Town Health International Medical Group Limited
康健國際醫療集團有限公司

(Incorporated in the Cayman Islands and continued in Bermuda with limited liability)
(Stock Code : 3886)

Interim Report 2020

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Director

Mr. Chen Jinhao *(Chief Executive Officer)*

Non-executive Directors

Mr. Zhao Hui *(Chairman) (Note 1)*
Mr. Hou Jun *(Note 2)*
Mr. Wan Yiqing *(Chairman) (Note 3)*
Ms. Fang Haiyan *(Deputy Chairperson) (Note 4)*

Independent Non-executive Directors

Mr. Ho Kwok Wah, George, *MH*
Ms. Li Mingqin
Mr. Yu Xuezhong

BOARD COMMITTEES

Audit Committee

Mr. Ho Kwok Wah, George, *MH (Chairman)*
Ms. Li Mingqin
Mr. Yu Xuezhong

Remuneration Committee

Mr. Ho Kwok Wah, George, *MH (Chairman)*
Mr. Chen Jinhao
Ms. Li Mingqin
Mr. Yu Xuezhong

Nomination Committee

Mr. Zhao Hui *(Chairman) (Note 1)*
Mr. Chen Jinhao
Mr. Ho Kwok Wah, George, *MH*
Ms. Li Mingqin
Mr. Yu Xuezhong
Mr. Wan Yiqing *(Chairman) (Note 3)*

COMPANY SECRETARY

Mr. Kwan Chung Man

AUDITORS

Moore Stephens CPA Limited
Certified Public Accountants

REGISTERED OFFICE

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

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
Chong Hing Bank Limited
CMB Wing Lung Bank Limited
Credit Suisse AG, Hong Kong Branch
Dah Sing Bank, Limited
Hang Seng Bank Limited
UBS AG, Hong Kong Branch

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Ocorian 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

Notes:

1. On 25 May 2020, Mr. Zhao Hui was appointed as a non-executive Director, the chairman of the Company and the chairman of the Nomination Committee.

2. On 25 May 2020, Mr. Hou Jun was appointed as a non-executive Director.

3. With effect from 25 May 2020, Mr. Wan Yiqing resigned as a non-executive Director, the chairman of the Company and the chairman of the Nomination Committee.

4. With effect from 25 May 2020, Ms. Fang Haiyan resigned as a non-executive Director and the deputy chairperson of the Company.

FINANCIAL HIGHLIGHTS

For the six months ended 30 June 2020:

– The Group recorded revenue of approximately HK$437,155,000 (2019: approximately HK$584,905,000).

– The Group recorded a loss of approximately HK$87,662,000 (2019: profit of approximately HK$26,939,000).

As at 30 June 2020:

– The Group had net current assets and net assets of approximately HK$2,111,429,000 and HK$4,173,490,000, respectively.

– The Group had a current ratio of 7.86 and a gearing ratio of 0.44%.

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

During the period under review, the Group recorded an unaudited consolidated loss of approximately HK$87,662,000 (2019: profit of approximately HK$26,939,000). Such significant decrease from unaudited consolidated profit to unaudited consolidated loss was mainly attributable to (i) the adverse impact of the COVID-19 pandemic on the business operation of the Group during the six months ended 30 June 2020, in particular, the number of patients who visited the Group's medical centres has significantly decreased during the six months ended 30 June 2020; (ii) the increase in fair value loss of the Group's investment properties for the six months ended 30 June 2020; and (iii) the increase in share of losses of associates.

Adverse Impact of the COVID-19 Pandemic on Business Operation of the Group

The outbreak of the COVID-19 pandemic since January 2020 has significantly affected the business operation of the Group, causing substantial decline in revenue of the Group for the six months ended 30 June 2020. Details of impact of the COVID-19 pandemic on different business segments of the Group will be explained in subsequent paragraphs.

Fair Value Loss on Investment Properties

The Group recorded a fair value loss on investment properties of approximately HK$42,339,000 for the six months ended 30 June 2020 (2019: fair value loss of approximately HK$2,074,000). The fair value loss was contributed by the decrease in fair value of a number of the Group's investment properties which are located in Hong Kong.

Share of Losses of Associates

The Group recorded share of losses of associates of approximately HK$9,435,000 for the six months ended 30 June 2020 (2019: share of gains of associates of approximately HK$17,795,000) as the outbreak of the COVID-19 pandemic caused adverse impact on their business operations.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Trading Suspension and Recent Development of Trade Resumption

As of the date of this interim report, trading in the Shares remains suspended. As disclosed in the Company's announcement dated 31 July 2020, the Stock Exchange held discussions with the SFC and confirmed that the Stock Exchange would, until further notice, withhold exercising its right to delist the Company under Rule 6.01A(2)(b)(i) of the Listing Rules should trading in the Company's securities remain suspended on 31 January 2020. The above is without prejudice to the Stock Exchange exercising its rights under Rule 6.01A of the Listing Rules at a later stage when the Stock Exchange considers appropriate. The Company has been communicating with the SFC on the resumption application made by the Company under section 9 of the Securities and Futures (Stock Market Listing) Rules. 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. Further announcements will be made by the Company as and when appropriate.

Healthcare Service Network of the Group

As of 30 June 2020, the Group's healthcare service network covered 467 healthcare service points, including 270 general practice service points, 79 specialist service points, 23 dental service points and 95 auxiliary service points. As of 30 June 2020, the Group employed 696 doctors, dentists and auxiliary service providers (including 407 general practitioners, 208 specialists, 37 dentists and 44 auxiliary service staff), all of whom provided healthcare services via the Group's network of self-operated and affiliated medical centres.

Business in Hong Kong

Managed Care – Vio

During the period under review, the revenue generated by the Group's managed care business amounted to approximately HK$194,181,000 (2019: approximately HK$236,697,000), which accounted for approximately 44.42% of the Group's revenue for the six months ended 30 June 2020 (2019: approximately 40.47%).

BUSINESS REVIEW *(CONTINUED)*

The Group's managed care business recorded a decrease of 18% in revenue and a sharp drop in net profit as compared with the same period in 2019. The main reason for the reduction was the COVID-19 pandemic which has led to a decrease of 20% in the number of outpatient visits compared with that of the corresponding period in 2019. There was also a slight reduction in the number of affiliated general practitioners in the network mainly due to retirement.

At the beginning of the COVID-19 outbreak, Vio drew on the experience gained from fighting against SARS in 2003, and immediately implemented its established protocol in a timely manner, in order to minimize risks to staff and patients. It also monitored and propagated the latest guidelines issued by the Centre for Health Protection under the Department of Health. It quickly reinforced universal precautions amongst the staff of medical centres and increased disinfection of the facilities. It rolled out screening mechanisms of temperature checks and written questionnaires upon entrance to the medical centre to identify symptomatic patients, travellers and disease contacts. It also redoubled efforts to secure more personal protective equipment supplies for staff. Benefitting from a series of effective measures, none of Vio's frontline medical staff has been infected during the period.

During the period under review, Vio conducted an I.T. system review and started to upgrade its I.T. infrastructure in order to improve efficiency and data security so as to prepare itself for market recovery.

Self-Operated Clinic Chain

During the period under review, the revenue generated from the general practice services, specialist services and dental services of the Group amounted to approximately HK$172,202,000 (2019: approximately HK$257,837,000), and accounted for approximately 39.39% of the Group's revenue for the six months ended 30 June 2020 (2019: approximately 44.08%).

During the period under review, the revenue generated from the Group's self-operated clinic chain business recorded a decrease of 33% as compared with the corresponding period in 2019, and its net profit turned into deficit. The decline in revenue was mainly attributable to the significant decrease in visits to medical centres because of the COVID-19 pandemic, especially at the height of the outbreak, which led to a significant decrease in the revenue of general practice medical centres. Specialist centres and dental centres were also affected to different degrees.

