



**COMMON SPLENDOR INTERNATIONAL
HEALTH INDUSTRY GROUP LIMITED**

(Incorporated in Bermuda with limited liability)

(Stock Code: 286)

**Interim Report
For The Six Months
Ended 30 June 2016**

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CORPORATE INFORMATION

Directors

Executive Directors

Cheung Wai Kuen (*Chairman*)

Cheng Hau Yan (*Deputy Chairman*)

Ye Jiong Xian (*Chief Executive Officer*)

Non-executive Director

Lin Jiang

Independent Non-executive Directors

Mai Yang Guang

Yau Chi Ming

Lam Chi Wing

Audit Committee

Yau Chi Ming (*Chairman*)

Mai Yang Guang

Lam Chi Wing

Remuneration Committee

Mai Yang Guang (*Chairman*)

Yau Chi Ming

Lam Chi Wing

Nomination Committee

Mai Yang Guang (*Chairman*)

Yau Chi Ming

Lam Chi Wing

Company Secretary

Lam King Ho

Auditors

HLB Hodgson Impey Cheng Limited

Certified Public Accountants

31st Floor, Gloucester Tower

The Landmark, 11 Pedder Street

Central, Hong Kong

Solicitor

Ashurst Hong Kong

Principal Bankers

Chong Hing Bank Limited

The Bank of East Asia Limited

Wing Lung Bank Limited

Place of Incorporation

Bermuda

Registered Office

Clarendon House

2 Church Street

Hamilton HM 11

Bermuda

Principal Office

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

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183 Queen's Road East

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Website

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Stock Code

286

Board Lot

2,000 shares

Investor Relations

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UNAUDITED INTERIM RESULTS

The board (the “Board”) of directors (the “Directors”) of Common Splendor International Health Industry Group Limited (the “Company”) would like to announce the unaudited consolidated interim results of the Company and its subsidiaries (together, the “Group”) for the six months ended 30 June 2016 (the “Period”) together with the comparative figures for the corresponding period in 2015 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2016

		For six months ended 30 June	
		2016	2015
		(Unaudited)	(Unaudited)
	<i>Notes</i>	HK\$'000	HK\$'000
Revenue	3	218,453	138,318
Cost of sales		(184,046)	(112,534)
Gross profit		34,407	25,784
Other income	5	1	1,402
Gain on disposal of an associate		28,577	–
Administrative expenses		(20,725)	(15,781)
Selling and distribution expenses		(1,316)	(1,150)
Share of results of associates		5,135	2,657
Share-based payment expenses		(3,800)	–
Profit from operations		42,279	12,912
Finance cost		(765)	–
Profit before income tax		41,514	12,912
Income tax expense	6	(3,361)	(2,049)
Profit for the period	7	38,153	10,863
Other comprehensive income, net of income tax			
<i>Item that may be reclassified subsequent to profit or loss</i>			
Exchange differences on translating foreign operations arising during the period		1,700	813
Total comprehensive income for the period		39,853	11,676

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

For the six months ended 30 June 2016

		For six months ended 30 June	
		2016	2015
	<i>Notes</i>	(Unaudited)	(Unaudited)
		HK\$'000	HK\$'000
Profit for the period attributable to:			
Owners of the Company		33,873	8,551
Non-controlling interests		4,280	2,312
		<u>38,153</u>	<u>10,863</u>
Total comprehensive income			
for the period attributable to:			
Owners of the Company		36,930	8,741
Non-controlling interests		2,923	2,935
		<u>39,853</u>	<u>11,676</u>
Earnings per share for the period attributable to			
owners of the Company			
	9		
Basic (HK cents per share)		<u>1.30</u>	<u>0.35</u>
Diluted (HK cents per share)		<u>1.30</u>	<u>0.33</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2016

		30 June 2016 (Unaudited) HK\$'000	31 December 2015 (Audited) HK\$'000
Non-current assets			
Property, plant and equipment		17,766	12,430
Land development right	10	108,580	–
Goodwill		53,682	53,382
Interests in associates		146,815	234,811
Other investment	11	67,246	–
Available-for-sale financial assets		2,042	2,042
		396,131	302,665
Current assets			
Deposits, prepayment and other receivables	12	111,540	54,112
Trade receivables	13	21,457	12,645
Inventories		64,436	12,443
Amount due from a shareholder	14	–	562
Loan to a shareholder	15	117,720	186,600
Short-term loans receivable	16	33,200	74,200
Bank and cash balances		16,590	29,404
		364,943	369,966
Current liabilities			
Trade payables	17	9,177	5,127
Accruals, deposits received and other payables	18	119,074	100,767
Amount due to an associate		7,300	654
Obligation under a finance lease		–	13
Tax payable		1,984	3,949
		137,535	110,510
Net current assets		227,408	259,456
Total assets less current liabilities		623,539	562,121
Capital and reserves			
Share capital		25,962	25,962
Reserves		523,858	483,128
Equity attributable to owners of the Company		549,820	509,090
Non-controlling interests		40,188	37,265
Total equity		590,008	546,355
Non-current liabilities			
Convertible notes		17,499	15,734
Deferred tax liabilities		32	32
Long-term bonds payable	19	16,000	–
		33,531	15,766
		623,539	562,121

