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# CORPORATE INFORMATION

## BOARD OF DIRECTORS

***Executive Directors***

Miss Choi Ka Yee, Crystal *(Chairperson)*
Dr. Hui Ka Wah, Ronnie, *JP*
*(Chief Executive Officer)*
Mr. Lee Chik Yuet
Mr. Wong Seung Ming, *CPA, FCCA*
*(Chief Financial Officer)*
Dr. Chan Wing Lok, Brian

***Non-executive Directors***

Dr. Choi Chee Ming, *GBS, JP*
*(Deputy Chairman)*
Ms. Fang Haiyan *(Deputy Chairperson)*
Mr. Chen Jinhao

***Independent Non-executive Directors***

Mr. Ho Kwok Wah, George, *MH*
Mr. Yu Xuezhong
Ms. Li Mingqin
Mr. Wang John Hong-chiun *(Note)*
Mr. Yu Kai Fung Jackie
Mr. Wong Sai Kit

## BOARD COMMITTEES

***Audit Committee***

Mr. Ho Kwok Wah, George, *MH (Chairman)*
Mr. Yu Xuezhong
Ms. Li Mingqin
Mr. Wang John Hong-chiun *(Note)*
Mr. Yu Kai Fung Jackie
Mr. Wong Sai Kit

***Remuneration Committee***

Mr. Ho Kwok Wah, George, *MH (Chairman)*
Mr. Yu Xuezhong
Ms. Li Mingqin
Mr. Lee Chik Yuet
Mr. Yu Kai Fung Jackie
Mr. Wong Sai Kit

***Nomination Committee***

Mr. Yu Kai Fung Jackie *(Chairman)*
Mr. Ho Kwok Wah, George, *MH*
Ms. Li Mingqin
Mr. Lee Chik Yuet
Mr. Wong Sai Kit

## COMPANY SECRETARY

Mr. Wong Seung Ming, *CPA, FCCA*

## AUDITORS

Moore Stephens CPA Limited
*Certified Public Accountants*

## REGISTERED OFFICE

Victoria Place, 5th Floor
31 Victoria Street
Hamilton HM10
Bermuda

*Note:*

With effect from the conclusion of the AGM held on 27 June 2019, Mr. Wang John Hong-chiun retired as an independent non-executive Director and ceased to be a member of the Audit Committee.

# CORPORATE INFORMATION

## HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

6th Floor, Town Health Technology Centre
10–12 Yuen Shun Circuit
Siu Lek Yuen
Shatin, New Territories
Hong Kong

## PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
Bank of Communications Co., Ltd.
China Construction Bank (Asia) Corporation Limited
CMB Wing Lung Bank Limited
Credit Suisse AG, Hong Kong Branch
Dah Sing Bank, Limited
Fubon Bank (Hong Kong) Limited
Hang Seng Bank Limited
UBS AG, Hong Kong Branch

## PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Estera Management (Bermuda) Limited
Victoria Place, 5th Floor
31 Victoria Street
Hamilton HM10
Bermuda

## HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Tengis Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

## WEBSITE

www.townhealth.com

# FINANCIAL HIGHLIGHTS

For the six months ended 30 June 2019:

– The Group recorded revenue of approximately HK$584,905,000 (2018: HK$529,396,000).

– The Group recorded a profit of approximately HK$26,939,000 (2018: HK$61,502,000).

As at 30 June 2019:

– The Group had net current assets and net assets of approximately HK$2,098,666,000 and HK$4,341,475,000, respectively.

– The Group had a current ratio of 7.43 and a gearing ratio of 0.45%.

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2019 (2018: Nil).

# MANAGEMENT DISCUSSION AND ANALYSIS

## FINANCIAL REVIEW

Town Health International Medical Group Limited and its subsidiaries are pleased to report the results for the six months ended 30 June 2019.

During the period under review, the Group recorded an unaudited consolidated profit of approximately HK$26,939,000 (2018: approximately HK$61,502,000). The decrease in the unaudited consolidated profit was mainly attributable to the net loss in respect of other gains and losses of approximately HK$23,358,000 for the six months ended 30 June 2019, as compared to a net gain in respect of other gains and losses of approximately HK$56,571,000 for the six months ended 30 June 2018. The turnaround from a net gain in respect of other gains and losses to a net loss in respect of other gains and losses is mainly due to (a) the absence of reversal of impairment loss in respect of promissory note and other receivables for the six months ended 30 June 2019; (b) a fair value loss of the Group's investment properties for the six months ended 30 June 2019; and (c) the loss arising from the disposal of a center providing healthcare related services in June 2019, as well as property, plant and equipment of another center providing healthcare related services being written off during the six months ended 30 June 2019, notwithstanding that the Group recorded a significant increase in the profit from the business segment in the provision of medical and dental practices, as well as the provision of hospital management and related services in Mainland China during the six months ended 30 June 2019 due to the development of different businesses under Nanyang Xiangrui, the Group's hospital management subsidiary providing comprehensive and professional management services to hospitals managed by the Group.

***Reversal of impairment loss recognised in respect of promissory note and other receivables***

The Group recorded reversal of impairment loss in respect of promissory note of HK$30,000,000 and other receivables of approximately HK$2,258,000 (being the interest accrued on the promissory note) for the six months ended 30 June 2018, while no reversal of impairment loss in respect of promissory note and other receivables was recorded for the six months ended 30 June 2019. Such reversal of impairment loss was due to repayment of the promissory note in the principal amount of HK$30,000,000 issued by a corporation which is a third party independent of the Company and its connected persons (as defined in the Listing Rules) in favour of the Group for partial settlement of the consideration of the Group's disposal of shares of New Ray, whose shares are listed on the Main Board of the Stock Exchange (Stock code: 6108), and interest accrued thereon in the aggregate amount of approximately HK$33,058,000 in July 2018.

***Fair value loss on investment properties***

The Group recorded a fair value loss on investment properties of approximately HK$2,074,000 for the six months ended 30 June 2019 (2018: fair value gain of approximately HK$29,784,000). The fair value loss was contributed by the decrease in fair value of a number of the Group's investment properties.

***Loss on disposal of subsidiaries and property, plant and equipment being written off***

During the period under review, the Group disposed of 75% interests in Premium Rich International Limited, which operated a center providing healthcare related services, for a consideration of HK$2,000,000. The Group recorded a loss on the disposal of subsidiaries amounting to approximately HK$9,606,000. Further, property, plant and equipment of another center providing healthcare related services were written off with a loss amounting to approximately HK$9,304,000 for the period under review due to the closure of the center.

## BUSINESS REVIEW

***Suspension of Trading and Progress Update on Resumption of Trading***

The Company has previously made a resumption application to the SFC under section 9 of the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong). Such application is in progress and will be considered by the board of the SFC. The Company will continue to communicate with the SFC and seek to resume the trading of the Shares on the Stock Exchange as soon as practicable. For further details, please refer to the announcements of the Company dated 18 December 2017, 11 July 2018, 1 August 2018, 28 August 2018, 5 November 2018, 31 January 2019, 28 March 2019, 30 April 2019 and 31 July 2019, respectively, the interim report of the Company for the six months ended 30 June 2018 published on 21 September 2018 and the annual report of the Company for the year ended 31 December 2018 published on 17 April 2019.

# MANAGEMENT DISCUSSION AND ANALYSIS

***Healthcare Service Network of the Group***

As at 30 June 2019, the Group had 508 multi-disciplinary healthcare service points, including 278 general practice service-points, 81 specialties service-points, 35 dental service-points, and 114 auxiliary service-points. As at 30 June 2019, the Group had 700 medical doctors, dentists and auxiliary service providers (including 419 general practitioners, 228 specialists and 53 dentists), who provided healthcare services through its network of self-operated and affiliated medical centers of the Group.

***Business in Hong Kong***

*Third-Party Administrator Business – Vio*

In the period under review, the third-party administrator business of the Group was in line with the Group's expectations and has maintained a steady growth. During the period under review, despite a continuous increase in labor costs for medical staff in Hong Kong, the Group has managed to improve its management efficiency and maintained a double-digit percentage figure in its operating profit margin, maintaining its leading position in the industry. Vio's self-operated integrated medical center in Central was relocated to another prime site in Central. The new facility is more spacious and provides customers with comprehensive medical services in a comfortable environment. The Group also expects that by leveraging the network administrator business, Vio could refer customers to the Group's self-operated specialty clinics, and thus be able to generate business synergies.

During the period under review, income generated from the Group's Hong Kong managed care business was approximately HK$236,697,000 (2018: approximately HK$228,306,000), representing approximately 40.47% of the Group's revenue for the six months ended 30 June 2019 (2018: approximately 43.13%). The third-party administrator business has been growing steadily. However, the saturated market of healthcare services sector in Hong Kong has become a bottleneck to its future development. It is expected that the Group's third-party administrator business will not grow significantly in the future.

# MANAGEMENT DISCUSSION AND ANALYSIS

***Self-operated Medical and Dental Services Business***

In the period under review, both self-operated clinics chain, general practice and dental clinics business of the Group has been growing steadily notwithstanding the market saturation in Hong Kong's healthcare services sector. In the meantime, due to a shortage of doctors and nursing professionals, there has been an increase in labor costs which results in squeeze on the Group's net profit margins. However, the Group's specialist clinics chain business continued to maintain a strong growth. During the period under review, the Group has expanded its cardiology and orthopedics specialty service. New orthopedics doctors have joined the Group's clinics. Since the specialist clinics business has a higher profit margin than the general practice clinics, the Group will continue to expand its specialist clinic business to offset the squeezing pressure on the profit margin of the general practice business. The Group will strive to maintain a steady growth of its general practice and dental clinic business.

During the period under review, income generated from the Group's Hong Kong medical and dental service business was approximately HK$257,837,000 (2018: approximately HK$260,133,000), representing approximately 44.08% of the Group's revenue for the six months ended 30 June 2019 (2018: approximately 49.14%).

***Medical Beauty Business***

During the period under review, the medical beauty business segment of the Group operated under the brand of "The Beauty Medical", has enjoyed a strong growth in cash sales. At the same time, with effective cost control, the Group has managed to maintain the gross profit margin level. The business growth rate in the market in Mainland China has been higher than that in Hong Kong. In response to the rapid growth and booming market of the medical beauty business in China, the Group will continue its efforts to actively develop its market in Mainland China in the future to enlarge its overall business scale.

"The Beauty Medical" has jointly collaborated with the Group's health management center in Tsim Sha Tsui to develop a cross-selling business and establish a one-stop healthcare service center, offering clients with comprehensive health management, beauty services, vaccination, post-health check treatments and other high-quality professional services.

During the period under review, "The Beauty Medical" has recruited a total of 4 full-time or part-time doctors. Its medical network has expanded, such that as at 30 June 2019, there were 11, 5 and 3 centers in Hong Kong, Shenzhen and Shanghai respectively. During the period under review, the revenue of "The Beauty Medical" was approximately HK$145,251,000 (2018: approximately HK$125,993,000).

# MANAGEMENT DISCUSSION AND ANALYSIS

***Business in Mainland China***

*Hospital Management and Consulting Services Business in the PRC*

During the period under review, the Group's hospital management business has been expanding rapidly and experienced speedy earning growth. The main reasons behind the increase in earning was the 10% revenue growth of Nanshi Hospital comparing with the corresponding period in 2018. Also, the hospital management advisory company, Nanyang Xiangrui, has successfully developed a number of subsidiary companies to expand its business scope to include equipment, and raw material procurement, marketing and property management. With the Company's continued management support, the service quality and standard of Nanshi Hospital has been improving continuously. Nanshi hospital was ranked the best 28th non-private hospital in the nation for the year of 2018 in the rankings conducted by Institute of Asclepius Hospital Management.