BUSINESS REVIEW *(CONTINUED)*

Faced with the shock the COVID-19 pandemic brought to the business, the Group adjusted the operating strategy during the period under review, implemented the policy of broadening the sources of income and economising on expenditures, and saved expenses in multiple aspects, including adjusting of locum doctor sessions based on the number of patient visits, applying to landlords for rent reductions and optimizing the distribution of medical centres in the same district based on their performance.

In the times of epidemic, the Group strengthened the medical supervision, made appropriate arrangement to protect frontline medical staff and offered them adequate personal protective equipment, including masks, face shields, protective clothes, protective hoods and gloves. In the meantime, the Group strengthened internal trainings, improved the awareness of frontline staff, set strict guidelines for patients visiting doctors, and ensured that epidemic prevention measures for staff and patients were both in place, thus creating a safe medical service environment.

For suspected cases in the course of visit, the Group took proactive measures to cut off the transmission path of sources of infection including suspending the services at the medical centre immediately, isolating the patient with suspected case, encouraging the patient to visit a public hospital for further screening, and disinfecting the medical centre comprehensively. Doctors and medical assistants went through nucleic acid tests, and the medical centre should resume to service only when all the test results showed negative. With the concerted effort of all staff, the Group recorded "zero infection of medical staff and zero cross infection of patients".

In addition, the Group actively shouldered the social responsibility as a healthcare enterprise and joined hands with the public to fight the virus. During the period under review, the Group launched several rounds of "Mask Donation Campaign", working together with non-governmental organisations, coordinating with the Education Bureau's arrangements for resuming classes and donating masks to children, students and community members in need. In the times of tight mask supply, the Group distributed masks to patients who visited the medical centres for medical services, medical centres' cleaners and security guards. A total of 60,000 free masks were distributed in the campaign.

BUSINESS REVIEW *(CONTINUED)*

Medical Beauty Business

During the period under review, in response to the government's COVID-19 pandemic prevention requirements, the operation of TBM's medical beauty centres in Mainland China was suspended at the end of January 2020, and the operation of TBM's medical beauty centres in Hong Kong was suspended since April 2020, which led to a decline in the overall performance of TBM, the Group's medical beauty business segment. Revenue generated from the business of TBM decreased by over 30% and recorded decline of a double digit in Hong Kong and Mainland China respectively, as compared with the corresponding period in 2019, and the respective net profits also witnessed significant drops and turned into deficit.

In the face of the COVID-19 pandemic, TBM actively adjusted the operation principle and took effective measures to broaden the sources of income and economise on expenditures during the period under review. While strengthening the online marketing and promotion and launching preferential items to stimulate local consumption, TBM applied to landlords for rent reductions, submitted application for "Employment Support Scheme" and "Subsidy Scheme for Beauty Parlours" launched by the Hong Kong Government and applied for Mainland China's value-added tax relief measures and "five components of social insurance and the housing provident fund" fiscal subsidy.

As Mainland China gradually controlled the epidemic, business of beauty centres in Mainland China resumed since March 2020. Benefitting from the release of purchasing power accumulated previously, sales revenue of beauty centres in Mainland China has been under recovery. However, the resumption of business in Hong Kong was subject to the government's "lock-down" measures, under which the customers in Mainland China could not visit Hong Kong without being subject to compulsory quarantine requirements. It is estimated that TBM's business in Hong Kong will remain weak in the short term.

During the period under review, TBM employed 10 full-time or part-time doctors, and had 9, 8, 4 and 3 centres in Hong Kong, Shenzhen, Shanghai and Guangzhou, respectively.

BUSINESS REVIEW *(CONTINUED)*

Business in Mainland China

Hospital Management and Consulting Services Business in Mainland China

During the period under review, Nanshi Hospital, managed by the Group's Nanyang Xiangrui, recorded good performance. In spite of the epidemic in Mainland China, the total revenue of Nanshi Hospital was basically the same as that of the corresponding period in 2019; the overall revenue of Nanyang Xiangrui decreased slightly as compared with the corresponding period in 2019.

Since the outbreak of the epidemic at the end of January 2020, Nanshi Hospital has been investing plenty of manpower and material resources into the fight against the virus, including conducting quarantine and screening work and keeping adequate medical materials in inventory. It also provided high-standard medical protective equipment, including masks, face shields, protective clothes and gloves, to fully support and guarantee the work and safety of frontline staff. With the concerted effort of all medical staff, the hospital recorded "zero infection of medical staff and zero cross infection of inpatients", and was praised by Nanyang Municipal Government and Nanyang Health Commission. Taking the social responsibility as a 3A-grade hospital, Nanshi Hospital sent 10 medical experts to provide support to municipal-level and county-level hospitals of Nanyang region, and donated masks and protective supplies to local hospitals at the height of the outbreak.

Nanshi Hospital actively strengthened the medical discipline construction in 2019, especially five specialty disciplines including the brain pathology centre and the burns centre. The brain pathology centre reported outstanding performance, and during the period under review, it secured the first place in the ranking of national comprehensive stroke centres published by related department of the National Health Commission in terms of thrombolytic therapy and the eighth place in terms of comprehensive operational capability, and was honoured with the title of "Comprehensive Stroke Centre". In addition, Nanshi Hospital purchased the first cerebral apoplexy mobile vehicle in Nanshi District for the brain pathology centre during the period under review. The vehicle is equipped with small mobile Computed Tomography (CT) equipment, relevant examination and monitoring equipment and 5G informatised system, and supports CT diagnosis and thrombolytic therapy. The mobile vehicle can quickly arrive at the location of patient, connect with the stroke expert team of Nanshi Hospital through the 5G network for technical support and guidance, race against time to save the patient in the vehicle and significantly improve the efficiency of treatment. The mobile vehicle has a great influence in Nanyang City and improves the reputation of Nanshi Hospital. In addition, the burns centre is also a nation-level key department.

BUSINESS REVIEW *(CONTINUED)*

With these five strong specialty disciplines, Nanshi Hospital hopes to boost its medical and technology level and strives to nurture stronger competitiveness in Nanyang City. In addition, the rehabilitation specialty discipline established by Nanshi Hospital in September 2019 has become a provincial-level key medical discipline and shows a strong momentum.

Nanyang Xiangrui actively diversified its professional management services and expanded the management scope during the period under review. One of such efforts was the acquisition of a new pharmaceutical company, Yugangxiang, in the first half of 2020, which has obtained the pharmaceutical sales license and the GSP certification to sell drugs to hospitals. It is expected to become a significant source of revenue for Nanyang Xiangrui in the future. Meanwhile, Jianke, a subsidiary of Nanyang Xiangrui engaging in sales of medical devices, equipment and consumables, signed contracts with famous manufacturers to act as their agent, obtained favourable terms of equipment procurement for hospitals through centralised procurement, and reduced the costs of Nanshi Hospital indirectly. Jianke will cooperate with more private hospitals and medical institutions in the future and will become a significant source of revenue and a profit growth driver for Nanyang Xiangrui.

Ruibang, a home care company of Nanyang Xiangrui, provided physically inconvenienced patients with home care services, and commenced services of accompanying patients in various checks and delivering medicine to patients in hospitals during the period under review, which built the reputation of Nanshi Hospital and improved its brand image. In the meantime, Nanshi Hospital Seniors' Rehabilitation and Care Centre responded to the country's "integrated treatment and convalesce" (「醫養結合」) policy, offering seniors high-quality services integrating "medical treatment, care, rehabilitation and old-age life" with Nanshi Hospital's professional healthcare team, extensive medical treatment and care experience, and advanced medical equipment.

In addition, Xiangbang, a property management company of Nanyang Xiangrui, provided Nanshi Hospital with cleaning, greening, security guarding and other property management services. The next step is to leverage resources of Nanyang and Henan Non-government Medical Institutions Association to offer supply chain management, logistics services and entrusted hospital management services to other non-government hospitals in the province, thereby further expanding the revenue. Hongda, a subsidiary of Nanyang Xiangrui engaging in decoration works and project management services, offered high-quality decoration services to the new hospital block of Nanshi Hospital.