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2016

	Equity attributable to the owners of the Company							Sub-total HK\$'000	Non- controlling interests HK\$'000	Total HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Translation reserve HK\$'000	Statutory reserve HK\$'000	Other reserve HK\$'000	Share option reserve HK\$'000	Retained earnings HK\$'000			
At 1 January 2015	24,282	351,638	353	2,705	734	32,074	24,857	436,643	21,146	457,789
Profit for the period	-	-	-	-	-	-	8,551	8,551	2,312	10,863
Exchange differences on translating foreign operations arising during the period	-	-	190	-	-	-	-	190	623	813
Total comprehensive income	-	-	190	-	-	-	8,551	8,741	2,935	11,676
Exercise of share options	480	23,568	-	-	-	(8,928)	-	15,120	-	15,120
Transfer to non-controlling interests	-	-	-	-	(734)	-	-	(734)	734	-
At 30 June 2015	<u>24,762</u>	<u>375,206</u>	<u>543</u>	<u>2,705</u>	<u>-</u>	<u>23,146</u>	<u>33,408</u>	<u>459,770</u>	<u>24,815</u>	<u>484,585</u>
At 1 January 2016	25,962	425,198	(14,129)	6,405	734	-	64,920	509,090	37,265	546,355
Profit for the period	-	-	-	-	-	-	33,873	33,873	4,280	38,153
Exchange differences on translating foreign operations arising during the period	-	-	3,057	-	-	-	-	3,057	(1,357)	1,700
Total comprehensive income	-	-	3,057	-	-	-	33,873	36,930	2,923	39,853
Issue of share options	-	-	-	-	-	3,800	-	3,800	-	3,800
As 30 June 2016	<u>25,962</u>	<u>425,198</u>	<u>(11,072)</u>	<u>6,405</u>	<u>734</u>	<u>3,800</u>	<u>98,793</u>	<u>549,820</u>	<u>40,188</u>	<u>590,008</u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2016

	For six months ended 30 June	
	2016	2015
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Net cash generated from operating activities	11,612	12,533
Net cash used in investing activities	(154,350)	(16,772)
Net cash generated from financing activities	126,867	15,100
	<hr/>	<hr/>
Net change in cash and cash equivalents	(15,871)	10,861
Effect of foreign exchange rate changes, net	3,057	190
Cash and cash equivalents at beginning of period	29,404	6,795
	<hr/>	<hr/>
Cash and cash equivalents at end of period	<u>16,590</u>	<u>17,846</u>
Represented by:		
Bank and cash balances	<u>16,590</u>	<u>17,846</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

1. Basis of preparation

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

These unaudited condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements as at 31 December 2015.

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

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

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 2015.

3. Revenue

	For six months ended 30 June	
	2016	2015
	(Unaudited)	(Unaudited)
	HK\$’000	HK\$’000
Revenue represents the aggregate amounts received and receivable from third parties and analysed as follows:		
Interest income from investment and finance	11,795	25,064
Revenue from health industry	<u>206,658</u>	<u>113,254</u>
	<u>218,453</u>	<u>138,318</u>

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 two reportable segments (i) health industry and (ii) investment and finance. The segments are based on the operation of the Group that management uses to make decisions.

Principal activities are as follows:

Health Industry	–	includes precision life healthcare services, investment in healthcare projects, management of healthcare investments, natural health food business and advantage growth for children business
Investment and finance	–	investing and financing activities

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

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

4. Operating segments (cont'd)

Operating segment information is presented below:

For the six months ended 30 June 2016

	Health Industry							Total HK\$'000
	Precision Life Healthcare Services HK\$'000	Investment in Healthcare Projects (note) HK\$'000	Management of Healthcare Investments HK\$'000	Natural Health Food HK\$'000	Advantage Growth for Children HK\$'000	Sub-total HK\$'000	Investment and Finance HK\$'000	
Revenue								
Revenue from external customers	24,649	123,006	-	58,189	814	206,658	11,795	218,453
Results								
Segment results for reportable segments	7,923	(546)	5,456	1,510	(910)	13,433	8,259	21,692
Gain on disposal of an associate								28,577
Other income								1
Unallocated corporate expenses								(8,756)
Income tax expenses								(3,361)
Profit for the period								38,153

Note: Revenue of Investment in Healthcare Projects represented sales of medical accessories. The management of the Group regularly reviewed and identified investments with market potential and regarded this as a separate business segment.