The revenue of the inpatient department of Nanshi Hospital has been growing fast. The inpatient turnover rate has risen and the average hospitalization days per patient has dropped from 10.9 days to 10.0 days, thus increasing the capacity for inpatient admissions. The introduction of the Hong Kong-style clinic operation system, the renovation of outpatient clinics and the increase of outpatient rooms capacity drastically increased the efficiency of outpatient clinics, resulting in an increase of approximately 50% in outpatient visits during the period under review. Moreover, the hospital management had increased incentives for the doctors mainly providing inpatient care to take up some outpatient services and re-set key performance indexes on the expected proportion of inpatient and outpatient services to increase the volume of outpatient services.

During the period under review, Nanshi Hospital has purchased a number of imported high-end medical equipment such as new MRI and radiotherapy equipment, providing more advanced medical diagnosis and treatment for patients.

Nanshi Hospital has adopted the "Main Hospital + Branch Hospital" development model. A new rehabilitation hospital located within 1 kilometer from Nanshi Hospital with a total floor area of 5,800 sq.m. is expected to open in the second half of this year. This new facility will provide around 200 beds of convalescent care. Patients with stable condition or lingering postoperative rehabilitation care will be transferred from the main hospital to the new rehabilitation hospital for a more comfortable environment, which will also improve the inpatient bed turnover rate for Nanshi Hospital to relieve the pressure of overcrowding.

As the Nanshi Hospital is undergoing a series of hardware upgrade, its medical care quality also continues to be enhanced. The cerebral vascular disease treatment center is an important department of Nanshi Hospital, which ranks second in stroke and intravenous thrombolysis treatment in the nation in March 2019 in a ranking released by the office of Stroke Prevention Project, National Health Committee.

During the period under review, the business expansion and organisational growth of Nanyang Xiangrui has been fast moving. Nanyang Xiangrui's hospital management business has established three subsidiary companies, which are responsible for three separate businesses for hospital management, namely, marketing services, property management and energy efficiency management, as well as medical consumables and equipment procurement services. These subsidiary companies helped Nanyang Xiangrui to develop a new business model and become the growth engine for the Group.

Meanwhile, during the period under review, Nanyang Ruishi Ophthalmology Hospital, Nanyang Xiangrui's newly established comprehensive, high-end ophthalmology hospital, has launched its services. Located in the center of Nanyang City, Nanyang Ruishi Ophthalmology Hospital is a collaboration between Nanyang Xiangrui and Beijing Vision Health Management Co., Ltd. Nanyang Ruishi Ophthalmology Hospital consists of six professional ophthalmology sub-centers for cataract treatment and visual function training, and is equipped with high-end ophthalmic surgical instruments such as femtosecond laser. It is designed to be the most advanced and comprehensive ophthalmology hospital in Nanyang City and its surrounding areas. It is expected that Nanyang Ruishi Ophthalmology Hospital will become a new source of revenue for Nanshi Hospital and the Group.

***High-end Health Diagnostic Imaging Business***

The revenue of Sixth Hospital's high-end diagnostic imaging center managed by Yikang in Guangzhou has increased rapidly by approximately 30% compared to the corresponding period last year, due to the satisfactory growth in business. However, the management contract with the Sixth Hospital has to be revised in response to changes in China's relevant policies and regulations. The leased premises of the project are also facing the issue of tenancy renewal uncertainty.

# MANAGEMENT DISCUSSION AND ANALYSIS

The Group is optimistic about the development potential of the healthcare service industry in the Greater Bay Area in the future. The Group has opened Ganghe Clinic in a prime site of Futian, Shenzhen, providing high-quality specialist outpatient services for middle to upper-end consumers. Yikang is also establishing a diagnostic imaging center and a comprehensive outpatient department with a total floor area of approximately 6,000 sq.m. in Zhongshan, Guangdong Province. The project is a cooperation with United Imaging and Guangzhou Dixing Real Estate Development Company, which provides various health management services such as third-party image inspection, physical examinations and specialist clinical services to the clients in the region.

In the future, Yikang and other subsidiaries of the Group will continue to actively seize the opportunity in the rapidly growing private healthcare industry in Mainland China, in particular the Greater Bay Area. It will expand its business scale by way of a sole proprietorship, or joint venture with other local partners or management contract, and strive to build a medical service network in the Greater Bay Area.

***High-end Dental Services***

The business performance of Yamei dental clinic in Hangzhou was on track. During the period under review, the overall revenue of the dental clinic increased rapidly with a 40% growth rate compared with the corresponding period last year. However, Yamei's dental training business has declined significantly due to the fact that Align Technology, INC. has set up its own dental training business in the Greater China region. In the future, the Group will focus on high-end dental clinic business, and will recruit more talented dentists to grow its Invisalign treatment business.

***Chain Health Management Centers***

The construction of health management center under Jinan Likang, which is located in the Jinan office building of the China Life Group, Shandong branch, has completed and Jinan Likang has signed a tenancy contract with China Life Shandong to lease the premises of 2,870 sq.m. for a term of three years, from 10 June 2019 to 9 June 2022. The center expects to officially open in the second half of this year. Since the center is situated in the building of China Life Group's headquarters in Jinan City, Shandong Province, the Group will work directly with the China Life Group to organise promotional events and activities, and reach out to agents and clients of China Life Group to expand the client base. The Group will be able to draw the clients from China Life Group to the center, which is important in developing the Group's health management business in Mainland China. Meanwhile, by offering various health management services to China Life Group's clients, the Group can help China Life Group to retain their insurance clients and enhance the customer loyalty, as well as improving the claim ratio of China Life Groups' insurance business. This will forge a win-win situation for the Group and China Life Group.

***Chain Medical Beauty Centers***

As disclosed in the Company's announcement dated 13 September 2018, the Group and Shanxi Taigang entered into a joint venture agreement, where both parties would provide capital contribution in relation to the establishment of a joint venture to develop beauty and cosmetic medicine institutions and related business in Taiyuan City of Shanxi Province. During the period under review, the construction work of the medical beauty and plastic surgery hospital in Taiyuan City of Shanxi Province, jointly established by Shanxi Taigang and the Group, was completed, and it is undergoing interior renovation in the second half of this year. The Group is now actively setting up a medical beauty team and procuring the necessary equipment for the hospital. The facility is expected to officially operate by the second half of this year. The Group believes that by leveraging the integration of Taigang General Hospital's medical technology and their clientele together with the Group's management system and brand superiority, the Group can further expand its medical beauty business in Mainland China.

### *Other investments*

As at 30 June 2019, the Group held approximately 17.67% of HCMPS with an investment amount of approximately HK$86,585,000 and a fair value of approximately HK$65,909,000. HCMPS and its subsidiaries are principally engaged in the provision of contracted medical schemes for integrated medical and healthcare check-up services. Based on the latest unaudited combined financial information available for the four months ended 30 April 2019 of HCMPS, it recorded a profit of approximately HK$7.7 million for the four months ended 30 April 2019. The Group is of the view that the ageing population and the increasing demand for corporate medical solutions services in Hong Kong are favourable to the continuing development of HCMPS's business. As at 30 June 2019, the Group's investment in HCMPS constituted approximately 90% of the balance of equity instruments at fair value through other comprehensive income.

As at 31 December 2018, the Group held 7,707.27 shares in Heemin Capital – Class A shares with an aggregate subscription price of approximately US$7,834,000 (equivalent to HK$61,103,000). As at 30 June 2019, the fair value of the Group's investment in Heemin Capital is approximately HK$49,381,000. The Group submitted a redemption notice to redeem all the shares it held in Heemin Capital in February 2019. The redemption was under process and approximately 25% of the shares have been redeemed during the period under review.

As at 30 June 2019, the Group's investment in Heemin Capital constituted approximately 86% of the balance of the financial assets at fair value through profit or loss.

The Group prudently and carefully selects promising investments which are duly assessed and analysed by the management of the Group. After taking into account the prospects of the business and the respective financial performance of the investments, as at the date of this interim report, save for the shares in Heemin Capital which redemption was under process as mentioned above, the Group intended to continue to hold the investments in its present portfolio.

### *Outlook*

Going forward, the Group will strive to maintain the leading position in medical and healthcare industry in Hong Kong while further developing the medical market in Mainland China. The demand for high-end medical services is increasing amid the implementation of various healthcare reforms in China. To better seize the new business opportunities, the Group will leverage its healthcare management expertise and extensive experience to bring in high quality and more efficient Hong Kong-style health services and operation models into the PRC market. To this end, we will continue striving to become the leading player in the healthcare industry.

# MANAGEMENT DISCUSSION AND ANALYSIS

***Hong Kong***

In respect to the third-party administrator business, the Group believes that Vio will maintain its stable growth in the future. Moreover, the Group will strive to increase its operating efficiency and reduce costs, while actively seeking new service contracts in Hong Kong. Regarding its self-operated clinic business, the Group will try to maintain a steady development of the general practice clinics and focus more on developing specialty clinic business. The Group will strive to attract talented specialists to join and expand the medical team.

Regarding the Hong Kong medical beauty business segment, "The Beauty Medical" has acquired the health management center of the Group in Tsim Sha Tsui in late June 2019. "The Beauty Medical" will develop a large-scale integrated one-stop healthcare service center by combining both health management and medical beauty businesses, and using the healthcare resources of the Company to promote its medical and beauty business, for the purpose of achieving cross-selling.

***The Mainland China***

China's medical market is huge. The Group will actively seize the opportunities leveraging its unique competitive edges to further expand its healthcare business in Mainland China.

Concerning hospital management and consultancy business in Mainland China, construction of the new block in Nanshi Hospital is progressing rapidly. It is expected to be completed in early 2021 and by then, Nanshi Hospital will become a large scale Grade 3A hospital with approximately 2,000 inpatient beds. As the new rehabilitation hospital is expected to commence operation in the second half of this year, it will ease the current pressure off the inpatient ward of Nanshi Hospital and provide patients with better hospital and rehabilitation services. The newly opened Nanyang Ruishi Ophthalmology Hospital will expand its service scope and strive to become Nanyang's first class ophthalmology center. It is expected that a financial breakeven point could be reached in the coming year.

At the same time, the Group will diversify hospital management business of Nanyang Xiangrui. It will expand the hospital management service scope to increase its revenue stream through various business segments such as professional marketing services, hospital property management, and medical equipment and consumables procurement services. The Group will also continue to develop high value-added medical services, including the opening of dental and ophthalmology hospitals to accelerate Nanyang Xiangrui's profit growth. The Group is considering a sole proprietorship or joint venture with other institutes to apply for a drug procurement license to support the drug procurement of Nanshi Hospital. Looking ahead, in addition to Nanyang Xiangrui's management services for Nanshi Hospital, it also expects to further expand its client base and export its hospital management services to other hospitals in Mainland China.

Concerning the high-end dental clinic in Mainland China, the Group will focus on providing dental and Invisalign treatment services for its clients, and establish a team of professional dentists to sustain growth in the dental service business.

Concerning the health management center business, the Group expects to establish an "insurance + health management services" collaboration business model with China Life Group, so as to enhance the customer relationship for the insurance sector through offering more high quality and value-added services for the insurance clients. Moreover, the Group will introduce Hong Kong's high-quality medical services into the mainland market, setting up a new standard for the medical services industry. Looking ahead, we expect this collaboration model will become a future highlight of the Group's business development.

The Group will cooperate with Taigang General Hospital in Taiyuan City to establish a plastic surgery hospital, which will be completed by the second half of this year. Taking advantage of the large customer base in Taigang General Hospital and a strong medical team and its superior brand name, it is committed to becoming the leading medical beauty hospital with highest service quality in Taiyuan City and Shanxi Province. This will be a solid foundation for the Group to expand its medical beauty business across Mainland China.

## LIQUIDITY AND FINANCIAL RESOURCES

The Group has adopted a prudent approach in financial resources management and maintaining an appropriate level of cash and cash equivalents to meet the requirements of day-to-day operations and business development, while controlling borrowings at a healthy level.