BUSINESS REVIEW *(CONTINUED)*

Furthermore, Nanyang Ruishi Ophthalmology Hospital, owned and managed by Nanyang Xiangrui, has high-end refractive surgery equipment, including full femtosecond equipment and excimer laser therapeutic instrument, and a professional healthcare team. Nanyang Ruishi Ophthalmology Hospital suspended operation for two to three months due to the COVID-19 pandemic, and its business has gradually recovered since April 2020. In the future, Nanyang Ruishi Ophthalmology Hospital will further improve the medical and management level and strengthen marketing efforts, thereby becoming a top and reputable specialty hospital in Nanyang City.

Health Management Centres Business

The operation of Town Health International Health Management Centre located in Jinan City, Shandong Province was suspended in February and March 2020 because of the COVID-19 pandemic. The business of health management centre resumed in April 2020, and the revenue has subsequently improved significantly. In alignment with "Customer Service Campaign" and other relevant promotion activities launched by China Life Shandong, the health management centre offered health checks and relevant healthcare services to China Life Group's VIP clients, and the sales revenue in June 2020 hit a record high since its opening. In the times of epidemic, the health management centre focused on providing staff with trainings on epidemic prevention and control, improving the awareness of epidemic prevention work of frontline staff, developing relevant management and compliance systems and improving management procedures. In the meantime, it implemented the policy of broadening the sources of income and economizing on expenditures and initiated staff redeployment to reduce labour costs, while sales of the health management centre gradually recovered after the epidemic started to abate.

The health management centre worked closely with China Life Shandong. It regularly held seminars for clients of China Life Group, which brought high-quality customers to the health management centre and therefore generated considerable revenue. On the other hand, the health management centre assisted China Life Group in providing value-added healthcare services and facilitated the sale of insurance products. Both parties complemented each other and created a synergy for their businesses.

BUSINESS REVIEW *(CONTINUED)*

High-end Medical Diagnostic and Health Check Business

During the period under review, the Sixth Hospital's medical diagnostic centre managed by Yikang, a subsidiary of the Company, was greatly affected by the epidemic in February and March 2020, with the nuclear medicine department, health check and medical diagnosis business all experiencing significant decrease in revenue. Business began to recover at the end of March 2020. The nuclear medicine department and the laboratory testing department reported a better recovery, and the Sixth Hospital's medical diagnostic centre also returned to normal operation. Yikang paid high attention to the epidemic prevention and control and achieved "zero infection of medical staff and zero cross infection of patients" .

Clinics Business in Mainland China

Located in the central area of Futian District, Shenzhen, Ganghe Clinic suspended operation from the end of January 2020 to March 2020 in accordance with the government's requirement on epidemic prevention and control. The clinic was reopened in April 2020. During the period under review, Ganghe Clinic strengthened the cooperation with China Life Shenzhen and sent its expert team to hold health seminars for China Life Group's VIP clients. In the meantime, Ganghe Clinic developed the remote consultation business, which enabled medical experts to provide remote consultation in the platform every afternoon. After such medical experts offered their advice, Ganghe Clinic would be responsible for subsequent check-ups and prescriptions.

BUSINESS REVIEW *(CONTINUED)*

Other Investments

As at 30 June 2020, the Group held approximately 17.67% of HCMPS with an investment amount of approximately HK$86,585,000. 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 three months ended 31 March 2020 of HCMPS, it recorded a profit of approximately HK$1.4 million for the three months ended 31 March 2020. As at 30 June 2020, the Group's investment in HCMPS constituted approximately 84% of the balance of equity instruments at fair value through other comprehensive income. During the period under review, a fair value loss on the Group's investment in HCMPS of approximately HK$20,144,000 (2019: fair value loss of approximately HK$11,132,000) has been recognised in other comprehensive income. Although the performance of HCMPS was affected by the outbreak of the COVID-19 pandemic, 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' business in the long term.

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, the Group intended to continue to hold the investments in its present portfolio.

OUTLOOK

The outbreak and rapid transmission of the COVID-19 pandemic not only took away precious lives but also greatly affected the global economy. The resurgence of the outbreak subjects the economic recovery to uncertainty, which is expected to have adverse impact on the Group's business in the short term. In spite of that, all staff of the Group will persistently uphold the spirit of dedication, actively shoulder the social responsibility as a healthcare enterprise, organise appropriate and effective epidemic prevention work to create a safe medical service environment for the public, and make contribution to the society with professional healthcare services.

Hong Kong

In terms of managed care business, Vio is preserving resources for the upgrading of infrastructure and software of I.T. system, so that Vio's high management efficiency will enable the business recovery after the improvement of epidemic situation and the economic recovery. In addition, Vio is also planning to integrate the Group's resources to expand the healthcare service scope and explore more value-added healthcare services.

In terms of self-operated clinic chain business, the Group will build the layout prudently based on the epidemic development in the second half of 2020. It will continue to develop specialist centres, including expanding the service scope of orthopaedic specialist centres, acquiring new medical equipment, introducing full-time ophthalmologists and opening new dental service points in Tai Po and Sheung Shui. The Group will actively promote disease prevention through health check and vaccination activities. In addition, at the end of July 2020, the Group offered citizens COVID-19 nucleic acid test at a relatively affordable price and bringing them benefits to pay back to the society. With regard to the potential epidemic risk, the Group will unswervingly implement the epidemic prevention and control measures and continuously enhance the safety supervision in this regard, so as to create a safe medical service environment.

In terms of medical beauty business, TBM will launch diversified services and offer one-stop services to Hong Kong customers. In Mainland China, given that TBM's sales in the region have gradually recovered, facing the huge potential of medical beauty market in Mainland China, TBM will pool resources to develop in Mainland China in the future and focus on expanding business in major cities in the region. Furthermore, considering the risk of possible resurgence of the outbreak in the future, TBM will continue to keep adequate disinfection products and masks in all centres and constantly strengthen epidemic prevention and control.

OUTLOOK *(CONTINUED)*

Mainland China

Epidemic prevention and control efforts and economic recovery in Mainland China are relatively strong, so the market of Mainland China will be the Group's development focus in the future. In the meantime, as the healthcare services often have close contact with people, the Group will continue to implement epidemic prevention and risk control with prudence, disinfect medical centres with high standards, regulate medical service procedures, and actively shoulder the social responsibility of protecting citizens as a healthcare enterprise, so as to reinforce the society's confidence in the Group.

In terms of the hospital management business in Mainland China, Nanshi Hospital, managed by Nanyang Xiangrui, will continue to enhance the construction of five specialty disciplines in the future, reinforce the influence of the five specialty disciplines and further improve the hospital's medical and technology level by strengthening external trainings, talent recruitment and cooperation with leading experts of the country. On the other hand, Nanshi Hospital will build an internet-based, specialised healthcare service network, actively respond to the country's medical reform policy that "serious illnesses can be treated without going out of the county" and that "strong primary-level organisations make counties strong", gradually extend the influence of five strong specialty disciplines to county-level hospitals, and vigorously promote the cooperation of medical partnerships. Meanwhile, Nanshi Hospital will adopt the "Main Hospital + Branch Hospital" system, with Nanshi Hospital being the main hospital, the Nanyang Ruishi Ophthalmology Hospital and the rehabilitation branch being the branch hospitals, with an aim to provide more comprehensive healthcare services and improve overall efficiency, and work unremittingly to become the benchmark of 3A-grade hospital in Nanyang. Furthermore, the construction of the new hospital block of Nanshi Hospital is expected to be completed by the end of 2020, marking an important milestone in the history of Nanshi Hospital.