As at 30 June 2016

	Health Industry							Total HK\$'000
	Precision Life Healthcare Services HK\$'000	Investment in Healthcare Projects HK\$'000	Management of Healthcare Investments HK\$'000	Natural Health Food HK\$'000	Advantage Growth for Children HK\$'000	Sub-total HK\$'000	Investment and Finance HK\$'000	
Assets								
Segment assets for reportable segments	53,402	282,530	122,474	30,672	1,818	490,896	165,470	656,366
Unallocated corporate assets								104,708
Total assets								761,074
Liabilities								
Segment liabilities for reportable segments	11,702	23,599	23,866	6,838	725	66,730	34,560	101,290
Unallocated corporate liabilities								69,776
Total liabilities								171,066

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

4. Operating segments (cont'd)

For the six months ended 30 June 2015

	Health Industry							Total HK\$'000
	Precision Life Healthcare Services HK\$'000	Investment in Healthcare Projects (note) HK\$'000	Management of Healthcare Investments HK\$'000	Natural Health Food HK\$'000	Advantage Growth for Children HK\$'000	Sub-total HK\$'000	Investment and Finance HK\$'000	
Revenue								
Revenue from external customers	<u>23,448</u>	<u>18,184</u>	<u>3,793</u>	<u>82,969</u>	<u>3,043</u>	<u>131,437</u>	<u>6,881</u>	<u>138,318</u>
Results								
Segment results for reportable segments	<u>5,622</u>	<u>797</u>	<u>3,063</u>	<u>1,971</u>	<u>824</u>	<u>12,277</u>	<u>4,652</u>	16,929
Other income								1,402
Unallocated corporate expenses								(5,419)
Income tax expenses								<u>(2,049)</u>
Profit for the period								<u>10,863</u>

Note: Revenue of Investment in Healthcare Projects represented sales of medical accessories. The management of the Group regularly reviewed and identified investments with market potential and regarded this as a separate business segment.

As at 31 December 2015

	Health Industry							Total HK\$'000
	Precision Life Healthcare Services HK\$'000	Investment in Healthcare Projects HK\$'000	Management of Healthcare Investments HK\$'000	Natural Health Food HK\$'000	Advantage Growth for Children HK\$'000	Sub-total HK\$'000	Investment and Finance HK\$'000	
Assets								
Segment assets for reportable segments	<u>41,268</u>	<u>261,293</u>	<u>56,909</u>	<u>23,806</u>	<u>2,570</u>	<u>385,846</u>	<u>259,537</u>	645,383
Unallocated corporate assets								<u>27,248</u>
Total assets								<u>672,631</u>
Liabilities								
Segment liabilities for reportable segments	<u>4,837</u>	<u>1,122</u>	<u>16,122</u>	<u>563</u>	<u>327</u>	<u>22,971</u>	<u>19,148</u>	42,119
Unallocated corporate liabilities								<u>84,157</u>
Total liabilities								<u>126,276</u>

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

4. Operating segments (cont'd)

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales in the period (2015: Nil).

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

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

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

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

Geographical information

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

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

	For six months ended 30 June	
	2016	2015
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Revenue		
PRC	206,658	131,437
Hong Kong	11,795	6,881
	<u>218,453</u>	<u>138,318</u>
	30 June	31 December
	2016	2015
	(Unaudited)	(Audited)
	HK\$'000	HK\$'000
Non-current assets*		
PRC	177,626	64,256
Hong Kong	2,402	1,556
	<u>177,626</u>	<u>64,256</u>

* Non-current assets excluded those relating to interests in associates, other investment and available-for-sale financial assets.

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

5. Other income

	For six months ended 30 June	
	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
Gain on disposal of partial equity of a subsidiary	–	1,395
Bank interest income	–	1
Other income	1	6
	<u>1</u>	<u>6</u>
	<u>1</u>	<u>1,402</u>

6. Income tax expense

	For six months ended 30 June	
	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
Current tax:		
Hong Kong Profits Tax	–	–
PRC Enterprise Income Tax	3,361	2,049
	<u>3,361</u>	<u>2,049</u>
	<u>3,361</u>	<u>2,049</u>

Hong Kong Profits Tax is calculated at 16.5% on the estimated assessable profits for the period. No Hong Kong Profits Tax is payable on the profits for the period arising in Hong Kong as they have been set off with tax losses brought forward.

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

7. Profit for the period

	For six months ended 30 June	
	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
Profit for the period has been arrived at after charging/(crediting):		
Total staff costs, including Directors' emoluments:		
Salaries and other benefits	6,452	6,077
Retirement benefit scheme contributions	406	332
	6,858	6,409
Auditors' remuneration	640	500
Cost of inventories recognised as expenses	174,987	112,394
Depreciation of property, plant and equipment	1,078	776
Operating lease rentals in respect of rented premises	2,105	2,169
	<u>179,068</u>	<u>113,075</u>

8. Dividend

The Directors do not recommend any payments of interim dividend for the period (2015: HK\$Nil).

