UNIVERSAL HEALTH INTERNATIONAL GROUP HOLDING LIMITED
大健康國際集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2211)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 31 DECEMBER 2018

INTERIM RESULTS HIGHLIGHTS

		(Unaudited) Six months ended 31 December		
	Unit	**2018**	2017	Change
Revenue	*RMB million*	**1,368.9**	1,348.0	+1.6%
Gross profit	*RMB million*	**187.7**	204.4	-8.2%
Operating loss	*RMB million*	**(123.5)**	(475.0)	+351.5
Loss for the period	*RMB million*	**(114.5)**	(474.3)	+359.8
EBITDA	*RMB million*	**(111.3)**	(153.6)	+42.3
Basic loss per share	*RMB cents*	**(3.68)**	(16.47)	+12.79
Gross margin	%	**13.7**	15.2	-1.5pp
Operating loss margin	%	**(9.0)**	(35.2)	+26.2pp
Net loss margin	%	**(8.4)**	(35.2)	+26.8pp

The board (the "**Board**") of directors (the "**Directors**") of Universal Health International Group Holding Limited (the "**Company**") is pleased to announce the unaudited interim results of the Company and its subsidiaries (collectively, the "**Group**") for the six months ended 31 December 2018 (the "**Period**") together with the comparative figures for the corresponding period in 2017 as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	(Unaudited) Six months ended 31 December 2018 RMB'000	2017 RMB'000
Revenue	2	**1,368,873**	1,348,034
Cost of sales	4	**(1,181,188)**	(1,143,622)
Gross profit		**187,685**	204,412
Selling and marketing expenses	4	**(283,637)**	(332,419)
Administrative expenses	4	**(36,637)**	(54,980)
Impairment loss on goodwill	4	**–**	(287,818)
Other income		**396**	323
Other gains (losses) – net		**8,666**	(2,228)
Change in fair value of biological assets		**–**	(2,290)
Operating loss		**(123,527)**	(475,000)
Finance income	5	**7,591**	5,484
Finance costs	5	**(187)**	(6,552)
Finance income (costs) – net	5	**7,404**	(1,068)
Share of post-tax results of joint ventures		**253**	209
Share of post-tax results of an associate		**2,439**	(48)
Loss before income tax		**(113,431)**	(475,907)
Income tax (expenses) credit	6	**(1,029)**	1,578
Loss for the period		**(114,460)**	(474,329)
Other comprehensive (loss) income			
Item that may be reclassified to profit or loss in subsequent periods			
Currency translation differences		**(5,472)**	5,102
Total comprehensive loss for the period		**(119,932)**	(469,227)
Loss attributable to:			
– Owners of the Company		**(112,019)**	(470,827)
– Non-controlling interests		**(2,441)**	(3,502)
		(114,460)	(474,329)
Total comprehensive loss attributable to:			
– Owners of the Company		**(117,491)**	(465,725)
– Non-controlling interests		**(2,441)**	(3,502)
		(119,932)	(469,227)
Loss per share attributable to owners of the Company for the period (RMB cents)			
– Basic and diluted	7	**(3.68)**	(16.47)

CONDENSED CONSOLIDATED BALANCE SHEET

	Note	(Unaudited) As at 31 December 2018 *RMB'000*	(Audited) As at 30 June 2018 *RMB'000*
ASSETS			
Non-current assets			
Property, plant and equipment		**266,422**	278,572
Land use rights		**5,421**	5,489
Intangible assets		**15,528**	16,560
Investments in joint ventures		**9,136**	8,883
Investment in an associate		**222,538**	220,099
Available-for-sale financial assets		**–**	22,869
Equity instruments designated as at fair value through other comprehensive income		**22,869**	–
Biological assets		**87,690**	87,690
Deferred income tax assets		**9,981**	11,498
Total non-current assets		**639,585**	651,660
Current assets			
Trade and other receivables	*9*	**304,685**	253,408
Income tax recoverable		**44,175**	46,429
Inventories		**294,737**	303,525
Restricted cash		**51,149**	45,147
Cash and cash equivalents		**756,857**	929,161
Total current assets		**1,451,603**	1,577,670
Total assets		**2,091,188**	2,229,330
EQUITY			
Equity attributable to owners of the Company			
Share capital		**19,167**	19,167
Reserves		**1,640,413**	1,645,885
Retained earnings		**139,885**	251,904
		1,799,465	1,916,956
Non-controlling interests		**1,949**	20,419
Total equity		**1,801,414**	1,937,375

	Note	(Unaudited) As at 31 December 2018 RMB'000	(Audited) As at 30 June 2018 RMB'000
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		**1,408**	1,636
Current liabilities			
Trade and other payables	*10*	**288,311**	290,255
Current income tax liabilities		**55**	64
Total current liabilities		**288,366**	290,319
Total liabilities		**289,774**	291,955
Total equity and liabilities		**2,091,188**	2,229,330

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

On 31 August 2017, the Board of Directors of the Company has resolved to change the financial year end date of the Company from 31 December to 30 June. Since stocktake of the wild ginsengs in the forest land is not practicable due to severe weather condition around winter in the northeastern region of the People's Republic of China (the "**PRC**" or "**China**"), this change of financial year end will enable a more accurate reflection of the value of the wild ginsengs. Accordingly, the current interim financial period covers a six months period from 1 July 2018 to 31 December 2018 with the comparative financial period covers six months period from 1 July 2017 to 31 December 2017.

These condensed consolidated interim financial statements for the six months ended 31 December 2018 has been prepared in accordance with International Accounting Standards ("**IASs**") 34, "**Interim Financial Reporting**" and the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The preparation of these condensed consolidated interim financial statements for the six months ended 31 December 2018 in conformity with IAS 34 requires the management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

These condensed consolidated interim financial statements for the six months ended 31 December 2018 include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since 30 June 2018, and therefore, do not include all of the information required for full set of financial statements prepared in accordance with all applicable International Financial Reporting Standards ("**IFRSs**"). They shall be read in conjunction with the consolidated financial statements for the eighteen months ended 30 June 2018.

