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美瑞健康国际产业集团

Meilleure Health International Industry Group

MEILLEURE HEALTH INTERNATIONAL INDUSTRY GROUP LIMITED

美瑞健康國際產業集團有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 2327)

**INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2020**

RESULTS

The board (the “Board”) of directors (the “Directors”) of Meilleure Health International Industry Group Limited (the “Company”) are pleased to present the unaudited interim results of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 30 June 2020.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2020

		For the six months ended 30 June	
		2020	2019
	Notes	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)
REVENUE	5	133,289	108,594
Cost of sales		<u>(82,485)</u>	<u>(64,535)</u>
Gross profit		50,804	44,059
Fair value (loss)/gain on investment properties	10	(10,495)	28,466
Gain on partial disposal of investment in an associate	12	31,713	–
Other income and gains, net		12,635	3,642
Selling and distribution expenses		(2,725)	(1,060)
Administrative expenses		(18,431)	(19,853)
Impairment losses on financial assets, net		(432)	(542)
Other expenses		–	(2,292)
Finance costs		(6,835)	(6,468)
Share of profits of associates		2,535	3,476
Share of losses of joint ventures		<u>(140)</u>	<u>–</u>
PROFIT BEFORE TAX	6	58,629	49,428
Income tax expense	7	<u>(15,720)</u>	<u>(10,216)</u>
PROFIT FOR THE PERIOD		<u>42,909</u>	<u>39,212</u>
Attributable to:			
Owners of the parent		42,543	41,102
Non-controlling interests		<u>366</u>	<u>(1,890)</u>
		<u>42,909</u>	<u>39,212</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	9		
– Basic and diluted		<u>HK1.00 cents</u>	<u>HK1.01 cents</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2020

	For the six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
PROFIT FOR THE PERIOD	<u>42,909</u>	<u>39,212</u>
OTHER COMPREHENSIVE LOSS		
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	<u>(17,316)</u>	<u>(2,493)</u>
Other comprehensive loss that will not be reclassified to profit or loss in subsequent periods:		
Equity investments designated at fair value through other comprehensive income:		
Changes in fair value	<u>(8,154)</u>	<u>–</u>
OTHER COMPREHENSIVE LOSS FOR THE PERIOD, NET OF TAX	<u>(25,470)</u>	<u>(2,493)</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u><u>17,439</u></u>	<u><u>36,719</u></u>
Attributable to:		
Owners of the parent	17,060	39,255
Non-controlling interests	<u>379</u>	<u>(2,536)</u>
	<u><u>17,439</u></u>	<u><u>36,719</u></u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2020

		30 June 2020	31 December 2019
	<i>Notes</i>	HK\$'000	HK\$'000
		(Unaudited)	(Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		1,825	2,060
Investment properties	10	573,492	594,177
Right-of-use assets	11	14,892	18,126
Goodwill		32,239	32,239
Other intangible assets		239	369
Investments in associates	12	50,336	74,839
Investments in joint ventures		63,637	65,032
Equity investments designated at fair value through other comprehensive income		25,101	33,825
Derivative financial instruments	12	482	–
Deferred tax assets		3,441	3,372
Total non-current assets		765,684	824,039
CURRENT ASSETS			
Inventories		12,664	8,048
Land held for development		213,312	216,177
Trade receivables	13	99,567	104,689
Prepayments, deposits and other receivables	14	195,382	31,685
Amounts due from related parties		94	–
Tax recoverable		1,122	1,537
Financial assets at fair value through profit or loss		207,436	285,723
Pledged bank deposits		–	80,276
Cash and cash equivalents		152,527	156,229
		882,104	884,364
Investment property held for sale		5,345	5,450
Total current assets		887,449	889,814

		30 June 2020	31 December 2019
	<i>Notes</i>	HK\$'000	HK\$'000
		(Unaudited)	(Audited)
CURRENT LIABILITIES			
Trade payables	15	1,014	1,420
Other payables and accruals		39,211	41,891
Amounts due to related parties		6,812	7,062
Lease liabilities		7,515	7,349
Bank borrowings	16	114,580	178,776
Tax payables		14,844	5,991
Total current liabilities		183,976	242,489
NET CURRENT ASSETS		703,473	647,325
TOTAL ASSETS LESS CURRENT LIABILITIES		1,469,157	1,471,364
NON-CURRENT LIABILITIES			
Lease liabilities		8,086	11,390
Bank borrowings	16	116,757	131,855
Deferred tax liabilities		54,981	56,866
Other non-current liabilities		5,485	5,593
Total non-current liabilities		185,309	205,704
NET ASSETS		1,283,848	1,265,660
EQUITY			
Equity attributable to owners of the parent			
Share capital	17	42,718	42,718
Reserves		1,234,696	1,216,887
		1,277,414	1,259,605
Non-controlling interests		6,434	6,055
TOTAL EQUITY		1,283,848	1,265,660

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2020

	For the six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Net cash flows (used in)/generated from operating activities	(29,335)	44,525
Net cash flows generated from/(used in) investing activities	30,459	(468,004)
Net cash flows (used in)/generated from financing activities	(3,237)	402,639
NET DECREASE IN CASH AND CASH EQUIVALENTS	(2,113)	(20,840)
Cash and cash equivalents at beginning of the period	156,229	161,142
Effect of foreign exchange rate changes, net	(1,589)	(64)
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	152,527	140,238

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

1. GENERAL INFORMATION

The Company is a limited liability company incorporated in Bermuda. The registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and its principal place of business is Unit 2906, Tower 1, Lippo Centre, 89 Queensway, Admiralty, Hong Kong. The Company's shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Directors regard ultimate controlling party of the Company to be Mr. Zhou Xuzhou.

During the six months ended 30 June 2020, the Group were mainly involved in the following principal activities:

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

2. BASIS OF PREPARATION

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

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2019.

3. PRINCIPAL ACCOUNTING POLICIES

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

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2019, except for the adoption of the following revised Hong Kong Financial Reporting Standards ("HKFRSs") for the first time for the current period's financial information.

Adoption of the revised Hong Kong Financial Reporting Standards

Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform
Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 16	COVID-19-Related Rent Concessions (early adopted)

Other than as explained below regarding the impact of Amendments to HKFRS 16 *COVID-19-Related Rent Concessions*, the application of all the other revised standards does not have any impact on the amounts reported and/or disclosures set out in the Group's interim condensed consolidated financial statements. The nature and impact of Amendments to HKFRS 16 is described below:

Amendment to HKFRS 16 provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease. The amendment is effective retrospectively for annual periods beginning on or after 1 June 2020 with earlier application permitted.

During the six months ended 30 June 2020, certain monthly lease payments for the leases of the Group's office premises have been reduced or waived by the lessors as a result of the COVID-19 pandemic and there are no other changes to the terms of the leases. The Group has early adopted the amendment on 1 January 2020 and elected not to apply lease modification accounting for all rent concessions granted by the lessors as a result of the COVID-19 pandemic during the six months ended 30 June 2020. Accordingly, a reduction in the lease payments arising from the rent concessions of HK\$141,000 has been accounted for as a variable lease payment by derecognising part of the lease liabilities and crediting to profit or loss.

