HKAS 39 (Amendments)                           | Novation of Derivatives and Continuation of Hedge Accounting |
| HK(IFRIC) – Int 21                             | Levies   |

The adoption of the above new HKFRSs in current period has had no material impact on the results and the financial position of the Group.

## 3. Revenue

### For six months ended 30 June

| 2014        | 2013        |
|-------------|-------------|
| (Unaudited) | (Unaudited) |
| HK\$'000    | HK\$'000    |

Revenue represents the aggregate amounts received and receivable from third parties and analysed as follows:

|   |               |              |
|---|---------------|--------------|
| Membership fee and trading income from health management business | 6,176         | –            |
| Sales of health fast food   | 369           | –            |
| Interest income from investment and finance                       | 5,512         | 3,478        |
| Property rental income  | 915           | 920          |
|   | <u>12,972</u> | <u>4,398</u> |

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

### 4. Operating segments

The Group determines its operating segments based on the reports reviewed by the chief operating decision-makers that are used to make strategic decisions.

The Group has engaged in three reportable segments (i) health industry; (ii) investment and finance; and (iii) properties investment. The segmentations are based on the information about the operation of the Group that management uses to make decisions.

Principal activities are as follows:

|                        |   |   |
|------------------------|---|---|
| Health Industry        | – | (a) Health management and (b) Health fast food electronic |
| Investment and finance | – | Investing and financing activities                        |
| Properties investment  | – | Property leasing  |

The Group's measurement methods used to determine reported segment profit or loss remain unchanged with 2013.

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

#### Information about major customers

Included in revenue arising from investment and finance of approximately HK\$5,512,000 (2013: HK\$3,478,000) is revenue of approximately HK\$2,940,000 (2013: HK\$2,975,000) which arose from the Group's one (2013: one) major customer and this customer accounted for more than 10% of the Group's total revenue.

Revenue from customers contributing over 10% of the total revenue of the Group during Period was as follows:

|                         | For six months ended 30 June |              |
|-------------------------|------------------------------|--------------|
|                         | 2014                         | 2013         |
|                         | (Unaudited)                  | (Unaudited)  |
|                         | HK\$'000                     | HK\$'000     |
| Investment and finance: |                              |              |
| Customer A              | <u>2,940</u>                 | <u>2,975</u> |

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

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

Operating segment information is presented below:

#### Condensed Consolidation Statements of Profit or Loss and Other Comprehensive Income For the six months ended 30 June 2014

|   | Health Industry                                 |  |                                      | Investment<br>and finance<br>(Unaudited)<br>HK\$'000 | Properties<br>investment<br>(Unaudited)<br>HK\$'000 | Consolidated<br>(Unaudited)<br>HK\$'000 |
|---|---|--|--------------------------------------|--|---|---|
|   | Health<br>management<br>(Unaudited)<br>HK\$'000 | Health<br>fast food<br>electronic<br>(Unaudited)<br>HK\$'000 | Sub-total<br>(Unaudited)<br>HK\$'000 |  |   |   |
| <b>Revenue</b>                                      |   |  |                                      |  |   |   |
| Revenue from external customers                     | 6,176   | 369  | 6,545                                | 5,512  | 915   | 12,972                                  |
| <b>Results</b>                                      |   |  |                                      |  |   |   |
| Segment results for reportable segments             | (160)   | (5,844)  | (6,004)                              | 2,345  | 327   | (3,332)                                 |
| Bank interest income                                | 4   | -  | 4                                    | 10   | -   | 14                                      |
| Unallocated items                                   |   |  |                                      |  |   |   |
| Unallocated corporate expenses, net                 |   |  |                                      |  |   | (1,048)                                 |
| Income tax paid                                     | (368)   | (1)  | (369)                                |  |   | (369)                                   |
| <b>Core loss (excluding major non-cash item)</b>    |   |  |                                      |  |   | (4,735)                                 |
| <i>Major non-cash item (excluding depreciation)</i> |   |  |                                      |  |   |   |
| Fair value changes on investment properties         |   |  |                                      |  | 3,620   | 3,620                                   |
| Gain on disposal of partial equity of a subsidiary  | 734   |  |                                      |  |   | 734                                     |
| Loss for the Period                                 |   |  |                                      |  |   | (381)                                   |

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

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

#### Condensed Consolidated Statement of Financial Position

As at 30 June 2014

|   | Health Industry                                 |  |                                      | Investment<br>and finance<br>(Unaudited)<br>HK\$'000 | Properties<br>investment<br>(Unaudited)<br>HK\$'000 | Consolidated<br>(Unaudited)<br>HK\$'000 |
|---|---|--|--------------------------------------|--|---|---|
|   | Health<br>management<br>(Unaudited)<br>HK\$'000 | Health<br>fast food<br>electronic<br>(Unaudited)<br>HK\$'000 | Sub-total<br>(Unaudited)<br>HK\$'000 |  |   |   |
| <b>Assets</b>                               |   |  |                                      |  |   |   |
| Segment assets for reportable segments      | <u>16,304</u>                                   | <u>3,661</u>   | <u>19,965</u>                        | <u>314,250</u>                                       | <u>69,652</u>                                       | <u>403,867</u>                          |
| Unallocated corporate assets                |   |  |                                      |  |   | <u>20,289</u>                           |
| Consolidated total assets                   |   |  |                                      |  |   | <u>424,156</u>                          |
| <b>Liabilities</b>                          |   |  |                                      |  |   |   |
| Segment liabilities for reportable segments | <u>9,699</u>                                    | <u>1,188</u>   | <u>10,887</u>                        | <u>428</u>   | <u>598</u>  | <u>11,913</u>                           |
| Unallocated corporate liabilities           |   |  |                                      |  |   | <u>535</u>                              |
| Consolidated total liabilities              |   |  |                                      |  |   | <u>12,448</u>                           |