These condensed consolidated interim financial statements for the six months ended 31 December 2018 have been prepared on a historical cost basis, except for equity instruments designated as at fair value through other comprehensive income ("**FVOCI**") and biological assets which are measured at fair value.

The accounting policies adopted in preparing these condensed consolidated interim financial statements for the six months ended 31 December 2018 are consistent with those in the preparation of the Group's consolidated financial statements for the eighteen months ended 30 June 2018, except for the adoption of the new/revised standard of IFRSs which are relevant to the Group's operation and are effective for the Group's financial year beginning on 1 July 2018 as described below.

Annual improvements	2014-2016 Cycle
Amendments to IAS 40	Transfers of Investment Property
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to IFRS 4	Insurance Contracts
IFRS 9	Financial Instruments
IFRS 15	Revenue from Contracts with Customers
IFRIC 22	Foreign Currency Transactions and Advance Consideration

The adoption of the new/revised standard of IFRSs did not result in substantial changes to the Group's accounting policies and amounts reported for the current period and prior years except for IFRS 9 and IFRS 15.

IFRS 9: Financial instruments

IFRS 9 introduces new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets.

Key requirements of IFRS 9 which are relevant to the Group are:

- all recognised financial assets that are within the scope of IFRS 9 are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at FVOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading or a contingent consideration) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- in relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39 ''Financial Instruments: Recognition and Measurement''. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

On 1 July 2018, the directors of the Company has assessed which business models apply to the financial assets held by the Group at the date of initial application of IFRS 9 and has classified its financial instruments into the appropriate IFRS 9 categories. The main effects resulting from this reclassification are as follows:

		Measurement category		**Carrying amount**	
		Original	New	Original	New
	Note	(IAS 39)	(IFRS 9)	*RMB'000*	*RMB'000*
Financial assets					
Unlisted equity instruments		Available-for-sale, at fair value	Equity instruments designated as at FVOCI	22,869	22,869
Trade and other receivables	*(a)*	Amortised cost	Amortised cost	253,408	253,408
Restricted cash	*(a)*	Amortised cost	Amortised cost	45,147	45,147
Cash and cash equivalents	*(a)*	Amortised cost	Amortised cost	929,161	929,161

Note a: Impairment based on expected credit loss model on these financial assets has no significant financial impacts.

IFRS 15: Revenue from Contracts with Customers

IFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 "Revenue'', IAS 11 ''Construction contracts'' and the related interpretations when it becomes effective. The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Specifically, IFRS 15 introduces a 5-step approach to revenue recognition:

Step 1: Identify the contract(s) with a customer
Step 2: Identify the performance obligations in the contract
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to the performance obligations in the contract
Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under IFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control'' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

The adoption of IFRS 15 did not have any significant impact on recognition of revenue. However, the application of IFRS 15 results in the additional disclosures in note 2 to these condensed consolidated interim financial statements.

2. REVENUE

The Group has recognised the following amounts relating to revenue in profit or loss:

	(Unaudited) Six months ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
Revenue from contracts with customers *(a)*	**1,368,873**	1,348,034

(a) Disaggregation of revenue

	(Unaudited) Six months ended 31 December 2018			
	Distributions	**Retails I**	**Retails II**	**Total**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***
Major products				
Prescribed drugs	**224,141**	**88,707**	**27,419**	**340,267**
Non-prescribed drugs	**671,102**	**302,274**	**49,234**	**1,022,610**
Healthcare products	**121,804**	**117,807**	**19,476**	**259,087**
Other pharmaceutical products	**57,847**	**26,562**	**3,556**	**87,965**
	1,074,894	**535,350**	**99,685**	**1,709,929**
Eliminations	**(341,056)**	**–**	**–**	**(341,056)**
Revenue from external customers	**733,838**	**535,350**	**99,685**	**1,368,873**
Timing of revenue recognition:				
Products transferred at a point in time	**733,838**	**535,350**	**99,685**	**1,368,873**

	(Unaudited)			
	Six months ended 31 December 2017			
	Distributions	Retails I	Retails II	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Major products				
Prescribed drugs	166,726	75,762	19,490	261,978
Non-prescribed drugs	711,281	311,837	61,850	1,084,968
Healthcare products	105,482	117,248	15,465	238,195
Other pharmaceutical products	37,759	37,802	2,645	78,206
	1,021,248	542,649	99,450	1,663,347
Eliminations	(315,313)	–	–	(315,313)
Revenue from external customers	705,935	542,649	99,450	1,348,034
Timing of revenue recognition:				
Products transferred at a point in time	705,935	542,649	99,450	1,348,034

3. SEGMENT INFORMATION

The Board of Directors is the Group's chief operating decision-maker. Management has determined the operating segments based on the information reviewed by the Board of Directors for the purposes of allocating resources and assessing performance.

The Group is principally engaged in the distributions and retails of drugs and other pharmaceutical products in the northeastern region of the PRC. Individual financial statements and management report of the retails with strategic stores ("**Retails I**"), retails consisting of non-strategic stores ("**Retails II**"), Distributions and Others are presented to the Board of Directors to assess their performance and for making respective business decisions. Distributions, Retails I, Retails II and Others are considered to be four segments in accordance with IFRS 8 "Operating Segment". The "Others" segment mainly comprises investment companies.

The Group's principal market is the northeastern region of the PRC. The Group has a large number of customers, which are widely dispersed within the northeastern region of the PRC, no single customer accounted for more than 10% of the Group's total revenues for the six months ended 31 December 2018 and 2017. Accordingly, no geographical segment is presented.

Inter-segment sales are charged at cost or cost plus a percentage mark-up. The revenue from external customers and the costs, the total assets and the total liabilities are measured in a manner consistent with that of these condensed consolidated interim financial statements.

The Board of Directors assesses the performance of the operating segments based on a measure of adjusted loss before interests, tax, depreciation and amortisation ("**Adjusted EBITDA**"). The measurement basis of Adjusted EBITDA excludes the effect of share of post-tax results of joint ventures, share of post-tax results of an associate, share-based payment expenses and impairment loss on goodwill.