4. OPERATING SEGMENT INFORMATION

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

- (a) Trading business – Trading of construction materials;
- (b) Agency service – Real estate and construction materials agency services;
- (c) Property development – Development of residential properties;
- (d) Property investment and leasing; and
- (e) Healthcare related business – Health management services, sales of healthcare products and healthcare products agency service.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit or loss, which is a measure of adjusted profit or loss before tax. The adjusted profit or loss before tax is measured consistently with the Group's profit before tax except that share of profits or losses of associates and joint ventures, gain on partial disposal of investment in an associate, loss on disposal of investment properties held for sale, finance costs as well as head office and corporate income and expenses are excluded from such measurement.

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

Segment liabilities include all liabilities but exclude deferred tax liabilities, tax payables as well as other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

No asymmetrical allocations have been applied to reportable segments.

For the six months ended 30 June 2020 (Unaudited)

	Trading business HK\$'000	Agency service HK\$'000	Property development HK\$'000	Property investment and leasing HK\$'000	Healthcare related business HK\$'000	Total HK\$'000
Segment revenue: (Note 5)						
Sales to external customers	75,848	17,397	–	10,075	29,969	133,289
Segment results	10,779	14,291	(67)	(1,022)	6,723	30,704
<i>Reconciliation:</i>						
Gain on partial disposal of investment in an associate						31,713
Unallocated income						5,968
Unallocated expenses						(5,316)
Share of profits of associates						2,535
Share of losses of joint ventures						(140)
Finance costs						(6,835)
Profit before tax						58,629

For the six months ended 30 June 2019 (Unaudited)

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

The following table presents the asset and liability information of the Group's operating segments as at 30 June 2020 and 31 December 2019, respectively.

At 30 June 2020 (Unaudited)

	Trading business HK\$'000	Agency service HK\$'000	Property development HK\$'000	Property investment and leasing HK\$'000	Healthcare related business HK\$'000	Total HK\$'000
Assets						
Segment assets	385,021	4,775	224,023	590,743	222,822	1,427,384
<i>Reconciliation:</i>						
Tax recoverable						1,122
Deferred tax assets						3,441
Unallocated corporate assets						221,186
Total assets						<u>1,653,133</u>
Liabilities						
Segment liabilities	38,660	–	1,177	149,903	44,030	233,770
<i>Reconciliation:</i>						
Tax payables						14,844
Deferred tax liabilities						54,981
Unallocated corporate liabilities						65,690
Total liabilities						<u>369,285</u>

At 31 December 2019 (Audited)

	Trading business HK\$'000	Agency service HK\$'000	Property development HK\$'000	Property investment and leasing HK\$'000	Healthcare related business HK\$'000	Total HK\$'000
Assets						
Segment assets	266,077	291	216,582	606,811	231,209	1,320,970
<i>Reconciliation:</i>						
Tax recoverable						1,537
Deferred tax assets						3,372
Unallocated corporate assets						387,974
Total assets						<u>1,713,853</u>
Liabilities						
Segment liabilities	45,667	864	–	153,573	44,866	244,970
<i>Reconciliation:</i>						
Tax payables						5,991
Deferred tax liabilities						56,866
Unallocated corporate liabilities						140,366
Total liabilities						<u>448,193</u>

5. REVENUE

An analysis of revenue is as follow:

	For the six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Revenue from contracts with customers		
Sales of goods	77,517	53,868
Health management service income	22,035	26,778
Agency service income	23,662	18,204
	<u>123,214</u>	<u>98,850</u>
Revenue from other sources		
Rental income	10,075	9,744
	<u>133,289</u>	<u>108,594</u>

Disaggregated revenue information for revenue from contracts with customers

For the six months ended 30 June 2020 (Unaudited)

Segments	Trading business HK\$'000	Agency service HK\$'000	Healthcare related business HK\$'000	Total HK\$'000
Type of goods or services				
Sales of goods	75,848	–	1,669	77,517
Health management services	–	–	22,035	22,035
Agency services	–	17,397	6,265	23,662
	<u>75,848</u>	<u>17,397</u>	<u>29,969</u>	<u>123,214</u>
Total revenue from contracts with customers	<u>75,848</u>	<u>17,397</u>	<u>29,969</u>	<u>123,214</u>
Locations of customers				
Hong Kong	207	–	6,761	6,968
Mainland China	75,641	17,397	18,006	111,044
Others	–	–	5,202	5,202
	<u>75,848</u>	<u>17,397</u>	<u>29,969</u>	<u>123,214</u>
Total revenue from contracts with customers	<u>75,848</u>	<u>17,397</u>	<u>29,969</u>	<u>123,214</u>
Timing of revenue recognition				
Goods transferred at a point in time	75,848	–	1,669	77,517
Services transferred at a point in time	–	17,397	6,265	23,662
Services transferred over time	–	–	22,035	22,035
	<u>75,848</u>	<u>17,397</u>	<u>29,969</u>	<u>123,214</u>
Total revenue from contracts with customers	<u>75,848</u>	<u>17,397</u>	<u>29,969</u>	<u>123,214</u>

For the six months ended 30 June 2019 (Unaudited)

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

6. PROFIT BEFORE TAX

The Group's profit before tax is stated after charging/(crediting) the following items that are unusual because of their nature, size or incidence:

	For the six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Loss on disposal of investment properties held for sale	–	1,226
Impairment losses on financial assets, net:		
– Trade receivables	432	542
Gain on partial disposal of investment in an associate	(31,713)	–
Fair value gains on financial assets at fair value through profit or loss	(6,190)	(2,130)
Foreign exchange losses, net	434	1,895
	<u> </u>	<u> </u>

7. INCOME TAX

The Group calculates the income tax expense for the both periods using the tax rates prevailing in the jurisdictions in which the Group operates.

Hong Kong profits tax has been provided at the rate of 16.5% (six months ended 30 June 2019: 16.5%) on the estimated assessable profit arising in Hong Kong for the period, except for one group entity operating in Hong Kong which is a qualifying corporate under the two-tiered Profits Tax rate regime. For the qualifying group entity, the first HK\$2 million of assessable profits are taxed at the rate of 8.25% and the remaining assessable profits are taxed at the rate of 16.5%.

Enterprise Income Tax ("EIT") of the People's Republic of China ("PRC") has been provided at the rate of 25% (six months ended 30 June 2019: 25%) on the estimated assessable profits arising in Mainland China for the period.

A group entity, which is non-tax resident enterprise in Australia, is subject to Australia withholding tax at the tax rate of 10% (six months ended 30 June 2019: N/A) on the gross interest income arising from its loans provided to another group entity, which is tax resident enterprise in Australia.

Taxes on profits assessable elsewhere have been calculated at the tax rates prevailing in the countries in which the Group operates.

	For the six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Current income tax expense		
– Hong Kong profits tax	1,504	136
– PRC EIT	14,525	4,145
– Australia withholding tax on interest income	622	–
Deferred income tax (credit)/expense	<u>(931)</u>	<u>5,935</u>
	<u>15,720</u>	<u>10,216</u>

8. DIVIDENDS

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2020 (six months ended 30 June 2019: Nil).

9. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amount is based on the profit for the period attributable to ordinary equity holders of the parent of HK\$42,543,000 (six months ended 30 June 2019: HK\$41,102,000) and the weighted average number of ordinary shares of 4,271,752,636 (six months ended 30 June 2019: 4,072,857,608) shares in issue during the period.

The computation of diluted earnings per share for the six months ended 30 June 2020 does not assume the exercise of the Company's outstanding share options as the exercise price of those options is not lower than the average market price during the period from the date of grant of those options to 30 June 2020.

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

10. INVESTMENT PROPERTIES

	30 June 2020 <i>HK\$'000</i> (Unaudited)	31 December 2019 <i>HK\$'000</i> (Audited)
Carrying amount		
At 1 January 2020/1 January 2019	594,177	586,522
Disposals	–	(1,397)
Net (loss)/gain from a fair value adjustment	(10,495)	21,990
Transfer from held for sale	–	1,834
Classified as held for sale	–	(5,450)
Exchange realignment	(10,190)	(9,322)
	<u>573,492</u>	<u>594,177</u>
Carrying amount		
At 30 June 2020/31 December 2019	<u><u>573,492</u></u>	<u><u>594,177</u></u>

11. RIGHT-OF-USE ASSETS

	30 June 2020 <i>HK\$'000</i> (Unaudited)	31 December 2019 <i>HK\$'000</i> (Audited)
Net carrying amount		
At 1 January 2020/1 January 2019	18,126	5,663
Additions	472	17,721
Depreciation provided during the period/year	(3,538)	(5,123)
Exchange realignment	(168)	(135)
	<u>14,892</u>	<u>18,126</u>
Net carrying amount		
At 30 June 2020/31 December 2019	<u><u>14,892</u></u>	<u><u>18,126</u></u>

12. INVESTMENTS IN ASSOCIATES AND DERIVATIVE FINANCIAL INSTRUMENTS

During the six months ended 30 June 2020, the Group received dividend in the amount of Chinese Yuan Renminbi (“RMB”) 25,550,000 (equivalent to HK\$28,301,000) (six months ended 30 June 2019: Nil) from Yunnan Hansu Biotechnology Co., Ltd.* (雲南漢素生物科技有限公司) (“Yunnan Hansu”). In addition, the Group disposed 4.55% equity interest in Yunnan Hansu for cash consideration of RMB36,000,000 (equivalent to HK\$39,876,000), resulting in a gain on partial disposal of investment in the associate in amount of HK\$31,713,000. After the disposal, the Group’s equity interest in Yunnan Hansu was decreased from 25.55% to 21%. During the six months ended 30 June 2020, the Group have received RMB16,000,000 (equivalent to HK\$17,723,000). The remaining cash consideration (note 14(a)) shall be received before 31 December 2020.

During the six months ended 30 June 2020, the Group subscribed the registered capital of RMB50,000 (equivalent to HK\$55,000) in Beijing Mei Ai Kang Technology Co., Ltd.* (北京美艾康科技有限公司) (“Mei Ai Kang”) that carried out research and development on application of immune cells in treatment of acquired immune deficiency syndrome, representing 5% equity interest in Mei Ai Kang, with a consideration of RMB50,000 (equivalent to HK\$55,000). The Group then entered into a capital injection agreement (the “Capital Injection Agreement”) pursuant to which the Group shall inject RMB10,000,000 (equivalent to HK\$11,077,000) in cash into Mei Ai Kang of which RMB200,000 (equivalent to HK\$222,000) will be contributed to registered capital of Mei Ai Kang, and the remaining amount will be contributed to its capital reserve. In addition, the registered capital and capital reserve of Mei Ai Kang subscribed by the Group enjoys liquidation preference. After the completion of the capital injection, the Group’s equity interest in Mei Ai Kang increased from 5% to 20.83%. The cash consideration of RMB10,000,000 (equivalent to HK\$11,077,000) was paid on 29 April 2020.

Pursuant to the Capital Injection Agreement, Mei Ai Kang also granted the Group the following rights, which resulted in the separate recognition of call options amounting to HK\$487,000:

1. right to inject not more than RMB10,000,000 into Mei Ai Kang before 31 December 2021 upon the fulfilment of certain conditions, which resulted in the increase in the Group’s equity interest in Mei Ai Kang to 30%; and
2. right to further inject RMB10,000,000 into Mei Ai Kang before 30 June 2022, which resulted in the further increase in the Group’s equity interest in Mei Ai Kang to 37%.

13. TRADE RECEIVABLES

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

	30 June 2020 HK\$’000 (Unaudited)	31 December 2019 HK\$’000 (Audited)
Within 1 month	40,275	19,643
1 to 3 months	39,382	45,636
Over 3 months	19,910	39,410
	99,567	104,689

* For identification purpose only

14. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	30 June 2020 HK\$'000 (Unaudited)	31 December 2019 HK\$'000 (Audited)
Current assets:		
Other receivables (<i>note (a)</i>)	38,349	12,710
Other tax recoverable	6,823	8,100
Prepayments	59,473	9,850
Deposits	1,224	1,025
Loan receivables (<i>note (b)</i>)	87,758	–
Loan interest income receivables (<i>note (b)</i>)	1,755	–
	195,382	31,685

Notes:

- (a) As at 30 June 2020, included in other receivables is consideration receivable with carrying amount of HK\$21,939,000 (31 December 2019: Nil) arising from partial disposal of investment in Yunnan Hansu during the six months ended 30 June 2020. The details of the partial disposal of investment in Yunnan Hansu is disclosed in note 12.
- (b) As at 30 June 2020, loan receivables with carrying amount of HK\$87,758,000 (31 December 2019: Nil) are denominated in RMB, unsecured and bearing fixed interest rate of 8% per annum. The entire amount of principal and interest shall be received in full in October 2020.

15. TRADE PAYABLES

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

	30 June 2020 HK\$'000 (Unaudited)	31 December 2019 HK\$'000 (Audited)
Within 3 months	902	1,416
3 to 6 months	71	–
6 to 12 months	37	–
Over 1 year	4	4
	1,014	1,420

16. BANK BORROWINGS

During the six months ended 30 June 2020, the Group obtained bank loan amounting to HK\$9,969,000 as additional working capital, and made repayment of bank borrowings of HK\$86,087,000. The new loan is denominated in RMB, bearing fixed interest rate of 6.09% per annum and repayable in full in 2021.

17. SHARE CAPITAL

	30 June 2020 (Unaudited)		31 December 2019 (Audited)	
	Number of shares	Amount HK\$'000	Number of shares	Amount HK\$'000
Authorised:				
Ordinary shares of HK\$0.01 each				
At 1 January 2019, 31 December 2019, 1 January 2020 and 30 June 2020	<u>10,000,000,000</u>	<u>100,000</u>	<u>10,000,000,000</u>	<u>100,000</u>
Issued and fully paid:				
Ordinary shares of HK\$0.01 each				
At 1 January 2020/1 January 2019	<u>4,271,752,636</u>	<u>42,718</u>	<u>3,911,752,636</u>	<u>39,118</u>
Placing of shares (<i>note (a)</i>)	<u>–</u>	<u>–</u>	<u>360,000,000</u>	<u>3,600</u>
At 30 June 2020/31 December 2019	<u><u>4,271,752,636</u></u>	<u><u>42,718</u></u>	<u><u>4,271,752,636</u></u>	<u><u>42,718</u></u>

Note:

- (a) In April 2019, the Company completed the placing of new shares under general mandate. A total of 360,000,000 ordinary shares have been issued with a par value of HK\$0.01 each. The placing price of HK\$0.91 per share has led to the increase in share capital and share premium of approximately HK\$3,600,000 and HK\$324,000,000 (before deduction of share issue expenses) respectively.