# MANAGEMENT DISCUSSION AND ANALYSIS

As at 30 June 2019, the Group held bank balances and cash of approximately HK$1,780,463,000 (31 December 2018: approximately HK$1,720,425,000) of which approximately 74% and 26% are denominated in HK$ and RMB respectively. The Group had bank borrowings which represented a mortgage loan of approximately HK$18,236,000 (31 December 2018: approximately HK$18,756,000) of which approximately HK$1,145,000 (31 December 2018: approximately HK$1,137,000) are repayable within one year. The Group's loans were arranged on a floating interest rate basis. Details of bank borrowings of the Group are set out in note 18 to the condensed consolidated financial statements for the six months ended 30 June 2019.

As at 30 June 2019, the Group's net current assets amounted to approximately HK$2,098,666,000 (31 December 2018: approximately HK$1,776,480,000) and the Group had a current ratio of 7.43 (31 December 2018: 8.26). As at 30 June 2019, the Group's gearing ratio was 0.45% (31 December 2018: 0.46%). The Group considers the level of liabilities of a company reflects its financial health. The Group strives to keep the level of borrowings at a minimum and to maintain ample internal resources to support its business operations, not only to reduce interest burden, but also to enable the Group to respond to changes and capture business opportunities in a timely manner when they arise. As such, both current ratio and gearing ratio are useful in assessing the Group's financial positions. While higher current ratio reflects sufficiency of the Group's assets and the capability of the Group to meet its debt repayment obligations, lower gearing ratio represents lesser reliance on debt financing and greater financial stability of the Group. During the period under review, the Group's liquidity position was well-managed and the Group's financial resources were sufficient to support its business operations. Where necessary, the Group may also consider other fund raising activities when opportunity arises under favourable market conditions.

Major currencies used for the Group's transactions were HK$, RMB and US$. As HK$ are pegged to the US$ and the fiscal policy of the Central Government of the PRC in relation to RMB was stable throughout the period under review, the Group considers that the foreign exchange exposure of the Group was limited.

During the period under review, the Group did not use any financial instruments for hedging activities.

The operating and capital expenditure of the Group is funded by cash flows generated from operations and financing agreements with banks. The Group maintains a strong liquidity position with its cash and cash equivalents on hand and the Group has adequate financial resources to meet its contractual obligations and operating requirements.

## CAPITAL STRUCTURE

As at 30 June 2019, the Group had equity attributable to owners of the Company of approximately HK$4,051,571,000 (31 December 2018: approximately HK$4,071,271,000).

## SHARE CAPITAL

Details of movements in the share capital of the Company during the period under review are set out in note 19 to the condensed consolidated financial statements for the six months ended 30 June 2019.

## PROMISSORY NOTE

Pursuant to the promissory note in the principal amount of HK$203,705,000 issued by the purchaser in the Disposal, a third party individual, in favour of TH (BVI), being the vendor in the Disposal and a wholly-owned subsidiary of the Company, with interest at the rate of 5% per annum accrued on the outstanding principal sum of the Promissory Note shall be repaid on a quarterly basis, and the repayment obligation of the Purchaser under the Promissory Note is secured by a share mortgage over the entire issued share capital of Wise Lead executed by the Purchaser in favour of TH (BVI).

The Purchaser failed to repay the interest on the principal amount (i.e. HK$2,511,431.51) accrued from 1 January 2019 up to 31 March 2019 and the Purchaser failed to respond to the Group's legal demand letter dated 9 April 2019 which demanded the Purchaser to repay the principal amount and all outstanding interest accrued thereon on or before 23 April 2019.

As such, on 6 May 2019, TH (BVI) initiated legal proceedings in the Court of First Instance of the High Court of Hong Kong against the Purchaser in respect of all outstanding sums owing by the Purchaser to TH (BVI) under the Promissory Note by the issuance of a writ of summons endorsed with an indorsement of claim with an action number HCA 801/2019.

According to such writ of summons, TH (BVI) claims against the Purchaser for, among other things, repayment of the principal amount and accrued interest on the Promissory Note at the rate of 5% per annum for the period from 1 January 2019 to the date of judgment, together with interest and costs.

The Group is also seeking legal advice regarding any possible legal actions against the Purchaser in Mainland China in respect of the Purchaser's default in repaying the principal amount and all outstanding interest accrued thereon.

Further details of the above are set out in the announcements of the Company dated 4 November 2016, 12 April 2019, 10 May 2019 and note 15 to the condensed consolidated financial statements.

## SIGNIFICANT INVESTMENT, MATERIAL ACQUISITION AND DISPOSAL

The Group did not have any significant investment, material acquisition and disposal during the period under review.

## PLEDGE OF ASSETS

As at 30 June 2019, a leasehold land and building of approximately HK$47,608,000 (31 December 2018: approximately HK$49,169,000) was pledged to secure the Group's mortgage loan.

## CONTINGENT LIABILITIES

As at 30 June 2019, the Group had no material contingent liabilities (31 December 2018: Nil).

## HUMAN RESOURCES AND TRAINING SCHEMES

As at 30 June 2019, the Group employed 1,201 staff (31 December 2018: 1,091). Total employee costs, including directors' emoluments, amounted to approximately HK$325,168,000 for the six months ended 30 June 2019 (2018: approximately HK$324,286,000). The salary and benefits levels of the employees of the Group are competitive and individual performance is rewarded through the Group's salary, bonus system and share option schemes. Remuneration packages are reviewed annually.

Training is valued as essential to the personal growth of employees, which also ensures and improves the Group's customer services. Apart from the strict code of conduct that all employees shall follow, employees are also provided with customised trainings and handbooks with respect to their specialities.

Training courses include: (i) 334 New Joiner Training, which enables new employees to familiarise them with necessary knowledge, technical skills and procedures, while existing employees are also provided with reinforcement trainings to enhance operational efficiency; (ii) Basic Customer Service of Health Care Assistants, which enables health care assistants to understand reasons for delivering quality customer services, and ways to upgrade the Group's customer services in aspects of health care assistant's physical and oral manners, attitudes, diplomacy, and sensitivity; and (iii) Share Customer Service Cases with Doctors and Discussion, which are the occasional sharing sessions among doctors that allow doctors to be aware of professional attitudes and good manners which they should maintain when facing patients.

## USE OF NET PROCEEDS FROM ISSUE OF SHARES

***Issue of subscription shares and convertible preference shares***

Pursuant to the CPS Subscription Agreement and ordinary shares subscription agreement, both dated 31 October 2014 and entered into among the Company, Fubon Life, Fubon Insurance and Broad Idea, on 29 December 2014, the Company allotted and issued (i) 459,183,673 Shares at HK$0.98 per Share; and (ii) 374,999,999 Convertible Preference Shares at HK$1.2 per Share. Each of the net proceeds from the Ordinary Shares Subscription and the net proceeds from the CPS Subscription amounted to approximately HK$440 million. The aggregate net proceeds from the Ordinary Shares Subscription and the CPS Subscription of approximately HK$880 million are intended to be used as to (i) approximately HK$650 million for acquisition, investment and development of hospitals and medical institutions in the PRC, and medical or healthcare related business in Hong Kong; (ii) approximately HK$150 million for investment and development of several medical specialty centres in Hong Kong and one dental chain in the PRC; and (iii) approximately HK$80 million for developing a "one-stop, IT O2O platform" to integrate the Group's growing variety of healthcare and well-being business segments. With the funding provided by the subscribers pursuant to the Ordinary Shares Subscription and the CPS Subscription, the Group would be able to keep up with its pace of development. In addition, the subscriptions would provide prudent means to finance the Group's long term growth which will not only strengthen the Company's capital base but also enhance its financial position without increasing finance costs.

| | HK$ million |
|---|---|
| Unutilised net proceeds from the Ordinary Shares Subscription and the CPS Subscription as at 31 December 2018 | 611 |
| Net proceeds utilised during the six months ended 30 June 2019 | |
| Investment and development of a dental chain in the PRC | 1 |
| Total amount of net proceeds utilised as at 30 June 2019 | |
| Investment by the Group in Huayao by way of acquisition of the equity interests and/or capital injection (details of which are set out in the announcement of the Company dated 17 March 2015) | 244 |
| Investment and development of the dental chain in the PRC | 8 |
| Developing One Pass, the "one-stop, IT O2O platform" of the Group | 18 |
| | 270 |

The Group has applied and proposes to continue to apply the unutilised net proceeds in the manner as intended.

***Issue of Shares to China Life Group***

On 5 January 2015, the Group entered into an investment agreement with China Life Group, pursuant to which China Life Group has agreed to subscribe for 1,785,098,644 Shares. Upon completion of the CLG subscription which took place on 29 May 2015, 1,785,098,644 Shares were allotted and issued to China Life Group at HK$0.98 per Share. The net proceeds from the issue of Shares to China Life Group of approximately HK$1,746 million are intended to be used (i) as to approximately HK$1,500 million for (1) developing a dental chain in the PRC and investing in or acquiring dental clinics and/or hospitals in the PRC; (2) developing or acquiring medical clinics in the PRC; (3) developing hospitals, investing in or acquiring public or private hospitals in the PRC; and (4) developing or acquiring rehabilitation hospitals and where appropriate in conjunction with nursing and/or aged care homes in the PRC; (ii) as to approximately HK$150 million for developing or acquiring business in provision of health check, laboratory testing and medical diagnostic services in the PRC; and (iii) as to approximately HK$96 million for developing managed care business in the PRC and cross border healthcare platform for medical tourism business.

| | HK$ million |
|---|---|
| Unutilised net proceeds from the CLG Subscription as at 31 December 2018 | 1,040 |
| Net proceeds utilised during the six months ended 30 June 2019 | |
| Developing medical clinics in the PRC | 4 |
| Developing health check business in the PRC | 9 |
| Developing health management centres in Hong Kong and the PRC | 8 |
| | 21 |
| Total amount of net proceeds utilised as at 30 June 2019 | |
| Investment by the Group in Nanyang Xiangrui by way of acquisition of the equity interests and/or capital injection | 640 |
| Developing medical clinics in the PRC | 6 |
| Developing health check business in the PRC | 12 |
| Developing health management centres in Hong Kong and the PRC | 69 |
| | 727 |

The Group has applied and proposes to continue to apply the unutilised net proceeds in the manner as intended.

# DISCLOSURE OF INTERESTS

## DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2019, the interests and short positions of the Directors and the chief executives of the Company in the Shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

***Long positions in the Shares***

| Name of Director | Capacity | Number of Shares held | Total number of Shares held | Approximate% of shareholding of the Company (Note 1) |
|---|---|---|---|---|
| Dr. Choi | Interest of a controlled corporation | 1,418,576,764 (Note 2) | 1,420,776,764 | 18.88% |
| | Beneficial owner | 2,200,000 | | |
| Dr. Chan | Beneficial owner | 372,000 | 372,000 | 0.0049% |
| Mr. Yu | Beneficial owner | 300 | 300 | 0.000004% |

Notes:

1. The total number of Shares as at 30 June 2019 (that was, 7,526,134,452 Shares) has been used for the calculation of the approximate percentage.

2. Such Shares were held by Broad Idea. Dr. Choi was deemed to be interested in the 1,418,576,764 Shares held by Broad Idea under Part XV of the SFO given that he is beneficially interested in 49.9% of the issued share capital of Broad Idea. Dr. Choi is also a director of Broad Idea.

Save as disclosed above, as at 30 June 2019, none of the Directors or chief executives had any interests or short positions in the Shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO).

## DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed above, at no time during the six months ended 30 June 2019 was the Company, its subsidiaries, its fellow subsidiaries or its holding companies, a party to any arrangement to enable the Directors or chief executives of the Company or their respective spouse or children under 18 years of age to acquire benefits by means of the acquisition of Shares in, or debentures of, the Company or any other body corporate.

## SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 June 2019, the following persons (other than the Directors or chief executives of the Company) had interests or short positions in the Shares or underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO:

### *(i) Substantial shareholders' long positions in the Shares*

| Name of Shareholder | Capacity | Number of Shares held | Approximate% of shareholding of the Company (Note 1) |
|---|---|---|---|
| China Life Insurance (Group) Company | Beneficial owner | 1,785,098,644 | 23.72% |
| Broad Idea | Beneficial owner | 1,418,576,764 (Note 2) | 18.85% |
| Dr. Cho | Interest of a controlled corporation | 1,418,576,764 (Note 2) | 18.85% |

# DISCLOSURE OF INTERESTS

### *(ii) Other persons' long positions in the Shares*

| Name of Shareholder | Capacity | Number of Shares held | Approximate% of shareholding of the Company (Note 1) |
|---|---|---|---|
| Classictime | Beneficial owner | 674,762,000 (Note 3) | 8.97% |
| Power Financial | Interest of a controlled corporation | 674,762,000 (Note 3) | 8.97% |
| Fubon Financial | Interest of controlled corporations | 648,809,523 (Note 4) | 8.62% |
| Fubon Life | Beneficial owner | 471,861,472 (Note 4) | 6.27% |

Notes:

1. The total number of Shares as at 30 June 2019 (that was, 7,526,134,452 Shares) has been used for the calculation of the approximate percentage.

2. Such Shares were held by Broad Idea. Broad Idea is beneficially owned by Dr. Cho as to 50.1% and Dr. Choi as to 49.9%. As such, Dr. Cho was deemed to be interested in the 1,418,576,764 Shares held by Broad Idea under Part XV of the SFO.

3. Such 674,762,000 Shares were held by Classictime, a wholly-owned subsidiary of Power Financial. Accordingly, Power Financial is deemed to be interested in the 674,762,000 Shares held by Classictime under Part XV of the SFO.

4. Such 648,809,523 Shares were held as to (i) 471,861,472 Shares by Fubon Life; and (ii) 176,948,051 Shares by Fubon Insurance. Each of Fubon Life and Fubon Insurance is a wholly-owned subsidiary of Fubon Financial. Accordingly, Fubon Financial is deemed to be interested in the aggregate of 648,809,523 Shares held by Fubon Life and Fubon Insurance under Part XV of the SFO.

Save as disclosed above, as at 30 June 2019, the Company has not been notified by any persons (other than the Directors or chief executives of the Company) who had interests or short positions in the Shares or underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO.

# DISCLOSURE OF INTERESTS

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

During the period under review, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the listed Shares.

## SHARE OPTION SCHEME

### *2008 Scheme*

The Company terminated the share option scheme adopted on 24 April 2002 and adopted the 2008 Scheme, as approved by the shareholders of the Company at the extraordinary general meeting held on 16 September 2008 in accordance with Chapter 17 of the Listing Rules. The 2008 Scheme remained in force for a period of 10 years commencing from 16 September 2008.

According to the 2008 Scheme, the Directors may grant share options to eligible persons including directors, employees and consultants, etc. of each member of the Group and entity in which member of the Group holds an equity interest, to subscribe for shares in the Company.

The 2008 Scheme has expired on 15 September 2018. There were no share options outstanding under the 2008 Scheme as at 1 January 2019 and 30 June 2019. At present, the Company has no intention to adopt a new share option scheme.

# CORPORATE GOVERNANCE

The Board is committed to maintaining a good corporate governance standard. The Board believes that a good corporate governance standard will provide a framework for the Group to formulate the business strategies and policies, and manage the associated risks through effective internal control procedures. It will also enhance the transparency of the Group and strengthen the accountability to the shareholders and creditors.

## DISSOLUTION OF COMMITTEES

As disclosed in the Company's announcement dated 22 July 2014, the Professional Healthcare Management Committee was established for the purpose of advising the Board on business and development strategies and assisting the Group to operate and manage the healthcare and medical businesses of the Group in Hong Kong and PRC, and the Legal and Compliance Committee was established for the purpose of advising the Board and assisting the Board to oversee the legal and compliance matters of the Group.

Taking into consideration that (i) the establishment of Investment Management Committee and the restructuring of the operation meeting system for the Company's business and administrative departments in July 2015 have effectively assisted in the operation and management of the Group's businesses, and (ii) the legal department and company secretary department of the Company have effectively monitored the legal and compliance issues of the Group, the Professional Healthcare Management Committee and Legal and Compliance Committee have been dissolved in August 2019.

## AUDITORS

Moore Stephens CPA Limited was appointed as the new auditors of the Group with effect from 15 February 2018 upon the resignation of Deloitte Touche Tohmatsu. Moore Stephens CPA Limited was re-appointed as the auditors of the Company in the AGMs held on 29 June 2018 and 27 June 2019.

## COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

During the six months ended 30 June 2019, the Company has complied with the code provisions as set out in the Corporate Governance Code contained in Appendix 14 to the Listing Rules.

## COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code contained in Appendix 10 to the Listing Rules as the code of conduct regarding the Directors' securities transactions. Having made specific enquiry of all Directors, all Directors have confirmed that they have complied with the required standard set out in the Model Code throughout the six months ended 30 June 2019.

## SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors as at the date of this interim report, there was a sufficient public float of the Company as required under the Listing Rules.

## CHANGES IN DIRECTOR'S INFORMATION

Miss Choi Ka Yee, Crystal, an executive Director, has been appointed as a member of the Tung Wah Group of Hospitals Advisory Board for a period of one year with effect from 1 April 2019.

With effect from 11 July 2019, Ms. Fang Haiyan, a non-executive Director, ceased to be the general manager of the Business Department of China Life Insurance (Group) Company and has served as the vice-president of China Life Healthcare Investment Co., Ltd（國壽健康產業投資有限公司）.

Save as disclosed above, during the period under review and up to the date of this interim report, there are no other matters required to be disclosed in accordance with Rule 13.51B(1) of the Listing Rules in relation to the changes in the information required to be disclosed pursuant to paragraphs (a) to (e) and (g) of Rule 13.51(2) of the Listing Rules in the course of the term of office of the Directors.

## AUDIT COMMITTEE

From 1 January 2019 to 26 June 2019, the Audit Committee comprised of six independent non-executive Directors, namely Mr. Ho Kwok Wah, George, *MH* as the chairman of the Audit Committee, Ms. Li Mingqin, Mr. Wong Sai Kit, Mr. Wang John Hong-chiun, Mr. Yu Kai Fung Jackie and Mr. Yu Xuezhong. From 27 June 2019 to the date of this interim report, the Audit Committee comprised of five independent non-executive Directors, namely Mr. Ho Kwok Wah, George, *MH* as the chairman of the Audit Committee, Ms. Li Mingqin, Mr. Wong Sai Kit, Mr. Yu Kai Fung Jackie and Mr. Yu Xuezhong. The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed the internal control and financial reporting matters including the review of the unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2019 and this interim report.

## REVIEW OF INTERIM RESULTS

The condensed consolidated financial information of the Group for the six months ended 30 June 2019 has not been audited, but has been reviewed by the Audit Committee. Moore Stephens CPA Limited, as the Company's auditors, has reviewed the condensed consolidated financial statements of the Group for the six months ended 30 June 2019 in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA.

By order of the Board
**Town Health International Medical Group Limited**
**Lee Chik Yuet**
*Executive Director*

# INDEPENDENT AUDITOR'S REVIEW REPORT

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大華馬施雲
會計師事務所有限公司

**Independent Auditor's Review Report to the Board of Directors of**
**Town Health International Medical Group Limited**
*(Incorporated in Cayman Islands and continued in Bermuda with limited liability)*

## INTRODUCTION

We have reviewed the condensed consolidated financial statements of Town Health International Medical Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 30 to 65, which comprise the condensed consolidated statement of financial position as of 30 June 2019 and the related condensed consolidated statement of profit or loss and comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended, and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting", issued by the Hong Kong Institute of Certified Public Accountants("HKICPA"). The directors of the Company are responsible for the preparation and presentation of the interim financial report in accordance with HKAS 34.

Our responsibility is to express a conclusion on the these condensed consolidated financial statement based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

# INDEPENDENT AUDITOR'S REVIEW REPORT

## SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements as at 30 June 2019 are not prepared, in all material respects, in accordance with HKAS 34.

**Moore Stephens CPA Limited**
*Certified Public Accountants*

Hong Kong, 29 August 2019

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

*For the six months ended 30 June 2019*

| | Notes | Six months ended 30 June 2019 (unaudited) HK$'000 | 2018 (unaudited) HK$'000 |
|---|---|---|---|
| Revenue | 4 | **584,905** | 529,396 |
| Cost of sales | | **(377,563)** | (365,129) |
| Gross profit | | **207,342** | 164,267 |
| Other income | 6 | **26,302** | 36,372 |
| Administrative expenses | | **(179,220)** | (184,813) |
| Other gains and losses, net | 7 | **(23,358)** | 56,571 |
| Finance costs | 8 | **(3,096)** | (264) |
| Share of results of associates | | **17,795** | 7,122 |
| Share of results of joint ventures | | **(105)** | 261 |
| Profit before tax | | **45,660** | 79,516 |
| Income tax expenses | 9 | **(18,721)** | (18,014) |
| Profit for the period | 10 | **26,939** | 61,502 |

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

*For the six months ended 30 June 2019*

| | Note | Six months ended 30 June 2019 (unaudited) HK$'000 | Six months ended 30 June 2018 (unaudited) HK$'000 |
|---|---|---|---|
| **Other comprehensive (expense) income for the period** | | | |
| *Item that will not be reclassified to profit or loss:* | | | |
| Fair value changes on movements in equity instruments at fair value through other comprehensive income | | **(12,293)** | 19,954 |
| *Items that may be reclassified subsequently to profit or loss:* | | | |
| Exchange difference arising from the translation of foreign operations | | **(567)** | (11,658) |
| Share of other comprehensive expenses of associates and joint ventures | | **(173)** | – |
| | | **(740)** | (11,658) |
| | | **(13,033)** | 8,296 |
| Total comprehensive income for the period | | **13,906** | 69,798 |
| Profit for the period attributable to: | | | |
| Owners of the Company | | **14,153** | 57,627 |
| Non-controlling interests | | **12,786** | 3,875 |
| | | **26,939** | 61,502 |
| Total comprehensive income attributable to: | | | |
| Owners of the Company | | **1,107** | 69,151 |
| Non-controlling interests | | **12,799** | 647 |
| | | **13,906** | 69,798 |
| Earnings per share (HK cent) | 12 | | |
| – Basic and diluted | | **0.19** | 0.77 |

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*As at 30 June 2019*

| | Notes | 30 June 2019 (unaudited) HK$'000 | 31 December 2018 (audited) HK$'000 |
|---|---|---|---|
| **NON-CURRENT ASSETS** | | | |
| Investment properties | 13 | **604,492** | 606,566 |
| Property, plant and equipment | 13 | **343,688** | 377,379 |
| Right-of-use assets | 13 | **138,001** | – |
| Loans receivable | 14 | **4,629** | 5,109 |
| Goodwill | | **489,003** | 489,109 |
| Intangible assets | | **344,119** | 349,364 |
| Interests in associates | | **302,751** | 298,706 |
| Interests in joint ventures | | **11,442** | 2,442 |
| Financial assets at fair value through profit or loss | | **49,381** | 68,171 |
| Equity instruments at fair value through other comprehensive income | | **72,897** | 85,190 |
| Promissory notes | 15 | **–** | 330,000 |
| | | **2,360,403** | 2,612,036 |
| **CURRENT ASSETS** | | | |
| Inventories | | **25,837** | 25,625 |
| Trade and other receivables | 16 | **276,373** | 262,166 |
| Financial assets at fair value through profit or loss | | **7,849** | 7,805 |
| Loans receivable | 14 | **911** | 856 |
| Promissory notes | 15 | **330,000** | – |
| Amounts due from associates | | **2,190** | 2,975 |
| Amount due from a non-controlling interest | | **1,074** | – |
| Tax recoverable | | **512** | 1,180 |
| Bank balances and cash | | **1,780,463** | 1,720,425 |
| | | **2,425,209** | 2,021,032 |