The segment information for the six months ended 31 December 2018 and as at 31 December 2018 is as follows:

	Distributions	Retails I	Retails II	Others	Total
	(Unaudited) Six months ended 31 December 2018				
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Segment revenue	**1,074,894**	**535,350**	**99,685**	**–**	**1,709,929**
Inter-segment revenue	**(341,056)**	**–**	**–**	**–**	**(341,056)**
Revenue from external customers	**733,838**	**535,350**	**99,685**	**–**	**1,368,873**
Adjusted EBITDA	**(53,395)**	**(34,465)**	**(17,133)**	**(6,352)**	**(111,345)**
Depreciation and amortisation	**(7,099)**	**(4,692)**	**(391)**	**–**	**(12,182)**
Finance income	**2,319**	**1,029**	**43**	**4,200**	**7,591**
Finance costs	**(71)**	**(100)**	**(4)**	**(12)**	**(187)**
Share of post-tax results of joint ventures	**–**	**253**	**–**	**–**	**253**
Share of post-tax results of an associate	**2,439**	**–**	**–**	**–**	**2,439**
Income tax expenses	**(75)**	**(867)**	**(87)**	**–**	**(1,029)**
Loss for the period	**(55,882)**	**(38,842)**	**(17,572)**	**(2,164)**	**(114,460)**
Additions of non-current assets	**26**	**107**	**–**	**–**	**133**

	Distributions	Retails I	Retails II	Others	Total
	(Unaudited) As at 31 December 2018				
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Total assets before eliminations	**2,274,224**	**1,010,536**	**24,968**	**1,620,479**	**4,930,207**
Inter-segment assets	**(597,043)**	**(731,392)**	**(474)**	**(1,510,110)**	**(2,839,019)**
Total assets	**1,677,181**	**279,144**	**24,494**	**110,369**	**2,091,188**
Total liabilities before eliminations	**1,358,441**	**588,115**	**63,462**	**30,146**	**2,040,164**
Inter-segment liabilities	**(1,170,115)**	**(501,018)**	**(51,253)**	**(28,004)**	**(1,750,390)**
Total liabilities	**188,326**	**87,097**	**12,209**	**2,142**	**289,774**
Investments in joint ventures	**–**	**9,136**	**–**	**–**	**9,136**
Investment in an associate	**222,538**	**–**	**–**	**–**	**222,538**

The segment information for the six months ended 31 December 2017 and as at 30 June 2018 is as follows:

	(Unaudited) Six months ended 31 December 2017				
	Distributions	Retails I	Retails II	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Segment revenue	1,021,248	542,649	99,450	–	1,663,347
Inter-segment revenue	(315,313)	–	–	–	(315,313)
Revenue from external customers	705,935	542,649	99,450	–	1,348,034
Adjusted EBITDA	(71,665)	(48,945)	(20,241)	(12,778)	(153,629)
Share-based payment expenses	(6,289)	(4,597)	–	(1,743)	(12,629)
Impairment loss on goodwill	(24,294)	(263,524)	–	–	(287,818)
Depreciation and amortisation	(6,322)	(13,123)	(1,459)	(20)	(20,924)
Finance income	2,438	2,785	258	3	5,484
Finance costs	258	(681)	(13)	(6,116)	(6,552)
Share of post-tax results of joint ventures	–	209	–	–	209
Share of post-tax results of an associate	(48)	–	–	–	(48)
Income tax credit	1,354	83	141	–	1,578
Loss for the period	(104,568)	(327,793)	(21,314)	(20,654)	(474,329)
Additions of non-current assets	80,177	806	–	–	80,983

	(Audited) As at 30 June 2018				
	Distributions	Retails I	Retails II	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Total assets before eliminations	2,336,942	1,042,660	24,189	1,623,418	5,027,209
Inter-segment assets	(574,225)	(709,668)	(478)	(1,513,508)	(2,797,879)
Total assets	1,762,717	332,992	23,711	109,910	2,229,330
Total liabilities before eliminations	1,380,828	527,156	51,725	25,326	1,985,035
Inter-segment liabilities	(1,193,173)	(433,097)	(43,063)	(23,747)	(1,693,080)
Total liabilities	187,655	94,059	8,662	1,579	291,955
Investments in joint ventures	–	8,883	–	–	8,883
Investment in an associate	220,099	–	–	–	220,099

The amounts provided to the Board of Directors with respect to total assets are measured in a manner consistent with that of these condensed consolidated interim financial statements. These assets are allocated based on the operations of the segment and the physical location of the assets.

4. EXPENSES BY NATURE

	(Unaudited) Six months ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
Changes in inventories	**1,177,788**	1,139,230
Employee benefit expenses	**153,777**	162,611
Impairment loss on goodwill	**–**	287,818
Advertising and other marketing expenses	**60,012**	87,055
Rental expenses	**49,663**	52,848
Transportation and related charges	**34,894**	34,215
Depreciation of property, plant and equipment	**11,064**	11,744
Amortisation of intangible assets	**1,050**	9,113
Share-based payment expenses	**–**	12,629
Office and communication expenses	**5,529**	4,958
Other tax expenses	**4,303**	5,418
License fee of trademarks	**(4,000)**	4,000
Professional fees	**3,366**	1,012
Electricity and other utility fees	**1,402**	1,907
Travelling and meeting expenses	**752**	1,085
Auditors' remuneration	**701**	1,370
Amortisation of land use rights	**68**	67
Training fees	**11**	–
Other expenses	**1,082**	1,759
Total	**1,501,462**	1,818,839

5. FINANCE INCOME AND COSTS

	(Unaudited) Six months ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
Finance income		
Exchange gains	**5,815**	–
Interest income	**1,776**	5,484
	7,591	5,484
Finance costs		
Interest expenses on loans	**–**	(906)
Exchange losses	**–**	(5,478)
Other charges	**(187)**	(168)
	(187)	(6,552)
Finance income (costs) – net	**7,404**	(1,068)

6. INCOME TAX (EXPENSES) CREDIT

	(Unaudited) Six months ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
PRC corporate income tax		
– Current income tax	**(326)**	(307)
– Overprovision in prior years	**19**	581
Hong Kong profits tax		
– Current income tax	**(75)**	(73)
Deferred income tax	**(647)**	1,377
Total income tax (expenses) credit	**(1,029)**	1,578

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong for the six months ended 31 December 2018 (2017: 16.5%). The subsidiaries of the Group in the PRC are subject to corporate income tax at a rate of 25% (2017: 25%) on its taxable income or deemed profit method as determined in accordance with the relevant PRC income tax rules and regulations.

