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## China Wah Yan Healthcare Limited

中國華仁醫療有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 648)

### 2017 INTERIM RESULTS

The board (the “Board”) of directors (the “Directors”) of China Wah Yan Healthcare Limited (the “Company”) would like to present the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 30 June 2017, which have been reviewed by the audit committee of the Company, as follows:

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

	Notes	Six months ended 30 June	
		2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Revenue	3	121,454	79,847
Cost of services and goods sold		(85,387)	(58,628)
Gross profit		36,067	21,219
Other gains and losses		20,686	22,023
Distribution costs		(14,142)	(8,494)
Administrative expenses		(63,426)	(62,605)
Change in fair value of financial assets at fair value through profit or loss		(38,948)	(22,590)
Loss arising from change in fair value of investment properties		–	(18,536)
Loss on disposal of available-for-sale financial assets		(17,061)	–
Impairment loss on available-for-sale financial assets	11	(51,294)	(194,144)
Net gain on disposals of subsidiaries	14	1,975	63,348
Gain on bargain purchase of subsidiaries		–	46,476
Gain on disposal of associates		25,558	–
Share of results of associates		1,216	16
Share of results of a joint venture		–	65
Finance costs		(16,601)	(13,088)
Loss before tax		(115,970)	(166,310)
Income tax expense	4	(200)	(94)
Loss for the period	5	(116,170)	(166,404)

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONTINUED)**

		<b>Six months ended 30 June</b>	
	<i>Notes</i>	<b>2017</b>	<b>2016</b>
		<b>HK\$'000</b>	<b>HK\$'000</b>
		<b>(Unaudited)</b>	<b>(Unaudited)</b>
Loss for the period	5	<u>(116,170)</u>	<u>(166,404)</u>
<b>Other comprehensive income/(loss) for the period</b>			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations:			
Exchange differences arising during the period		5,025	(667)
Reclassification adjustments relating to foreign operations disposed of during the period		<u>636</u>	<u>(72,191)</u>
		5,661	(72,858)
Gain on revaluation of available-for-sale financial assets		<u>11,337</u>	<u>–</u>
Other comprehensive income/(loss) for the period, net of tax		<u>16,998</u>	<u>(72,858)</u>
<b>Total comprehensive loss for the period</b>		<b><u>(99,172)</u></b>	<b><u>(239,262)</u></b>
<b>Loss for the period attributable to:</b>			
Owners of the Company		(113,802)	(157,593)
Non-controlling interests		<u>(2,368)</u>	<u>(8,811)</u>
		<b><u>(116,170)</u></b>	<b><u>(166,404)</u></b>
<b>Total comprehensive loss for the period attributable to:</b>			
Owners of the Company		(97,083)	(229,799)
Non-controlling interests		<u>(2,089)</u>	<u>(9,463)</u>
		<b><u>(99,172)</u></b>	<b><u>(239,262)</u></b>
Loss per share attributable to the owners of the Company	7		
– Basic and diluted ( <i>HK cents</i> )		<u>(1.75)</u>	<u>(5.36)</u>

The accompanying notes form an integral part of these condensed consolidated interim financial statements.

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at <b>30 June 2017</b> <i>HK\$'000</i> (Unaudited)	As at 31 December 2016 <i>HK\$'000</i> (Audited)
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Property, plant and equipment	8	57,591	57,462
Land use right	8	7,970	7,842
Investment properties	8	101,000	101,000
Goodwill		69,010	69,010
Investment in associates		62,840	72,611
Intangible assets	8	59,986	60,621
Available-for-sale financial assets	9	91,923	113,944
Long-term prepayments and deposits		1,944	1,944
		<b>452,264</b>	484,434
<b>Current assets</b>			
Land use right		232	225
Inventories		18,527	17,781
Trade receivables	10	21,192	25,103
Other receivables, prepayments and deposits		93,593	47,849
Tax recoverable		951	1,157
Available-for-sale financial assets	9	64,114	91,095
Financial assets at fair value through profit or loss	11	153,449	124,714
Cash and bank balances		91,498	72,943
		<b>443,556</b>	380,867
Assets classified as held for sale		–	8,777
		<b>443,556</b>	389,644
<b>Current liabilities</b>			
Trade and other payables	12	123,321	96,962
Receipt in advance		58,168	60,808
Tax payable		281	275
Borrowings		222,438	113,600
Convertible notes		–	1,990
Bonds payable		77,700	79,693
Promissory note		14,712	–
		<b>496,620</b>	353,328