In terms of the health management centres business, the health management centre in Jinan will continue to strengthen the Group's cooperation with China Life Shandong, and provide health management services to China Life Group's VIP clients, focusing on preventive health care, chronic disease management and rehabilitation in the later stage of treatment, thereby strengthening customer loyalty. In addition, the government of Mainland China has issued the new measures for the administration of health insurance, which stipulates that a certain percentage of health insurance products of insurance companies can be used to purchase health management services. Such policy will greatly benefit the future business development of the health management centre.

OUTLOOK *(CONTINUED)*

In the meantime, the health management centre will develop a health management system software, which will boost customers' demands for health management services and improve customer loyalty by assessing customers' health conditions and regularly reminding customers to conduct targeted special test, such as blood glucose, in accordance with their own health conditions. Besides, after undertaking the relevant training, insurance sales representatives of China Life Group can act as health management consultants and based on health risk assessment and health management to evaluate what high-risk items customers have in terms of health, and establish long-term interactive relationships with customers, and provide high-quality value-added services to insurance sales.

Furthermore, the health management centre is in the process of making the application and will make efforts to obtain the government's approval for designated medical institution of the medical insurance system in the second half of 2020, and to include specialty healthcare and chronic disease management to the scope of services, so as to attract more customers.

In terms of the high-end medical diagnostic and health check business, Yikang will continue to strictly implement the epidemic prevention and control. Broadening the sources of income will also be an important part of Yikang's future development, and it will strive to explore new business to increase revenue at the premise of safety. In addition, Yikang will invest more resources into scientific research. Currently, the nuclear medicine department and the laboratory testing department of the Sixth Hospital's medical diagnostic centre have employed two Ph. D supervisors, and are devoted to two projects funded by National Natural Science Foundation of China. Through the related scientific research projects, the centre will continue to improve the technical level of medical diagnostic services and establish a professional brand image for Yikang. Moreover, the medical diagnostic and health management centre project in Zhongshan invested by Yikang has resumed construction and strives to complete before the end of this year.

In terms of the clinics business in Mainland China, Ganghe Clinic is expected to have more close cooperation with China Life Shenzhen and achieve a win-win outcome in the future after the pandemic vanishes.

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.

As at 30 June 2020, the Group held bank balances and cash of approximately HK$1,646,319,000 (31 December 2019: approximately HK$1,840,856,000) of which approximately 69.93% and 30.07% are denominated in HK$ and RMB respectively. The Group had bank borrowing which represented a mortgage loan of approximately HK$17,207,000 (31 December 2019: approximately HK$17,730,000) of which approximately HK$1,085,000 (31 December 2019: approximately HK$1,062,000) are repayable within one year. The Group's loans were arranged on a floating interest rate basis. Details of bank borrowing of the Group are set out in note 20 to the condensed consolidated financial statements for the six months ended 30 June 2020.

As at 30 June 2020, the Group's net current assets amounted to approximately HK$2,111,429,000 (31 December 2019: approximately HK$2,128,476,000) and the Group had a current ratio of 7.86 (31 December 2019: 7.42). As at 30 June 2020, the Group's gearing ratio was 0.44% (31 December 2019: 0.44%). 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.

LIQUIDITY AND FINANCIAL RESOURCES *(CONTINUED)*

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 2020, the Group had equity attributable to owners of the Company of approximately HK$3,886,054,000 (31 December 2019: approximately HK$4,015,547,000).

SHARE CAPITAL

Details of movements in the share capital of the Company during the period under review are set out in note 21 to the condensed consolidated financial statements for the six months ended 30 June 2020.

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.

PROMISSORY NOTE *(CONTINUED)*

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 above legal proceedings in Hong Kong was discontinued by TH (BVI) on 6 December 2019. Instead, on 12 December 2019, TH (BVI) initiated legal proceedings in the Hangzhou Intermediate People's Court of the PRC against, among other, the Purchaser 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 17 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 2020, a leasehold land and building of approximately HK$44,486,000 (31 December 2019: approximately HK$46,047,000) was pledged to secure the Group's mortgage loan.

CONTINGENT LIABILITIES

As at 30 June 2020, the Group had no material contingent liabilities (31 December 2019: Nil).

HUMAN RESOURCES AND TRAINING SCHEMES

As at 30 June 2020, the Group employed 1,183 staff (31 December 2019: 1,306). Total employee costs, including directors' emoluments, amounted to approximately HK$280,533,000 for the six months ended 30 June 2020 (2019: approximately HK$325,168,000). 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 2019	605
Net proceeds utilised during the six months ended 30 June 2020	0
Total amount of net proceeds utilised as at 30 June 2020	
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	13
Developing One Pass, the "one-stop, IT O2O platform" of the Group	18
	275

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

USE OF NET PROCEEDS FROM ISSUE OF SHARES *(CONTINUED)*

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 2019	1,008
Net proceeds utilised during the six months ended 30 June 2020	0
Total amount of net proceeds utilised as at 30 June 2020	
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	23
Developing health management centres in Hong Kong and the PRC	69
	738

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 2020, none of the Directors or chief executives of the Company 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) 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.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the six months ended 30 June 2020 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 2020, 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	Total number of Shares held	Approximate% of shareholding of the Company (Note 1)
China Life Insurance (Group) Company	Beneficial owner	1,785,098,644	1,785,098,644	23.72%
Broad Idea	Beneficial owner	1,418,576,764 (Note 2)	1,418,576,764	18.85%
Dr. Cho	Interest of a controlled corporation	1,418,576,764 (Note 2)	1,418,576,764	18.85%
Dr. Choi	Interest of a controlled corporation	1,418,576,764 (Note 2)	1,420,776,764	18.88%
	Beneficial owner	2,200,000		

(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 2020 (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 and Dr. Choi were 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 was 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 was 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 2020, 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.

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.

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.

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, 27 June 2019 and 29 June 2020.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

During the six months ended 30 June 2020, 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 2020.

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 DIRECTORS' INFORMATION

Mr. Chen Jinhao, an executive Director and the chief executive officer of the Company, is a director of Dareway Software Co., Ltd., a company listed on the Sci-Tech Innovation Board of the Shanghai Stock Exchange (stock code: 688579) with effect from 17 July 2020. Save as disclosed above, there is no change in information in respect of the Directors and chief executives of the Company required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

AUDIT COMMITTEE

As at 30 June 2020, the Audit Committee comprised three independent non-executive Directors, namely Mr. Ho Kwok Wah, George, *MH* as the chairman of the Audit Committee, Ms. Li Mingqin 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 2020 and this interim report.

REVIEW OF INTERIM RESULTS

The condensed consolidated financial information of the Group for the six months ended 30 June 2020 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 2020 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
Chen Jinhao
Executive Director and Chief Executive Officer

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 63, which comprise the condensed consolidated statement of financial position as of 30 June 2020 and the related condensed consolidated statement of profit or loss and other 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 2020 are not prepared, in all material respects, in accordance with HKAS 34.

Moore Stephens CPA Limited
Certified Public Accountants

Hong Kong, 27 August 2020

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2020

		Six months ended 30 June	
		2020	2019
		(unaudited)	(unaudited)
	Notes	**HK$'000**	HK$'000
Revenue	4	**437,155**	584,905
Cost of sales		**(316,694)**	(377,563)
Gross profit		**120,461**	207,342
Other income	6	**36,357**	26,302
Administrative expenses		**(169,614)**	(179,220)
Other gains and losses, net	7	**(51,761)**	(23,358)
Finance costs	8	**(2,641)**	(3,096)
Share of results of associates		**(9,435)**	17,795
Share of results of joint ventures		**(1,209)**	(105)
(Loss) profit before tax		**(77,842)**	45,660
Income tax expenses	9	**(9,820)**	(18,721)
(Loss) profit for the period	10	**(87,662)**	26,939