7. LOSS PER SHARE

(a) Basic

Basic loss per share is calculated by dividing the loss for the period attributable to owners of the Company by the weighted average number of ordinary shares in issue during the period.

	(Unaudited) Six months ended 31 December	
	2018	2017
Loss attributable to owners of the Company *(RMB'000)*	**(112,019)**	(470,827)
Weighted average number of ordinary shares in issue *(thousands)*	**3,040,538**	2,858,138
Basic loss per share *(RMB cents)*	**(3.68)**	(16.47)

(b) Diluted

As the effect of the assumed conversion of the potential ordinary shares from exercising the Company's share options is anti-dilutive, the basic loss per share for the periods are equal to diluted loss per share for the six months ended 31 December 2018 and 2017.

8. DIVIDEND

No interim dividend was declared for the six months ended 31 December 2018 (2017: Nil).

9. TRADE AND OTHER RECEIVABLES

	(Unaudited) As at 31 December 2018 *RMB'000*	(Audited) As at 30 June 2018 *RMB'000*
Trade receivables *(a)*	**239,196**	170,602
Prepayments	**56,225**	72,345
Note receivables	**621**	–
Other receivables	**8,643**	12,235
Provision for impairment	**–**	(1,774)
Total	**304,685**	253,408

The carrying amounts of trade and other receivables approximate their fair values.

(a) Retail sales at the Group's pharmacies are usually settled in cash or by debit or credit cards. For distribution sales, there is no concentration of credit risk with respect to trade receivables, as the majority of the Group's sales are settled upon delivery of goods. The remaining amounts are with credit items of not more than 90 days. The ageing analysis based on recognition date of the trade receivables is as follows:

	(Unaudited) As at 31 December 2018 *RMB'000*	(Audited) As at 30 June 2018 *RMB'000*
Up to 3 months	**222,879**	169,061
4 to 6 months	**11,340**	1,127
7 to 12 months	**4,669**	14
Over 1 year	**308**	400
	239,196	170,602

10. TRADE AND OTHER PAYABLES

	(Unaudited) As at 31 December 2018 *RMB'000*	(Audited) As at 30 June 2018 *RMB'000*
Trade payables *(a)*	**166,170**	158,645
Notes payable *(b)*	**50,936**	44,858
Other payables	**71,205**	86,752
Total	**288,311**	290,255

(a) Details of ageing analysis based on recognition date of trade payables are as follows:

	(Unaudited) As at 31 December 2018 *RMB'000*	(Audited) As at 30 June 2018 *RMB'000*
Up to 3 months	**161,612**	155,254
4 to 6 months	**–**	75
7 to 12 months	**1,685**	1
1 year to 2 years	**885**	2,929
2 years to 3 years	**1,988**	386
	166,170	158,645

(b) As at 31 December 2018, the entire balance of notes payable was secured by restricted cash of RMB51,149,000 (as at 30 June 2018: RMB45,147,000).

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY OVERVIEW

In 2018, the global economy has maintained its moderate growth with a slowdown in momentum. The major economies showed a significant divergence in growth momentum, inflation level and monetary policy. The continuous interest rate hike by the Federal Reserve Board led to large capital outflow from emerging economies, which caused continuous volatility in the financial market. A series of policies and measures introduced by the United States in 2018 also contributed to the changes in global economic growth, international financial market and international trade practices.

China experienced a continuous slowdown in economic growth in 2018. The government has flexibly adopted easing policies to slacken the pace of economic slowdown. According to the preliminary data from the National Bureau of Statistics of China, the PRC recorded an accumulated GDP of RMB65,089.9 billion for the first three quarters of 2018, representing a year-on-year increase of 6.7% for the first three quarters and, with a year-on-year increase 6.5% for the third quarter, being the lowest quarterly growth rate of China since the global financial crisis in 2008.

According to the data from National Bureau of Statistics of the PRC, the national industrial enterprises above designated size in the PRC achieved a total profit of RMB6,116.88 billion from January to November 2018, representing a year-on-year increase of 11.8%, and a decrease of 1.8 percentage points of the growth rate compared with January to October 2018. Among the industries, the pharmaceutical manufacturing industry achieved an operating income of RMB2,245.7 billion (representing a year-on-year increase of 12.8%) and a total profit of RMB282.2 billion (representing a year-on-year increase of 8.4%). Due to spring influenza, price rise in active pharmaceutical ingredients and other factors, the pharmaceutical manufacturing industry recorded a faster growth during the first quarter in 2018 while its growth was slowdown during the second and third quarters in 2018. The industry showed a decreasing growth rate after reaching a relatively high figure in early 2018, achieving steady growth in general over the year.

Reviewing the past year, pressures from medical insurance premium control, tender price cuts and other policies led to a low growth rate for the pharmaceutical industry. In addition, the conflict between China and the United States, the vaccine scandal and other factors brought mixed prospects to the development of the pharmaceutical industry. The development of the pharmaceutical industry is heavily dependent on the government policies. A number of policies introduced in the second half of 2018 have far-reaching implications for the healthcare and pharmaceutical markets.