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
(CONTINUED)**

		As at <b>30 June 2017</b> <i>HK\$'000</i> <b>(Unaudited)</b>	As at 31 December 2016 <i>HK\$'000</i> <b>(Audited)</b>
<b>Net current (liabilities)/assets</b>		<u><b>(53,064)</b></u>	<u>36,316</u>
<b>Total assets less current liabilities</b>		<u><b>399,200</b></u>	<u>520,750</u>
<b>Non-current liabilities</b>			
Other payable	12	<b>15,406</b>	13,821
Borrowings		<b>73,192</b>	69,619
Bonds payable		<b>53,528</b>	53,734
Promissory note		–	61,383
Deferred tax liabilities		<u><b>2,156</b></u>	<u>2,314</u>
		<u><b>144,282</b></u>	<u>200,871</u>
<b>Net assets</b>		<u><u><b>254,918</b></u></u>	<u><u>319,879</u></u>
<b>CAPITAL AND RESERVES</b>			
Share capital	13	<b>3,030,660</b>	3,030,660
Reserves		<u><b>(2,877,345)</b></u>	<u>(2,784,783)</u>
Equity attributable to the owners of the Company		<b>153,315</b>	245,877
Non-controlling interests		<u><b>101,603</b></u>	<u>74,002</u>
<b>Total equity</b>		<u><u><b>254,918</b></u></u>	<u><u>319,879</u></u>

The accompanying notes form an integral part of these condensed consolidated interim financial statements.

*Notes:*

## **1. BASIS OF PREPARATION**

The unaudited condensed consolidated interim financial statements for the six months ended 30 June 2017 (the “Review Period”) have been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and the disclosure requirements of Appendix 16 to the Listing Rules. They have been prepared under the historical cost convention, except for certain properties and financial instruments, which are carried at fair values. The unaudited condensed consolidated interim financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand except when otherwise indicated. The condensed consolidated interim financial statements are unaudited but have been reviewed by the audit committee of the Company.

The unaudited condensed consolidated interim financial statements have been prepared in accordance with the same accounting policies adopted in the annual consolidated financial statements for the year ended 31 December 2016.

In preparing the unaudited condensed consolidated interim financial statements, the Directors have given careful consideration to the future liquidity of the Group notwithstanding that the Group had incurred loss of approximately HK\$116.2 million during the six months ended 30 June 2017 and, as of that date, the Company’s current liabilities exceeded its current assets by approximately HK\$53.1 million.

The Directors have given careful consideration and believe that the Group has sufficient financial resources to meet its liabilities as and when they fall due. Therefore, the unaudited condensed consolidated interim financial statements are prepared on a going concern basis.

The financial information relating to the financial year ended 31 December 2016 that is included in this interim report as comparative information does not constitute the Company’s statutory annual consolidated financial statements for that financial year but is derived from those financial statements. Further information relating to these statutory financial statements disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap. 622) is as follows:

The Company has delivered the financial statements for the year ended 31 December 2016 to the Registrar of Companies in accordance with section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance.

The Company’s auditors have reported on the above-mentioned financial statements. The independent auditors’ report was unqualified; did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying its report; and did not contain a statement under section 406(2), 407(2) or (3) of the Companies Ordinance (or under their equivalent requirements found in section 141 of the predecessor Companies Ordinance (Cap. 32)).

## 2. CHANGES IN ACCOUNTING POLICIES

In the current period, the Group has applied, for the first time, the following new and revised standards and interpretations issued by the HKICPA, which are effective for the Group's financial period beginning from 1 January 2017 and are summarized as follows:

HKAS 7 (Amendments)	Disclosure Initiative
HKAS 12 (Amendments)	Recognition of Deferred Tax Assets for Unrealized Losses

The Directors considered that the application of the above new or revised standards and interpretations would not have any material impact on the Group's financial performance and financial position for the current and prior periods.

## 3. REVENUE AND SEGMENT INFORMATION

Information reported to the executive directors of the Company, being the chief operating decision makers, for the purposes of resource allocation and assessment of segment performance focuses on the types of goods or services delivered or provided.

Specifically, the Group's reportable and operating segments are as follows:

- (i) Health management business – chain of sports and healthcare clubhouses in the People's Republic of China (the "PRC").
- (ii) Medical and well-being business – chain of optical products and eye-care services retail shops in Hong Kong (the "Eye-care Business");
  - provision of obstetric and gynaecological services in Hong Kong (the "O&G Business").
  - provision of medical laboratory testing services and health check services in Hong Kong (the "Medical Laboratory Testing Business"); and
  - manufacturing and sale of pharmaceutical and health related products in the PRC and Hong Kong (the "Pharmaceutical Manufacturing Business").
- (iii) Asset management business – investment in financial/fixed/distressed assets and loan financing.