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2020

	Note	**Six months ended 30 June 2020 (unaudited) HK$'000**	Six months ended 30 June 2019 (unaudited) HK$'000
Other comprehensive expense 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		**(20,531)**	(12,293)
Items that may be reclassified subsequently to profit or loss:			
Exchange difference arising from the translation of foreign operations		**(19,447)**	(567)
Share of other comprehensive expenses of associates and joint ventures		**(386)**	(173)
		(19,833)	(740)
		(40,364)	(13,033)
Total comprehensive (expense) income for the period		**(128,026)**	13,906
(Loss) profit for the period attributable to:			
Owners of the Company		**(93,968)**	14,153
Non-controlling interests		**6,306**	12,786
		(87,662)	26,939
Total comprehensive (expense) income attributable to:			
Owners of the Company		**(129,493)**	1,107
Non-controlling interests		**1,467**	12,799
		(128,026)	13,906
(Loss) earnings per share (HK cent(s))			
– Basic and diluted	12	**(1.25)**	0.19

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2020

	Notes	30 June 2020 (unaudited) HK$'000	31 December 2019 (audited) HK$'000
NON-CURRENT ASSETS			
Investment properties	13	**487,277**	567,416
Property, plant and equipment	13	**375,143**	361,941
Right-of-use assets	13	**137,924**	124,081
Loans receivable	14	**3,771**	4,216
Goodwill	15	**472,659**	483,354
Intangible assets		**328,379**	336,352
Interests in associates	16	**309,874**	319,528
Interests in joint ventures		**20,378**	22,005
Equity instruments at fair value through other comprehensive income		**39,078**	59,609
		2,174,483	2,278,502
CURRENT ASSETS			
Inventories		**28,358**	24,589
Trade and other receivables	18	**205,290**	219,724
Financial assets at fair value through profit or loss		**5,296**	6,411
Loans receivable	14	**27,200**	41,137
Promissory notes	17	**325,456**	325,456
Amounts due from associates		**1,279**	1,164
Amount due from a non-controlling interest		**1,135**	–
Tax recoverable		**960**	732
Fixed bank deposits		**177,750**	–
Bank balances and cash		**1,646,319**	1,840,856
		2,419,043	2,460,069

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2020

	Notes	**30 June 2020 (unaudited) HK$'000**	31 December 2019 (audited) HK$'000
CURRENT LIABILITIES			
Trade and other payables	19	**154,726**	165,990
Contract liabilities		**2,694**	3,570
Amount due to an investee		**300**	300
Amounts due to non-controlling interests		**41,464**	42,971
Bank borrowing	20	**17,207**	17,730
Lease liabilities		**70,795**	67,027
Tax payable		**20,428**	34,005
		307,614	331,593
NET CURRENT ASSETS		**2,111,429**	2,128,476
TOTAL ASSETS LESS CURRENT LIABILITIES		**4,285,912**	4,406,978
NON-CURRENT LIABILITIES			
Lease liabilities		**72,912**	62,772
Deferred tax liabilities		**39,510**	41,195
		112,422	103,967
		4,173,490	4,303,011
CAPITAL AND RESERVES			
Share capital	21	**75,261**	75,261
Reserves		**3,810,793**	3,940,286
Equity attributable to owners of the Company		**3,886,054**	4,015,547
Non-controlling interests		**287,436**	287,464
Total equity		**4,173,490**	4,303,011

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2020

	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 2019 (audited)	75,261	3,341,639	9,020	10,033	62,677	(85,374)	45,657	(58,585)	(41,748)	656,967	4,015,547	287,464	4,303,011
(Loss) profit for the period	-	-	-	-	-	-	-	-	-	(93,968)	(93,968)	6,306	(87,662)
Exchange difference arising on translation of foreign operations	-	-	-	-	-	-	-	-	(14,608)	-	(14,608)	(4,839)	(19,447)
Share of other comprehensive expense of associates and joint ventures	-	-	-	-	-	-	-	-	(386)	-	(386)	-	(386)
Fair value changes on movements in equity instruments at fair value through other comprehensive income	-	-	-	-	-	-	-	(20,531)	-	-	(20,531)	-	(20,531)
Other comprehensive expense for the period	-	-	-	-	-	-	-	(20,531)	(14,994)	-	(35,525)	(4,839)	(40,364)
Total comprehensive (expense) income for the period	-	-	-	-	-	-	-	(20,531)	(14,994)	(93,968)	(129,493)	1,467	(128,026)
Acquisition of a subsidiary	-	-	-	-	-	-	-	-	-	-	-	478	478
Disposal of subsidiaries	-	-	-	-	-	28	-	-	-	(28)	-	(337)	(337)
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(1,636)	(1,636)
At 30 June 2020 (unaudited)	75,261	3,341,639	9,020	10,033	62,677	(85,346)	45,657	(79,116)	(56,742)	562,971	3,886,054	287,436	4,173,490

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 1 January 2019 (audited)	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 (expense) 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	–	–	–	–	–	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 CASH FLOWS

For the six months ended 30 June 2020

	Six months ended 30 June	
	2020	2019
	(unaudited)	(unaudited)
	HK$'000	HK$'000
Net cash generated from operating activities	**8,922**	71,225
Investing activities		
Interest income received	**20,139**	18,418
Redemption proceeds of financial asset at fair value through profit or loss	**–**	15,041
Dividend received from associates	**250**	13,740
Repayments of loans receivable	**14,382**	425
Increase in time deposits with maturity over 3 months	**(177,750)**	–
Acquisition of property, plant and equipment	**(6,971)**	(11,048)
Investment in a joint venture	**–**	(9,268)
Other cash flows arising from investing activities	**(1,040)**	(301)
Net cash (used in) generated from investing activities	**(150,990)**	27,007
Financing activities		
Capital contribution from non-controlling interests	**–**	7,966
Net proceeds from disposal of subsidiaries	**(94)**	4,800
Repayments of lease liabilities	**(37,370)**	(40,429)
Other cash flows arising from financing activities	**(5,935)**	(9,985)
Net cash used in financing activities	**(43,399)**	(37,648)
(Decrease) increase in cash and cash equivalents	**(185,467)**	60,584
Cash and cash equivalents at the beginning of period	**1,840,856**	1,720,425
Effect of foreign exchange rates changes	**(9,070)**	(546)
Cash and cash equivalents at the end of period, representing bank balances and cash	**1,646,319**	1,780,463

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

1. GENERAL

The Company is registered in Bermuda as an exempted company under the laws of Bermuda.

The Company's shares are listed on The Stock Exchange of Hong Kong Limited ("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, 2018 and 2019, 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 ("Suspension").

On 18 December 2017, the Company announced that in view of the Suspension, the board of directors ("Board") has established an independent board committee ("IBC") comprising all the independent non-executive directors of the Company, whose scope of the primary duties includes:

(i) conduct an independent investigation on the issues and matters arising from or relating to the Suspension;

(ii) make recommendations to the Board on appropriate action to be taken; and

(iii) working towards the goal of having the shares resumed in trading on the Stock Exchange.

1. GENERAL *(CONTINUED)*

During 2018 and 2019, the IBC had appointed independent forensic accountant to conduct investigations on the issues and matters arising from or relating to the direction issued by the SFC and to make recommendations to the Board.

After reviewing the findings and conclusion of the independent forensic accountant reports, the IBC accepted that the matters leading to the SFC's concerns on the materiality false, incomplete or misleading information contained in 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 were not substantiated. Hence, the Board has determined that no restatement of figures stated in the accounts contained in these previously issued annual and interim reports is necessary, and no disclosures contained in these accounts need to be amended.

On 30 April 2019, 31 July 2019 and 31 October 2019, the Company announced that the resumption application made by the Company to the SFC under section 9 of the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) will be considered by the board of the SFC in due course. The Company will continue to communicate with the SFC and seek to resume the trading of its shares on the Stock Exchange as soon as practicable.

As disclosed in the announcement of the Company dated 31 October 2019, the Board resolved on 31 October 2019, among other things, to call each director of the Company to resign and each resigning director of the Company shall be eligible to put himself/herself forward for re-election at a special general meeting of the Company held on 2 December 2019.