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*As at 30 June 2019*

| | Notes | **30 June 2019 (unaudited) HK$'000** | 31 December 2018 (audited) HK$'000 |
|---|---|---|---|
| **CURRENT LIABILITIES** | | | |
| Trade and other payables | 17 | **161,490** | 138,974 |
| Contract liabilities | | **3,803** | 11,885 |
| Amount due to an investee | | **303** | 305 |
| Amounts due to non-controlling interests | | **42,830** | 47,685 |
| Bank borrowings | 18 | **18,236** | 18,756 |
| Lease liabilities | | **68,894** | – |
| Tax payable | | **30,987** | 26,947 |
| | | **326,543** | 244,552 |
| **NET CURRENT ASSETS** | | **2,098,666** | 1,776,480 |
| **TOTAL ASSETS LESS CURRENT LIABILITIES** | | **4,459,069** | 4,388,516 |
| **NON-CURRENT LIABILITIES** | | | |
| Lease liabilities | | **74,472** | – |
| Deferred tax liabilities | | **43,122** | 44,418 |
| | | **117,594** | 44,418 |
| | | **4,341,475** | 4,344,098 |
| **CAPITAL AND RESERVES** | | | |
| Share capital | 19 | **75,261** | 75,261 |
| Reserves | | **3,976,310** | 3,996,010 |
| Equity attributable to owners of the Company | | **4,051,571** | 4,071,271 |
| Non-controlling interests | | **289,904** | 272,827 |
| Total equity | | **4,341,475** | 4,344,098 |

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

*For the six months ended 30 June 2019*

| | Attributable to owners of the Company | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Share capital HK$'000 | Share premium HK$'000 | Capital redemption reserve HK$'000 | Capital reserve HK$'000 | Distributable reserve HK$'000 | Other reserve HK$'000 | Property revaluation reserve HK$'000 | Investment revaluation reserves HK$'000 | Translation reserve HK$'000 | Accumulated profits HK$'000 | Total HK$'000 | Non-controlling interests HK$'000 | Total HK$'000 |
| At 31 December 2018 (audited) | 75,261 | 3,341,639 | 9,020 | 10,033 | 62,677 | (94,709) | 33,609 | (33,004) | (28,778) | 695,523 | 4,071,271 | 272,827 | 4,344,098 |
| Adjustment (see note 3.1.2) | - | - | - | - | - | - | - | - | - | (6,284) | (6,284) | (699) | (6,983) |
| At 1 January 2019 (restated) | 75,261 | 3,341,639 | 9,020 | 10,033 | 62,677 | (94,709) | 33,609 | (33,004) | (28,778) | 689,239 | 4,064,987 | 272,128 | 4,337,115 |
| Profit for the period | - | - | - | - | - | - | - | - | - | 14,153 | 14,153 | 12,786 | 26,939 |
| Exchange difference arising on translation of foreign operations | - | - | - | - | - | - | - | - | (580) | - | (580) | 13 | (567) |
| Share of other comprehensive expense of associates and joint ventures | - | - | - | - | - | - | - | - | (173) | - | (173) | - | (173) |
| Fair value changes on movements in equity instruments at fair value through other comprehensive income | - | - | - | - | - | - | - | (12,293) | - | - | (12,293) | - | (12,293) |
| Other comprehensive income (expense) for the period | - | - | - | - | - | - | - | (12,293) | (753) | - | (13,046) | 13 | (13,033) |
| Total comprehensive income for the period | - | - | - | - | - | - | - | (12,293) | (753) | 14,153 | 1,107 | 12,799 | 13,906 |
| Acquisition of additional interests in subsidiaries | - | - | - | - | - | 2,471 | - | - | - | - | 2,471 | (2,471) | - |
| Disposal of and partial disposal of subsidiaries (note 20) | - | - | - | - | - | 1,821 | - | - | - | - | 1,821 | 5,851 | 7,672 |
| Capital contribution from non-controlling interests | - | - | - | - | - | - | - | - | - | - | - | 7,966 | 7,966 |
| Transfer of reserve | - | - | - | - | - | 683 | - | - | - | (683) | - | - | - |
| Dividends declared | - | - | - | - | - | - | - | - | - | (18,815) | (18,815) | - | (18,815) |
| Dividends paid to non-controlling interests | - | - | - | - | - | - | - | - | - | - | - | (6,369) | (6,369) |
| At 30 June 2019 (unaudited) | 75,261 | 3,341,639 | 9,020 | 10,033 | 62,677 | (89,734) | 33,609 | (45,297) | (29,531) | 683,894 | 4,051,571 | 289,904 | 4,341,475 |

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

*For the six months ended 30 June 2018*

| | Attributable to owners of the Company | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Share capital HK$'000 | Share premium HK$'000 | Capital redemption reserve HK$'000 | Capital reserve HK$'000 | Distributable reserve HK$'000 | Other reserve HK$'000 | Property revaluation reserve HK$'000 | Investment revaluation reserves HK$'000 | Translation reserve HK$'000 | Accumulated profits HK$'000 | Total HK$'000 | Non-controlling interests HK$'000 | Total HK$'000 |
| At 31 December 2017 (audited) | 75,261 | 3,341,639 | 9,020 | 10,033 | 62,677 | (96,591) | 33,609 | 23,386 | 7,565 | 570,804 | 4,037,403 | 277,077 | 4,314,480 |
| Adjustment | – | – | – | – | – | – | – | (18,930) | – | 23,335 | 4,405 | – | 4,405 |
| At 1 January 2018 (restated) | 75,261 | 3,341,639 | 9,020 | 10,033 | 62,677 | (96,591) | 33,609 | 4,456 | 7,565 | 594,139 | 4,041,808 | 277,077 | 4,318,885 |
| Profit for the period | – | – | – | – | – | – | – | – | – | 57,627 | 57,627 | 3,875 | 61,502 |
| Other comprehensive income (expense) for the period | – | – | – | – | – | – | – | 19,954 | (8,430) | – | 11,524 | (3,228) | 8,296 |
| Total comprehensive income for the period | – | – | – | – | – | – | – | 19,954 | (8,430) | 57,627 | 69,151 | 647 | 69,798 |
| Reclassification upon disposal of equity instruments at fair value through other comprehensive income | – | – | – | – | – | – | – | (40,468) | – | 40,468 | – | – | – |
| Acquisition of additional interests in subsidiaries | – | – | – | – | – | (1,216) | – | – | – | – | (1,216) | 1,128 | (88) |
| Dividends paid to non-controlling interests | – | – | – | – | – | – | – | – | – | – | – | (5,196) | (5,196) |
| At 30 June 2018 (unaudited) | 75,261 | 3,341,639 | 9,020 | 10,033 | 62,677 | (97,807) | 33,609 | (16,058) | (865) | 692,234 | 4,109,743 | 273,656 | 4,383,399 |

# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

*For the six months ended 30 June 2019*

| | Notes | Six months ended 30 June 2019 (unaudited) HK$'000 | 2018 (unaudited) HK$'000 |
|---|---|---|---|
| **Net cash generated from (used in) operating activities** | | **71,225** | (16,316) |
| **Investing activities** | | | |
| Redemption proceeds of financial asset at fair value through profit or loss | | **15,041** | – |
| Dividend received from associates | | **13,740** | 3,700 |
| Repayments of loans receivable | | **425** | 163,189 |
| Proceeds from disposal of equity instruments at fair value through other comprehensive income | | **–** | 140,276 |
| Decrease in time deposits with maturity over 3 months | | **–** | 64,358 |
| Net proceeds from disposal of subsidiaries | 20(i) | **1,101** | – |
| Proceeds from disposal of financial asset at fair value through profit or loss | | **–** | 13,108 |
| Acquisition of property, plant and equipment | | **(11,048)** | (68,276) |
| Investment in a joint venture | | **(9,268)** | – |
| Investment in an associate | | **–** | (2,998) |
| Other cash flows arising from investing activities | | **17,016** | (7,741) |
| **Net cash generated from investing activities** | | **27,007** | 305,616 |
| **Financing activities** | | | |
| Capital contribution from non-controlling interests | | **7,966** | – |
| Net proceeds from partial disposal of a subsidiary | 20(ii) | **4,800** | – |
| Repayments of lease liabilities | | **(40,429)** | – |
| Other cash flows arising from financing activities | | **(9,985)** | (8,154) |
| **Net cash used in financing activities** | | **(37,648)** | (8,154) |
| **Increase in cash and cash equivalents** | | **60,584** | 281,146 |
| **Cash and cash equivalents at the beginning of period** | | **1,720,425** | 1,391,559 |
| **Effect of foreign exchange rates changes** | | **(546)** | (3,811) |
| **Cash and cash equivalents at the end of period, representing bank balances and cash** | | **1,780,463** | 1,668,894 |

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*For the six months ended 30 June 2019*

## 1. GENERAL

The Company was formerly an exempted company with limited liability incorporated in the Cayman Islands. On 5 May 2009, the Company de-registered from the Cayman Islands and registered in Bermuda as an exempted company under the laws of Bermuda.

The Company's shares are listed on the Stock Exchange.

The addresses of the registered office and the principal place of business of the Company are disclosed in the section headed "Corporate Information" of this interim report.

The condensed consolidated financial statements are presented in Hong Kong Dollars ("HK$"), which is the same as the functional currency of the Company.

As disclosed in the annual consolidated financial statements for the years ended 31 December 2017 and 31 December 2018, the Securities and Futures Commission ("SFC") has on 27 November 2017 issued a direction to suspend trading in the Shares of the Company with effect from 27 November 2017 as it appears to the SFC that, inter alia, the Company's interim report for the six months ended 30 June 2016 published by the Company on 7 September 2016 and the Company's annual report for the year ended 31 December 2016 published by the Company on 27 April 2017 included materially false, incomplete or misleading information.

As at the date of approval for issuance of the condensed consolidated financial statements for the six months ended 30 June 2019, the trading in the Shares has not been resumed. The Company has been communicating with the SFC in connection with the resumption of trading in the Shares and will provide further updates as and when appropriate.

## 2. BASIS OF PREPARATION

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

The condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2018.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*For the six months ended 30 June 2019*

## 3. PRINCIPAL ACCOUNTING POLICIES

The 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 values.

Other than changes in accounting policies resulting from application of new and amendments to Hong Kong Financial Reporting Standards ("HKFRSs"), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2019 are the same as those presented the Group's annual financial statements for the year ended 31 December 2018.

***Application of new and amendments to HKFRSs***

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1 January 2019 for the preparation of the Group's condensed consolidated financial statements:

| | |
|---|---|
| HKFRS 16 | Leases |
| HK(IFRIC)-Int 23 | Uncertainty over Income Tax Treatments |
| Amendments to HKFRS 9 | Prepayment Features with Negative Compensation |
| Amendments to HKAS 19 | Plan Amendment, Curtailment or Settlement |
| Amendments to HKAS 28 | Long-term Interests in Associates and Joint Ventures |
| Amendments to HKFRSs | Annual Improvements to HKFRSs 2015-2017 Cycle |

Except as described below, the application of the new and amendments to HKFRSs in the current period has had no material impact on the Group's financial performance and positions for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

## 3. PRINCIPAL ACCOUNTING POLICIES *(CONTINUED)*

***Application of new and amendments to HKFRSs*** *(Continued)*

*3.1 Impacts and changes in accounting policies on application of HKFRS 16 Leases*

The Group has applied HKFRS 16 for the first time in the current interim period. HKFRS 16 superseded HKAS 17 Leases ("HKAS 17"), and the related interpretations.

3.1.1 Key changes in accounting policies resulting from application of HKFRS 16

The Group has applied the following accounting policies in accordance with the transition provisions of HKFRS 16.

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception or modification date. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

As a lessee

*Allocation of consideration to components of a contract*

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

As a practical expedient, leases with similar characteristics are accounted on a portfolio basis when the Group reasonably expects that the effects on the financial statements would not differ materially from individual leases within the portfolio.