## Segment revenue and results

The following is an analysis of the Group's revenue and results by reportable segment:

For the six months ended 30 June 2017 (Unaudited)

	Health management business <i>HK\$'000</i>	Medical and well-being business <i>HK\$'000</i>	Asset management <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Segment revenue				
External sales	<u>37,728</u>	<u>83,726</u>	<u>–</u>	<u>121,454</u>
Segment revenue	<u>37,728</u>	<u>83,726</u>	<u>–</u>	<u>121,454</u>
Segment results	<u>(406)</u>	<u>(7,334)</u>	<u>(91,233)</u>	<u>(98,973)</u>
<i>Reconciliation:</i>				
Other gains and losses				15,405
Central administration costs				(44,550)
Net gain on disposals of subsidiaries				1,975
Gain on disposal of associates				25,558
Share of results of associates				1,216
Finance costs				<u>(16,601)</u>
Loss before taxation				(115,970)
Income tax				<u>(200)</u>
Loss for the period				<u>(116,170)</u>

For the Previous Period (Unaudited)

	Health management business <i>HK\$'000</i>	Medical and well-being business <i>HK\$'000</i>	Asset management <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Segment revenue				
External sales	<u>55,577</u>	<u>24,185</u>	<u>85</u>	<u>79,847</u>
Segment revenue	<u>55,577</u>	<u>24,185</u>	<u>85</u>	<u>79,847</u>
Segment results	<u>2,538</u>	<u>(10,572)</u>	<u>(224,715)</u>	<u>(232,749)</u>
<i>Reconciliation:</i>				
Other gains and losses				2,894
Central administration costs				(33,272)
Net gain on disposals of subsidiaries				63,348
Gain on bargain purchase of subsidiaries				46,476
Share of results of associates				16
Share of results of a joint venture				65
Finance costs				<u>(13,088)</u>
Loss before taxation				(166,310)
Income tax				<u>(94)</u>
Loss for the period				<u>(166,404)</u>

## Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable segment:

30 June 2017 (Unaudited)

	Health management business <i>HK\$'000</i>	Medical and well-being business <i>HK\$'000</i>	Asset management <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment assets	91,241	243,797	388,297	723,335
Unallocated				<u>172,485</u>
Consolidated assets				<u><u>895,820</u></u>
Segment liabilities	91,156	47,427	31,876	170,459
Unallocated				<u>470,443</u>
Consolidated liabilities				<u><u>640,902</u></u>

31 December 2016 (Audited)

	Health management business <i>HK\$'000</i>	Medical and well-being business <i>HK\$'000</i>	Asset management <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment assets	92,853	260,572	347,957	701,382
Unallocated				<u>172,696</u>
Consolidated assets				<u><u>874,078</u></u>
Segment liabilities	93,803	45,390	4,916	144,109
Unallocated				<u>410,090</u>
Consolidated liabilities				<u><u>554,199</u></u>



## Geographical information

The Group operates in Hong Kong, the PRC, Asia and Europe

The Group's revenue from external customers by location of customers are detailed below:

	Six months ended 30 June	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
PRC	42,045	56,317
Hong Kong	52,858	23,530
Asia (other than PRC and Hong Kong)	21,894	–
Europe	4,657	–
	<u>121,454</u>	<u>79,847</u>

## 4. INCOME TAX EXPENSE

	Six months ended 30 June	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Current tax:		
Hong Kong Profits Tax	358	43
PRC Enterprise income tax	–	125
	<u>358</u>	<u>168</u>
Deferred taxation	<u>(158)</u>	<u>(74)</u>
Tax charge for the period	<u>200</u>	<u>94</u>

Hong Kong Profits Tax is calculated at the tax rate of 16.5% of the estimated assessment profit arising from Hong Kong during the Review Period. During the Previous Period, no Hong Kong Profits Tax was provided as the Group did not have any assessable profit arising from Hong Kong. Taxes on profit assessable elsewhere have been calculated at the rates of the tax prevailing in the jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof. The applicable PRC Enterprise Income Tax rate is 25% for both periods.

## 5. LOSS FOR THE PERIOD

Loss for the period has been arrived at after charging/(crediting):