All new shares issued during the year ended 31 December 2019 rank *pari passu* in all respects with the existing shares.

18. CAPITAL COMMITMENT

The Group had the following capital commitments at the end of the reporting period:

	30 June 2020 HK\$'000 (Unaudited)	31 December 2019 HK\$'000 (Audited)
Contracted, but not provided for:		
Capital contributions payable to a joint venture	<u><u>2,962</u></u>	<u><u>3,020</u></u>

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Below is a summary of the financial information of the Group:

	For the six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
Revenue	133,289	108,594
Gross profit	50,804	44,059
Gross profit margin	38.1 %	40.6%
Total operating expenses (<i>note</i>)	21,156	23,205
Profit before tax	58,629	49,428
Profit after tax	42,909	39,212
Profit attributable to owners of the parent	42,543	41,102

Note: Total operating expenses included (i) selling and distribution expenses; (ii) administrative expenses; and (iii) other expenses.

Revenue

Revenue for the six months ended 30 June 2020 was HK\$133.3 million (six months ended 30 June 2019: HK\$108.6 million), mainly generated by sale of goods, health management service income, agency service income and rental income.

Revenue increased by approximately 22.7% from HK\$108.6 million for the six months ended 30 June 2019 to HK\$133.3 million for the six months ended 30 June 2020. The increase in revenue of HK\$24.7 million was mainly due to an increase in sale of goods of HK\$23.6 million.

Gross Profit and Gross Profit Margin

The Group's gross profit for the six months ended 30 June 2020 was HK\$50.8 million (six months ended 30 June 2019: HK\$44.1 million), representing an increase of 15.2% compared to that for the six months ended 30 June 2019. Gross profit margin for the six months ended 30 June 2020 decreased slightly to 38.1% from 40.6% for the six months ended 30 June 2019.

The increase in gross profit of HK\$6.7 million was mainly attributable to the Group had become an agent for sale of the novel coronavirus ("COVID-19") related healthcare products such as COVID-19 test kits, which resulted in an increase in agency income and gross profit in healthcare related business.

Total Operating Expenses

The total operating expenses for the six months ended 30 June 2020 was HK\$21.2 million (six months ended 30 June 2019: HK\$23.2 million) representing a decrease of HK\$2.0 million or 8.6% as compared to that for the six months ended 30 June 2019. Such decrease was mainly due to effective expenses control during the six months ended 30 June 2020.

Profit After Tax

Profit after tax for the six months ended 30 June 2020 was HK\$42.9 million (six months ended 30 June 2019: HK\$39.2 million), representing an increase of 9.4% compared to that for the six months ended 30 June 2019. The increase in profit after tax of HK\$3.7 million was mainly due to (i) an increase in gross profit of HK\$6.7 million; (ii) the recognition of a gain on disposal of 4.55% equity interest in Yunnan Hansu of HK\$31.7 million; and (iii) increase in fair value gains on financial assets at fair value through profit or loss of HK\$4.1 million. The above increments were offset by a decline in fair value on investment properties of the Group, which changed from a gain of HK\$28.5 million for the six months ended 30 June 2019 to a loss of HK\$10.5 million for the six months ended 30 June 2020.

BUSINESS REVIEW

Trading Business

The revenue derived from the trading business for the six months ended 30 June 2020 was HK\$75.8 million, representing an increase of 43.3% as compared to HK\$52.9 million for the six months ended 30 June 2019. The profit derived from this segment was HK\$10.8 million, representing an increase of 89.5% as compared to HK\$5.7 million for the six months ended 30 June 2019, which was mainly due to an increase in customers' demand for steel.

Agency Service

The revenue derived from the agency service for the six months ended 30 June 2020 was HK\$17.4 million, representing a decrease of 4.4% as compared to HK\$18.2 million for the six months ended 30 June 2019. The profit derived from this segment for the six months ended 30 June 2020 was HK\$14.3 million, representing a decrease of 7.1% as compared to HK\$15.4 million for the six months ended 30 June 2019, which was mainly due to a slight decrease in customers' demand for real estate agency service.

Property Development

The Group has a 100% interest in residential development project located at Lot A & B, 626 Heidelberg Road, Alphington, VIC, 3078, Australia. The project covers a total site area of approximately 11,488 square meter (“sq.m.”) and a total gross floor area of approximately 18,752 sq.m.. During the six months ended 30 June 2020, the project was progressing satisfactorily. Up to the date of this announcement, construction agreement of this project has already been signed. All development design applications such as services design, construction design have either been approved or in process. The design of marketing materials has also been finished. Construction work of the project is expected to be commenced in November 2020.

Property Investment and Leasing

The revenue from the property investment and leasing business for the six months ended 30 June 2020 was HK\$10.1 million, representing an increase of 4.1% as compared to HK\$9.7 million for the six months ended 30 June 2019. The result for this segment changed from a profit of HK\$36.9 million for the six months ended 30 June 2019 to a loss of HK\$1.0 million for the six months ended 30 June 2020. This was mainly due to a decline in fair value on investment properties, which changed from a gain of HK\$28.5 million for the six months ended 30 June 2019 to a loss of HK\$10.5 million for the six months ended 30 June 2020.

Healthcare Related Business

The revenue derived from the healthcare related business for the six months ended 30 June 2020 was HK\$30.0 million, representing an increase of 8.3% as compared to HK\$27.7 million for the six months ended 30 June 2019. The result for this segment changed from a loss of HK\$0.9 million for the six months ended 30 June 2019 to a profit of HK\$6.7 million for the six months ended 30 June 2020. This was mainly due to the Group had become an agent for sale of COVID-19-related healthcare products such as COVID-19 test kits, which resulted in an increase in agency income and profit in this segment.

REVIEW OF FINANCIAL POSITION

	30 June 2020 HK\$'000	31 December 2019 HK\$'000
NON-CURRENT ASSETS		
Investment properties	573,492	594,177
Investments in joint ventures	63,637	65,032
Investments in associates	50,336	74,839
Goodwill	32,239	32,239
Equity investments designated at fair value through other comprehensive income	25,101	33,825
Others	20,879	23,927
Total Non-Current Assets	765,684	824,039
CURRENT ASSETS		
Financial assets at fair value through profit or loss	207,436	285,723
Land held for development	213,312	216,177
Prepayment, deposits and other receivables	195,382	31,685
Cash and cash equivalents	152,527	156,229
Trade receivables	99,567	104,689
Pledged bank deposits	–	80,276
Others	19,225	15,035
Total Current Assets	887,449	889,814
LIABILITIES		
Bank borrowings	231,337	310,631
Deferred tax liabilities	54,981	56,866
Other payables and accruals	39,211	41,891
Lease liabilities	15,601	18,739
Others	28,155	20,066
Total Liabilities	369,285	448,193
Net Assets	1,283,848	1,265,660

Non-current assets of the Group as at 30 June 2020 were HK\$765.7 million (31 December 2019: HK\$824.0 million), representing a decrease of HK\$58.3 million which was mainly due to (i) a decrease in investments in associates of HK\$24.5 million; (ii) a decrease in investment properties of HK\$20.7 million; and (iii) a decrease in equity investments designated at fair value through other comprehensive income of HK\$8.7 million. On the other hand, current assets were HK\$887.4 million (31 December 2019: HK\$889.8 million), representing a decrease of HK\$2.4 million which was mainly due to (i) a decrease in pledged bank deposits of HK\$80.3 million; (ii) a decrease in financial assets at fair value through profit or loss of HK\$78.3 million; (iii) a decrease in trade receivables of HK\$5.1 million; and (iv) a decrease in cash and cash equivalents of HK\$3.7 million. Such decreases were offset by an increase in prepayment, deposits and other receivables of HK\$163.7 million.