On 10 October 2018, the National Medical Security Administration (the "**National Medical Security Administration**") issued "Notice on the Inclusion of 17 Anti-cancer Drugs into Class B of Drug Catalogue for Basic Medical Insurance, Work-Related Injury Insurance, and Maternity Insurance" (《關於將17種抗癌藥納入國家基本醫療、工傷保險和生育保險藥品目錄乙類範圍的通知》). On 29 November 2018, the National Medical Security Administration further issued "Notice on Effectively Adopting the 17 Anti-cancer Drugs Priced by Negotiation for National Medical Insurance" (《關於做好17種國家醫保談判抗癌藥執行落實工作的通知》) with the relevant authorities, requiring all areas to ensure that fees for drugs priced by negotiation shall be paid by the end of November 2018 as stipulated. The fees for drugs priced by negotiation are not limited by the range of total amount for medical institutions.

On 25 October 2018, the National Health Commission of the PRC (the "**National Health Commission**") issued "Notice on Issuing the National Catalogue of Essential Drugs (2018 Edition)" (《關於印發國家基本藥物目錄(二零一八年版)的通知》) on its official website. The number of essential drugs in the revised catalogue increases from 520 to 685. It also highlights the attributes of essential drugs, i.e. being necessary for clinical practices with determinate therapeutic effect. The revision of the catalogue focuses on cancer, pediatric disease and chronic disease. The National Health Commission will next promote the use of monitoring and comprehensive evaluation for drugs, as well as establishing a dynamic adjustment mechanism for the national catalogue of essential drugs.

On 15 November 2018, the full text of "Document on Centralized Procurement of Drugs in 4+7 Cities" (《4+7城市藥品集中採購文件》) was released. On 17 December 2018, the selection results of centralized procurement in 4+7 cities were announced. 25 varieties (involving 32 specifications) were selected with total procurement amount of RMB1.895 billion for 11 cities. The unexpected decrease in centralized procurement aroused great dissatisfaction among members of the pharmaceutical industry, which would have significant impact on the future of the pharmaceutical industry, especially, generic drugs.

New policies launched frequently may reshape the industry. In the future, due to the implementation and national promotion of policies such as procurement with pre-determined quantity, as well as the peaking of the economic growth of the United States, the uncertainty of the trade conflict between China and the United States, the rising global debt burden and the Chinese economy undergoing the key stage of "major adjustment", it is expected that the pharmaceutical industry will continue to face further pressure. However, driven by the ageing population of China, the higher consumption power of residents and the structural adjustment of medical insurance payment system, the pharmaceutical industry remains a sector with remarkable growth prospect in China.

BUSINESS REVIEW

Under the leadership of Mr. Jin Dongtao, the chairman of the Group (the "**Chairman**"), and with the efforts of all employees, the Group has been actively promoting the development of traditional physical retail chain stores and distribution network while facing intensive competition. Meanwhile, the Group also endeavored to explore new business model.

The Golden Rules (王道哲學)

The Golden Rules, an operation philosophy with strategic vision, is put forward by Mr. Jin Dongtao, the Chairman, of which "王" is embodied as "1+1=1, 1+1=11, 1+1=101, 1+1=王, 1+1=田". The Golden Rules advocates "Team-work" cooperation spirit, "Platform" for multilateral cooperation, "Empathy" at multi-level and multi-dimension, "Sharing" win-win cooperation strategy and "Partnership" of seeking common development.

Chain Retail Business

During the Period, the Group committed to issue-specific management, continued to keep the division of strategic stores and non-strategic stores and conducted reasonable adjustments in line with the market competition and development. During the Period, 44 stores have been closed in due course. As such, the Group had 873 stores in total at the end of the Period, including 603 strategic stores (as at 30 June 2018: 648 strategic stores) and 270 non-strategic stores (as at 30 June 2018: 269 non-strategic stores). The sales revenue of retail business decreased by 1.1% as a whole from RMB642.1 million for the corresponding period in 2017 to RMB635.1 million for the Period.

Nationwide Distribution Business

During the Period, the Group had over 4,200 distribution customers and 5 large-scale distribution hubs. The Group made appropriate promotion in its distribution system, and continued to optimise screening and maintaining of quality distributors and held 5 associations in total with strategic cooperation distributors. The Group's sales revenue of distribution business increased by 4.0% as a whole from RMB705.9 million for the corresponding period in 2017 to RMB733.8 million for the Period.

Direct-supply and Sales Model

The Group's direct-supply model effectively addressed the issue of traditional heavily overlapped sales process, as well as simplified the supply chain to improve sales efficiency and profitability and provided a higher profit margin from the high-margin products of the Group. Meanwhile, the marketing model advanced to accord with the "Two Invoices System" carried out by the Chinese government, the Group was subject to minor effect of the policy change. During the Period, the Group's management took all necessary actions to safeguard the direct supply of branded products, and its direct supply model covered 29 provinces in China.

Branded Products Operation

The Group continued to maintain its operational pattern of its original branded products and adjusted the brand structure according to its actual operational requirements to eliminate certain non-applicable products and add new products, so as to maintain the competitiveness of its original branded products and, on the other hand, increase the influence of its new branded products. There were 1,252 branded products in total for the benefit of the Group in operation, of which included 607 licensed products and 645 products that we had obtained exclusive distribution rights.

Warehouse Construction

The Group has set up five large-scale logistics distribution centers in Shijiazhuang, Shenyang, Changchun, Harbin and Jiamusi, and has established a high-quality distribution system radiating across the whole country and covering the northeastern region of the PRC. The logistics warehouse center in Jiamusi, Heilongjiang Province is a large-scale pharmaceutical and diversified commodity distribution logistics warehouse center integrated with "Business, Logistics and Information" in the eastern area of Heilongjiang Province and play an important role in optimising distribution system of the Group and hence providing a solid foundation for the industrial upgrading of the logistic park.

Brand Promotion

With traditional advantages in continuous brand promotion and marketing, the Group strengthened the influence and competitiveness of the Company and mitigated the further decline in operating performance. During the Period, the promotional activities have been launched for product brands and enterprise brands by continuously leveraging on traditional media, including televisions, broadcasts, newspapers, vehicle advertisement, billboards and leaflets, along with new media platforms including internet and WeChat. In addition, the Group has participated in the charity to enhance the reputation of the Company and practice its corporate social responsibilities.