#### Condensed Consolidation Statements of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2013

|  | Health Industry                                 |  |                                      | Investment<br>and finance<br>(Unaudited)<br>HK\$'000 | Properties<br>investment<br>(Unaudited)<br>HK\$'000 | Consolidated<br>(Unaudited)<br>HK\$'000 |
|--|---|--|--------------------------------------|--|---|---|
|  | Health<br>management<br>(Unaudited)<br>HK\$'000 | Health<br>fast food<br>electronic<br>(Unaudited)<br>HK\$'000 | Sub-total<br>(Unaudited)<br>HK\$'000 |  |   |   |
| <b>Revenue</b>                                   |   |  |                                      |  |   |   |
| Revenue from external customers                  | <u>–</u>  | <u>–</u>   | <u>–</u>                             | <u>3,478</u>   | <u>920</u>  | <u>4,398</u>                            |
| <b>Results</b>                                   |   |  |                                      |  |   |   |
| Segment results for reportable segments          | <u>–</u>  | <u>–</u>   | <u>–</u>                             | <u>(224)</u>   | <u>(27)</u>   | <u>(251)</u>                            |
| Bank interest income                             | –   | –  | –                                    | 53   | –   | 53                                      |
| Unallocated items                                |   |  |                                      |  |   |   |
| Unallocated corporate expenses, net              |   |  |                                      |  |   | (1,886)                                 |
| Income tax credit                                |   |  |                                      |  | 11  | <u>11</u>                               |
| <b>Core loss (excluding major non-cash item)</b> |   |  |                                      |  |   | <u>(2,073)</u>                          |
| Major non-cash item (excluding depreciation)     |   |  |                                      |  |   |   |
| Fair value changes on investment properties      |   |  |                                      |  | 10,600  | <u>10,600</u>                           |
| <b>Profit for the period</b>                     |   |  |                                      |  |   | <u>8,527</u>                            |

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

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

#### Condensed Consolidated Statement of Financial Position

As at 31 December 2013

|  | Health Industry                               |  |                                    | Investment<br>and finance<br>(Audited)<br>HK\$'000 | Properties<br>investment<br>(Audited)<br>HK\$'000 | Consolidated<br>(Audited)<br>HK\$'000 |
|--|---|--|------------------------------------|--|---|---------------------------------------|
|  | Health<br>management<br>(Audited)<br>HK\$'000 | Health<br>fast food<br>electronic<br>(Audited)<br>HK\$'000 | Sub-total<br>(Audited)<br>HK\$'000 |  |   |                                       |
| <b>Assets</b>                                  |   |  |                                    |  |   |                                       |
| Segment assets for<br>reportable segments      | 17,493  | –  | 17,493                             | 321,546  | 65,101  | 404,140                               |
| Unallocated corporate assets                   |   |  |                                    |  |   | 5,103                                 |
| Consolidated total assets                      |   |  |                                    |  |   | 409,243                               |
| <b>Liabilities</b>                             |   |  |                                    |  |   |                                       |
| Segment liabilities for<br>reportable segments | 594   | –  | 594                                | 568  | 531   | 1,693                                 |
| Unallocated corporate liabilities              |   |  |                                    |  |   | 91                                    |
| Consolidated total liabilities                 |   |  |                                    |  |   | 1,784                                 |

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales in the Period (2013: Nil).

Segment results represent the profit earned (the loss incurred) by each segment without allocation of corporate expenses, bank interest income, income tax credit/expense, and major non-cash items including fair value changes on investment properties and gain on disposal of partial equity of a subsidiary.

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

All assets related to health management, health fast food electronic, investment and finance and properties investment are allocated to reportable segments other than unallocated corporate assets which mainly include property, plant and equipment, partial prepayment and deposits and corporate bank balances.

All liabilities related to health management, health fast food electronic, investment and finance and properties investment are allocated to reportable segments other than unallocated corporate liabilities which mainly include accruals and obligation under finance lease.

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

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

#### Geographical information

For the Periods, the Group's operations are located in the Mainland China and Hong Kong and the Group's revenue is all derived from Mainland China and Hong Kong. For the six months ended 30 June 2013, all the Group's operations are located in Hong Kong and the Group's revenue is all derived from Hong Kong.

|   | <b>For six months ended 30 June</b> |               |
|---|-------------------------------------|---------------|
|   | <b>2014</b>                         | 2013          |
|   | <b>(Unaudited)</b>                  | (Unaudited)   |
|   | <b>HK\$'000</b>                     | HK\$'000      |
| <b>Revenue</b>  |                                     |               |
| Mainland China  | 6,544                               | –             |
| Hong Kong   | 6,428                               | 4,398         |
|   | <u>12,972</u>                       | <u>4,398</u>  |
|   | <b>30 June</b>                      | 31 December   |
|   | <b>2014</b>                         | 2013          |
|   | <b>(Unaudited)</b>                  | (Audited)     |
|   | <b>HK\$'000</b>                     | HK\$'000      |
| <b>Non-current assets (excluding deferred tax liabilities and financial instrument)</b> |                                     |               |
| Mainland China  | 4,235                               | –             |
| Hong Kong   | 67,921                              | 64,375        |
|   | <u>72,156</u>                       | <u>64,375</u> |

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

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

#### Other segments information

For the six months ended 30 June 2014

|  | Health Industry   |                             |             |                        |                       |             |              |
|--|-------------------|-----------------------------|-------------|------------------------|-----------------------|-------------|--------------|
|  | Health management | Health fast food electronic | Sub-total   | Investment and finance | Properties investment | Unallocated | Consolidated |
|  | (Unaudited)       | (Unaudited)                 | (Unaudited) | (Unaudited)            | (Unaudited)           | (Unaudited) | (Unaudited)  |
|  | HK\$'000          | HK\$'000                    | HK\$'000    | HK\$'000               | HK\$'000              | HK\$'000    | HK\$'000     |
| Capital Expenditure*   | 1,638             | 47                          | 1,685       | 3                      | -                     | -           | 1,688        |
| Depreciation   | (9)               | (2)                         | (11)        | -                      | -                     | (77)        | (88)         |
| Reversal of impairment loss recognised in respect of a joint venture | -                 | -                           | -           | -                      | -                     | 91          | 91           |
| Additions to available-for-sale financial assets                     | 1,033             | -                           | 1,033       | -                      | -                     | -           | 1,033        |

For the six months ended 30 June 2013

|                      | Health Industry   |                             |             |                        |                       |             |              |
|----------------------|-------------------|-----------------------------|-------------|------------------------|-----------------------|-------------|--------------|
|                      | Health management | Health fast food electronic | Sub-total   | Investment and finance | Properties investment | Unallocated | Consolidated |
|                      | (Unaudited)       | (Unaudited)                 | (Unaudited) | (Unaudited)            | (Unaudited)           | (Unaudited) | (Unaudited)  |
|                      | HK\$'000          | HK\$'000                    | HK\$'000    | HK\$'000               | HK\$'000              | HK\$'000    | HK\$'000     |
| Capital Expenditure* | -                 | -                           | -           | -                      | -                     | 11          | 11           |
| Depreciation         | -                 | -                           | -           | -                      | -                     | (76)        | (76)         |