The Board proposed for a change of its composition as the Board believed that reorganisation of the Board would enable the Company to move forward and to develop a new development strategy for the Company.

On 10 January 2020, the Company announced that it received a letter from the Stock Exchange dated 7 January 2020 (the "Letter") stating that:

(i) The Stock Exchange's guidance letter states that the Stock Exchange would discuss with the SFC before exercising its right to delist an issuer suspended under Section 8 of the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong).

1. GENERAL *(CONTINUED)*

(ii) After consultation with the SFC, the Stock Exchange confirms that the Stock Exchange will, until further notice, withhold exercising its right to delist the Company under Rule 6.01A(2)(b)(i) of the Listing Rules should trading in the Company's securities remain suspended on 31 January 2020.

The Letter further states that the above is without prejudice to the Stock Exchange exercising its right under Rule 6.01A of the Listing Rules at a later stage when the Stock Exchange considers appropriate. The Stock Exchange also reserves all its rights under the Listing Rules. In particular, the Company is reminded of its obligation to procure a resumption of trading as soon as possible.

As at the date of approval for issuance of the condensed consolidated financial statements for the six months ended 30 June 2020, 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 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 as appropriate.

Other than additional accounting policies resulting from application of amendments to Hong Kong Financial Reporting Standards ("HKFRSs") and application of certain accounting policies which become relevant to the Group, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2020 are the same as those presented the Group's annual financial statements for the year ended 31 December 2019.

Application of amendments to HKFRSs

In the current interim period, the Group has applied the Amendments to References to the Conceptual Framework in HKFRS Standards and the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2020 for the preparation of the Group's condensed consolidated financial statements:

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

In addition, the Group has early applied the Amendment to HKFRS 16 "Covid-19-Related Rent Concessions".

Except as described below, the application of the Amendments to References to the Conceptual Framework in HKFRS Standards and the amendments to HKFRSs in the current period has had no material impact on the Group's financial positions and performance 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 amendments to HKFRSs** (Continued)*

3.1 Impacts of application on Amendments to HKAS 1 and HKAS 8 "Definition of Material"

The amendments provide a new definition of material that states "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendments also clarify that materiality depends on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements taken as a whole.

The application of the amendments in the current period had no impact on the condensed consolidated financial statements. Changes in presentation and disclosures on the application of the amendments, if any, will be reflected on the consolidated financial statements for the year ending 31 December 2020.

3.2 Impacts and accounting policies on early application of Amendment to HKFRS 16 "Covid-19– Related Rent Concessions"

3.2.1Accounting policies

Leases

Covid-19-related rent concessions

Rent concessions relating to lease contracts that occurred as a direct consequence of the Covid-19 pandemic, the Group has elected to apply the practical expedient not to assess whether the change is a lease modification if all of the following conditions are met:

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- any reduction in lease payments affects only payments originally due on or before 30 June 2021; and
- there is no substantive change to other terms and conditions of the lease.

3. PRINCIPAL ACCOUNTING POLICIES *(CONTINUED)*

Application of amendments to HKFRSs *(Continued)*

3.2 Impacts and accounting policies on early application of Amendment to HKFRS 16 "Covid-19– Related Rent Concessions" (Continued)

3.2.1 Accounting policies *(Continued)*

Leases *(Continued)*

Covid-19-related rent concessions *(Continued)*

A lessee applying the practical expedient accounts for changes in lease payments resulting from rent concessions the same way it would account for the changes applying HKFRS 16 "Leases" if the changes were not a lease modification. Forgiveness or waiver of lease payments are accounted for as variable lease payments. The related lease liabilities are adjusted to reflect the amounts forgiven or waived with a corresponding adjustment recognised in the profit or loss in the period in which the event occurs.

3.2.2 Transition and summary of effects

The Group has early applied the amendment in the current interim period. The application has no impact to the opening accumulated profits at 1 January 2020. The Group recognised changes in lease payments that resulted from rent concessions of approximately HK$4,666,000 in the profit or loss for the current interim period.

3.3 Accounting policies newly applied by the Group

In addition, the Group has applied the following accounting policies which became relevant to the Group in the current interim period.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate.

3. PRINCIPAL ACCOUNTING POLICIES *(CONTINUED)*

Application of amendments to HKFRSs *(Continued)*

3.3 Accounting policies newly applied by the Group (Continued)

Government grants *(Continued)*

Government grants relate to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable. Such grants are presented under "Other income".

Variable lease payments (the Group as a lessee)

When a lease contract contains a specific clause that provides for rent reduction or suspension of rent in the event that the underlying assets (or any part thereof) are affected by adverse events beyond the control of the Group and the lessor so as to render the underlying assets unfit or not available for use, the relevant rent reduction or suspension of rent resulting from the specific clause is accounted for as part of the original lease and not as a lease modification. Such rent reduction or suspension of rent is recognised in profit or loss in the period in which the event or condition that triggers those payments to occur.

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	
	2020	2019
	(unaudited)	(unaudited)
	HK$'000	HK$'000
Revenue recognised under HKFRS 15		
Hong Kong medical services		
– Medical services	**148,013**	227,643
– Dental services	**24,189**	30,194
	172,202	257,837
Hong Kong managed care business	**194,181**	236,697
Mainland hospital management and medical services	**64,191**	72,496
Others		
– Miscellaneous healthcare related services	**–**	10,218
Revenue recognised under other accounting standards		
Others		
– Rental income	**6,581**	7,657
Total	**437,155**	584,905
Revenue recognised under HKFRS 15		
Timing of revenue recognition		
At point in time	**388,083**	517,885
Over time	**42,491**	59,363
	430,574	577,248
Revenue recognised under other accounting standards	**6,581**	7,657
	437,155	584,905

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 year ended 31 December 2019, there were four reportable and operating segments presented, namely Hong Kong medical services, Hong Kong managed care business, Mainland hospital management and medical services and others. During the six months ended 30 June 2020, the chief operating decision maker, being the chief executive officer ("CEO"), assessed the current business units of the Group and the CEO considered that the locations of the different types of business are most relevant for the purposes of resources allocation and assessment of segment performance.

Specifically, the Group's 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 People's Republic of China ("PRC"), provision of hospital management and related services
- Others – Provision of miscellaneous healthcare related services, trading of listed securities and leasing of properties

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 2020

	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	172,202	194,181	64,191	6,581	–	437,155
Inter-segment sales	17,200	–	–	–	(17,200)	–
	189,402	194,181	64,191	6,581	(17,200)	437,155
Segment results	(29,189)	10,289	5,346	(33,167)	–	(46,721)
Impairment loss recognised on property, plant and equipment	(3,201)	–	–	–	–	(3,201)
Impairment loss recognised on goodwill	–	(6,736)	–	–	–	(6,736)
	(32,390)	3,553	5,346	(33,167)	–	(56,658)
Finance costs						(303)
Unallocated other income						4,315
Unallocated corporate expenses						(25,196)
Loss before tax						(77,842)

5. SEGMENT INFORMATION *(CONTINUED)*

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

Six months ended 30 June 2019 (Restated)

	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	–	–	–	(24,931)	–
	282,768	236,697	72,496	17,875	(24,931)	584,905
Segment results	26,053	21,193	29,434	(3,731)	–	72,949
Finance costs						(359)
Unallocated other income						4,112
Unallocated other gains and losses						(2,811)
Unallocated corporate expenses						(28,231)
Profit before tax						45,660

5. SEGMENT INFORMATION *(CONTINUED)*

Geographical information

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

	Six months ended 30 June	
	2020	2019
	(unaudited)	(unaudited)
	HK$'000	HK$'000
Hong Kong	**372,964**	512,409
Other regions of the PRC	**64,191**	72,496
	437,155	584,905

6. OTHER INCOME

	Six months ended 30 June	
	2020	2019
	(unaudited)	(unaudited)
	HK$'000	HK$'000
Dividend income from equity instruments at fair value through other comprehensive income		
– Relating to investments held at the end of the reporting period	**175**	3,709
Interest income	**22,588**	18,481
Rental income	**1,626**	2,309
Government grants	**4,894**	–
Rent concessions	**4,666**	–
Sundry income	**2,408**	1,803
	36,357	26,302

During the current interim period, the Group recognised government grants of approximately HK$4,894,000 in respect of Coronavirus Disease 2019 ("COVID-19")-related subsidies, of which are all related to Employment Support Scheme ("ESS") provided by the Hong Kong government under which the Group is required (1) not to implement redundancies from June 2020 to August 2020; and (2) to spend all the wage subsidies on paying wages to its employees. In the opinions of the directors of the Company, there is reasonable assurance that the Group will comply with the requirements attaching to the ESS.