Institute Training

During the Period, according to the characteristics of new era, new economy, new technology and new retail, the Group continued to optimise the training activities of the institute and made best use of the business institute on the Group's business development, talent nurturing and public welfare promotion. Moreover, the Group maintained the advantage of taking the lead in establishing business institute in the industry, strengthened its cohesion as well as enhanced and transformed the mode of thinking of employees in response to the transformation and upgrade of the Company's business. During the Period, the Company held 81 internal trainings in total.

Membership Service

During the Period, the Group had provided follow-up services and promotion benefits to over 1.6 million offline members to enhance their sense of affiliation and positivity while boosting their loyalty and improving the healthy image of the Company. Meanwhile, the Group had provided social value-added services in various aspects, such as the provision of public toilets, cold shelters and lost children service centres and the launch of "Love China" public welfare activities, with a view to build up the Group's corporate image.

Industry Alliance

During the Period, the Company had proactively participated in the alliance activities, the Chairman, vice chairman and chief operating officer attended the tours and forums organised by the alliance on behalf of the Group, to seize the theme of era development, keep abreast of the industry information, promote development of branded products, strengthen the Company's interaction and exchange with industry alliance and enhance the Group's influence. Meanwhile, leveraging on the China's national strategic guidance of "Healthy China (健康中國)", "Beautiful China (美麗中國)", "Belt and Road (一帶一路)" and "Guangdong-Hong Kong-Macao Greater Bay Area (粵港澳大灣區)", the Company leveraged on its experience and focused on technological innovation for further transformation and upgrade of the Company's business.

Disposal of a Subsidiary

On 2 October 2018, Heilongjiang Jintian Aixin Pharmaceutical Distribution Co., Ltd. (黑龍江省金天愛心醫藥經銷有限公司), a wholly-owned subsidiary of the Group, entered into a share transfer agreement with Ms. Cao Lijuan (曹麗娟) ("**Ms. Cao**"), who was a non-controlling interests of Hegang Ji Shi Tang Pharmacy Chain Co., Ltd. (鶴崗市濟世堂醫藥連鎖零售有限公司), pursuant to which the Group agreed to sell and Ms. Cao agreed to purchase 51% equity interest of Hegang Ji Shi Tang Pharmacy Chain Co., Ltd. (鶴崗市濟世堂醫藥連鎖零售有限公司), (the "**Disposal**") at a total consideration of RMB7.5 million. The completion of such Disposal took place on 9 October 2018.

FINANCIAL REVIEW

For the Period, the Group recorded overall revenue of RMB1,368.9 million, representing an increase of 1.6% as compared with RMB1,348.0 million for the corresponding period in 2017. Loss attributable to owners of the Company was RMB112.0 million, as compared with a loss attributable to owners of the Company of RMB470.8 million for the corresponding period in 2017. Loss per share for the Period was RMB3.68 cents (for the six months ended 31 December 2017: RMB16.47 cents).

Revenue

For the Period, the Group recorded overall revenue of RMB1,368.9 million, representing an increase of RMB20.9 million or 1.6% as compared with RMB1,348.0 million for the corresponding period in 2017. The decrease in revenue of the Group's retail business for the Period was mainly due to the decrease in the number of retail stores. However, the increase in revenue of the Group's distribution business for the Period was mainly due to the increase in applying various promotion initiatives and adding new licensed products to the product mix, resulting in an increase in overall revenue of the Group.

Analysis of revenue by business segment

	Revenue (RMB million) Six months ended 31 December			Percentage (%) of total revenue Six months ended 31 December		
	2018	2017	Change (%)	**2018**	2017	Change
Retails I	**535.4**	542.6	-1.3	**39.1**	40.2	-1.1pp
Retails II	**99.7**	99.5	+0.2	**7.3**	7.4	-0.1pp
	635.1	642.1	- 1.1	**46.4**	47.6	-1.2pp
Distributions	**733.8**	705.9	+ 4.0	**53.6**	52.4	+1.2pp
	1,368.9	1,348.0		**100.0**	100.0	

Retail Business Segment

The Group operates two retails reportable segments: Retails I and Retails II. Retails I are retail business with higher future development potential and strategic focus by the Group in allocating resources, while Retails II are retail business located in remote areas without strategic importance or high growth potential. The Group will timely redesignate the strategic stores to non-strategic stores or close non-strategic stores by assessing the market competition and development. The decrease in revenue in the retail business was mainly due to the decrease in the number of retail stores during the Period.

As at 31 December 2018, the Group had 873 retail pharmacies in total (as at 31 December 2017: 926), of which 653 located in Heilongjiang (as at 31 December 2017: 687), 132 in Liaoning (as at 31 December 2017: 151), 86 in Jilin (as at 31 December 2017: 86) and 2 self-operated retail pharmacies in Hong Kong (as at 31 December 2017: 2). As at 31 December 2018, the Group had 1 supermarket in Shenyang (as at 31 December 2017: 1), mainly selling healthcare products and consumer goods. The performance of the supermarket was included and monitored in Retails I.

Distribution Business Segment

The Group adopted a prudent approach in running the distribution business and took appropriate actions to mitigate credit risks by strengthening the credit management of sales and minimising trade receivables in order to lower the risk of bad debts.

As at 31 December 2018, the Group had reviewed the nationwide distribution network covering approximately 4,200 active customers (as at 31 December 2017: 5,000), among which approximately 2,700 pharmaceutical retailers, hospitals and clinics (as at 31 December 2017: 3,200) and approximately 1,500 distributors (as at 31 December 2017: 1,800).

Gross profit

Gross profit of the Group for the Period was RMB187.7 million, representing a decrease of RMB16.7 million or 8.2% as compared with RMB204.4 million for the corresponding period in 2017. Overall gross margin decreased from 15.2% to 13.7%. The decrease in gross margin was mainly due to more member events, promotions, discounts offered to consumers and decrease in the sale of the Group's high-margin products, which resulted in a decrease in the gross margin of the Group for the Period.