\* Capital expenditure consists to additions to property, plant and equipment

### 5. Other income

|  | For six months ended 30 June    |                                 |
|--|---------------------------------|---------------------------------|
|  | 2014<br>(Unaudited)<br>HK\$'000 | 2013<br>(Unaudited)<br>HK\$'000 |
| Gain on disposal of partial equity of a subsidiary                   | 734                             | -                               |
| Reversal of impairment loss recognised in respect of a joint venture | 91                              | -                               |
| Bank interest income   | 14                              | 53                              |
| Other property income  | 9                               | 8                               |
| Other income   | 25                              | 1                               |
| Exchange gain, net   | 71                              | 25                              |
|  | <u>944</u>                      | <u>87</u>                       |

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

### 6. (Loss)/profit for the period

|  | For six months ended 30 June    |                                 |
|--|---------------------------------|---------------------------------|
|  | 2014<br>(Unaudited)<br>HK\$'000 | 2013<br>(Unaudited)<br>HK\$'000 |
| (Loss)/profit for the period has been arrived at after (charging)/crediting:                               |                                 |                                 |
| Inventories consumed for sales   | (2,990)                         | –                               |
| Total staff costs, including Directors' emoluments:  |                                 |                                 |
| Salaries and other benefits  | (7,657)                         | (3,396)                         |
| Retirement benefit scheme contributions  | (236)                           | (61)                            |
|  | (7,893)                         | (3,457)                         |
| Auditors' remuneration   | (175)                           | (150)                           |
| Depreciation of property, plant and equipment  | (88)                            | (76)                            |
| Operating lease rentals in respect of rented premises  | (1,473)                         | (460)                           |
| Gross rental income from investment properties   | 915                             | 920                             |
| Less: Direct operating expenses from investment properties that generated rental income during the period  | (38)                            | (37)                            |
| Direct operating expenses from investment properties that did not generate rental income during the period | (6)                             | (6)                             |
|  | <u>871</u>                      | <u>877</u>                      |

### 7. Income tax (paid) credit

|                                | For six months ended 30 June    |                                 |
|--------------------------------|---------------------------------|---------------------------------|
|                                | 2014<br>(Unaudited)<br>HK\$'000 | 2013<br>(Unaudited)<br>HK\$'000 |
| The credit/(charge) comprises: |                                 |                                 |
| Current tax:                   |                                 |                                 |
| PRC Profit Tax                 | (369)                           | –                               |
| Hong Kong Profit Tax           | –                               | –                               |
|                                | (369)                           | –                               |
| Deferred Tax                   |                                 |                                 |
| Current period                 | –                               | 8                               |
| Prior period                   | –                               | 3                               |
|                                | <u>(369)</u>                    | <u>11</u>                       |

The People's Republic of China (the "PRC") and Hong Kong profit tax rates are calculated at 6% to 25% (2013: Nil) and 16.5% (2013: 16.5%) respectively on the estimated profit for the both periods.

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

### 8. Dividend

|   | For six months ended 30 June |                 |
|---|------------------------------|-----------------|
|   | 2014                         | 2013            |
|   | (Unaudited)                  | (Unaudited)     |
|   | <i>HK\$'000</i>              | <i>HK\$'000</i> |
| Final dividend for 2013 of HK\$Nil (2012:HK\$Nil) per share | —                            | —               |

The Directors do not recommend any payments of interim dividend for the Period (2013: HK\$Nil).

### 9. Earnings per share

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

|  | For six months ended 30 June |                 |
|--|------------------------------|-----------------|
|  | 2014                         | 2013            |
|  | (Unaudited)                  | (Unaudited)     |
|  | <i>HK\$'000</i>              | <i>HK\$'000</i> |
| <i>Earnings</i>  |                              |                 |
| Earnings for the purpose of basic/diluted earnings per share profit for the period attributable to owners of the Company | 2,231                        | 9,052           |
| <i>Number of shares</i>  |                              |                 |
| Weighted average number of ordinary shares for the purpose of basic earnings per share                                   | 2,428,255                    | 2,428,255       |
| Effect of dilutive potential ordinary shares:  |                              |                 |
| Share options issued by the Company  | 80,273                       | 89,098          |
| Weighted average number of ordinary shares for the purpose of diluted earnings per share                                 | 2,508,528                    | 2,517,353       |

### 10. Amount due from a shareholder

Details of the amount due from a shareholder disclosed pursuant to section 161B of the Companies Ordinance are as follows:

| Name of shareholder                              | Maximum amount outstanding during the period | 30 June         | 31 December     |
|--|--|-----------------|-----------------|
|  |  | 2014            | 2013            |
|  |  | (Unaudited)     | (Audited)       |
|  | <i>HK\$'000</i>                              | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Champion Dynasty Limited<br>("Champion Dynasty") | 114  | 98              | 110             |

The amount due from a shareholder is unsecured, interest bearing and has no fixed terms of repayment. The Directors consider the carrying amount of the amount due from a shareholder approximate to the fair value.

Champion Dynasty is directly owned by an executive Director, Mr. Cheung Wai Kuen ("Mr. Cheung").

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

### 11. Loan to a shareholder

On 27 September 2012, the Company, as lender, entered into a loan agreement with Champion Dynasty, as borrower, and Mr. Cheung, as an individual guarantor, and Guangdong Allad Commercial Development Company Limited\* (廣東奧理德商業發展有限公司) (formerly known as Guangdong Allad Yiliao Touzi Company Limited (廣東奧理德醫療投資有限公司) ("Guangdong Allad"), as a corporate guarantor, to grant a three-year revolving loan facility of up to HK\$220,000,000 to Champion Dynasty at an interest rate of HIBOR plus 2.5% per annum (the "Revolving Loan"). The Revolving Loan was carried with the term of repayable on demand clause.

Details of the Revolving Loan were set out in the Company's announcements and circular dated 28 September 2012, 8 October 2012 and 19 October 2012, 22 October 2012, 1 November 2012, 5 November 2012 and 20 November 2012 respectively.

| Name of shareholder | Maximum amount<br>outstanding<br>during the period<br>(Unaudited)<br>HK\$'000 | 30 June<br>2014<br>(Unaudited)<br>HK\$'000 | 31 December<br>2013<br>(Audited)<br>HK\$'000 |
|---------------------|---|--|--|
| Champion Dynasty    | 220,000   | <u>220,000</u>                             | <u>220,000</u>                               |

### 12. Debtors, deposits and prepayments

Included in debtors, deposits and prepayments as at 30 June 2014 are trade receivable of HK\$2,032,000 (2013: HK\$ Nil) comprised rental receivables billed in advance and settlements from tenants are expected upon receipts of billings.