## 3. PRINCIPAL ACCOUNTING POLICIES *(CONTINUED)*

***Application of new and amendments to HKFRSs*** *(Continued)*

*3.1 Impacts and changes in accounting policies on application of HKFRS 16 Leases (Continued)*

3.1.1 Key changes in accounting policies resulting from application of HKFRS 16 *(Continued)*

As a lessee *(Continued)*

*Right-of-use assets*

The Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use assets includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the condensed consolidated statement of financial position.

## 3. PRINCIPAL ACCOUNTING POLICIES *(CONTINUED)*

***Application of new and amendments to HKFRSs*** *(Continued)*

*3.1 Impacts and changes in accounting policies on application of HKFRS 16 Leases (Continued)*

3.1.1 Key changes in accounting policies resulting from application of HKFRS 16 *(Continued)*

As a lessee *(Continued)*

*Leasehold land and building*

For payments of a property interest which includes both leasehold land and building elements, the entire property is presented as property, plant and equipment of the Group when the payments cannot be allocated reliably between the leasehold land and building elements.

*Refundable rental deposits*

Refundable rental deposits paid are accounted under HKFRS 9 Financial Instruments ("HKFRS 9") and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

*Lease liabilities*

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease liabilities include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate;
- amounts expected to be paid under residual value guarantees;
- the exercise price of a purchase option reasonably certain to be exercised by the Group; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

## 3. PRINCIPAL ACCOUNTING POLICIES *(CONTINUED)*

***Application of new and amendments to HKFRSs*** *(Continued)*

*3.1 Impacts and changes in accounting policies on application of HKFRS 16 Leases (Continued)*

3.1.1 Key changes in accounting policies resulting from application of HKFRS 16 *(Continued)*

As a lessee *(Continued)*

*Lease liabilities (Continued)*

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.

- the lease payments change due to changes in market rental rates following a market rent review in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

*Lease modifications*

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

## 3. PRINCIPAL ACCOUNTING POLICIES *(CONTINUED)*

***Application of new and amendments to HKFRSs*** *(Continued)*

*3.1 Impacts and changes in accounting policies on application of HKFRS 16 Leases (Continued)*

3.1.1 Key changes in accounting policies resulting from application of HKFRS 16 *(Continued)*

As a lessee *(Continued)*

*Taxation*

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 "Income Taxes" requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption.

As a lessor

*Allocation of consideration to components of a contract*

Effective on 1 January 2019, the Group applies HKFRS 15 Revenue from Contracts with Customers ("HKFRS 15") to allocate consideration in a contract to lease and non-lease components. Non-lease components are separated from lease component on the basis of their relative stand-alone selling prices.

*Refundable rental deposits*

Refundable rental deposits received are accounted under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments from lessees.

*Lease modification*

The Group accounts for a modification to an operating lease as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

## 3. PRINCIPAL ACCOUNTING POLICIES *(CONTINUED)*

***Application of new and amendments to HKFRSs*** *(Continued)*

*3.1.2 Transition and summary of effects arising from initial application of HKFRS 16*

Definition of a lease

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 January 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 January 2019. Any difference at the date of initial application is recognised in the opening accumulated profits and comparative information has not been restated.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

i. excluded initial direct costs from measuring the right-of-use assets at the date of initial application;

ii. applied a single discount rate to a portfolio of leases with a similar remaining terms for similar class of underlying assets in similar economic environment. Specifically, discount rate for certain leases of properties in Hong Kong and the People's Republic of China ("PRC") was determined on a portfolio basis; and

iii. used hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group's leases with extension and termination options.

## 3. PRINCIPAL ACCOUNTING POLICIES *(CONTINUED)*

***Application of new and amendments to HKFRSs*** *(Continued)*

*3.1.2 Transition and summary of effects arising from initial application of HKFRS 16 (Continued)*

As a lessee *(Continued)*

On transition, the Group has made the following adjustments upon application of HKFRS 16:

The Group recognised lease liabilities of HK$166,002,000 and right-of-use assets of HK$159,019,000 at 1 January 2019.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average lessee's incremental borrowing rate applied is 3.41%.

| | **At 1 January 2019 HK$'000** |
|---|---|
| Operating lease commitments disclosed as at 31 December 2018 | 105,722 |
| Lease liabilities discounted at relevant incremental borrowing rates | 99,130 |
| Add: | |
| Lease liabilities resulting from lease modifications of existing leases (Note) | 44,520 |
| Extension options reasonably certain to be exercised | 22,352 |
| Lease liabilities as at 1 January 2019 | 166,002 |
| Analysed as | |
| Current | 73,035 |
| Non-current | 92,967 |
| | 166,002 |

Note:

The Group renewed the leases of several existing retail outlets by entering into new lease contracts which commence after date of initial application of HKFRS 16. These new contracts are accounted for as lease modifications of the existing contracts upon application of HKFRS 16.

## 3. PRINCIPAL ACCOUNTING POLICIES *(CONTINUED)*

***Application of new and amendments to HKFRSs*** *(Continued)*

*3.1.2 Transition and summary of effects arising from initial application of HKFRS 16 (Continued)*

As a lessor

In accordance with the transitional provisions in HKFRS 16, the Group is not required to make any adjustment on transition for leases in which the Group is a lessor but account for these leases in accordance with HKFRS 16 from the date of initial application and comparative information has not been restated.

(a) Upon application of HKFRS 16, new lease contracts entered into but commence after the date of initial application relating to the same underlying assets under existing lease contracts are accounted as if the existing leases are modified as at 1 January 2019. The application has had no impact on the Group's condensed consolidated statement of financial position at 1 January 2019. However, effective on 1 January 2019, lease payments relating to the revised lease term after modification are recognised as income on straight-line basis over the extended lease term.

(b) Effective on 1 January 2019, the Group has applied HKFRS 15 to allocate consideration in the contract to each lease and non-lease components. The change in allocation basis has had no material impact on the condensed consolidated financial statements of the Group for the current period.

The following table summarises the impact of transition to HKFRS 16 on accumulated profits at 1 January 2019.

The following adjustments were made to the amounts recognised in the condensed consolidated statement of financial position at 1 January 2019. Line items that were not affected by the changes have not been included.

## 3. PRINCIPAL ACCOUNTING POLICIES *(CONTINUED)*

***Application of new and amendments to HKFRSs*** *(Continued)*

*3.1.2 Transition and summary of effects arising from initial application of HKFRS 16 (Continued)*

| | Carrying amounts previously reported at 31 December 2018 HK$'000 | Adjustments HK$'000 | Carrying amounts under HKFRS 16 at 1 January 2019 HK$'000 |
|---|---|---|---|
| **Non-current asset** | | | |
| Right-of-use assets | – | 159,019 | 159,019 |
| **Current liability** | | | |
| Lease liabilities | – | (73,035) | (73,035) |
| **Non-current liability** | | | |
| Lease liabilities | – | (92,967) | (92,967) |
| **Capital and reserves** | | | |
| Accumulated profits | (695,523) | 6,284 | (689,239) |
| Non-controlling interests | (272,827) | 699 | (272,128) |

*Significant changes in significant judgements and key sources of estimation uncertainty*

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those described in the last annual financial statements, except for the new significant judgements related to lease accounting under HKFRS 16, which are described as below.

The Group applies judgement to determine the lease term for lease contracts in which it is a lessee that include renewal option. The assessment of whether the Group is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognised.

## 4. REVENUE

Revenue represents the aggregate of the net amounts received and receivable from third parties for the period. There is no seasonality or cyclicality of the interim operations of the Group. The performance obligation is part of a contract that has an original expected duration of one year or less. Disaggregation of revenue from contracts with customers are as follows:

| | **Six months ended 30 June** | |
|---|---|---|
| | **2019** | 2018 |
| | **(unaudited)** | (unaudited) |
| | **HK$'000** | HK$'000 |
| **Revenue recognised under HKFRS 15** | | |
| Hong Kong medical services | | |
| – Medical services | **227,643** | 229,479 |
| – Dental services | **30,194** | 30,654 |
| | **257,837** | 260,133 |
| Hong Kong managed care business | **236,697** | 228,306 |
| Mainland hospital management and medical services | **72,496** | 28,002 |
| Others | | |
| – Miscellaneous healthcare related services | **10,218** | 4,910 |
| **Revenue recognised under other accounting standards** | | |
| Others | | |
| – Rental income | **7,657** | 8,045 |
| Total | **584,905** | 529,396 |
| **Revenue recognised under HKFRS 15** | | |
| **Timing of revenue recognition** | | |
| At point in time | **517,885** | 499,957 |
| Over time | **59,363** | 21,394 |
| | **577,248** | 521,351 |
| Revenue recognised under other accounting standards | **7,657** | 8,045 |
| | **584,905** | 529,396 |

## 4. REVENUE *(CONTINUED)*

Revenue from Hong Kong medical services, majority of Hong Kong managed care business, certain mainland hospital management and medical services and miscellaneous healthcare related services are recognised at a point in time, whereas majority of mainland hospital management and medical services income is recognised on over time basis.

## 5. SEGMENT INFORMATION

In the consolidated financial statements for the year ended 31 December 2018, there were five reportable and operating segments, namely Hong Kong medical services, Hong Kong managed care business, Mainland hospital management and medical services, securities and properties investments and treasury management and others. During the six months ended 30 June 2019, the chief operating decision maker, being the chief executive officer ("CEO"), reassessed the current business units of the Group. The CEO considered that the business operations are more effective for the Group to assess the segment performance. The "securities and properties investments and treasury management" and "others" segments reported separately in the consolidated financial statements for the year ended 31 December 2018 have been regrouped and reorganised into the "others" segment in the current interim period.

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

- Hong Kong medical services – Provision of the medical and dental services in Hong Kong
- Hong Kong managed care business – Managing healthcare networks & provision of third-party medical network administrator services in Hong Kong
- Mainland hospital management and medical services – Provision of medical and dental services in the PRC, provision of hospital management and related services
- Others – Provision of miscellaneous healthcare related services, trading of listed securities and leasing of properties

As such, comparative figures for the segment information presented in the condensed consolidated financial statements have been restated to conform with the current period's presentation of segment information.

## 5. SEGMENT INFORMATION *(CONTINUED)*

No segment information of assets and liabilities is provided to the CEO for the assessment of performance of different segments. Accordingly, no segment information of assets and liabilities is presented.