Analysis of gross profit by business segment

	Gross profit (RMB million) Six months ended 31 December			**Gross margin (%) Six months ended 31 December**		
	2018	2017	Change (%)	**2018**	2017	Change
Retails I	**124.4**	138.8	-10.4	**23.2**	25.6	-2.4pp
Retails II	**22.6**	26.3	-14.1	**22.7**	26.4	-3.7pp
	147.0	165.1	-11.0	**23.1**	25.7	-2.6pp
Distributions	**40.7**	39.3	+3.6	**5.5**	5.6	-0.1pp
	187.7	204.4				

The Group's high-margin products consist of licensed products and products with exclusive distribution rights. During the Period, revenue of the Group's high-margin products decreased by 63.3% over the corresponding period in 2017 and the gross margin of these high-margin products decreased from 33.3% to 27.4%. As at 31 December 2018, the Group had 607 types of licensed products (as at 31 December 2017: 355) and 645 types of products with exclusive distribution rights (as at 31 December 2017: 1,710).

Selling and marketing expenses

Selling and marketing expenses for the Period was RMB283.6 million, representing a decrease of RMB48.8 million or 14.7% as compared with RMB332.4 million for the corresponding period in 2017 and accounting for 20.7% of the Group's revenue (for the six months ended 31 December 2017: 24.7%). The decrease in selling and marketing expenses was mainly due to the decrease in advertising and other marketing expenses and license fee of trademarks.

Administrative expenses

Administrative expenses for the Period was RMB36.6 million, representing a decrease of RMB18.4 million or 33.5% as compared with RMB55.0 million for the corresponding period in 2017 and accounting for 2.7% of the Group's revenue (for the six months ended 31 December 2017: 4.1%). The decrease in administrative expenses was mainly due to the recognition of RMB12.6 million as share-based payment expenses in profit or loss for the corresponding period in 2017.

Impairment loss on goodwill

Management reviewed the business performance based on types of businesses. The Group's goodwill was attributed to the acquisitions in distribution and retail business in prior years. Based on that the Group made a provision for impairment loss on goodwill of RMB287.8 million for the corresponding period in 2017, while there was no provision for impairment loss on goodwill made during the Period.

Finance income (costs) – net

Net finance income for the Period was RMB7.4 million (for the six months ended 31 December 2017: Net finance costs of RMB1.1 million). Net finance income was resulted due to the increase in exchange gains for the Period.

Income tax (expenses) credit

Income tax expenses for the Period was RMB1.0 million (for the six months ended 31 December 2017: Income tax credit of RMB1.6 million). The effective income tax rate for the Period was 0.9% (for the six months ended 31 December 2017: -0.3%).

LIQUIDITY AND CAPITAL RESOURCES

The Company's treasury function formulated financial risk management procedures, which are also subject to periodic review by the senior management of the Company.

This treasury function operates as a centralized service for managing financial risks, including interest rate and foreign exchange rate risks, reallocating surplus financial resources within the Group, procuring cost-efficient funding and targeting yield enhancement opportunities. The treasury function regularly and closely monitors its overall cash and debt positions, proactively reviews its funding costs and maturity profiles to facilitate timely refinancing, if appropriate.

As at 31 December 2018, the Group's unpledged cash and cash equivalents totalled RMB756.9 million (as at 30 June 2018: RMB929.2 million), and the Group's net current assets were RMB1,163.2 million (as at 30 June 2018: RMB1,287.4 million).

During the Period, net cash flows used in operating activities amounted to RMB168.2 million (for the six months ended 31 December 2017: RMB17.9 million).

During the Period, the Group had capital expenditure of RMB3.3 million (for the six months ended 31 December 2017: RMB50.1 million).

Having considered the cash flow from operating activities, existing financial gearing and banking facilities available to the Group, the management believes that the Group's financial resources are sufficient to fund its debt payments, day-to-day operations, capital expenditures and prospective business development projects.

The Group mainly operates in the PRC, with most of its transactions denominated and settled in Renminbi. The Group's currency risk arises from certain bank deposits that are denominated in Hong Kong dollars and United States dollars. As at 31 December 2018, the Group had RMB756.9 million in cash and bank balances of which the equivalent of RMB8.4 million was denominated in Hong Kong dollars and United States dollars.

The Group did not use financial instruments for financial hedging purpose during the Period.

CAPITAL STRUCTURE

As at 31 December 2018, the capital structure of the Company was constituted of 3,040,537,670 ordinary shares of USD0.001 each.

As at 31 December 2018, the Group had no interest-bearing bank borrowings and no bank borrowings carried annual interest rates (as at 30 June 2018: Nil).

The gearing ratio of the Group as at 31 December 2018, calculated as net debt divided by sum of total equity and net debt, was N/A (as at 30 June 2018: N/A).

CONTINGENT LIABILITIES AND PLEDGE OF ASSETS

As at 31 December 2018, the Group had no significant contingent liabilities (as at 30 June 2018: Nil).

As at 31 December 2018, notes payable of the Group was secured by the time deposits of the Group with net aggregate booking value of RMB51.1 million (as at 30 June 2018: the notes payable of the Group were secured by the time deposits of the Group with net aggregate booking value of RMB45.1 million).

HUMAN RESOURCES

As at 31 December 2018, the Group had 5,789 (as at 31 December 2017: 6,161) full-time employees in Hong Kong China and the mainland China with total employee benefit expenses (including share-based payment expenses) amounted to RMB153.8 million (for the six months ended 31 December 2017: RMB175.2 million). Employees are paid according to their positions, performance, experience and prevailing market practices, and are provided with management and professional training. The Group has implemented a number of initiatives to enhance the productivity of its employees. In particular, the Group conducts periodic performance reviews on most of the employees, and their compensation is tied to their performance. Further, the Group's compensation structure is designed to incentivize its employees to perform well by linking a portion of their compensation to their performance and the overall performance of the Group. The performance-based portion depends on the employee's job function and seniority. Employees in Hong Kong are provided with retirement benefits under the Mandatory Provident Fund scheme, as well as life insurance and medical insurance. Employees in the PRC are provided with basic social insurance and housing fund in compliance with the requirements of the laws of China. The Company has adopted a share option scheme on 18 November 2013 (as amended on 20 December 2018) and a share award plan for the purpose of providing incentives to participants for their contributions to the Group, and to enable the Group to recruit and retain quality employees to serve the Group on a long-term basis.