The Group maintains a defined credit policy to assess the credit quality of each counter party. The collection is closely monitored by the Group to minimise any credit risk associated with these trade receivables. Rental in respect of leased properties are payable in advance by the tenants.

The following was the aged analysis of trade receivable (net of allowance for doubtful debts), at the end of the reporting period:

|             | 30 June<br>2014<br>(Unaudited)<br>HK\$'000 | 31 December<br>2013<br>(Audited)<br>HK\$'000 |
|-------------|--|--|
| 0 – 30 days | <u>2,032</u>                               | <u>–</u>                                     |

Total trade receivables as at 30 June 2014 were past due but not impaired.

Despite the fact that no collateral is held, the Group has assessed the creditworthiness, past payment history and settlement after the end of the Period, and considered that amounts are still recoverable and no allowance for doubtful debts is required.

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

### 13. Short-term loans receivable

|  | <b>30 June<br/>2014<br/>(Unaudited)<br/>HK\$'000</b> | 31 December<br>2013<br>(Audited)<br>HK\$'000 |
|--|--|--|
| Loan receivable  |  |  |
| Secured ( <i>note i</i> )  | <b>40,000</b>  | 40,000                                       |
| Unsecured ( <i>note ii</i> )   | <b>38,000</b>  | 30,500                                       |
|  | <b>78,000</b>  | 70,500                                       |
| Less: amounts written off as uncollectible during the reporting period | –  | –  |
|  | <b>78,000</b>  | 70,500                                       |
| carrying amount receivable ( <i>note iii</i> )                         |  |  |
| Within one year  | <b>78,000</b>  | 70,500                                       |

#### Notes:

- i) Secured by corporation guarantee provided by 廣東省東莞市悅海實業投資有限公司 and bear interest at 5% per annum.
- ii) Bear interest of 8% per annum is charge on the outstanding loan balances.
- iii) The amount due are based on the scheduled repayment dates set out in the loan agreements. All loans are repayable within one year.

Total short-term loans as at 30 June 2014 was not past due.

The Group maintained a defined credit policy in accordance with respective loan agreements and the Group did not hold any collateral over these balances.

### 14. Creditors and accruals

Included in creditors and accruals are the trade payables of approximately HK\$498,000 as at 30 June 2014 (31 December 2013: HK\$ Nil).

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

|             | <b>30 June<br/>2014<br/>(Unaudited)<br/>HK\$'000</b> | 31 December<br>2013<br>(Audited)<br>HK\$'000 |
|-------------|--|--|
| 0 – 90 days | <b>498</b>   | –  |

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

### 15. Share capital

|  | Number<br>of shares | Shares<br>capital<br><i>HK\$'000</i> |
|--|---------------------|--------------------------------------|
| Ordinary shares of HK\$0.01 each                     |                     |                                      |
| Authorised:  |                     |                                      |
| At 1 January 2013, 31 December 2013 and 30 June 2014 | 80,000,000,000      | 800,000                              |
| Issued and fully paid:                               |                     |                                      |
| At 1 January 2013, 31 December 2013 and 30 June 2014 | 2,428,255,008       | 24,282                               |

### 16. Related party transactions

During the Period, the Group had the following transactions with related parties:

|   | For six months ended 30 June           |  |
|---|--|--|
|   | 2014<br>(Unaudited)<br><i>HK\$'000</i> | 2013<br>(Unaudited)<br><i>HK\$'000</i> |
| Interest Income on loan to a shareholder ( <i>Note 1</i> )            | 2,940                                  | 2,975                                  |
| Loan to a shareholder ( <i>Note 2</i> )                               | 220,000                                | 220,000                                |
| Interest receivable from a shareholder ( <i>Note 1</i> )              | 98                                     | 110                                    |
| Salary and other allowance paid to a director's spouse                | 408                                    | 408                                    |
| Contribution to retirement benefit scheme paid to a director's spouse | 8                                      | 8                                      |

*Notes:*

- (1) Interest income was charged on outstanding balance during the Period. Details are set out in note 10 and 11.
- (2) As at 30 June 2014, the Company had lent a shareholder – Champion Dynasty with the sum of HK\$220,000,000 which bearing interest rate at HIBOR plus 2.5%. Details are set out in note 11.

## **INTERIM DIVIDEND**

The Board has resolved not to declare payment of any interim dividend for the Period (2013: HK\$ Nil).

## **FINANCIAL OPERATION REVIEW**

### **Results**

The Group's revenue for the Period was approximately HK\$12,972,000 (2013: HK\$4,398,000), a great increase of approximately HK\$8,574,000 when compared with last period. The Group's gross profit for the Period amounted to approximately HK\$7,978,000 (2013: HK\$4,355,000), an increase of approximately 83.2% as compared with last period.

The revenue from health management and health fast food electronic were approximately HK\$6,176,000 and HK\$369,000 for the Period and the Group had not commenced these businesses for the last period.

Income from the investment and finance segment for the Period represented interest income from a loan to a shareholder of the Company of approximately HK\$2,940,000 (2013: HK\$2,975,000) and certain third-party borrowers of approximately HK\$2,572,000 (2013: HK\$211,000). There was interest income of approximately HK\$292,000 from a floating rate note in principal amount of USD5,000,000 for the last period but there was no such income for the Period as it was disposed in August 2013.

For property leasing, the rental income slightly decreased to approximately HK\$915,000 (2013: HK\$920,000), as a result of a slight decline in average occupancy rate of the properties. Included the results for the Period was an increase in fair value of investment properties of approximately HK\$3,620,000 (2013: HK\$10,600,000).