As at 30 June 2020, the Group's liabilities were HK\$369.3 million (31 December 2019: HK\$448.2 million), representing a decrease of HK\$78.9 million which was mainly due to a decrease in bank borrowings of HK\$79.3 million.

NET ASSET VALUE

As at 30 June 2020, the Group's total net assets amounted to HK\$1,283.8 million (31 December 2019: HK\$1,265.7 million), representing an increase of HK\$18.1 million which was mainly due to profit for the six months ended 30 June 2020 amounting to HK\$42.9 million. Such increase was offset by (i) exchange loss on translation of foreign operations amounting to HK\$17.3 million; and (ii) fair value loss of equity investments designated at fair value through other comprehensive income amounting to HK\$8.2 million.

LIQUIDITY AND FINANCIAL RESOURCES

	For the six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
Net cash flows (used in)/generated from operating activities	(29,335)	44,525
Net cash flows generated from/(used in) investing activities	30,459	(468,004)
Net cash flows (used in)/generated from financing activities	(3,237)	402,639
Net decrease in cash and cash equivalents	(2,113)	(20,840)
Cash and cash equivalents at beginning of the period	156,229	161,142
Effect of foreign exchange rate changes, net	(1,589)	(64)
Cash and cash equivalents at end of the period	<u>152,527</u>	<u>140,238</u>

As at 30 June 2020, total cash and cash equivalents of the Group was HK\$152.5 million (31 December 2019: HK\$156.2 million), of which approximately 70.3% was denominated in RMB, 15.6% was in Hong Kong dollars (“HKD”), 7.1% was in Australian dollars, 3.7% was in United States dollars, 2.8% was in Japanese Yen, 0.4% was in Swiss Franc and 0.1% was in Euro.

Net cash flows used in operating activities for the six months ended 30 June 2020 was HK\$29.3 million, which was mainly due to satisfying the Group’s working capital required for daily operation during the six months ended 30 June 2020.

Net cash flows generated from investing activities was HK\$30.5 million which was mainly attributable to (i) net amount of acquisition, disposal and redemption of a fund investment and investment in financial products of HK\$84.3 million; (ii) dividend received from an associate of HK\$28.3 million; and (iii) proceeds received for partial disposal of investment in an associate of HK\$17.7 million. Such cash inflows were offset by short-term interest-bearing loans advanced to certain independent third parties of HK\$88.6 million and capital injected to an associate of HK\$11.1 million.

Net cash flows used in financing activities was HK\$3.2 million, which represented net amount of (i) proceeds received from new borrowings of HK\$10.0 million; (ii) repayment of bank borrowings of HK\$86.1 million; (iii) release of pledged bank deposits of HK\$79.5 million; and (iv) payment of loan interest of HK\$6.6 million during the six months ended 30 June 2020.

As at 30 June 2020, total bank borrowings of the Group was HK\$231.3 million (31 December 2019: HK\$310.6 million), which are mainly used as working capital of the Group. There are no unutilised banking facilities as at 30 June 2020 (31 December 2019: HK\$23.8 million).

The following table illustrates the composition of the Group’s bank borrowings:

	30 June 2020 HK\$’000	31 December 2019 HK\$’000
Floating rate HKD bank loans	63,500	145,710
Floating rate RMB bank loans	134,928	141,431
Fixed rate RMB bank loans	32,909	23,490
	231,337	310,631

The following table illustrates the maturity profile of the Group's bank borrowings:

	30 June 2020 HK\$'000	31 December 2019 HK\$'000
Within 1 year	56,879	128,276
Between 1 year and 2 years	45,067	41,745
Between 2 years and 5 years	63,573	65,243
Over 5 years	65,818	75,367
	231,337	310,631

The operating and capital expenditures of the Group are funded by cash flow from operations, internal liquidity, banking facilities and equity financing. The Group has adequate and stable sources of funds to meet its future capital expenditures and working capital requirements.

CAPITAL STRUCTURE OF THE GROUP

The capital structure of the Group consists of equity attributable to owners of the parent (i.e. issued share capital and reserves).

Placing of New Shares under General Mandate

On 11 April 2019, a total of 360,000,000 new shares were successfully placed by the placing agent to not less than six placees, who and whose ultimate beneficial owners were independent third parties, at the placing price of HK\$0.91 per placing share pursuant to the terms and conditions of the placing agreement under general mandate and the placing of new shares raised net proceeds, after deducting related placing commission, professional fees and all related expenses, of HK\$325.7 million (with a net price of approximately HK\$0.905 per placing share) which was intended to be used for investing in the industrial hemp cannabidiol ("CBD") extraction and application businesses and as general working capital of the Group.

As at 30 June 2020, the net proceeds have been used in the following manner:

	HK\$'million
Net proceeds unutilised as at 31 December 2019	278.2
Net proceeds utilised during the six months ended 30 June 2020	
Working capital for development of industrial hemp business	(0.4)
Working capital for development of residential properties	(11.7)
Net proceeds unutilised as at 30 June 2020	266.1

As at 30 June 2020, net proceeds unutilised of approximately HK\$178.4 million had been allocated to subscribe a fund investment. Details of the fund investment are included in the section “Significant Investments Held” below. The Group will closely monitor its capital need. If there is any additional need in funds for general working capital of the Group as well as the industrial hemp business, including but not limited to development and acquisition of suitable industrial hemp business, the Company will redeem the funds to meet the need. The remaining balance of net proceeds unutilised of approximately HK\$87.7 million was kept in bank accounts of the Group and used as general working capital.

GEARING RATIO

As at 30 June 2020, the gearing ratio was 9.0% (31 December 2019: 14.0%), which was calculated on net debt divided by the sum of equity attributable to owners of the parent and net debt. Net debt includes bank borrowings, trade payables, other payables and accruals and amounts due to related parties, less cash and cash equivalents. As at 30 June 2020, the Group had a net debt of HK\$125.8 million (31 December 2019: HK\$204.7 million), while the equity attributable to owners of the parent was amounted to HK\$1,277.4 million (31 December 2019: HK\$1,259.6 million).