***Segment revenue and results***

***Six months ended 30 June 2019***

| | Hong Kong medical services (unaudited) HK$'000 | Hong Kong managed care business (unaudited) HK$'000 | Mainland hospital management and medical services (unaudited) HK$'000 | Others (unaudited) HK$'000 | Elimination (unaudited) HK$'000 | Total (unaudited) HK$'000 |
|---|---|---|---|---|---|---|
| REVENUE | | | | | | |
| External sales | 257,837 | 236,697 | 72,496 | 17,875 | – | 584,905 |
| Inter-segment sales | 24,931 | – | – | 4,273 | (29,204) | – |
| | 282,768 | 236,697 | 72,496 | 22,148 | (29,204) | 584,905 |
| Segment results | 25,800 | 21,654 | 29,434 | (4,552) | – | 72,336 |
| Finance costs | | | | | | (359) |
| Unallocated other income | | | | | | 4,112 |
| Unallocated other gains and losses | | | | | | (2,811) |
| Unallocated corporate expenses | | | | | | (27,618) |
| Profit before tax | | | | | | 45,660 |

## 5. SEGMENT INFORMATION *(CONTINUED)*

***Segment revenue and results*** *(Continued)*

***Six months ended 30 June 2018***

| | Hong Kong medical services (unaudited) HK$'000 | Hong Kong managed care business (unaudited) HK$'000 | Mainland hospital management and medical services (unaudited) HK$'000 | Others (unaudited) HK$'000 | Elimination (unaudited) HK$'000 | Total (unaudited) HK$'000 |
|---|---|---|---|---|---|---|
| REVENUE | | | | | | |
| External sales | 260,133 | 228,306 | 28,002 | 12,955 | – | 529,396 |
| Inter-segment sales | 12,564 | – | – | 3,670 | (16,234) | – |
| | 272,697 | 228,306 | 28,002 | 16,625 | (16,234) | 529,396 |
| Segment results | 17,939 | 21,967 | (4,848) | 62,513 | – | 97,571 |
| Finance costs | | | | | | (264) |
| Unallocated other income | | | | | | 4,350 |
| Unallocated other gains and losses | | | | | | 4,690 |
| Unallocated corporate expenses | | | | | | (26,831) |
| Profit before tax | | | | | | 79,516 |

## 5. SEGMENT INFORMATION *(CONTINUED)*

***Geographical information***

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

| | Six months ended 30 June | |
|---|---|---|
| | **2019** | 2018 |
| | **(unaudited)** | (unaudited) |
| | **HK$'000** | HK$'000 |
| Hong Kong | **512,409** | 501,394 |
| Other regions of the PRC | **72,496** | 28,002 |
| | **584,905** | 529,396 |

## 6. OTHER INCOME

| | Six months ended 30 June | |
|---|---|---|
| | **2019** | 2018 |
| | **(unaudited)** | (unaudited) |
| | **HK$'000** | HK$'000 |
| Dividend income from equity instruments at fair value through other comprehensive income | | |
| – Relating to investment derecognised during the period | **–** | 3,953 |
| – Relating to investment held at the end of the reporting period | **3,709** | 890 |
| Interest income | **18,481** | 27,179 |
| Rental income | **2,309** | 2,255 |
| Sundry income | **1,803** | 2,095 |
| | **26,302** | 36,372 |

## 7. OTHER GAINS AND LOSSES, NET

| | Six months ended 30 June | |
|---|---|---|
| | **2019** | 2018 |
| | **(unaudited)** | (unaudited) |
| | **HK$'000** | HK$'000 |
| Reversal of impairment loss (impairment loss) recognised in respect of: | | |
| – promissory note | **–** | 30,000 |
| – trade receivables | **–** | (3,118) |
| – other receivables | **–** | 2,258 |
| Fair value changes on investment properties | **(2,074)** | 29,784 |
| Fair value changes on financial assets at fair value through profit or loss | **(2,035)** | (2,353) |
| Loss on disposal of & written-off of property, plant and equipment | **(9,643)** | – |
| Loss on disposal of subsidiaries | **(9,606)** | – |
| | **(23,358)** | 56,571 |

## 8. FINANCE COSTS

| | Six months ended 30 June | |
|---|---|---|
| | **2019** | 2018 |
| | **(unaudited)** | (unaudited) |
| | **HK$'000** | HK$'000 |
| Interest on bank borrowings | **359** | 264 |
| Interest on lease liabilities | **2,737** | – |
| | **3,096** | 264 |

## 9. INCOME TAX EXPENSES

| | **Six months ended 30 June** | |
|---|---|---|
| | **2019** | 2018 |
| | **(unaudited)** | (unaudited) |
| | **HK$'000** | HK$'000 |
| Hong Kong Profits Tax | **8,091** | 8,205 |
| PRC Enterprise Income Tax | **11,926** | 11,130 |
| Deferred taxation credit | **(1,296)** | (1,321) |
| | **18,721** | 18,014 |

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for both interim periods.

Under the The Law of the PRC on Enterprise Income Tax ("EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for both interim periods.

## 10. PROFIT FOR THE PERIOD

| | Six months ended 30 June | |
|---|---|---|
| | **2019** | 2018 |
| | **(unaudited)** | (unaudited) |
| | **HK$'000** | HK$'000 |
| Profit for the period has been arrived at after charging: | | |
| Staff costs | | |
| – Directors' remuneration | **7,459** | 6,444 |
| – Other staff's salaries, bonus and other benefits | **313,668** | 314,230 |
| – Other staff's retirement benefits scheme contributions | **4,041** | 3,612 |
| | **325,168** | 324,286 |
| Amortisation of intangible assets | **5,245** | 5,346 |
| Depreciation of property, plant and equipment | **24,794** | 23,710 |
| Depreciation of right-of-use assets | **39,316** | – |

## 11. DIVIDENDS

During the current interim period, a final dividend of HK0.25 cent per Share for the year ended 31 December 2018 was declared to the owners of the Company. The aggregate amount of final dividend declared during the interim period amounted to approximately HK$18,815,000. (2018: Nil)

The board of Directors does not recommend the payment of an interim dividend for the six months ended 30 June 2019 (2018: Nil).

## 12. EARNINGS PER SHARE

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

| | Six months ended 30 June | |
|---|---|---|
| | **2019** | 2018 |
| | **(unaudited)** | (unaudited) |
| | **HK$'000** | HK$'000 |
| Profit for the period attributable to owners of the Company and earnings for the purpose of calculating basic and diluted earnings per share | **14,153** | 57,627 |

| | **30 June** | 30 June |
|---|---|---|
| | **2019** | 2018 |
| | **(unaudited)** | (unaudited) |
| Number of shares | | |
| Weighted average number of ordinary shares for the purpose of calculating basic and diluted earnings per share | **7,526,134,452** | 7,526,134,452 |

## 13. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT, RIGHT-OF-USE ASSETS AND INVESTMENT PROPERTIES

During the six months ended 30 June 2019, the Group acquired property, plant and equipment of approximately HK$11,048,000 (2018: approximately HK$76,080,000).

During the six months ended 30 June 2019, the Group entered into some new lease agreements for the use of retail shops for an average of 2.94 years. The Group is required to make fixed monthly payments depending on the usage of the asset during the contract period. On lease commencement, the Group recognised HK$27,234,000 of right-of-use assets and HK$27,249,000 of lease liabilities.

The Group's investment properties as at the end of the current interim period were valued by Ascent Partners Valuation Service Limited. The fair value of all investment properties located in Hong Kong was derived using the market comparable approach based on the price per square feet observed in recent market prices and adjusting the observed prices per square feet with certain unobservable inputs including the adjustments in respect of the building age, location, fair market rent and people flows to reflect different locations and conditions. The resulting decrease in fair value of investment properties of approximately HK$2,074,000 has been recognised directly in profit or loss for the six months ended 30 June 2019 (2018: increase in fair value of approximately HK$29,784,000).

## 14. LOANS RECEIVABLE

| | **30 June 2019 (unaudited) HK$'000** | 31 December 2018 (audited) HK$'000 |
|---|---|---|
| Fixed-rate loans receivable (unsecured) | **5,540** | 5,965 |
| Analysed for reporting purpose as: | | |
| Non-current portion | **4,629** | 5,109 |
| Current portion | **911** | 856 |
| | **5,540** | 5,965 |

## 15. PROMISSORY NOTES

| | **30 June 2019 (unaudited) HK$'000** | 31 December 2018 (audited) HK$'000 |
|---|---|---|
| Mr. Dai Hai Dong (Note) | **–** | – |
| Profit Castle Holdings Limited | **330,000** | 330,000 |
| | **330,000** | 330,000 |

Note:

As at 30 June 2019 and 31 December 2018, a promissory note with a principal amount of HK$203,705,000 was outstanding, which carried interest of 5% per annum and will mature in November 2019. The promissory note was issued by the purchaser, Mr. Dai Hai Dong, as part of the consideration of the acquisition of the Group's interests in Wise Lead Holdings Limited ("Wise Lead") in 2016. The promissory note is secured by the entire issued share capital of Wise Lead. Wise Lead owns 49% interest in Huayao Medial Group Limited ("Huayao"), whose major assets were a rehabilitation-oriented hospital situated in Hangzhou and certain outpatient medical clinics situated in Hangzhou. As disclosed in the annual report of the Company for the year ended 31 December 2017, the Group had reassessed the recoverability of the promissory note receivable as at 31 December 2017 by carrying out credit reviews on the financial condition of the counterparty. During the credit reviews, it was noted upon preliminary inspection conducted by the staff members of the Company that the operations of the hospital and the outpatient medical clinics of Huayao in Hangzhou had ceased. The directors of the Company conducted further credit assessments on Mr. Dai Hai Dong and reassessed the recoverable amount of the promissory note and an impairment loss of HK$203,705,000 was recognised in consolidated profit or loss to fully write down the carrying amount of the promissory note.

During the year ended 31 December 2018, the Group conducted another credit review on the financial condition of the counterparty. During the credit review, it was noted upon the inspection conducted by the staff members of the Company that the assessments concerning the status of the hospital and clinics remained unchanged.

On 12 April 2019, the Group announced Mr. Dai Hai Dong failed to repay the interest accrued from 1 January 2019 and considered that the recoverability of the promissory note was remote. Accordingly, the impairment loss recognised in the prior year was not reversed. Further details are set out in the section headed "PROMISSORY NOTE" in this report and the Company's announcements dated 4 November 2016, 12 April 2019 and 10 May 2019.

## 16. TRADE AND OTHER RECEIVABLES

| | **30 June 2019 (unaudited) HK$'000** | 31 December 2018 (audited) HK$'000 |
|---|---|---|
| Trade receivables | **190,283** | 158,648 |
| Prepayments, deposits and other receivables | **86,090** | 103,518 |
| | **276,373** | 262,166 |

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

| | **30 June 2019 (unaudited) HK$'000** | 31 December 2018 (audited) HK$'000 |
|---|---|---|
| 0-60 days | **138,535** | 145,287 |
| 61-120 days | **47,942** | 10,619 |
| 121-180 days | **1,740** | 1,964 |
| 181-240 days | **2,066** | 778 |
| | **190,283** | 158,648 |

Most of the patients of the medical and dental practices of the Group settle their payments in cash. Payments arising from use of medical cards by patients will normally be settled within 180 to 240 days while settlement by corporate customers of the Group's managed care operation is from 60 to 180 days. The Group provides an average credit period of 60 to 240 days to its trade customers under its other business activities.

## 17. TRADE AND OTHER PAYABLES

| | **30 June 2019 (unaudited) HK$'000** | 31 December 2018 (audited) HK$'000 |
|---|---|---|
| Trade payables | **44,021** | 36,997 |
| Other payables | **31,738** | 12,993 |
| Accruals | **80,501** | 83,651 |
| Deposits received | **5,230** | 5,333 |
| | **161,490** | 138,974 |

The following is an ageing analysis of trade payables presented based on the invoice dates at the end of the reporting period:

| | **30 June 2019 (unaudited) HK$'000** | 31 December 2018 (audited) HK$'000 |
|---|---|---|
| 0-60 days | **38,731** | 34,635 |
| 61-120 days | **735** | 1,648 |
| Over 120 days | **4,555** | 714 |
| | **44,021** | 36,997 |

The average credit period on purchase of goods is 60 to 120 days.

## 18. BANK BORROWINGS

| | **30 June 2019 (unaudited) HK$'000** | 31 December 2018 (audited) HK$'000 |
|---|---|---|
| Secured | **18,236** | 18,756 |

As at 30 June 2019 and 31 December 2018, the bank borrowings of the Group carried variable interest rates at Hong Kong Interbank Official Rate ("HIBOR")+2.25% per annum.

The Group's mortgage loan is secured by the Group's leasehold land and building and supported by personal guarantee provided by non-controlling interests of the Company's non-wholly owned subsidiary which will be released upon repayment of the mortgage.

## 19. SHARE CAPITAL

| | **Numbers of Shares** | **Amount** HK$'000 |
|---|---|---|
| Ordinary shares of HK$0.01 each | | |
| Authorised: | | |
| At 1 January 2018, 31 December 2018 and 30 June 2019 | 30,000,000,000 | 300,000 |
| Issued and fully paid: | | |
| At 1 January 2018, 31 December 2018 and 30 June 2019 | 7,526,134,452 | 75,261 |

## 20. DISPOSAL OF SUBSIDIARIES

(i) On 28 June 2019, the Group entered into a sale and purchase agreement with an associate, Auspicious Idea Corporate Development Limited, to dispose of its 75% interests in Premium Rich International Limited at a cash consideration HK$2,000,000.