### **Profit attributable to owners of the Company**

Compared with profit of approximately HK\$8,527,000 last year, loss after income tax of the Group for the Period was approximately HK\$381,000. It was because the health management and the healthy fast food electronic businesses were started by the Group in October 2013 and January 2014, respectively, therefore such businesses were at beginning stage. The losses after income tax for the Period incurred in the health management and health fast food electronic businesses were approximately HK\$524,000 and HK\$5,845,000. And such losses were due to the administrative and operating expenses incurred in the health management and health fast food electronic businesses for the Period such as rental payment, salaries and wages, etc. before commencement of such businesses. However, it is because these two businesses are co-operation with well-experienced investors in such industries. Therefore, after deduction of the loss attributable to non-controlling interests, the losses attributable to the owners of the Company for the Period incurred in the health management and the healthy fast food electronic businesses were approximately HK\$718,000 and HK\$3,039,000, respectively. On the contrary, the profit of the Group for the Period incurred in old businesses (i.e. investment and financing and properties investment) still recorded profit after the income tax of approximately HK\$5,988,000. Then, although loss after the income tax of the Group for the Period was approximately HK\$381,000, the consolidated profit attributable to the owners of the Company for the Period was approximately HK\$2,231,000 (2013: HK\$8,527,000). Both basic and diluted earnings per share were approximately HK0.09 cent (2013: HK0.35 cents).

## **FINANCIAL OPERATION REVIEW (cont'd)**

### **Core loss**

The major non-cash items for the Period were the increase in fair value of investment properties of HK\$3,620,000 (2013: HK\$10,600,000) and a gain on disposal of partial equity of a subsidiary of HK\$734,000 (2013: Nil). The core loss attributable to owners of the Company for the Period was HK\$4,735,000 (2013 profit: HK\$2,073,000) when the major non-cash item is excluded. The core loss for the Period was mainly resulted in the losses incurred in Health management and health fast food electronic businesses.

### **Net Asset Value**

As at 30 June 2014, the net assets attributable to the owners of the Company was HK\$409,690,000 (31 December 2013: HK\$407,459,000), an increase of HK\$2,231,000 as compared with last financial year. The increase was caused by consolidated profit attributable to the owners of the Company for the Period of HK\$2,231,000. As at 30 June 2014, the non-controlling interests of the Company amounted to approximately HK\$2,018,000 (31 December 2013: Nil).

Net asset value per share attributable to owners of the Company as at 30 June 2014 was approximately HK16.9 cents (31 December 2013: HK16.8 cents).

### **Investment and Finance**

As at 30 June 2014, the Group made the Revolving Loan to Champion Dynasty of HK\$220,000,000 at HIBOR plus 2.5% per annum and has provided short term loans of HK\$78,000,000 to certain third-party borrowers under the Money Lenders Ordinance at an interest rates range from 5% to 8% per annum. No hedging for interest rate and foreign currency was subsisted during the Period. As at 30 June 2014, the loan to Champion Dynasty and the borrowers under money lender business amounted to HK\$298,000,000 (31 December 2013: HK\$290,500,000) representing 70% (31 December 2013: 71%) of the total assets of the Group.

### **Equity**

The number of issued ordinary shares of the Company (the "Share(s)") as at 30 June 2014 and 31 December 2013 was 2,428,255,008.

### **Debt and equity ratio**

The Group did not have any borrowings as at 30 June 2014 and 31 December 2013.

Time deposits and bank balances as at 30 June 2014 was approximately HK\$28,599,000 (31 December 2013: HK\$52,336,000). The majority of the Group's income for the Period was denominated in Hong Kong Dollars and Renminbi and no hedging for non-Hong Kong Dollars assets or investments had been made during the Period.

## FINANCIAL OPERATION REVIEW (cont'd)

### Pledge of Assets

As at 30 June 2014 and 31 December 2013, no assets were pledged by the Group to secure any banking facilities and the Group did not have any obligations under banking facility documentation.

### Capital Commitments and Contingent Liabilities

On 21 June 2013, Common Splendor International Health Management Limited (“CS Health Management”) (formerly known as Wisestar Development Limited) (being an indirect non-wholly-owned subsidiary of the Company) entered a share investment and arrangement agreement in relation to acquisition of 35% equity interest in Dongguan Southern Medical University Metabolic Medicines Research and Development Company Limited\* (東莞南方醫大代謝醫學研發有限公司) (“Southern Metabolic”) with the consideration of RMB820,000 and agreement to pay an amount of RMB800,000 as working capital of the Southern Metabolic in cash. The completion was taken place on 20 February 2014. A sum of RMB820,000 was paid by CS Health Management during the Period and another sum of RMB800,000 was paid in July 2014. Therefore, as at 30 June 2014, the capital commitment of the Group in relation to acquire 35% equity interest in Southern Metabolic are RMB800,000 (equivalent to approximately HK\$1,017,000) (31 December 2013: HK\$2,060,000).

On 28 June 2014, Gold Stable Limited (“Gold Stable”) (being a direct wholly-owned subsidiary of the Company) (as buyer), Billion High Worldwide Investments Limited (“Billion High”) (as seller), Mr. Huang Zhu Liang (as seller’s guarantor), Guangdong Allad and Zhao Long International Medical Investment Management Group Limited (“Zhao Long Medical”) entered into a sales and purchase agreement pursuant to which Gold Stable conditionally agreed to acquire and Billion High conditionally agreed to sell 35,000 shares of the Zhao Long Medical, the representing 70% of the issued share capital of Zhao Long Medical (“the Target Shares”). Upon Completion, Gold Stable will hold 70% of the issued share capital of the Zhao Long Medical. The consideration of the Target Shares is HK\$40,000,000 in cash (subject to adjustment, if any, in cash and/or new Shares pursuant to the terms of this agreement). This sum of HK\$40,000,000 should be paid to the Billion High (or its nominee) within 15 business days of the date of this agreement as a refundable deposit for the consideration for the Target Shares in accordance with the terms of this agreement. Included in this consideration of HK\$14,000,000 was paid in cash during the Period and its outstanding of HK\$26,000,000 was also paid in cash in July 2014.

As a result, the aggregate material capital commitment of the Group was approximately HK\$27,017,000 (31 December 2013: HK\$2,060,000) as at 30 June 2014 and there has no material contingent liability as at 30 June 2014 and 31 December 2013.

### Financial and Interest Income/Expenses

Interest income was included in both revenue and other income for the Period. Recorded in revenue for the Period was interest income derived from the Revolving Loan to Champion Dynasty and loans to certain third-party borrowers, amounting to approximately HK\$5,512,000 (2013: HK\$3,478,000). Recorded in other income was bank interest income of approximately HK\$14,000 (2013: HK\$53,000). There was also finance cost of approximately HK\$2,000 (2013: HK\$1,000) during the Period.