7. OTHER GAINS AND LOSSES, NET

	Six months ended 30 June	
	2020	2019
	(unaudited)	(unaudited)
	HK$'000	HK$'000
Reversal of allowance of expected credit loss recognised in respect of amount due from an associate	**2,000**	–
Impairment loss recognised on property, plant and equipment	**(3,201)**	–
Impairment loss recognised on goodwill	**(6,736)**	–
Fair value changes on investment properties	**(42,339)**	(2,074)
Fair value changes on financial assets at fair value through profit or loss	**(1,115)**	(2,035)
Loss on disposal of & written-off of property, plant and equipment	**–**	(9,643)
Loss on disposal of subsidiaries	**(370)**	(9,606)
	(51,761)	(23,358)

8. FINANCE COSTS

	Six months ended 30 June	
	2020	2019
	(unaudited)	(unaudited)
	HK$'000	HK$'000
Interest on bank borrowing	**303**	359
Interest on lease liabilities	**2,338**	2,737
	2,641	3,096

9. INCOME TAX EXPENSES

	Six months ended 30 June	
	2020	2019
	(unaudited)	(unaudited)
	HK$'000	HK$'000
Hong Kong Profits Tax	**4,421**	8,091
PRC Enterprise Income Tax	**6,382**	11,926
Deferred taxation credit	**(983)**	(1,296)
	9,820	18,721

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. (LOSS) PROFIT FOR THE PERIOD

	Six months ended 30 June	
	2020	2019
	(unaudited)	(unaudited)
	HK$'000	HK$'000
(Loss) profit for the period has been arrived at after (crediting) charging:		
Staff costs		
– Directors' remuneration	**252**	7,459
– Other staff's salaries, bonus and other benefits	**276,785**	313,668
– Other staff's retirement benefits scheme contributions	**3,496**	4,041
	280,533	325,168
Amortisation of intangible assets	**5,166**	5,245
Depreciation of property, plant and equipment	**24,303**	24,794
Depreciation of right-of-use assets	**38,651**	39,316
COVID-19-related rent concession (note 13)	**(4,666)**	–

11. DIVIDENDS

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

12. (LOSS) EARNINGS PER SHARE

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

	Six months ended 30 June	
	2020	2019
	(unaudited)	(unaudited)
	HK$'000	HK$'000
(Loss) profit for the period attributable to owners of the Company and (loss) earnings for the purpose of calculating basic and diluted (loss) earnings per share	**(93,968)**	14,153

	30 June 2020	30 June 2019
	(unaudited)	(unaudited)
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic and diluted (loss) earnings per share	**7,526,134,452**	7,526,134,452

The denominators used are the same as those detailed above for both basic and diluted (loss) earnings per share. Diluted (loss) earnings per share for both the six months ended 2020 and 2019 were presented as the same as basic (loss) earnings per share as there were no potential ordinary shares in issue for both the six months ended 2020 and 2019.

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

During the six months ended 30 June 2020, the Group acquired property, plant and equipment of approximately HK$6,971,000 (2019: approximately HK$11,048,000).

During the six months ended 30 June 2020, a premise situated in Hong Kong which was previously leased out for rental income have been changed to self-used premises. Accordingly, the investment properties with fair value of HK$37,800,000 have been transferred to leasehold land and buildings at the date of change in use.

During the six months ended 30 June 2020, the Group entered into some new lease agreements for the use of retail shops and office for an average of 2.40 years (2019: 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 approximately HK15,973,000 of right-of-use assets and approximately HK$15,973,000 of lease liabilities (2019: the Group recognised approximately HK$27,234,000 of right-of-use assets and approximately HK$27,249,000 of lease liabilities).

During the six months ended 30 June 2020, lessors of retail shops provided rent concessions to the Group through rent reductions ranging from 5% to 75% over one to three months. These rent concessions occurred as a direct consequence of the COVID-19 pandemic and met all of the conditions in HKFRS 16.46B, and the Group applied the practical expedient not to assess whether the changes constitute lease modifications. During the current interim period, the effects on changes in lease payments due to forgiveness or waiver by the lessors for the relevant leases of approximately HK$4,666,000 were recognised as negative variable lease payments.

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$42,339,000 has been recognised directly in profit or loss for the six months ended 30 June 2020 (2019: decrease in fair value of investment properties of approximately HK$2,074,000).

13. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT, RIGHT-OF-USE ASSETS AND INVESTMENT PROPERTIES *(CONTINUED)*

As a result of the changes in the current economic environment related to the COVID-19 pandemic, the Group is experiencing negative conditions of decreased revenues, that indicate that the relevant property, plant and equipment may be impaired. During the six months ended 30 June 2020, the Group performed impairment testing and the recoverable amounts of the leasehold improvements of two cash-generating-units (the "2 CGUs") are smaller than carrying amounts, full impairment of approximately HK$3,201,000 leasehold improvement under property, plant and equipment related to the 2 CGUs has been recognised.

14. LOANS RECEIVABLE

	30 June 2020 (unaudited) HK$'000	31 December 2019 (audited) HK$'000
Fixed-rate loans receivable (unsecured)	**30,971**	45,353
Analysed for reporting purpose as:		
Non-current portion	**3,771**	4,216
Current portion	**27,200**	41,137
	30,971	45,353

15. GOODWILL

As a result of the changes in the current economic environment related to the COVID-19 pandemic, the Group is experiencing negative conditions of decreased revenues, that indicate that the relevant goodwill may be impaired. During the six months ended 30 June 2020, the Group performed impairment testing and recognised impairment loss of approximately HK$6,736,000 related to goodwill. The recoverable amounts of the impaired cash generating unit (1 out of 3 cash generating unit is impaired) was determined based on value in use calculations which use cash flow projections based on most recent financial budgets approved by management covering a five years period, were extrapolated assuming the growth rate ranged from 2.54% to 17.68% using a pre-tax discount rate of 15.54%.

16. INTERESTS IN ASSOCIATES

During the six months ended 30 June 2020, in view of the performance of Auspicious Idea Corporate Development Limited ("Auspicious Idea"), which is an associate of the Group, is affected by the COVID-19 pandemic and the regulation of mandatory closed of beauty parlour imposed by the Hong Kong government. The Group has performed impairment assessment on interests in Auspicious Idea whereby the recoverable amounts of Auspicious Idea was determined based on value in use calculations which use cash flow projections based on most recent financial budgets approved by management covering a five years period, were extrapolated assuming the growth rate ranged from 1.00% to 57.21% using a pre-tax discount rate of 21.92%. Following the impairment assessment, HK$nil was recognised as impairment loss in the profit or loss during the six months ended 30 June 2020.

17. PROMISSORY NOTES

	Notes	**30 June 2020 (unaudited) HK$'000**	31 December 2019 (audited) HK$'000
Mr. Dai Hai Dong	(i)	**–**	–
Profit Castle Holdings Limited	(ii)	**325,456**	325,456
		325,456	325,456

Notes:

(i) As at 30 June 2020 and 31 December 2019, a promissory note with a principal amount of HK$203,705,000 was outstanding, which carried interest of 5% per annum and matured in November 2019. The promissory note was issued by the purchaser, Mr. Dai Hai Dong ("Mr. Dai"), 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 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.