CAPITAL EXPENDITURE

During the six months ended 30 June 2020, the expenditure of purchasing intangible assets, namely computer system, was HK\$7,000 (six months ended 30 June 2019: Nil), while the expenditure of purchasing property, plant and equipment amounted to HK\$0.2 million (six months ended 30 June 2019: HK\$0.1 million).

CAPITAL COMMITMENTS

As at 30 June 2020, the Group had capital commitments in respect of capital contributions payable to a joint venture which are contracted for but not provided for in the interim condensed consolidated financial statements of HK\$3.0 million (31 December 2019: HK\$3.0 million).

CHARGES ON GROUP ASSETS

As at 30 June 2020, the bank borrowings amounting to HK\$231.3 million (31 December 2019: HK\$310.6 million) was secured by a commercial office unit in Hong Kong, certain commercial properties in Wuhu, a hotel building with certain commercial properties in Nanjing and the bank pledged deposit, at carrying value of HK\$60.0 million (31 December 2019: HK\$62.2 million), HK\$105.0 million (31 December 2019: HK\$121.8 million), HK\$309.4 million (31 December 2019: HK\$382.0 million) and Nil (31 December 2019: HK\$80.3 million) respectively.

CONTINGENT LIABILITIES

As at 30 June 2020, the Group had an outstanding lawsuit which was initiated by Ms. Feng against, among others, La Clinique de Paris (HK) Limited (“LCDPHK”), an indirect non-wholly-owned subsidiary of the Company.

On 1 November 2016, a writ of summons was issued by Ms. Feng against LCDPHK, and two other co-defendants, claiming that she has suffered from personal injury, loss and damage which was allegedly caused by the medical negligence and/or breach of contract and/or misrepresentation on the part of LCDPHK and the co-defendants, and that LCDPHK and the co-defendants were vicariously liable in the treatment and care given by its employees, servants, agents and/or representatives to Ms. Feng (the “Action”). In the Action, Ms. Feng claimed against LCDPHK and the co-defendants for unliquidated damages which amounted to approximately HK\$2.3 million plus interests to be assessed. As at 15 August 2020, the Action was at a preliminary stage of court proceedings as Ms. Feng and LCDPHK have not yet filed any evidence. The Group was in the process of seeking legal advice from its legal adviser as to the above matter. The Directors are of the opinion that as a result of the preliminary stage of the Action, it is difficult to assess the probability that Ms. Feng may recover any amount from the Group.

In addition, the Directors represent that the proceeding was incurred prior to the acquisition of La Clinique de Paris International Limited (“LCDPI”) by the Group, and hence the losses of the claim would be borne by former shareholders of LCDPI as prescribed by the share purchase agreement. Taking into consideration the above conditions, the Directors are of the view that there is no need to make a provision in respect of the claim.

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

GENERAL DESCRIPTION ON THE GROUP’S INVESTMENT STRATEGIES

With continued acceleration of the legalisation of industrial hemp in the overseas markets in recent years, cannabinoid, with CBD as its representative product, will have increasingly wide applications in healthcare and consumer goods fields. The Group manages its investment portfolio with a primary objective to capture market opportunities associated with the increasingly wider applications of industry hemp and to facilitate the establishment of the Group’s business presence in the global industrial hemp market. In addition, the Group will continue to invest in healthcare related business if there are suitable opportunities.

On the other hand, in order to preserve liquidity and enhance interest yields, the Group had allocated certain resources to fund investment and various investment in financial products in order to maximise the return on its unutilised funds before the Group utilises the funds to invest in the industrial hemp and other healthcare related business.

MATERIAL ACQUISITIONS AND DISPOSALS

Saved as disclosed elsewhere in this announcement, the Group did not have any material acquisitions and disposals of subsidiaries, associates and joint ventures during the six months ended 30 June 2020.

SIGNIFICANT INVESTMENTS HELD

As at 30 June 2020, investment portfolio of the Group amounted to HK\$347.0 million (31 December 2019: HK\$459.4 million) as recorded in the interim condensed consolidated statement of financial position under various categories including:

- (i) investments in associates and joint ventures which are accounted for by using equity method;
- (ii) equity investments designated at fair value through other comprehensive income;
- (iii) financial assets at fair value through profit or loss; and
- (iv) derivative financial investments.

Investment with carrying amount for more than 5% of the total assets of the Group was considered as significant investment. The Company has the following significant investment as at 30 June 2020.

As at 30 June 2020, the Company held 178,437 (31 December 2019: 270,000) Class A participating shares attributable to Opportunity SP (the “Investment Fund”) with the total investment cost of HK\$178.4 million (31 December 2019: HK\$270.0 million). The Investment Fund is a segregated portfolio of Prudence Capital SPC which is an open-ended investment vehicle incorporated in the Cayman Islands. The investment objective of the Investment Fund is to pursue capital preservation and appreciation by identifying and investing in a range of asset, including but not limited to listed equity securities and equity linked securities, fixed-income securities, money market instruments, loan, private debt, private equity, futures and derivatives in global markets (including Pan-Asia markets) and other collective investment schemes.

The Investment Fund does not have a policy to pay dividends. The Company as a holder of the Class A participating shares is entitled to a target return of 6.0% per annum on the amount of the fund investment, which will be accrued on a monthly basis. Additionally, the Class A participating shares held by the Company can be redeemed on a monthly basis. For the six months ended 30 June 2020, fair value gain of the Investment Fund was HK\$6.2 million, which included realised gain of HK\$4.4 million arising from redemption of 91,563 shares of the Investment Fund during such period.

The fair value of the Investment Fund as at 30 June 2020 was HK\$190.5 million, which accounted for 11.5% of the total assets of the Group as at 30 June 2020.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save as disclosed in the section “Capital Commitments” above, these were no other plans authorised by the Board for material investments or additions of capital assets as at 30 June 2020.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND RELATED HEDGE

The Group mainly operates in the PRC and a majority of its operating transactions such as revenue, expenses, monetary assets and liabilities are denominated in RMB. Foreign exchange risk arises from foreign currencies held in certain overseas subsidiaries. The Group did not hedge against any fluctuation in foreign currency during the six months ended 30 June 2020. The management of the Group may consider entering into currency hedging transactions to manage the Group’s exposure towards fluctuations in exchange rates in the future.

EMPLOYMENT AND REMUNERATION POLICY

As at 30 June 2020, the Group had approximately 116 employees (31 December 2019: 110 employees).

The Group’s remuneration policies are in line with prevailing market practice and formulated on the basis of the performance and experience of individual employees (including the Directors). Apart from base salaries, other staff benefits included pension schemes and medical schemes. The remuneration policy and remuneration packages of the directors and members of the senior management of the Group are reviewed by the remuneration committee of the Company.

The Company adopted a share option scheme pursuant to which eligible persons may be granted options to subscribe for the shares of the Company.