## FINANCIAL OPERATION REVIEW (cont'd)

### Remuneration Policies and Share Option Scheme

As at 30 June 2014, the number of employees of Group was 161 (31 December 2013: 7). Total staff cost excluding Directors' emoluments for the Period was approximately HK\$6,358,000 (2013: HK\$1,871,000). Compare with last period, the reason of significant rise on staff cost of the Group for the Period was merely 154 number of staff increased in the PRC for the Group in development of health management and health fast food businesses. The share option scheme had been adopted on 11 October 2012. The Company had granted an aggregate of 168,000,000 share options carrying the right to subscribe for the nominal ordinary Shares of HK\$0.01 each, representing approximately 6.92% of total of 2,428,255,008 issued Shares as at 18 December 2012 (date of grant). No option was exercised during the Period. Therefore, the outstanding of share options of the Company was still 168,000,000 as at 30 June 2014.

### Property Valuation

A property valuation has been carried out by Peak Vision Appraisals Limited ("Peak Vision"), an independent qualified professional valuer, in respect of the Group's investment properties as at 30 June 2014 and it was used in preparing 2014 interim results. The property valuation as at 31 December 2013 was carried out by Roma Appraisals Limited. The valuation was based on either direct comparison approach assuming each of these properties is capable of being sold in its existing state with the benefit of vacant possession and by making reference to comparable sales evidence as available in the relevant markets, or investment method by taking into account the current passing rents and the reversionary income potential of such properties.

The Group's investment properties were valued at HK\$64,620,000 as at 30 June 2014, the increase in fair value of HK\$3,620,000 was credited to the condensed consolidated statement of profit or loss and other comprehensive income for the Period.

## BUSINESS REVIEW

During the Period, the Group was mainly engaged in the businesses of (i) Health Industry; (ii) investment and finance; and (iii) properties investment.

### Health Industry

#### *Health Management*

The revenue and net loss attributable to the health management business for the Period were approximately HK\$6,176,000 (2013: Nil) and HK\$524,000 (2013: Nil), respectively. The revenue for the Period included the membership fee of approximately HK\$3,423,000 and trading income of HK\$2,753,000, respectively. On 16 October, 2013, the Group formally rented about 2,975 square meters of two floors commercial buildings in Guangzhou Biological Island as a health management business headquarter and the first operational centre – *Guangzhou Centre*. The form of services provided by Guangzhou Centre is operated as membership. The customer need to pay a non-refundable but transferable membership fee to purchase membership in order to enjoy the chargeable health management services in relation to usages of functional medicine, sleep medicine, genetics, stress medicine, fitness and the latest medical treatment. The Group commenced the pre-sale of the membership in November 2013, and as its decoration works was completed, the Group officially stationed Biological Island Commercial Building office in March 2014. The Guangzhou Center is scheduled to formally open in the fourth quarter of 2014.

## **BUSINESS REVIEW (cont'd)**

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

#### ***Health Fast Food Electronic***

The health fast food electronic business, carried out in the name of “Happy Fun Health Fast Food”, was only launched as a trial operation in February 2014, with the comprehensive online ordering and meal delivery services subsequently commenced in June 2014. The preliminary meal delivery areas cover Futian, Luohu, Nanshan and Bao’an that four districts and totally 120 high class commerce buildings. The revenue and net loss attributable to health fast food electronic commerce for the Period were approximately HK\$369,000 (2013: Nil) and HK\$5,845,000 (2013: Nil).

### **Investment and Finance**

For the Period, the Company accrued an interest income in the sums of approximately HK\$2,940,000 (2013: HK\$2,975,000) from the loan to Champion Dynasty and of approximately HK\$2,572,000 (2013: HK\$211,000) from loans to certain third-party borrowers.

### **Properties Investment**

As at 30 June 2014, the Group held 31 car parking spaces with 5 adjoining spaces and a carport basement situated in Wanchai and Central. The relevant occupancy rate was approximately 83% with rental income amounted to about HK\$915,000 for the Period. The rental income represented a reduction of 0.5% as compared to last year. Besides, an unrealised fair value gains on investment properties in the amount of HK\$3,620,000 was recorded during the Period.

## **EVENTS AFTER THE REPORTING PERIOD**

On 7 July 2014, the Company and ACMEWAY (Beijing) Technique and Consultant Company Limited\* (奧美之路(北京)技術顧問有限公司) (“ACMEWAY”) entered into a strategic co-operation agreement which is a non-legal binding in nature, pursuant to which the Company and ACMEWAY will use the advanced and effective methods with concentrated combination of exercise and nutrition to provide physical fitness services for the growth of the children and the teenagers between 0 to 18 year-old (the “Children and Teenagers”) in the PRC. At same time, Great King Limited (“Great King”), an indirect wholly-owned subsidiary of the Company, and ACMEWAY, entered into two legally-binding agreements which are the joint venture agreement and the framework for technical co-operation, pursuant to which Great King and ACMEWAY agreed to set up a joint venture company which will be owned by Great King (or its subsidiary) and ACMEWAY as to 80% and 20%, respectively. Details are set out in the Company’s announcement dated 7 July 2014.

On 21 July 2014, Common Splendor International Investment Fund Management Limited (“CS Fund”), an indirect wholly-owned subsidiary of the Company and incorporated in Cayman Island with limited liability, and Guangdong Mesing Grain and Oil Limited\* (廣東盟星糧油有限公司) (“Guangdong Mesing”), a company incorporated in the PRC with limited liability, entered into a joint venture agreement which is legally-binding in nature, pursuant to which CS Fund and Guangdong Mesing agreed to set up a joint venture company which will be owned by CS Fund (or its wholly-owned subsidiary) and Guangdong Mesing as to 51% and 49%, respectively. Details are set out in the Company’s announcements dated 21 July 2014 and 22 July 2014.

## **PROSPECTS**

For the first half of 2014, it is a planting and cultivation period for the Group. The Directors expect the following projects in relation to the great health industry will reach into the harvest period as soon as possible in order to benefit the Group's future earnings and in interest of the shareholders of the Company (the "Shareholders") as a whole.

### **Health Management Business**

On 16 October 2013, the Group formally rented about 2,975 square meters of two floors commercial buildings in Guangzhou Biological Island as a health management business headquarter and the first operational centre – *Guangzhou Centre*. The form of services provided by Guangzhou Centre is operated as membership. The customer need to pay a non-refundable but transferable membership fee to purchase membership in order to enjoy the chargeable health management services in relation to usages of functional medicine, sleep medicine, genetics, stress medicine, fitness and the latest medical treatment. The Group commenced the pre-sale of the membership in November 2013, and as its decoration works was completed, the Group officially stationed Biological Island Commercial Building office in March 2014. For the Period, there was excess 100 number of membership had been sold and its revenue was approximately HK\$3,423,000 and the trading income was approximately HK\$2,753,000. The Guangzhou Center is scheduled to formally open in the fourth quarter of 2014. After the formal open of Guangzhou Centre, the Group will start the preparatory works for the health management centres in Shenzhen and Dongguan. The Directors believe that after overall formal launch of health management business, the Group's sales will grow steadily.