	<b>Six months ended 30 June</b>	
	<b>2017</b>	<b>2016</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Depreciation of property, plant and equipment	<b>3,956</b>	3,136
Amortisation of land use right	<b>114</b>	39
Amortisation of other intangible assets	<b>854</b>	676
	<hr/>	<hr/>
Total depreciation and amortisation	<b>4,924</b>	3,851
Cost of inventories recognised as expenses	<b>42,403</b>	11,679
Gain arising from change in fair value of available-for-sale financial assets in relation to acquisition of subsidiaries (included in other gains and losses)	–	11,214
Net loss arising from change in fair value of financial assets at fair value through profit or loss	<b>16,310</b>	17,663
Loss on disposal of financial assets at fair value through profit or loss	<b>22,638</b>	4,927
	<hr/>	<hr/>
Change in fair value of financial assets at fair value through profit or loss	<b>38,948</b>	22,590
Loss arising from change in fair value of investment properties	–	18,536
Loss on disposal of available-for-sale financial assets	<b>17,061</b>	–
Impairment loss on available-for-sale financial assets	<b>51,294</b>	194,144
Net gain on disposals of subsidiaries	<b>(1,975)</b>	(63,348)
Gain on bargain purchase of subsidiaries	–	(46,476)
Gain on disposal of associates	<b>(25,558)</b>	–
Share of results of associates	<b>(1,216)</b>	(16)
Share of results of a joint venture	–	(65)
Interest on:		
– Loans from a former intermediate holding company and a former fellow subsidiary not wholly repayable within five years	<b>633</b>	906
– Bank loans	<b>687</b>	746
– Loans from financial institutions	<b>6,357</b>	5,853
– Promissory note	<b>2,377</b>	15
– Bonds payable	<b>6,450</b>	5,022
– Convertible notes	<b>50</b>	63
– Other borrowings	<b>47</b>	483
	<hr/>	<hr/>
Total finance costs	<b>16,601</b>	13,088
Employee benefit expenses, including directors' emoluments:		
– Salaries and other benefits	<b>46,057</b>	45,159
Net exchange loss	<b>3,581</b>	11,590
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## 6. DIVIDENDS

The Board did not recommend the payment of any dividends for the six months ended 30 June 2017 and 2016.

## 7. LOSS PER SHARE ATTRIBUTABLE TO THE OWNERS OF THE COMPANY

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

### Loss

	Six months ended 30 June	
	2017	2016
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Loss for the purpose of basic and diluted loss per share	<u>(113,802)</u>	<u>(157,593)</u>

### Number of shares

	Six months ended 30 June	
	2017	2016
	'000	'000
	(Unaudited)	(Unaudited)
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share ( <i>Note</i> )	<u>6,520,737</u>	<u>2,938,558</u>

*Note:* The effects of the outstanding convertible notes, outstanding share options and outstanding unlisted warrants were not included in the calculation of diluted loss per share for the six months ended 30 June 2017 and 2016 due to the anti-dilutive effects of these instruments on the basic loss per share of the Company during the periods.

## 8. PROPERTY, PLANT AND EQUIPMENT, INVESTMENT PROPERTIES, LAND USE RIGHT AND INTANGIBLE ASSETS

The total cost of additions to the property, plant and equipment of the Group was HK\$4.8 million for the Review Period (Previous Period : HK\$46.3 million).

There was no addition to or disposal of the investment properties of the Group for the six months ended 30 June 2017 and 2016.

There was no addition to or disposal of the land use right of the Group for the six months ended 30 June 2017. Land use rights of HK\$8.7 million were acquired and HK\$3.6 million disposed of during the Previous Period.

There was no addition to or disposal of intangible assets of the Group for the six months ended 30 June 2017. Intangible assets of HK\$52.6 million was acquired during the Previous Period.

## 9. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	As at 30 June 2017 HK\$'000 (Unaudited)	As at 31 December 2016 HK\$'000 (Audited)
Available-for-sale financial assets comprise:		
Listed investments – Equity securities listed in Hong Kong ( <i>Notes 1</i> )	64,114	91,095
Unlisted investments, at cost ( <i>Note 2</i> )	<u>91,923</u>	<u>113,944</u>
	<b><u>156,037</u></b>	<b><u>205,039</u></b>
Analysed for reporting purposes as:		
Current assets	64,114	91,095
Non-current assets	<u>91,923</u>	<u>113,944</u>
	<b><u>156,037</u></b>	<b><u>205,039</u></b>

### Notes:

- Balance represented the Group's investments listed companies on the Stock Exchange as at 30 June 2017 and mainly comprised the Group's investment in (i) IR Resources Limited ("IR Resources") of HK\$25.6 million; (ii) New Ray Medicine International Holding Limited ("New Ray Medicine") of HK\$23.7 million; and (iii) other companies listed on the Stock Exchange. During the Review Period, the Group's available-for-sale financial assets recorded (i) an impairment loss of HK\$51.3 million (of which HK\$36.4 million was attributable to the decline in the share price of IR Resources) was recorded in the Group's consolidated profit and loss account; and (ii) a gain of HK\$11.4 million (attributable to the Group's investment in New Ray Medicine) was recorded in the Group's investment revaluation reserves.

During the Review Period, the Group neither recorded any realised gain/loss nor received any dividend respect of the listed investments included in available-for-sale financial assets.

- Balance comprised the Group's unlisted investment as at 30 June 2017 mainly comprising (i) the Group's interest relating to a hospital project company of HK\$61.8 million and other assets (31 December 2016: HK\$88.8 million); (ii) the Rui Kang Group's interest in a contracted medical schemes provider of HK\$19.4 million (31 December 2016: HK\$19.4 million) and (iii) the Group's interest in an ophthalmic medical services provider. During the Review Period, the Group disposed part of its interests in the a hospital project company and recorded a loss on disposal of HK\$17.1 million.