The aggregate amounts of the assets and liabilities attributable to the subsidiaries being disposed of as at the date of disposal on 28 June 2019 were as follows:

| | **28 June 2019 HK$'000** |
|---|---|
| Property, plant and equipment | 10,154 |
| Right-of-use assets | 6,963 |
| Inventories | 1,460 |
| Trade and other receivables | 4,909 |
| Amount due from related parties | 197 |
| Bank balances and cash | 899 |
| Amount due to Shareholders | (20,223) |
| Trade and other payables | (2,589) |
| Contract liabilities | (5,362) |
| Lease liabilities | (7,897) |
| **Net liabilities disposed of** | (11,489) |
| Consideration received or receivable: | 2,000 |
| Net liabilities disposed of | 11,489 |
| Non-controlling interests | (2,872) |
| Amount due to Shareholders assigned to purchaser by Group | (20,223) |
| Loss on disposal | (9,606) |
| **Net cash inflow arising on disposal:** | |
| Cash consideration | 2,000 |
| Bank balances and cash disposal of | (899) |
| | 1,101 |

(ii) On 1 January 2019, the Group disposed of 15% interests in Hong Kong Traumatology and Orthopaedics Institute Limited at a consideration of HK$4,800,000. On that date, the Group recognised an increase in interests in non-controlling interests of approximately HK$2,979,000 and an increase in equity attributable to owners of the Company of approximately HK$1,821,000.

## 21. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

Some of the Group's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how fair values of these financial assets are determined (in particular, the valuation techniques and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (Levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

1. Level 1 fair value measurements are those derived from quoted process (unadjusted) in active market for identical assets or liabilities;

2. Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

3. Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

## 21. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS *(CONTINUED)*

### *Fair value of the Group's financial assets that are measured at fair value on a recurring basis*

| Financial assets | Fair value as at 30 June 2019 (unaudited) HK$'000 | Fair value as at 31 December 2018 (audited) HK$'000 | Fair value hierarchy | Valuation technique | Significant unobservable input(s) | Range (weighted average) | Relationship of unobservable inputs for fair value |
|---|---|---|---|---|---|---|---|
| 1 Financial assets at fair value through profit or loss | | | | | | | |
| – listed equity securities in Hong Kong | **6,969** | 7,805 | Level 1 | Quoted bid prices in an active market | n/a | n/a | n/a |
| – unlisted bond fund | **49,381** | 64,480 | Level 2 | Quoted market prices provided by financial institute, representing the fair value based on the quoted prices of the underlying investments | n/a | n/a | n/a |
| – contingent consideration | **880** | 3,691 | Level 3 | Monte-Carlo Simulation analysis | Discount rate for vendor cash payment | 25% (2018: 25%) | n/a |
| | | | | | Expected volatility | 46.96% (2018: 50.03%) | The increase in expected volatility rate would decrease in fair value |
| | | | | | Expected shortfall | 4,292,000 | The increase in expected shortfall would increase in fair value |
| 2 Equity instruments at fair value through other comprehensive income | **72,897** | 85,190 | Level 3 | Discounted cash flow method | Yearly growth rates of revenue | 7% (2018: Ranging from 7% to 13.3%) | The increase in yearly growth rates of revenue would increase in fair value |
| | | | | | Terminal growth rate | 2.90% (2018: 2.90%) | The increase in terminal growth rate would increase in fair value |
| | | | | | Pre-tax operating profit margin | 16.07% (2018: 14%) | The increase in yearly pre-tax operating profit margin would increase in fair value |
| | | | | | Weighted average cost of capital | 13.95% (2018: 14.86%) | The increase in weighted average cost of capital would decrease in fair value |
| | | | | | Company specific risk premium | 4.50% (2018: 4.50%) | The increase in company specific risk premium would decrease in fair value |

## 21. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS *(CONTINUED)*

***Fair value of the Group's financial assets that are measured at fair value on a recurring basis*** *(Continued)*

There were no transfers of financial assets between different levels of the fair value hireatchy in the current period and prior year.

The quantitative information of significant unobservable inputs used in arriving at the Level 3 fair value measurement are set out above.

The directors of the Company consider that except for financial assets as disclosed in the above table, the carrying amounts of remaining financial assets and financial liabilities recognised in the consolidated financial statements approximate their fair values.

***Reconciliation of Level 3 fair value measurements of financial assets hierarchy***

| | **Financial assets at fair value through profit or loss** HK$'000 | **Equity instruments at fair value through other comprehensive income** HK$'000 |
|---|---|---|
| At 1 January 2018 | 37,840 | 99,084 |
| Fair value changes | (34,149) | 17,908 |
| Disposal | – | (31,802) |
| At 1 January 2019 | 3,691 | 85,190 |
| Fair value changes | (2,811) | (12,293) |
| **At 30 June 2019** | **880** | **72,897** |

The fair value loss on financial assets at fair value through profit or loss for the period under review of approximately HK$2,811,000 related to the contingent consideration that are measured at fair value at the end of each reporting period (2018: fair value gain of approximately HK$4,690,000) and are included in "other gains and losses, net".

The fair value loss of approximately HK$12,293,000 included other comprehensive income relate to equity instruments at fair value through other comprehensive income held at the end of the reporting period and are reported as changes of "investment revaluation reserves".

# GLOSSARY

| | |
|---|---|
| 2008 Scheme | share option scheme of the Company adopted on 16 September 2008 |
| AGM | annual general meeting of the Company |
| Audit Committee | audit committee of the Board |
| Auspicious Idea | Auspicious Idea Corporate Development Limited |
| Board | the board of Directors |
| Broad Idea | Broad Idea International Limited |
| China Life Group | China Life Insurance (Group) Company and its subsidiaries |
| China Life Shandong | 中國人壽保險股份有限公司山東省分公司 (in English, for identification purpose only, China Life Insurance Company Limited, Shandong Branch), a branch office of China Life Insurance Company Limited, whose shares are listed on the Main Board of the Stock Exchange (stock code: 2628) |
| China or PRC or Mainland China | the People's Republic of China excluding, for the purpose of this interim report only, Hong Kong, the Macao Special Administrative Region of the People's Republic of China and Taiwan |
| Classictime | Classictime Investments Limited |
| CLG Subscription | the subscription for 1,785,098,644 ordinary shares of the Company by China Life Group pursuant to an investment agreement dated 5 January 2015 entered into between the Company and China Life Group |
| Company | Town Health International Medical Group Limited, a company incorporated in the Cayman Islands and continued in Bermuda with limited liability whose Shares are listed on the Main Board of the Stock Exchange |

# GLOSSARY

| | |
|---|---|
| Convertible Preference Shares | perpetual non-voting redeemable convertible preference shares of HK$0.01 each in the share capital of the Company subscribed by Fubon Life, Fubon Insurance and Broad Idea pursuant to the CPS Subscription Agreement |
| CPS Subscription | the subscription for 212,121,212 Convertible Preference Shares by Fubon Life, 79,545,454 Convertible Preference Shares by Fubon Insurance and 83,333,333 Convertible Preference Shares by Broad Idea, pursuant to the CPS Subscription Agreement |
| CPS Subscription Agreement | perpetual non-voting redeemable convertible preference shares subscription agreement dated 31 October 2014 and entered into between the Company, Fubon Life, Fubon Insurance and Broad Idea |
| current ratio | total current assets divided by total current liabilities |
| Director(s) | the director(s) of the Company |
| Disposal | the disposal of the entire issued share capital of Wise Lead, which owns 49% interest in Huayao, by the Group |
| Dr. Chan | Dr. Chan Wing Lok, Brian, an executive Director |
| Dr. Cho | Dr. Cho Kwai Chee |
| Dr. Choi | Dr. Choi Chee Ming, a non-executive Director |
| EIT Law | the Law of the PRC on Enterprise Income Tax |
| Fubon Financial | Fubon Financial Holding Co., Ltd. |
| Fubon Insurance | Fubon Insurance Co., Ltd. |
| Fubon Life | Fubon Life Insurance Co., Ltd. |
| Ganghe Clinic | 深圳港和診所 (in English, for identification purpose only, Shenzhen Ganghe Clinic) |

# GLOSSARY

| | |
|---|---|
| gearing ratio | total bank borrowings divided by equity attributable to owners of the Company |
| Group | the Company and its subsidiaries |
| HCMPS | HCMPS Healthcare Holdings Limited |
| Heemin Capital | Heemin Capital Enhanced Yield Bond Fund |
| HK$ | Hong Kong dollars, the lawful currency of Hong Kong |
| HKAS | Hong Kong Accounting Standards |
| HKFRSs | Hong Kong Financial Reporting Standards |
| HKICPA | Hong Kong Institute of Certified Public Accountants |
| Hong Kong | Hong Kong Special Administrative Region of the PRC |
| Huayao | Huayao Medical Group Limited |
| Jinan Likang | 濟南歷康門診部有限公司 (in English, for identification purpose only, Jinan Likang Outpatient Department Limited) |
| Listing Rules | the Rules Governing the Listing of Securities on the Stock Exchange |
| Model Code | Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules |
| Mr. Yu | Mr. Yu Kai Fung Jackie, an independent non-executive Director |
| Nanshi Hospital | 南陽南石醫院 (in English, for identification purpose only, Nanshi Hospital of Nanyang) |

# GLOSSARY

| | |
|---|---|
| Nanyang Ruishi Ophathalmology Hospital | 南陽瑞視眼科醫院 (in English, for identification purpose only, Nanyang Ruishi Ophthalmology Hospital) |
| Nanyang Xiangrui | 南陽祥瑞醫院管理諮詢有限公司 (in English, for identification purpose only, Nanyang Xiangrui Hospital Management Advisory Co. Ltd.), a subsidiary of the Company |
| New Ray | New Ray Medicine International Holding Limited |
| Nomination Committee | nomination committee of the Board |
| Ordinary Shares Subscription | the subscription of 459,183,673 Shares by Fubon Life, Fubon Insurance and Broad Idea and the allotment and issue of the subscription shares |
| Power Financial | Power Financial Group Limited |
| Promissory Note | the promissory note in the principal amount of HK$203,705,000 issued by the Purchaser, a third party individual, in favour of TH (BVI), being the vendor in the Disposal |
| Purchaser | the purchaser in the Disposal, i.e. Mr. Dai Hai Dong |
| Remuneration Committee | remuneration committee of the Board |
| RMB | Renminbi, the lawful currency of the PRC |
| sq.m. | Square metre |
| SFC | Securities and Futures Commission |
| SFO | Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) |
| Shanxi Taigang | 山西太鋼醫療有限公司 (in English, for identification purpose only, Shanxi Taigang Medical Co. Ltd.) |
| Share(s) | ordinary share(s) of HK$0.01 each in the share capital of the Company |

# GLOSSARY

| | |
|---|---|
| Sixth Hospital | 中山大學附屬第六醫院 (in English, for identification purpose only, The Sixth Affiliated Hospital of Sun Yat-Sen University) |
| Stock Exchange | The Stock Exchange of Hong Kong Limited |
| Taigang General Hospital | 太鋼總醫院 (in English, for identification purpose only, Taigang General Hospital) |
| TH (BVI) | Town Health (BVI) Limited, a wholly-owned subsidiary of the Company |
| United Imaging | 上海聯影智慧醫療投資管理有限公司 (in English, for identification purpose only, Shanghai United Imaging Medical Intelligence Investment Management Co., Limited) |
| US$ | United States dollars, the lawful currency of the United States of America |
| Vio | Dr. Vio & Partners Limited, a subsidiary of the Company |
| Wise Lead | Wise Lead Holdings Limited |
| Yamei | 杭州康健雅美口腔門診部有限公司 (in English, for identification purpose only, Hangzhou Town Health Yamei Dental Center Company Limited), a subsidiary of the Company |
| Yikang | 廣州宜康醫療管理有限公司 (in English, for identification purpose only, Guangzhou Yikang Medical Management Limited), a subsidiary of the Company |