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

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	
	2016	2015
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
<i>Earnings</i>		
Earnings for the purpose of basic/diluted earnings per share (profit for the period attributable to owners of the Company)	<u>33,873</u>	<u>8,551</u>
<i>Number of shares ('000)</i>		
Weighted average number of ordinary shares for the purpose of basic earnings per share	2,596,255	2,428,785
Effect of dilutive potential ordinary share:		
Share options (<i>note</i>)	<u>—</u>	<u>136,680</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>2,596,255</u>	<u>2,565,465</u>

Note: Share options issued during the Period do not have a dilutive effect as the average market price of ordinary shares of the Company during the Period did not exceed the exercise price of the share options.

10. Land development right

Land development right represented an exclusive right to develop a parcel of land of approximately 690,670 square metres situated at Luofu Mountain in Guangdong Province. The fair value of the land development right as at 30 April 2016 was estimated at approximately RMB92,800,000 (equivalent to approximately HK\$108,580,000) by a professional valuer.

11. Other investment

Other investment of the Group represents an investment in unlisted equity shares in 深圳愛帝宮現代母嬰健康管理有限公司. The Group owns a 11.48% equity interest in 深圳愛帝宮現代母嬰健康管理有限公司. There is no quoted market price in an active market for the investment. Quoted prices in active market for similar investment or observable market data as inputs for valuation techniques are also not available. Therefore, the unlisted other investment is stated at cost less impairment, if any, in the consolidated financial statements.

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

12. Deposits, prepayment and other receivables

	30 June 2016 (Unaudited) HK\$'000	31 December 2015 (Audited) HK\$'000
Deposits	1,192	1,848
Prepayment (note (i))	33,405	24,657
Other receivables (note (ii))	76,943	27,607
	<u>111,540</u>	<u>54,112</u>

Note:

- (i) Prepayment mainly represented payments for the procurement of raw materials which were paid to independent third parties of the Group.
- (ii) Other receivables comprised HK\$21,383,000 (31 December 2015: HK\$23,813,000) advance to an independent third party for a potential business co-operation project, and advances of HK\$37,858,000 (31 December 2015: nil) for the development of the land situated at Luofu Mountain, Guangdong Province.

13. Trade receivables

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

	30 June 2016 (Unaudited) HK\$'000	31 December 2015 (Audited) HK\$'000
0 – 30 days	<u>21,457</u>	<u>12,645</u>

There was no trade receivables that are past due or impaired for the period (2015– Nil).

14. Amount due from a shareholder

Details of the amount due from a shareholder are as follows:

Name of shareholder	Maximum amount outstanding during the period HK\$'000	30 June 2016 (Unaudited) HK\$'000	31 December 2015 (Audited) HK\$'000
Champion Dynasty Limited ("Champion Dynasty")	562	<u>–</u>	<u>562</u>

The amount due from a shareholder is unsecured, interest-free and repayable on demand.

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

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

15. Loan to a shareholder

Name of shareholder	Maximum amount outstanding during the period (Unaudited) HK\$'000	30 June 2016 (Unaudited) HK\$'000	31 December 2015 (Audited) HK\$'000
Champion Dynasty	186,600	<u>117,720</u>	<u>186,600</u>

The loan to a shareholder is guarantee by Mr. Cheung, bears an interest of 10% per annum and is repayable on demand.

16. Short-term loans receivable

	30 June 2016 (Unaudited) HK\$'000	31 December 2015 (Audited) HK\$'000
By corporate guarantee (note i)	–	40,000
With no guarantee (note ii)	<u>33,200</u>	<u>34,200</u>
	<u>33,200</u>	<u>74,200</u>
Carrying amount within one year	<u>33,200</u>	<u>74,200</u>

Notes:

- i) The loans with principal amount of HK\$40,000,000 are guarantee by 廣東省東莞市悅海實業投資有限公司, bear interest at 5% per annum and are repayable within one year. These loans have been fully repaid during the period.
- ii) All other loans with no guarantee bear interest in the range of 8% to 10% per annum and are repayable in 180 days.

17. Trade payables

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

	30 June 2016 (Unaudited) HK\$'000	31 December 2015 (Audited) HK\$'000
0 – 30 days	9,177	5,077
Over 90 days	<u>–</u>	<u>50</u>
	<u>9,177</u>	<u>5,127</u>

18. Accruals, deposits received and other payables

Included in the amount HK\$77,780,000 consideration payable to third parties for the acquisition of equity interests in certain companies (31 December 2015: HK\$46,440,000).

19. Long-term bonds payable

Long-term bonds payable are unsecured, bear interest at 6% per annum and are repayable in two to three years.

INTERIM DIVIDEND

The Board has resolved not to declare payment of any interim dividend for the period (2015: Nil).