During the Review Period, the Group neither recorded any realised gain/loss nor received any dividend respect of the unlisted investments included in available-for-sale financial assets during the Review Period.

## 10. TRADE RECEIVABLES

	As at 30 June 2017 <i>HK\$'000</i> (Unaudited)	As at 31 December 2016 <i>HK\$'000</i> (Audited)
Trade receivables	26,050	29,814
Less: impairment loss	<u>(4,858)</u>	<u>(4,711)</u>
Trade receivables (net)	<u><u>21,192</u></u>	<u><u>25,103</u></u>

The following is an ageing analysis of trade receivables based on the invoice date as at the end of reporting period:

	As at 30 June 2017 <i>HK\$'000</i> (Unaudited)	As at 31 December 2016 <i>HK\$'000</i> (Audited)
0–180 days	14,781	21,211
181–365 days	3,773	1,630
Over 365 days	<u>2,638</u>	<u>2,262</u>
	<u><u>21,192</u></u>	<u><u>25,103</u></u>

## 11. FINANCIAL ASSETS AT FAIR VALUES THROUGH PROFIT OR LOSS

The Group's financial assets at fair values through profit and loss represented its investment in companies listed on the Stock Exchange and mainly comprised companies principally engaged in healthcare and financial services sector (including 1.27% and 6.19% issued shares of Town Health International Medical Group Limited and New Ray Medicine). During the Review Period, the net loss arising from the change in the fair value of the Group's financial asset at fair value through profit and loss amounted to HK\$38.9 million.

## 12. TRADE AND OTHER PAYABLES

	As at 30 June 2017 <i>HK\$'000</i> (Unaudited)	As at 31 December 2016 <i>HK\$'000</i> (Audited)
Trade payables	12,426	13,321
Other payables and accruals	42,810	56,481
Deposit received in respect of Rui Kang Disposal	50,000	–
Amounts due to non-controlling shareholders of subsidiaries	33,491	27,105
Amounts due to associates	–	4,801
Provision for clawback of fund performance fee	–	8,915
Provision for long service payment	–	160
	<u>138,727</u>	<u>110,783</u>
Less: Non-current portion	<u>(15,406)</u>	<u>(13,821)</u>
	<u><u>123,321</u></u>	<u><u>96,962</u></u>

The following is an ageing analysis of trade payables based on the invoice date as at the end of reporting periods:

	As at 30 June 2017 <i>HK\$'000</i> (Unaudited)	As at 31 December 2016 <i>HK\$'000</i> (Audited)
Within 30 days	5,439	6,896
31–60 days	2,317	1,783
61–90 days	1,394	1,045
Over 90 days	3,276	3,597
	<u>12,426</u>	<u>13,321</u>

## 13. SHARE CAPITAL

	Number of shares '000	Amount <i>HK\$'000</i>
Issued and fully paid:		
At 1 January 2017 (audited) and 30 June 2017 (unaudited)	<u>6,520,737</u>	<u>3,030,660</u>

## 14. NET GAIN ON DISPOSALS OF SUBSIDIARIES

### (a) Disposal of 11% equity interest in Rui Kang

Upon completion of the its disposal of 11% equity interest in Rui Kang Pharmaceutical Group Investments Limited (“Rui Kang”, together with its subsidiaries, the “Rui Kang Group”) in January 2017, the Group’s equity interest in Rui Kang decreased from 62.5% to 51.5% (Rui Kang still remained as a subsidiary of the Group). The sum of HK\$3.6 million comprising (i) HK\$3.0 million (being the difference between consideration of HK\$33.3 million and the non-controlling interest recognised of HK\$29.7 million); and (ii) HK\$0.6 million (being the exchange reserve attributable to the non-controlling interest), had been charged to the equity.

### (b) Disposal of Jet Rich Group

On 30 March 2017, an indirect wholly-owned subsidiary of Rui Kang, as vendor, entered into a sale and purchase agreement with an independent third party, as purchaser, to dispose of the entire equity interests in Jet Rich Investment Limited and its subsidiary (collectively, the “Jet Rich Group”) at a cash consideration of HK\$12.7 million and the sale and purchase agreement was completed on the same date.

An analysis of the net asset value of the Jet Rich Group at the date on which the Group lost control (i.e. 30 March 2017) was as follows:

	<i>HK\$’000</i> (Unaudited)
Property, plant and equipment	221
Deposits, prepayments and other receivables	663
Cash and cash equivalents	12,528
	<hr/>
Total assets	13,412
	<hr/>
Other payables and accruals	4,839
	<hr/>
Total liability	4,839
	<hr/>
Net assets disposed of	8,573
	<hr/> <hr/>
	<b>Six months ended</b>
	<b>30 June 2017</b>
	<i>HK\$’000</i> (Unaudited)
Consideration	12,700
Release of exchange difference upon disposal	(1,728)
Less: Net assets disposed of	(8,573)
	<hr/>
Gain on disposal of the Jet Rich Group	2,399
	<hr/> <hr/>

**(c) Disposal of V-Express**

On 1 June 2017, a direct wholly-owned subsidiary of Rui Kang (as vendor) entered into a sale and purchase agreement with an independent third party (as purchaser) to dispose of its entire equity interests in V-Express Pharmaceutical Limited (“V-Express”) at a cash consideration of HK\$50,000. The completion of the disposal of V-Express took place on the same date and a gain on disposal of HK\$74,000 was recorded by the Group.