RECENT DEVELOPMENT

In the first half of 2020, global economic activities have undergone major changes due to the spread of the COVID-19 epidemic (the “Epidemic”), which has brought about more uncertainties in overall situation. With increasing public health awareness, and under the favorable influence of such demand and policies, the healthcare industry will usher in new development opportunities. The two high-growth businesses that the Group focuses on, namely the health management business and industrial hemp business are progressing smoothly. The Group’s “one core and two wings” strategy which focuses on high-end health management business driven by the health applications of cannabinoid and cell has paid back, and new profit growth drivers have been identified whilst actively responding to the Epidemic. During the six months ended 30 June 2020 (the “Reporting Period”), the Group continued to strengthen research and development (“R&D”) investment in health management and industrial hemp businesses to constantly enhance its technical strength and expand the product and service matrix; increased its investment in markets and brands so as to enhance the competitiveness of existing brands, to prepare for and to accelerate the launch of new consumer brands; and actively introduced outstanding talents so as to build an expert business and management team with international standards.

During the Reporting Period, the Group recorded a revenue and profit after tax of HK\$133.3 million and HK\$42.9 million, respectively, representing an increase of 22.7% and 9.4% compared to the same period in 2019. The Group’s strategic core segment, health management business, recorded a revenue of HK\$30.0 million, representing an increase of 8.3% compared to the same period in 2019. Although Hong Kong and Mainland China were affected by the Epidemic in the first quarter of 2020, the revenue from health management business recorded a growth due to domestic retaliatory consumption and the Group’s commencement of COVID-19-related healthcare product agency services during the Reporting Period. Moreover, in response to the continuous slump of price of CBD in the overseas market, the Group’s associate Yunnan Hansu actively explored the domestic market, and provided technology upgrade and technical advisory service so as to provide funds for its sustainable development, to facilitate the ecosystem in the industry, to attract attention and to maintain its leading position within the industry. At the same time, leveraging the Group’s upstream resources on industrial hemp, a CBD consumer brand had been swiftly established, with the first vapor product officially launched in Japan as of the date of this announcement. In terms of health management business, during the Reporting Period, the Group recorded a revenue of HK\$12.0 million in regions outside Mainland China, representing an increase of 18.5% compared to the same period in 2019, and the proportion of such business in the entire health management business segment was 39.9%, an increase from the same period in 2019. Meanwhile, traditional business, including trading business, agency service, property investment and leasing business, demonstrated steady growth, with a revenue of HK\$103.3 million, which increased by 27.8% as compared to the same period in 2019, and provided a sustainable and stable cash flow support to the development of the Group.

Healthcare Related Business Segment – Health Management Business

In respect of this business, the Group pursues a development strategy of focusing on upstream and downstream core links, laying emphasis on both products and services, and focusing on the mid-to-high-end market. In terms of the upstream of the industrial chain and products, following the acquisition of Shenzhen Wingor Biotechnology Co., Ltd.* (深圳市茵冠生物科技有限公司) (“Wingor Bio”) in 2019, a state-level high-tech enterprise, the Group continued its deployment in the area of cellular immunotherapy and established Mei Ai Kang in the first half of 2020. Cellular immunotherapy aims to stimulate the patient’s own immune system to produce or enhance an anti-tumor immune response, thereby controlling or even eradicating cancer cells. Because of its advantages including specificity, adaptability and durability, immunotherapy performs well and achieves milestone progress in the treatment of various tumors. At present, there are cellular immunotherapy that received listing approval on the international market, but not in Chinese market, implying a broad market prospect.

In the first half of 2020, Wingor Bio had made numerous business progresses. During the Reporting Period, Wingor Bio signed a strategic cooperation agreement for joint application for a stem cell clinical research base and signed the Cell Therapy Clinical Research and Scientific Research Cooperation Agreement for conducting clinical research on stem cell treatment of decompensated liver cirrhosis with The Third People’s Hospital of Shenzhen (the only designated hospital for patients with COVID-19 pneumonia in Shenzhen); signed the Joint Development Agreement for the Key Technology Development Project of CRISPR Rapid Detection Kit for Novel Coronavirus with Shenzhen Hospital of Southern Medical University to jointly carry out related technology research and product development; signed a service contract with China National Institute for Food and Drug Control, the highest inspection agency for biological products in the PRC, which represented the most authoritative recognition of its technical system in the national cell product quality certification and provided a solid foundation for Wingor Bio to carry out cell therapy clinical research and cell biological product registration applications. In addition, its cooperation with Zhongda Hospital Affiliated to Southeast University, Affiliated Hospital of Inner Mongolia Medical University, Shenzhen Shekou People’s Hospital, Zhuhai Maternal and Child Health Hospital on dual filing (filing for stem cell clinical research base and project filing on stem cell clinical research) was carried out smoothly, and its cooperation with the People’s Hospital of Wuhan University, The Second Xiangya Hospital of Central South University, Shenzhen Hospital of Peking University and The Third Hospital of Jilin University on project filing were also in good progress.

* For identification purpose only

With the continuous increase of scientific research investment and the continuous enhancement of technical strength, the PRC has become one of the most active regions in the world for cell therapy clinical research, with the number of new cell and gene therapy clinical research conducted every year being second only to the United States. Since 2020, the PRC has continued to issue favorable policies for cell application from the central to the local level. Many provinces and cities have successively issued policy documents to promote the research and application of new technologies such as stem cells and immune cell therapy. The Group will continue to leverage its advantages of industrial chain layout, actively explore in the field of cell therapy and cell technology extension products and increase investment, R&D and cooperation so as to better serve the health management business of the Group.

Healthcare Related Business Segment – Industrial Hemp Business

During the Reporting Period, the Group sped up the promotion of downstream application of CBD and continued to invest and construct new CBD health consumer brands worldwide. In 2019, the Group and a Hong Kong subsidiary of Shenzhen Gippro Technology Innovation Limited* (深圳龍舞科技創新有限公司), a renowned health vapor brand, established Meipro Biological Technology Company Limited, a subsidiary of the Group in Hong Kong (“Meipro Biological”), targeting the sales of CBD vapor products worldwide including Japan and Europe. The CBD vapor brand under Meipro Biological, Cannergy, first launched in Japan at the end of 2019 and debuted in the European market in March 2020. Currently, a variety of CBD vapor products have been rolled out under the brand in Japan and landed on mainstream e-commerce platforms including Rakuten, Yahoo, Amazon, and Qoo10, and expanded a number of renowned offline chained channels including Donki, Bigcamera, and Vaporlounge. At present, the Cannergy brand has been initially recognised by consumers in Japan and received positive feedbacks in the CBD vapor sector. In order to make full use of its brand advantages and channel advantages and further expand the CBD market in Japan, the Group has carried out R&D of health products and food under the Cannergy brand. In the second half of 2020, tinctures, gummy candy, beverages and other new popular items will be launched. It will also enter new channels including chain drugstores, chain convenience stores and health food stores. In Europe, the Group will continue to promote the deployment of Cannergy brand products in Europe through its wholly-owned subsidiary Green Gold Health SA.