FINANCIAL REVIEW

Results

Revenue for the Period was approximately HK\$218,453,000 (2015: HK\$138,318,000), an increase of approximately HK\$80,135,000, representing an increase of 57.9% as compared to the same period of last year. Gross profit for the Period was approximately HK\$34,407,000 (2015: HK\$25,784,000), an increase of approximately HK\$8,623,000, representing 33.4% as compared to the same period of last year. The increase in revenue and gross profit for the Period was mainly attributable to (i) increase in sales of medical accessories; (ii) increase in loan interest income arising from the increase in loan interest rates and (iii) increase in revenue of the precision life healthcare services provided by the Life Clubs.

Revenue of the Natural Health Food business decreased from HK\$82,969,000 to HK\$58,189,000 due to the increasing market competition since the second half of last year. Revenue of the Advantage Growth for Children business recorded a decrease from HK\$3,043,000 to HK\$814,000 as the Group treated this segment as a social responsibility project rather than a profit-making business. Revenue of the Investment in Healthcare Projects business represented sales of medical accessories, which increased from HK\$18,184,000 to HK\$123,006,000. The Group has established a network of steady accessories suppliers and medical institution consumers. Sales of medical accessories including medical chemical materials have been increasing since the second half of last year. Profit recorded under the Investment in Healthcare Projects business during the Period HK\$28,031,000 mainly represented gain on disposal of an associate HK\$28,577,000 less general administrative expenses.

Profit for the period

Compared with profit before income tax of approximately HK\$12,912,000 last year, profit before income tax of the Group for the Period was approximately HK\$41,514,000. The substantial increase in profit of HK\$28,602,000 mainly came from (i) gain on disposal of an associate of HK\$28,577,000; (ii) increase in loan interest income of HK\$4,914,000; (iii) increase in profit of the Precision Life Healthcare Services business of HK\$2,301,000; (iv) share of result of an associate JP Partners Medical Group acquired on 30 September 2015 which amounted to HK\$1,387,000 and (v) net off the increase in administrative expenses of HK\$4,944,000 and share-based payment expenses of HK\$3,800,000.

The increase in income tax expenses of HK\$1,312,000 was a direct result of the increase in taxable income of the subsidiaries of the Group in the PRC.

Basic and diluted earnings per share attributable to the owners of the Company for the Period were HK1.30 cents and HK1.30 cents respectively (2015: basic and diluted earnings per share: HK0.35 cents and HK0.33 cents).

FINANCIAL REVIEW (cont'd)

Net Assets Value

As at 30 June 2016, the net assets attributable to the owners of the Company was HK\$549,820,000 (31 December 2015: HK\$509,090,000), an increase of HK\$40,730,000. The increase mainly comprised i) profit attributable to the owners of the Company of HK\$33,873,000 and ii) increase in share options reserve of HK\$3,800,000 arising from the issue of share options during the Period. As at 30 June 2016, the non-controlling interests of the Group amounted to approximately HK\$40,188,000 (31 December 2015: HK\$37,265,000).

Net assets value per share attributable to owners of the Company as at 30 June 2016 was approximately HK\$0.21 (31 December 2015: HK\$0.20).

Debt to equity ratio

As at 30 June 2016, the debt to equity ratio (as measured by total liabilities to total equity) of the Group was 0.29 (31 December 2015: 0.23).

Remuneration Policies and Share Option Scheme

During the Period, total staff cost excluding Directors' emoluments amounted to approximately HK\$6,858,000 (2015: HK\$6,409,000). On 5 January 2016, an aggregate of 35,800,000 share options have been granted to the Directors and eligible persons of the Company. During the Period, none of the share options were exercised or lapsed. As at 30 June 2016, 35,800,000 share options were outstanding (31 December 2015: Nil).

Pledge of Assets

As at 30 June 2016, no assets were pledged by the Group (31 December 2015: Nil).

Subsequent to the Period end, on 15 August 2016, the entire issued share capital of a wholly-owned subsidiary of the Company, Common Splendor Hong Kong Investment Fund Management Limited, was charged to Great Wall Pan Asia International Investment Co., Limited ("Great Wall") as a security for the performance of the convertible notes issued to Great Wall.

Capital Commitments and Contingent Liabilities

During the Period, all major capital investments and liabilities have been provided for in the financial statements. As at 30 June 2016, the Group did not have any material capital commitments or contingent liabilities (31 December 2015: Nil).

BUSINESS REVIEW

During the Period, the Group principally engaged in the business of health industry which included precision life healthcare services, investment in healthcare projects, management of healthcare investments, trading of natural health food, advantage growth for children and investment and finance activities.