ENVIRONMENTAL, GOVERNANCE AND SOCIAL RESPONSIBILITY

The Group is committed to creating values for stakeholders and the community by a responsible mode of operation, and its major objectives are to maintain the sustainable development of the following factors: (I) environmental protection; (II) working environment; (III) operational management; and (IV) community participation/public welfare.

(I) Environmental Protection

To ensure emission reduction, the Group strives to formulate policies for the effective use of resources. The Group has been actively saving electrical energy and water, vigorously cutting down the use of vehicles and encouraging employees to commute by public transportation. The Group upholds the concept of harmonious development of human and nature.

(II) Working Environment

For optimising the working environment, the Group spares no effort to improve the management in order to meet the relevant China's national regulations on occupational safety and social insurance. The Group is in strict compliance with the labor law, and its employee benefits include statutory paid leaves, medical insurance, employment compensation insurance and Mandatory Provident Fund, etc. The Group establishes management policies and procedures for human resources, aiming to provide the employees with an ideal and safe working environment. For this purpose, the Group also persists in putting resources on improving occupational safety awareness as well as employee development and training.

(III) Operational Management

In order to enhance operation and management, the Group works on simplifying the supply chain management to reduce purchase cost and building a structure that combines upstream and downstream through mergers and acquisitions. For the responsibility in product sales, the Group pays attention to the quality management, complaint handling and customer privacy protection. On the other hand, there are strict internal guidelines within the Group which prohibit the employees' involvement in illegal activities, such as bribery, extortion and fraud.

(IV) Community Participation/Public Welfare

In order to increase the participation in social activities, the Group endeavors to launch more activities for community members and promote the development of public welfare brand "Love China". At the same time, the Group does its best to strengthen corporate governance and integrate its corporate development with public welfare.

The Group is committed to creating sustainable development value through economic, social and environmental aspects to fulfil its corporate social responsibility and achieve long-term sustainable growth of shareholder value. The management of the Group reviews the policy implementation, monitors and measures the progress from time to time to ensure its stated goals achieved in an effective manner.

FUTURE PLAN

Following the leadership of the Chairman in strategic plan and taking the Golden Rules as its guidelines, the management of the Group will, on the basis of stabilizing and optimising the existing retail chain network and distribution system, mainly explore the structural transformation and upgrading of the "supply-side" reform with focus on the development of the following three areas: firstly, "partners+" strategy, and develop a platform featuring "universal health + partners" (which refers to listed company + capital = partners of capital platform → accelerator; listed company + government industrial policy = partners of government guidance platform → local resources; listed company + corporations = partners of the corporation platform → incubator; listed company + public welfare brand = partners of the public welfare platform → reputation); secondly, "N+" strategy, and develop a new channel featuring "single system incorporating industry-wide products" (which refers to the exploration of a new marketing ecosystem featured with "new business, new retail, new technology and new finance"); and thirdly, logistics upgrade strategy. Therefore by leveraging the development trend of traditional industries and grafting the new economic model, the Group will make efforts to facilitate the structural transformation of the Group's operation and anchor a new development cycle with the wing of new engine for the Company, so as to maintain itself as one of the industrial leaders in terms of ecological integration of industry, finance and capital.

INTERIM DIVIDEND

The Board did not declare any interim dividend for the six months ended 31 December 2018 (2017: Nil).

CORPORATE GOVERNANCE

The Company has complied with the code provisions as set out in the Corporate Governance Code (the "**CG Code**") and Corporate Governance Report contained in Appendix 14 of the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") throughout the Period except for a deviation from code provision A.2.1 of CG Code. The Company will continue to review and enhance its corporate governance practices to ensure compliance with the CG Code.

Under code provision A.2.1 of CG Code, the roles of chairman and chief executive officer should be separated and should not be performed by the same individual. During the Period, despite the responsibilities of the chairman and the chief executive officer of the Company vested in Mr. Jin Dongtao, all major decisions are made in consultation with the Board. The Board considers that there is sufficient balance of power; and the current corporate arrangement maintains a strong management position of the Company.

Save for the deviation from the code provision A.2.1 of the CG Code, in the opinion of the Directors, the Company has complied with all code provisions as set out in the CG Code throughout the Period and, where appropriate, the applicable recommended best practices of the CG Code.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding directors' securities transactions. Having made specific enquiries with all the Directors, each of the Directors has confirmed that he/she has complied with the required standards as set out in the Model Code throughout the Period.

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

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

REVIEW OF THE INTERIM RESULTS BY AUDIT COMMITTEE

The audit committee of the Company (the "**Audit Committee**") is comprised of three independent non-executive Directors, namely Mr. Zou Haiyan (Chairman of the Audit Committee), Mr. Cheng Sheung Hing and Ms. Chiang Su Hui Susie. The main duties of the Audit Committee are to examine, review and monitor the financial reporting procedures and financial reporting, risk management and internal control systems of the Company. The Audit Committee has reviewed the unaudited interim results of the Group for the Period.

PUBLICATION OF THE INTERIM RESULTS AND 2018/19 INTERIM REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

This interim results announcement is published on the websites of the Stock Exchange and the Company, and the 2018/19 Interim Report containing all the information required by the Listing Rules will be despatched to the shareholders of the Company and published on the respective websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.uhighl.com) in due course.

By order of the Board
Universal Health International Group Holding Limited
Jin Dongtao
Chairman

Hong Kong, 26 February 2019

As at the date of this announcement, the Board comprises four executive directors, namely, Mr. Jin Dongtao, Mr. Jin Dongkun, Mr. Zhao Zehua and Mr. Sun Libo and three independent non-executive directors, namely, Mr. Cheng Sheung Hing, Ms. Chiang Su Hui Susie and Mr. Zou Haiyan.