### **Happy Fun Health Fast Food**

In January 2014, the Company through acquisition of 52% issued capital of Multi Talent Limited to develop health fast food electronic business in the PRC – *Happy Fun Health Fast Food*. Happy Fun Health Fast Food was test operation in February 2014 and launched its comprehensive online ordering and meal delivery service in June 2014. The preliminary meal delivery areas cover Futian, Luohu, Nanshan and Bao'an that four districts and totally 120 high class commerce buildings. The number of meal had been sold about 23,000 and the revenue incurred in Happy Fun Health Fast Food during the Period was approximately HK\$369,000.

## PROSPECTS (cont'd)

### Other projects under development

#### *Medical Investment Management Business*

On 28 June 2014, the Group entered a share sale and purchase agreement, pursuant to which the Group conditionally agreed to acquire 70% issued capital of Zhao Long Medical. If after the completion of acquisition of 70% issued capital of the Zhao Long Medical, the Group will penetrate Zhao Long Medical indirectly owned 27% registered capital of Zhanjiang Allad Optometry Centre Company Limited\* (湛江奧理德視光學中心有限公司), Zhanjiang Allad Ophthalmology Hospital Company Limited\* (湛江奧理德眼科醫院有限公司), Zhongshan Allad Ophthalmology Hospital Company Limited\* (中山奧理德眼科醫院有限公司) and Zhongshan Allad Ophthalmology Hospital\* (中山奧理德眼科醫院) (collectively, the "Allad Ophthalmology Companies"). Allad Ophthalmology Companies established and had been operated in Zhanjiang and Zhongshan between 7 to 10 years. They are well-developed and mature ophthalmology hospitals and optometry companies with stable customers. The Company is optimistic about the development of the health industry in the PRC, and considers the medical business as the core business within the health industry chain. The acquisition is the first step entering the medical industry. In future, the Group will further merger, acquire, re-organise the trusts of clinic and medical institutions and medical investment management when it is appropriate.

#### *Advantages of the Growth for the Children and Teenagers Business*

On 7 July 2014, the Company entered a strategic co-operation agreement which is non-legal binding in nature with ACMEWAY and also the Group entered into two legally-binding agreements which were the joint venture agreement and the framework for technical co-operation pursuant to which a joint venture company will be set up and the Group and ACMEWAY will hold 80% and 20% issued capital of this joint venture company. The former agreement sets out the framework of proposed strategic co-operation between the Company and ACMEWAY in the healthcare space. The entering into of later two agreements is the first step to implement the co-operation framework in accordance with the former agreement. This joint venture company will provide services focus on the health management for the Children and Teenagers and provide professional guidance and management in respect of the sports and nutrition at the growth period of the Children and Teenagers. ACMEWAY is a PRC company incorporated with limited liability in September 2002. It is a high-tech enterprise in the PRC, owned ISO9000 certification, has a number of product patents, product software copyrights, a number of experts in health management and developed a variety of health management systems. ACMEWAY is currently co-operation internship organisation to the universities such as Beijing Sports University, Shanghai University of Sport, Nanjing Sport Institute in relation to specialised sports and human sciences. Since the implementation of strict family planning policy in the PRC, the single child is adored by the parent and the children are lack of physical exercise, therefore, the physical health of the Children and Teenagers continuously decline over the years. The Directors believe the advantages of the growth for the Children and Teenagers is a prospect project. The project is currently at the stage of incorporation of this joint venture company, it was granted name approval from Beijing Industrial and Commercial Bureau and entered a lease to rent a 600 square metres operational place as the advantages of growth for the Children and Teenagers centre at Dongguan. The centre is at designing stage and is expected to be opened within 2014.

## **PROSPECTS (cont'd)**

### **Other projects under development (cont'd)**

#### ***Natural Health Food Business***

On 21 July 2014, the Group entered a joint venture agreement which is legal binding in nature with Guangdong Mesing, pursuant to which the Group and Guangdong Mesing agreed to set up a joint venture company which will be owned 51% and 49% of its registered capital by the Group and Guangdong Mesing, respectively and its business will focus on the manufacture and sale of natural health food in the PRC. Guangdong Mesing is a company incorporated in the PRC with limited liability. It is engaged in trading of feedstock, oil processing products, agricultural sub-products, grain procurement and storage and provision of logistics services. It has rich experience and resources in grain and oil foodstuffs industry. Guangdong Mesing has gain procurement and storage bases in Anhui, Henan, Hebei, Shandong, Jilin, Liaoning, Heilongjiang, Inner Mongolia and Xinjiang. Food is an important part of and impacts the health. It is currently facing domestic severe food safety, nutrition and health issues. It is doubtless that natural health food is the most ideal food and will be a huge market. There are stringent requirements for all stages of natural health food i.e. raw materials, processing, marketing and distribution. Then, the source can be chased and all kinds of safety standards can be met. Particularly, the pure nature ensures healthiness. Therefore, the Group and Guangdong Mesing co-operate to set up a company for development of natural health food project will be a promising prospect since both parties can devote their advantages in this project. The project has been granted the joint venture operational license and it is expected its business will be started at fourth quarter of 2014. The Directors believe that since the huge market of this project, if it successfully operates, it will enhance a great increase of the Group's operational revenue.

The Group has invested toward to the great health industrial field, and has been actively seeking and negotiating related projects. The above projects: the health management, happy fun health fast food, medical investment management, advantages of the growth for the Children and Teenagers and natural health food, are the members of the chain of great health industry for the Group and there are mutual advantages among the projects. If there is further development of above new businesses, in order to increase transparency to the Shareholders and potential investors, the Company will made an announcement(s) in due course to inform the Shareholders and potential investors.