**(d) Disposal of Allied View**

On 17 November 2016, a wholly-owned subsidiary of Rui Kang (as vendor) entered into a sale and purchase agreement with an independent third party (as purchaser), in relation to the disposal of its entire equity interest in Allied View International Limited (“Allied View”) and the assignment of the related shareholder’s loan for a consideration of HK\$10.0 million. Allied View is an investment company and holds minority interest in a company engaged in money lending business in the PRC. The disposal of Allied View was completed in February 2017 and a loss on disposal of HK\$498,000 was recorded by the Group.

**15. COMPARATIVE FINANCIAL INFORMATION**

Certain comparative figures have been restated to confirm with the presentation of the Review Period.



## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **BUSINESS REVIEW**

During the Review Period, the Group has continued to strengthen its business portfolio with an aim to become a strategic healthcare and financial group.

#### **Acquisition of Xinhua News Media Holdings Limited (“Xinhua News Media”)**

In December 2016, the Group made a voluntary conditional securities exchange offer (the “Xinhua Share Offer”) to acquire all the issued shares of Xinhua News Media, a company listed on the Main Board of the Stock Exchange of Hong Kong Limited (the “Stock Exchange”) and principally engaged in the provision of (i) cleaning and related services; (ii) publicly broadcasting information and advertisements on television screens services; and (iii) non-incineration medical waste handling services for hospitals. A substantial shareholder of Xinhua News Media is the Asia Pacific regional branch of Xinhua News Agency (the state-owned news agency of the PRC with over 100 bureaus located in the PRC and worldwide and is positioned as a recorder, promoter and a participant of the Belt and Road Initiative). It was the intention of the Group to diversify its business portfolio and establish a strategic relationship with Xinhua News Agency to leverage on its global network to explore further business opportunities through participation in and promotion of the Belt and Road Initiative with Xinhua News Media. However, the resolution relating to the Xinhua Share Offer was voted down by the then shareholders of the Company at the extraordinary general meeting held on 19 July 2017.

#### **Disposal of Rui Kang Pharmaceutical Group Investments Limited (“Rui Kang”)**

In June 2017, the Company entered into a sale and purchase agreement with an investor to dispose of its entire 51.5% interest in Rui Kang, a company listed on the Growth Enterprise Market of the Stock Exchange and principally engaged in the Medical Laboratory Testing Business and the Pharmaceutical Manufacturing Business, at the consideration of HK\$207.1 million (the “Rui Kang Disposal”). The consideration offered by the investor represented premium of over 2% and 50% over the then share price and the net asset value as at 31 December 2016 of Rui Kang, respectively. And it was estimated that the Group would record a gain of HK\$62.9 million based on the financial information of the Rui Kang Group for the year ended 31 December 2016. The Rui Kang Disposal was subsequently completed in July 2017.

## **REVIEW OF THE INTERIM RESULTS**

### **Overview**

The Group's principal businesses include (i) the Health Management Business; (ii) the medical and well-being business, comprising the Eye-care Business, the O&G Business, the Medical Laboratory Testing Business and the Pharmaceutical Manufacturing Business; and (iii) the asset management business.

### **Revenue**

During the Review Period, the revenue of the Group increased by 52.1% to HK\$121.5 million (Previous Period: HK\$79.8 million) attributable to the combined impact of (i) the recognition of full-period financial results of the O&G Business, the Medical Laboratory Testing Business and the Pharmaceutical Manufacturing Business; and (ii) the decrease in revenue of 32.1% in the Health Management Business due to the closing down of certain sports and healthcare clubhouses in 2016.

### **Gross Profit**

During the Review Period, the Group's gross profit increased by 70.0% to HK\$36.1 million (Previous Period: HK\$21.2 million) attributable to the inclusion of the full-period financial results of the O&G Business, the Medical Laboratory Testing Business and the Pharmaceutical Manufacturing Business though it was partially off-set by the decline in the gross profit of the Health Management Business for the above-mentioned reason. The gross profit margin of the Group also increased to 29.7% (Previous Period: 26.6%). The increase in gross profit margin was mainly attributable to the smaller weight of the lower-margin Health Management Business in the Group's overall revenue composition during the Review Period.