At the same time, in view of the fruitful prospects of CBD as a core raw material applied in skin care, the Group has carried out cooperation in respect of scientific research, products, efficacy, etc. with dermatologists in well-known hospitals, large-scale factories in the industry, and teams of famous scientists to accelerate R&D of CBD series of skin care products, and plans to launch the new CBD skin care brand, Mazhuang* (麻妝), in the second half of 2020. As the world’s most populous country and the second largest country in terms of gross domestic product, the PRC is undoubtedly the most promising one of the core consumer markets for CBD in the world. The specific development situation mainly depends on the national and local regulatory systems, policies and possible future changes, followed by the public’s awareness and acceptance, and also the enthusiasm, investment and product

* For identification purpose only

competitiveness of the enterprises in the industry. The above factors have seen gratifying changes and even huge progress in recent years. In terms of cosmetics, the currently approved categories, the number of non-special cosmetic products registered in 2019 was 46 times that of 2018, and that of the first half of 2020 was 12 times that of the first half of 2019. More importantly, many heavyweight domestic brands in the PRC have launched hemp series skin care products. Therefore, as the PRC and the world further liberalise the positive publicity orientation of cosmetics with legal cannabinoid ingredients and end users have gained a deeper understanding of cannabinoid ingredients, the CBD skin care product segment in the PRC has entered the fast lane of growth. It can be reasonably expected that the world's leading or even the largest CBD skin care company or brand will be born in the PRC within the next three years. Also, under the existing regulatory system, companies in the industry continue to intensify their product development and innovation around CBD and other legal cannabinoids. Local governments represented by provinces such as Yunnan and Heilongjiang are also actively promoting the appropriate, orderly, and controllable liberalisation of other consumer goods markets. In short, the PRC is showing the potential to become one of the world's important consumer markets for CBD end-products in the next three years. Therefore, the biggest opportunity in the Chinese market is the CBD terminal brand business with cosmetics as the core.

As at the end of the Reporting Period, the Group has carried out deployment in three major areas in the downstream applications of the industrial hemp industry chain, including vapor products, health products, and cosmetics. The strategy of an integrated industrial chain covering brand, production, R&D and international market has also been implemented.

In 2020, the global industrial hemp industry has developed steadily and continuously in spite of the spread of the Epidemic. Firstly, the COVID-19 pneumonia, in particular the social problems caused thereby, including individual anxiety and pressure that spread to the global society, has created a rare sales opportunity in the European and American CBD markets, especially health products. Secondly, the research and clinical trials of the use of CBD for adjuvant therapy for COVID-19 pneumonia have also commenced. Globally, the legalisation process of CBD is also constantly advancing, and supervision at the international level is expected to develop in a clearer and more positive direction. Generally speaking, the Group believes that the industrial hemp industry is developing in a favorable direction both at the policy and market level. The Group will continue to deploy globally, strive to maintain the first-mover advantage, strengthen the deployment of downstream applications, and establish and expand advantages in terms of brand, R&D and market.

Healthcare Related Business Segment – Business of Anti-epidemic supplies

As the Epidemic broke out in early 2020 and quickly spread to the world, the worldwide demand for anti-epidemic supplies has surged. The Group assessed the situation, objectively evaluated and made full use of the flexible production capacity of its subsidiaries, the existing overseas sales network and the advantages of cooperation with domestic related industrial chain resources, promptly and reasonably adjusted short-term business strategies, and participated in the production and domestic and foreign sales of anti-epidemic supplies. Shenzhen Meiray Vap. Technology Co., Ltd.* (深圳市美深瑞科技有限公司) (“Meiray Vap”), a joint venture established by the Group in collaboration with Shenzhen Mason Vap Technology Co., Ltd, a renowned vapor foundries, in 2019, quickly transformed to engage in the production of medical masks and received orders from the government during the outbreak of the Epidemic. The total asset value of Meiray Vap as of 30 June 2020 was RMB14.3 million. During the Reporting Period, the units of shipment of masks amounted to 109.1 million, recording a pre-tax profit of RMB4.0 million. In addition, during the Reporting Period, the Group reached in-depth business cooperation with well-known domestic kit manufacturers, namely Sansure Biotech Inc. and Nanjing Vazyme Medical Technology Co., Ltd. to act as an agent of their kit products for COVID-19 on a global scale. In the first half of 2020, the cumulative sales transaction amount amounted to nearly US\$4.0 million, and the scope of sales covered 65 countries around the world, and helped the cooperation partners complete the product registration procedures in seven countries, and the registration procedures in two other countries are in progress. It contributed to the fight against the Epidemic at home and abroad and also cultivated new profit growth area for the Group in such critical period.

PROSPECTS

The unprecedented Epidemic is expected to cast a shadow over the prospects for global economic development for the whole of 2020. This once-in-a-century global risk is a topic and challenge that the entire society, including governments, enterprises, and individuals, must face collectively, despite the difference in their respective ability to deal with risks. As far as the Group is concerned, overall it will maintain a steady and good momentum of development while maintaining excellent anti-risk capabilities. At the operational level, the traditional business has basically got rid of the impact of the Epidemic and will continue to provide a stable cash flow. The outlook of the two future-proof core businesses look positive, and may even benefit from the impact of the Epidemic in the short term and constantly make new progress and even breakthroughs. In terms of assets, the Group has current assets of HK\$887.4 million, including cash and cash equivalents of HK\$152.5 million and redeemable financial assets at fair value through profit or loss of HK207.4 million respectively. As a result of these favorable factors, the Group have laid a solid foundation for its development and won a competitive advantage, which has given it the confidence to deal with the uncertain economic situation and even expand against the trend.

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As a comprehensive and global health business platform company with a certain extent of influence at home and abroad, the Group will focus on technology R&D, product innovation and service improvement, create marketing channels with entry barriers, and build a matrix of international products and service brands, so as to provide the Group's customers worldwide with first-class product experience and service enjoyment. The Group will expand its investment in capital and human resources, and adhere to the "one core and two wings" strategy which focuses on high-end health management business driven by the health applications of cannabinoid and cell. At the same time, in the above-mentioned businesses, the Group will continue its efforts in discovering business partners that are with favorable traits, outstanding, and sincere, and through multi-level cooperation in various forms, build barriers on competition and strengthen its core competitiveness.

OTHER INFORMATION

DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2020 (six months ended 30 June 2019: Nil).

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

There were no purchase, sale or redemption of the Company's listed securities by the Company or any of its subsidiaries during the six months ended 30 June 2020.

CORPORATE GOVERNANCE

The Company has adopted the principles and complied with all the applicable code provisions of the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 of the Listing Rules during the six months ended 30 June 2020.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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. Specific enquiry has been made with all Directors and the Directors have confirmed compliance with the required standard set out in the Model Code during the six months ended 30 June 2020.

REVIEW OF INTERIM FINANCIAL INFORMATION

The Group's external auditor has carried out a review of the interim financial information in accordance with the Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. The audit committee of the Company has reviewed with management of the Group the accounting principles and practices adopted by the Group and discussed internal control and financial reporting matters including the review of the unaudited interim financial information for the six months ended 30 June 2020.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

The interim results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.meilleure.com.cn). The interim report will be dispatched to shareholders of the Company as well as made available on the same websites in due course.

APPRECIATION

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

By Order of the Board
Meilleure Health International Industry Group Limited
Zhou Wen Chuan
Executive Director and Chief Executive Officer

Hong Kong, 15 August 2020

As at the date of this announcement, the Board comprises Mr. Zhou Xuzhou, Dr. Zeng Wentao and Ms. Zhou Wen Chuan as executive Directors, Dr. Mao Zhenhua as non-executive Director and Mr. Gao Guanjiang, Professor Chau Chi Wai, Wilton and Mr. Wu Peng as independent non-executive Directors.