BUSINESS REVIEW (cont'd)

Health Industry

Precision Life Healthcare Services

The performance of the Life Club in Guangzhou International Biological Island remained strong during the Period. The second Life Club in Qiaocheg East Road, Nanshan District, Shenzhen is expected to be another profit generator of the Group. It will provide medical anti-ageing, suboptimal health interference, private doctor services to the elite groups which include blood purification, metabolic therapy, cell therapy and gene therapy. The third Life Club is planned to establish in the “Healthcare Preserving Base” in Luofu Mountain, Guangdong Province. As mentioned in the “Major acquisitions and disposals” section below, the Group has acquired a parcel of land and the land development right in Luofu Mountain during the Period. In addition to the services currently provided by the Life Clubs, the Healthcare Preserving Base will provide service-apartment accommodation for medical anti-ageing, suboptimal health interference and healthy sleeping centre.

Investment in Healthcare Projects

Recognising that the return on investment in selling healthcare projects is a highly profitable business, the Group sold part of its shareholding in Aidigong during the Period and made a gain on disposal of HK\$28.6 million. The Group will further identify potential investment projects in the healthcare industry and will proactively engage in direct investments in the industry.

Management of Healthcare Investments

As at 30 June 2016, the Group has three major associate groups, namely Allad Ophthalmology Group, JP Partners Medical Group and Fengshuo Bio Medical Tech Group. During the Period, the Group continued to provide management services to the associate groups such as advice on branding, assistance in obtaining new finance, and assistance in cross-border business expansion. Allad Ophthalmology Group mainly comprises two ophthalmology hospitals in Zhongshan and Zhanjiang. JP Partners Medical Group mainly comprises six private medical centres in Hong Kong. Fengshuo Bio Medical Tech Group is principally engaged in the research of the dioscorea composita root extract technology’s commercial applications and production.

Investment and Finance

During the Period, the Company received interest of approximately HK\$9,304,000 (2015: HK\$2,996,000) from the loan to Champion Dynasty. Increase in interest income was mainly due to the increase in interest rate from HIBOR plus 2.5% per annum to 10% per annum since 2 October 2015.

As at 30 June 2016, a wholly owned subsidiary of the Company trading as money lender had loan receivables of HK\$33,200,000 (31 December 2015: HK\$74,200,000). Interest income arisen from the money lending business amounted to approximately HK\$2,490,000 during the Period (2015: HK\$3,915,000).

Major acquisitions and disposals

On 23 March 2016, the Group entered into a disposal agreement with an independent third party to dispose 14.26% equity interest in an associate 深圳愛帝宮現代母嬰健康管理有限公司 (“Aidigong”) at the consideration of RMB92,690,000. Aidigong was mainly engaged in the maternal and new-born baby care services in Shenzhen and Beijing. Details of which have been disclosed in the Company’s announcement on 23 March 2016. The disposal was completed on 22 April 2016.

On 2 June 2016, the Group entered into an acquisition agreement with an independent third party to acquire the entire issued share capital of Harvest Luck Investment Limited (“Harvest Luck”). Harvest Luck had the right to acquire 51% equity interest in a group of companies which held a parcel of land of approximately 34,273 square metres and a land development right in a PRC Grade 5A scenic area in Luofu Mountain, Guangdong. Details of which have been disclosed in the Company’s announcement on 2 June 2016. The acquisition was completed on 23 June 2016 as disclosed in the Company’s announcement on 27 June 2016.

On 21 June 2016, the Group entered into another acquisition agreement with Billion High Global Investment Limited (“Billion High”), a non-controlling shareholder of a subsidiary of the Company, Common Splendor International Life Health Science Group Limited (“CSI Life Health Science”). Pursuant to the agreement, the Group agreed to acquire and Billion High agreed to sell 37.8% equity interest of CSI Life Health Science. After the acquisition, the Group holds 99.5% equity interest of CSI Life Health Science. Details of which have been disclosed in the Company’s announcement on 21 June 2016. The acquisition was completed on 21 June 2016.

EVENTS AFTER THE REPORTING PERIOD

On 5 August 2016, the Company entered into a subscription agreement with Great Wall to issue convertible notes with principal amount of USD10 million to Great Wall. The convertible notes carry a coupon rate of 9% per annum and a conversion right of HK\$0.70 per ordinary share of the Company. Details of which have been disclosed in the Company’s announcement on 5 August 2016. The issue of the convertible notes was completed on 15 August 2016 as disclosed in the Company’s announcement on 16 August 2016.

On 30 August 2016, the Company entered into a placing agreement with Convoy Investment Services Limited (“Convoy”) to appoint Convoy as a placing agent to arrange, on a best effort basis, placees to subscribe for a principal amount of up to HK\$30,000,000 unlisted 6% coupon bonds to be issued by the Company. Details of which have been disclosed in the Company’s announcement on 30 August 2016.