### **Loss for the period**

During the Review Period, the Group recorded net loss of HK\$116.2 million (Previous Period: HK\$166.4 million) mainly attributable to the unrealised loss of HK\$90.2 million in relation to the Group's listed investment (mainly attributable to the combined effect of the change in the share prices of IR Resources Limited ("IR Resources") and New Ray Medicine International Holding Limited ("New Ray Medicine")) calculated pursuant to the Hong Kong Accounting Standards. However, it is expected that such non-cash nature of the aforesaid unrealized loss would not materially affect the operation of the Group.

## **REVIEW ON BUSINESS SEGMENTS**

### **Health Management Business Segment**

Given that the closing down of certain non-performing sports and healthcare clubhouses during 2016, the revenue of the Health Management Business decreased by 32.1% to HK\$37.7 million during the Review Period (Previous Period: HK\$55.6 million) and the segment results turned from segment profit of HK\$2.5 million during the same period last year to a segment loss of HK\$0.4 million during the Review Period. As at 30 June 2017, the members of the sports and healthcare clubhouses further decreased to about 18,000 (31 December 2016: 23,000). The Group is considering different restructuring plans to capture the market trend and improve the financial performance of the Health management Business.

### **Medical and Well-being Business**

#### *The Eye-care Business*

Although the Eye-care Business revenue of HK\$18.6 million (Previous Period: HK\$17.6 million) recorded a slight increase of 5% for the Review Period and maintain its gross profit margin at a level similar to the Previous Period, fixed costs (such as rental and staff expenses) continued to adversely affect the profitability of the Eye-care Business, resulting in a net loss of HK\$3.1 million during the Review Period. During the Review Period, two new shops have been opened and their contribution is expected to gradually reflects during the second half of the year. Meanwhile, the Group will continue to devise plans to enhance the financial performance of this business line including collaboration with one of the leading providers of ophthalmic medical services in Hong Kong in which the Group have made a strategic investment.

#### *The O&G Business*

During the Review Period, the O&G Business recorded revenue of HK\$5.1 million. With the expansion of the clinic for provision of multi-specialist clinical services (including day surgery operations) in late June 2017 and the new in-vitro fertilization centre in the Republic of Philippines which is expected to be in operation by end of this year, it is expected that this business line will make greater contribution to the Group's revenue and profit.

#### *The Medical Laboratory Testing Business and the Pharmaceutical Manufacturing Business*

For the Review Period, the Medical Laboratory Testing Business and the Pharmaceutical Manufacturing Business contributed a total of HK\$60.0 million to the Group's revenue. However, due to the intensifying competition in the markets which the Medical Laboratory Testing Business and the Pharmaceutical Manufacturing Business operate, these two business lines incurred a combined loss of HK\$5.9 million.

## **Assets Management Segment**

### ***Investment in financial/fixed/distressed assets***

The Group's asset management business involves investment in financial/fixed/distressed assets in Hong Kong. As at 30 June 2017, the total assets of the Group's asset management segment amounted to HK\$388.3 million (31 December 2016: HK\$348.0 million). During the Review Period, the Group (i) fully participated in the rights issue of New Ray Medicine for HK\$28.4 million to maintain its shareholding of 8.25% and (ii) increased its stake in IR Resources to 26.58%. The Group will continue to monitor the performance of this business segment and review its investment portfolio from time to time.

### ***Loan financing***

The Group has obtained a money lending license granted under the Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong). The Group will keep abreast of opportunities for financial services and products platforms which will enhance the capability and sustainability of the loan financing business.

## **EVENTS AFTER THE REPORTING PERIOD**

At the extraordinary general meeting of the Company held on 19 July 2017, the then shareholders of the Company voted down the resolution relating to the Xinhua Share Offer.

The Rui Kang Disposal was subsequently completed on 31 July 2017.

## **PROSPECTS**

Looking forward, the Group will remain cautious and continue to review the performances and development strategies of its business and streamline its portfolio through mergers, acquisitions, divestments and integration. The Group will also devise strategies to strengthen its financial condition and supports its business development by seizing debt/equity fund raising opportunities as and when available, and invest in potential opportunities in healthcare and other business sectors for enhancing competitiveness and risk diversification purposes.

## **FUND RAISING ACTIVITIES**

During the Review Period, the Company did not conduct any fund raising activities.

## **FINANCIAL REVIEW**

### **Liquidity and financial resources**

For the Review Period, as a result of its cash inflow from operating activities of HK\$14.0 million (Previous Period: net cash outflow of HK\$98.3 million), net cash outflow from investing activities of HK\$42.9 million (Previous Period: net cash outflow of HK\$20.1 million) and net cash inflow from financing activities of HK\$47.5 million (Previous Period: net cash inflow of HK\$131.5 million), the Group recorded a net cash inflow of HK\$18.6 million (Previous Period: net cash inflow of HK\$13.1 million).