## DIRECTORS' AND CHIEF EXECUTIVE(S)' INTERESTS IN THE SECURITIES OF THE COMPANY AND ASSOCIATED CORPORATIONS

| Name of Directors                  | Number of Shares |                   | Total       | Capacity                           | Notes | Percentage of issued Shares capital |
|------------------------------------|------------------|-------------------|-------------|------------------------------------|-------|-------------------------------------|
|                                    | Ordinary Shares  | Underlying Shares |             |                                    |       |                                     |
| Mr. Cheung                         | 903,949,671      | –                 | 903,949,671 | Interest of controlled corporation | 1     | 37.23%                              |
| Mr. Cheng Hau Yan<br>("Mr. Cheng") | 300,000          | 48,000,000        | 48,300,000  | Beneficial owner                   | 2     | 2%                                  |
| Mr. Huang Liang<br>("Mr. Huang")   | 23,268,000       | –                 | 23,268,000  | Beneficial owner                   | 3     | 0.96%                               |

*Notes:*

- (1) Mr. Cheung was interested in above Shares through owning of entire issued capital of Champion Dynasty.
- (2) Mr. Cheng owned 24,000,000 share options of the Company. The spouse of Mr. Cheng, being a staff of a subsidiary of the Company, owned 300,000 Shares and 24,000,000 share options of the Company. Pursuant to the Securities and Futures Ordinance (the "SFO"), Mr. Cheng was deemed to be interest in same parcel Shares and underlying Shares which his spouse was interested.
- (3) The spouse of Mr. Huang owned 23,680,000 Shares. Pursuant to the SFO, Mr. Huang was deemed to be interest in same parcel Shares and underlying Shares which his spouse was interested.

Save as disclosed above, as at 30 June 2014, none of the Directors, chief executive(s) nor their associates, had any interests or short positions in the Shares, underlying Shares or debentures of the Company and its associated corporations, as recorded in the register maintained by the Company under section 352 of the SFO or otherwise notified the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") contained in the Listing Rules.

## SUBSTANTIAL SHAREHOLDERS' INTERESTS IN THE SECURITIES OF THE COMPANY

As at 30 June 2014, so far as are known to any Director or chief executive of the Company, the following party (other than a Director or chief executive of the Company) was recorded in the register kept by the Company under section 336 of the SFO, or as otherwise notified to the Company, as being directly or indirectly interested or deemed to be interested in 5% or more of the issued Shares:

| Name of Substantial Shareholders | Number of Shares<br>(ordinary Share) | Capacity         | Percentage of Issued Share Capital |
|----------------------------------|--------------------------------------|------------------|------------------------------------|
| Champion Dynasty                 | 903,949,671                          | Beneficial owner | 37.23%                             |

*Note:*

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

All the interests stated above represent long position which included interests in Shares and underlying Shares. As at 30 June 2014, there was no short position recorded in the register kept by the Company under section 336 of the SFO.

## **DIRECTORS' RIGHT TO ACQUIRE SHARES**

Save as disclosed in the section titled "Directors' and chief executive(s)' interests and short position in securities of the Company and associated corporations" above and in the section titled "Share options scheme" below, at no time during the Period were rights to acquire benefits by means of the acquisition of Shares granted to any director or their respective spouse or minor children, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

## **MODEL CODE FOR SECURITIES TRANSACTIONS**

The Company has adopted the Model Code as a code of conduct regarding securities transactions by the Directors. The Company has also adopted a code of conduct regarding securities transactions by the relevant employees on terms no less exacting than the required standard set out in the Model Code (the "Employees' Code"). Having made specific enquiry of all Directors and the relevant employees, all Directors and the relevant employees confirmed that they have complied with the required standard set out in the Model Code and the Employees' Code throughout the Period.

## **SHARE OPTION SCHEME**

The share option scheme had been adopted on 11 October 2012. The Company had granted an aggregate of 168,000,000 share options carrying the right to subscribe for the nominal ordinary Shares of HK\$0.01 each, representing approximately 6.92% of total of 2,428,255,008 issued Share as at 18 December 2012 (date of grant). Included in such 168,000,000 share options there were 48,000,000 share options of the Company granted to a Director and his spouse which was mentioned in the section titled "Directors' and chief executive(s)' interests and short position in securities of the Company and associated corporations" above. Details of the share option scheme were set out in the consolidated financial statements of the 2013 annual report. No option was exercised during the Period. Therefore, the outstanding of share options of the Company was still 168,000,000 as at 30 June 2014(2013: Nil).

## **DISCLOSURE OF CHANGE OF INFORMATION OF DIRECTORS UNDER RULE 13.51B(1) OF THE LISTING RULES**

Change in Director' biographical details since the date of the 2013 annual report of the Company which are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules is set out below:

Mr. Yau Chi Ming, an independent non-executive Director was appointed as an independent non-executive director of Cosmo Lady (China) Holding Company Limited which is listed in main board of the Stock Exchange (stock code: 2298) on 9 June 2014.

Save as disclosed above, there is no other information required to be disclosed under Rule 13.51B(1) of the Listing Rules.

## **DISCLOSURE OF ADVANCE TO ENTITIES UNDER RULE 13.20 OF THE LISTING RULES**

On 27 September 2012, the Company, as lender, entered into a loan agreement with Champion Dynasty, as borrower, and Mr. Cheung, as an individual guarantor, and Guangdong Allad, as a corporate guarantor, to grant a three-year revolving loan facility of up to HK\$220,000,000 to Champion Dynasty at an interest rate of HIBOR plus 2.5% per annum. The loan was approved by the independent Shareholders at the special general meeting held on 20 November 2012. For details, please refer to the Company's circular dated 2 November 2012.

On 7 February 2013, an indirect wholly-owned subsidiary of the Company, as lender, entered into the loan agreement with a third party borrower, pursuant to which the lender has agreed to lend and the borrower has agreed to borrow a one-year term loan in the principal amount of HK\$40,000,000 at the interest of 5% per annum. The loan agreement is guaranteed by the deed of guarantee. On 29 May 2014, the lender and the borrower entered into a supplemental agreement, pursuant to which the term of the loan was changed from one year to being two years after the date of drawdown, or the earlier repayment date agreed by the lender and the borrower in writing and the other term of loan remain unchanged. Therefore, assuming no demand earlier repayment of the loan neither the lender nor borrower, the mature date of the loan is 29 May 2015. Its details are set out in the Company's announcements if the Company dated 7 February 2013 and 29 May 2014.

## **PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES**

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

## **CORPORATE GOVERNANCE REPORT**

The Company had fully applied the principles and complied with the requirements of the Corporate Governance Code as set out in Appendix 14 of the Listing Rules throughout the Period. None of the Directors was aware of any information that would reasonably indicate that the Company was in compliance during the Period.

## **REVIEW BY AUDIT COMMITTEE**

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

## **APPRECIATION**

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

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

Hong Kong, 29 August 2014