PROSPECT

The Group has established precision life healthcare services and management of healthcare investments through years’ developments since its entry into the health industry in 2013. In order to highlight its future principal operations and better leverage its strengths, the Group has formulated a new development strategy – “Focus on Elite Health” at the beginning of the year. In light of social elite group’s ever-growing demand for life healthcare services, the Group has proactively looking for suitable cities and regions across the world to establish its Life Clubs and Health Preserving Base chain operations, which will be committed to offer a range of healthcare solutions to the elite groups, providing them with precision life healthcare solutions such as medical anti-ageing, suboptimal health interference and private doctor services, and one-stop health maintenance services based on cutting edge medical technologies such as blood purification, metabolic therapy, cell therapy and gene therapy.

Healthcare industry, as an ever-growing and burgeoning industry in the world, has an enormous market yet faces fierce competition. The Group will continue to concentrate on the healthcare sector, optimise its principal operations step by step and speed up its development pace and team building, gradually building its advantages in the industry and developing into an international leading healthcare conglomerate with core competences.

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

Name of Directors	Number of Shares			Capacity	Notes	Percentage of Issued Share Capital
	Ordinary Shares	Underlying Shares	Total			
Mr. Cheung	903,949,671	–	903,949,671	Interest of controlled corporation	1	34.82%
Mr. Cheng Hau Yan (“Mr. Cheng”)	8,300,000	–	8,300,000	Beneficial owner/ Interest of spouse	2	0.32%
Mr. Ye Jiong Xian	–	10,000,000	10,000,000	Beneficial owner	3	0.39%
Mr. Lin Jiang	–	1,000,000	1,000,000	Beneficial owner	4	0.04%
Mr. Mai Yang Guang	–	1,000,000	1,000,000	Beneficial owner	4	0.04%
Mr. Yau Chi Ming	–	1,000,000	1,000,000	Beneficial owner	4	0.04%

Notes:

- (1) Mr. Cheung was interested in above Shares through owning the entire issued capital of Champion Dynasty.
- (2) Mr. Cheng owned 4,000,000 Shares and his spouse, being a staff of a subsidiary of the Company, owned 4,300,000 Shares. Pursuant to the Securities and Futures Ordinance (the “SFO”), Mr. Cheng was deemed to be interested in same parcel of Shares which his spouse was interested.
- (3) Mr. Ye Jiong Xian owned 10,000,000 share options of the Company; and
- (4) Each of Mr. Lin Jiang, Mr. Mai Yang Guang and Mr. Yau Chi Ming owned 1,000,000 share options of the Company.

Save as disclosed above, as at 30 June 2016, none of the Directors, chief executive(s) nor their associates, had any interests or short positions in the Shares, underlying Shares or debentures of the Company and its associated corporations, as recorded in the register maintained by the Company under section 352 of the SFO or otherwise notified the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (“Model Code”) contained in the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”).

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN THE SECURITIES OF THE COMPANY

As at 30 June 2016, 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	Capacity	Percentage of Issued Share Capital
Champion Dynasty (<i>Note</i>)	903,949,671	Beneficial owner	34.82%
國泰君安證券QDIIZH2015-002 資產管理計劃	337,428,000	Beneficial owner	13.00%

Note: Mr. Cheung was the sole director of Champion Dynasty and owned its entire issued capital.

All the interests stated above represent long position which included interests in Shares and underlying Shares. As at 30 June 2016, no short position was recorded in the register kept by the Company under section 336 of the SFO.

SHARE OPTION SCHEME

The Company adopted a share option scheme (the "Share Option Scheme") pursuant to an ordinary resolution passed at the general meeting of the Company on 11 October 2012. At the beginning of the Period, all share options granted have been either exercised or expired. On 5 January 2016, 35,800,000 share options were granted to eligible persons under the Share Option Scheme. At the end of the Period, the number of Shares in respect of which may be issued upon the exercise of share options granted and remain outstanding under the Share Option Scheme was 35,800,000 (31 December 2015: Nil), representing approximately 1.38% (31 December 2015: Nil) of the Shares issued at that date.

DIRECTORS' RIGHT TO ACQUIRE SHARES

Save as disclosed in the section titled "Directors' and Chief Executive(s)' interests in the securities of the Company and associated corporations" and in the section titled "Share option scheme" above, at no time during the six months ended 30 June 2016 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.

APPOINTMENT OF INDEPENDENT NON-EXECUTIVE DIRECTOR

On 15 March 2016, Mr. Lam Chi Wing (“Mr. Lam”) was appointed as an independent non-executive Director, and a member of each of the audit committee of the Company (the “Audit Committee”), the nomination committee of the Company and the remuneration committee of the Company.

The biographical details of Mr Lam is set out below:

Mr. Lam obtained a Bachelor of Business Administration degree in Accounting & Finance at the University of Hong Kong in 2003. Subsequently, Mr Lam obtained a Master of Science degree in Knowledge Management at the Hong Kong Polytechnic University in 2006 and a Master of Business Administration degree at the Chinese University of Hong Kong in 2010. Mr Lam is currently a doctoral candidate in Global Creative Industries of the University of Hong Kong.