As at 30 June 2017, the Group had cash and bank balances of HK\$91.5 million (31 December 2016: HK\$72.9 million) of which HK\$64.6 million was attributable to Rui Kang (31 December 2016: HK\$34.7 million).

As at 30 June 2017, the Group's total borrowings amounted to HK\$441.6 million (31 December 2016: HK\$380.0 million) which included borrowings of HK\$295.7 million (31 December 2016: HK\$183.2 million), convertible securities of HK\$nil (31 December 2016: HK\$2.0 million) and bonds/notes payable of HK\$145.9 million (31 December 2016: HK\$194.8 million). The borrowings are mainly denominated in Hong Kong dollars and Japanese Yen and will either be repaid by internally generated funds or rolled over upon maturity.

As at 30 June 2017, the Group's net asset value (including non-controlling interest) was HK\$254.9 million (31 December 2016: HK\$319.9 million) with a liquidity ratio (calculated based on the Group's current assets to current liabilities) of 0.9 times (31 December 2016: 1.1 times) and its gearing ratio (calculated based on the Group's total borrowings to the equity attributable to the owners of the Company) was 288.0% (31 December 2016: 154.5%). Given the net current liabilities position and the significant increase in the gearing ratio (from 31 December 2016) of the Group as at 30 June 2017, the Directors concurred with the view of the auditors to the Group that the Group shall seize appropriate opportunities when available to raise funds to reduce its short term borrowings and liabilities.

### **Exposure to fluctuation in exchange rates**

While the Group's cash flow from operations is mainly denominated in Renminbi and Hong Kong dollars and assets are mostly denominated in Renminbi and Hong Kong dollars, its liabilities are mainly denominated in Hong Kong dollars and Japanese Yen. During the Review Period, the Group recorded currency exchange loss of HK\$3.6 million mainly resulted from the recent appreciation of Japanese Yen. The Group will continue to monitor the situation and may consider to reduce its debt exposure to Japanese Yen through external fund raising means as and when appropriate.

## **Charge on group assets**

As at 30 June 2017, the Group's properties with carrying value of HK\$101.0 million (31 December 2016: HK\$101.0 million) and leasehold land and building in Hong Kong with carrying amount of HK\$14.7 million (31 December 2016: HK\$14.9 million) had been pledged to secure its borrowings of HK\$51.5 million (31 December 2016: HK\$54.8 million).

## **CONTINGENCIES**

There was no provision in respect of contingencies required to be made in the unaudited condensed consolidated interim financial statements of the Group for the Review Period.

## **EMPLOYEES AND REMUNERATION POLICY**

As at 30 June 2017, the total number of employees of the Group was 928. The Group remunerates its employees based on their performance, working experience and the prevailing market price. Other employee benefits include retirement benefits, insurance and medical coverage, training programs and share option scheme.

## **PURCHASE, SALE OR REDEMPTION OF SHARES**

During the Review Period, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any shares of the Company.

## **CODE ON CORPORATE GOVERNANCE PRACTICES**

The Company is committed to achieving and maintaining a high standard of corporate governance. During the Review Period, the Company had complied with the code provisions of the Code on Corporate Governance Practices (the "CG Code") as set out in Appendix 14 to the Listing Rules except for code provision A.4.1 of the CG Code, which requires that, non-executive directors should be appointed for a specific term and subject to re-election. None of the existing non-executive Directors are appointed for a specific term. This constitutes a deviation from the CG Code. However, all the non-executive Directors are subject to retirement by rotation at the annual general meetings pursuant to the articles of association of the Company. As such, the Board considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than those of the CG Code.

## **AUDIT COMMITTEE**

The audit committee of the Company has reviewed with management the accounting principles and practices adopted by the Group and the unaudited condensed consolidated interim financial statements of the Group for the Review Period, as well as the relevant auditing, internal control and financial reporting matters.

## **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted the Model Code as its own code of conduct regarding securities transactions by the Directors. The Company has made enquiry to all the Directors and each of them has confirmed that he/she had complied with the required standards as set out in the Model Code during the Review Period.

## **INTERIM REPORT**

The interim report of the Company for the six months ended 30 June 2017 will be despatched to shareholders and published on the websites of the Hong Kong Exchanges and Clearing Limited ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.chinawahyan.com](http://www.chinawahyan.com)) as soon as practicable.

By Order of the Board  
**China Wah Yan Healthcare Limited**  
**Chan Ka Chung**  
*Chairman*

Hong Kong, 24 August 2017

*As at the date of this announcement, the Board comprises three executive directors, namely Mr. Chan Ka Chung, Mr. Cheung Wai Kwan and Mr. Wang Jianguo; and three independent non-executive directors, namely, Mr. Chan Yee Ping, Michael, Ms. Hu Xuezhen and Mr. Lam Chun Ho.*