Mr Lam served at PricewaterhouseCoopers in 2003. Mr Lam subsequently joined Li & Fung Group, which he served as Group Chief Representative and General Manager, Southern China of Li & Fung Development (China) Limited in 2015 prior to his departure. Mr Lam currently serves as director or consultant at a number of companies in Hong Kong and the PRC.

Mr Lam is a member of the Eleventh Zhongshan Committee of the Chinese People’s Political Consultative Conference* (中國人民政治協商會議第十一屆中山市委員), a member of the Tenth Committee of the Guangdong Province Youth Federation* (廣東省青年聯合會第十屆委員), a member of the Eighth Committee of the Zhongshan Youth Federation* (中山市青年聯合會第八屆委員), a member of the Committee of the Chinese Association of Hong Kong & Macao Studies* (全國港澳研究會港區特邀代表), a member of the Expert Committee to the Second Ministry of Commerce Advisory Committee for Economic & Trade Policy* (第二屆國家商務部經貿政策諮詢委員會專家), a member of The Y. Elites Association Limited (香港菁英會成員) and a member of the Chinese Academy of Governance (HK) Industrial and Commercial Professionals Alumni Association Limited* (中國國家行政學院(香港)工商專業同學會成員). Mr Lam served as a part-time member of the Central Policy Unit of the Government of Hong Kong from 2011 to 2012.

Mr Lam is currently the Vice Chairman of the Youth Division of China Commerce & Economy Society* (中國商業經濟學會), Vice Chairman of the Guangdong Society of Commercial Economy* (廣東省商業經濟學會), Deputy Dean of the Guangdong Asia-Pacific E-Commerce Institute* (廣東亞太電子商務研究院), Deputy Secretary-General of the Society of Guangdong Logistics and Supply Chain* (廣東省物流與供應鏈學會).

Mr Lam is currently an Adjunct Professor at the Renmin University of China School of Business* (中國人民大學商學院) and Zhejiang University School of Management* (浙江大學管理學院), a research fellow at each of the China Business Model Research Centre of the China Financial Research Institute at Tsinghua University School of Economics & Management* (清華大學經管學院中國金融研究中心商業模式研究室), Sun Yat-Sen University’s Centre for Information Economy and Policy* (中山大學信息經濟與政策研究中心), Guangdong University of Finance and Economics’ Commerce Research Institute of Circulation Economy* (廣東財經大學流通經濟研究所), Jinan University’s Modern Distribution Research Centre* (暨南大學現代流通研究中心) and Shenzhen University’s Hong Kong and Macau Basic Law Research Centre* (深圳大學港澳基本法研究中心).

CHANGE OF INFORMATION OF A DIRECTOR

Mr. Yau Chi Ming (“Mr. Yau”), an independent non-executive Director, resigned as an independent non-executive director of TeleEye Holdings Limited, a company listed on the Growth Enterprise Market (“GEM”) of the Stock Exchange (stock code: 8051), on 27 June 2016. Mr. Yau was appointed as an independent non-executive director of Chinese Energy Holdings Limited, a company listed on the GEM (stock code: 8009), on 12 August 2016.

CONTINUING CONNECTED TRANSACTION

On 2 October 2015, the Company entered into a new facility agreement (the “New Facility Agreement”) with Champion Dynasty. Pursuant to the New Facility Agreement, the Company provided a three-year revolving facility of up to HK\$200 million to Champion Dynasty at an interest rate of 10% per annum, with Mr. Cheung as the individual guarantor. The Company is entitled by giving not less than one month’s prior written notice to Champion Dynasty to demand full or partial repayment. The New Facility Agreement was approved by the independent shareholders of the Company at the special general meeting held on 19 November 2015.

As at 30 June 2016, the loan to Champion Dynasty amounted to HK\$117,720,000 (31 December 2015: HK\$186,600,000).

CORPORATE GOVERNANCE

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

Pursuant to Rule 3.10(1) of the Listing Rules, the Board must include at least three independent non-executive Directors. Pursuant to Rule 3.21 of the Listing Rules, the Audit Committee must comprise a minimum of three members. Following the resignation of Mr. Huang Liang as an independent non-executive Director on 17 December 2015, the number of independent non-executive Directors and the number of members of the Audit Committee fell below the minimum requirements under Rule 3.10(1) and Rule 3.21 of the Listing Rules.

Following the appointment of Mr. Lam as independent non-executive Director and a member of the Audit Committee on 15 March 2016, the Company met the minimum requirements under Rule 3.10(1) and Rule 3.21 of the Listing Rules.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES

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

MODEL CODE FOR SECURITIES TRANSACTIONS

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

REVIEW BY AUDIT COMMITTEE

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

APPRECIATION

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

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

Hong Kong, 31 August 2016