17. PROMISSORY NOTES *(CONTINUED)*

Notes:

(i) *(Continued)*

On 12 April 2019, the Group announced Mr. Dai failed to repay the interest accrued from 1 January 2019 and considered that the recoverability of the promissory note was remote. On 6 May 2019, the Group initiated legal proceedings in the Court of First Instance of the High Court of Hong Kong against Mr. Dai in respect of all outstanding sums owing by him under the promissory note by the issuance of a writ of summons endorsed with an indorsement of claim. On 6 December 2019, the Group discontinued the above proceedings in Hong Kong. Instead, the Group initiated legal proceedings in the Hongzhou Intermediate People's Court of the PRC against Mr. Dai on 12 December 2019. Further details are set out in Company's announcements dated 4 November 2016, 12 April 2019 and 10 May 2019.

During the interim period, the legal proceedings against Mr. Dai in the PRC was still in process. Accordingly, an allowance for expected credit loss recognised in the prior year was not reversed.

(ii) A promissory note with a principal amount of HK$330,000,000, which carries interest of 6% per annum, matured in April 2020. The promissory note was issued by Profit Castle Holdings Limited, a company incorporated in the British Virgin Islands with limited liability and owned as to 50% by Dr. Ip Chun Heng, Wilson ("Dr. Ip"), a former director of the Company and 50% by his spouse, as part of the consideration of the acquisition of the Group's interests in Bonjour Beauty International Limited and its subsidiaries. The promissory note is covered by personal guarantee provided by Dr. Ip and secured by the entire issued share capital of Bonjour Beauty International Limited. If there is any default, the Group has the right to apply to the court for realising the collateral of the shares.

As at 30 June 2020, the promissory note became 82 days past due, the management of the Group considered that the credit risk of the promissory note has been significantly increased accordingly. Dr. Ip proposed to renew and extend the contractual repayment terms of the settlement of the promissory note. Up to the date of these condensed consolidated financial statements being authorised for issue, the details of the repayment terms of the promissory note are under negotiation.

Based on the assessment of the renewal and extension of repayment terms of the promissory note, the management of the Group considered that such renewal and extension is in the interests of the shareholders of the Company after taking the following into consideration: i) Dr. Ip has repaid the outstanding interest accrued on the promissory note up to 9 April 2020; ii) Dr. Ip is a prominent business person in Hong Kong; iii) due to the social movement in Hong Kong in the second half of 2019 and the widespread COVID-19 pandemic in 2020, the business environment in Hong Kong has deteriorated substantially. With the COVID-19 pandemic under managed control and relaxation of the social distancing measures in Hong Kong, the management of the Group believes that the business in Hong Kong including that of Dr. Ip may gradually recover; iv) as there are sufficient collaterals which the fair value of the pledged shares is greater than the carrying amount of the promissory note, the promissory note is considered recoverable and no material allowance for expected credit losses is recognised.

18. TRADE AND OTHER RECEIVABLES

	30 June 2020 (unaudited) HK$'000	31 December 2019 (audited) HK$'000
Trade receivables	**101,374**	119,890
Prepayments, deposits and other receivables	**103,916**	99,834
	205,290	219,724

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

	30 June 2020 (unaudited) HK$'000	31 December 2019 (audited) HK$'000
0-60 days	**88,505**	113,244
61-120 days	**11,385**	4,806
121-180 days	**700**	1,336
181-240 days	**784**	504
	101,374	119,890

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 (2019: 180 to 240 days) while settlement by corporate customers of the Group's managed care operation is from 60 to 180 days (2019: 60 to 180 days). The Group provides an average credit period of 60 to 240 days (2019: 60 to 240 days) to its trade customers under its other business activities.

19. TRADE AND OTHER PAYABLES

	30 June 2020 (unaudited) HK$'000	31 December 2019 (audited) HK$'000
Trade payables	**41,315**	36,061
Other payables	**39,868**	44,127
Deposits received	**5,215**	5,821
Accruals	**68,328**	79,981
	154,726	165,990

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

	30 June 2020 (unaudited) HK$'000	31 December 2019 (audited) HK$'000
0-60 days	**26,117**	28,420
61-120 days	**7,266**	6,588
Over 120 days	**7,932**	1,053
	41,315	36,061

The average credit period on purchase of goods is 60 to 120 days (2019: 60 to 120 days).

20. BANK BORROWING

	30 June 2020 (unaudited) HK$'000	31 December 2019 (audited) HK$'000
Secured	**17,207**	17,730

As at 30 June 2020 and 31 December 2019, the bank borrowing of the Group carried variable interest rates at Hong Kong Interbank Offered Rate +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.

21. SHARE CAPITAL

	Numbers of Shares	**Amount** HK$'000
Ordinary shares of HK$0.01 each		
Authorised:		
At 1 January 2019, 31 December 2019 and 30 June 2020	30,000,000,000	300,000
Issued and fully paid:		
At 1 January 2019, 31 December 2019 and 30 June 2020	7,526,134,452	75,261

22. 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).

22. 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 2020 (unaudited) HK$'000	Fair value as at 31 December 2019 (audited) HK$'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	**5,296**	6,411	Level 1	Quoted bid prices in an active market	n/a	n/a	n/a
2 Equity instruments at fair value through other comprehensive income	**39,078**	59,609	Level 3	Discounted cash flow method	Yearly growth rates of revenue	0% to 10.9% (31 December 2019: Ranging from 5% to 10.9%)	The increase in yearly growth rates of revenue would increase in fair value
					Terminal growth rate	2.54% (31 December 2019: 2.54%)	The increase in terminal growth rate would increase in fair value
					Pre-tax operating profit margin	11.15% (31 December 2019: 12.98%)	The increase in yearly pre-tax operating profit margin would increase in fair value
					Weighted average cost of capital	13.03% (31 December 2019: 12.58%)	The increase in weighted average cost of capital would decrease in fair value
					Company specific risk premium	2.5% (31 December 2019: 2.5%)	The increase in company specific risk premium would decrease in fair value
					Discount rate for lack of control and marketability	Ranging from 10.15% to 15.8% (31 December 2019: Ranging from 10.15% to 15.80%)	The increase in discount rate would decrease in fair value

22. 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

	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 2019	3,691	85,190
Fair value changes	(3,691)	(25,581)
At 1 January 2020	–	59,609
Fair value changes	–	(20,531)
At 30 June 2020	–	39,078

The fair value loss on financial assets at fair value through profit or loss for the year ended 31 December 2019 of approximately HK$3,691,000 related to the contingent consideration that are measured at fair value at the end of each reporting period and are included in "other gains and losses, net".

The fair value loss on equity intrustments at fair value throgh other comperhensive income for the period ended 30 June 2020 of approximately HK$20,531,000 (for the year ended 31 December 2019: fair value loss of approximately HK$25,581,000) included other comprehensive income held at the end of the reporting period and are reported as changes of "investment revaluation reserves".

GLOSSARY

AGM	annual general meeting of the Company
Audit Committee	audit committee of the Board
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 Life Shenzhen	中國人壽保險股份有限公司深圳市分公司 (in English, for identification purpose only, China Life Insurance Company Limited, Shenzhen 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. Cho	Dr. Cho Kwai Chee
Dr. Choi	Dr. Choi Chee Ming, *GBS, JP*
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)
gearing ratio	total bank borrowings divided by equity attributable to owners of the Company

GLOSSARY

Group	the Company and its subsidiaries
HCMPS	HCMPS Healthcare Holdings Limited
HK$	Hong Kong dollars, the lawful currency of Hong Kong
HKICPA	Hong Kong Institute of Certified Public Accountants
Hongda	南陽市弘達建築裝飾有限公司 (in English, for identification purpose only, Nanyang Hongda Construction Decoration Co., Ltd.), a subsidiary of the Company
Hong Kong	Hong Kong Special Administrative Region of the PRC
Huayao	Huayao Medical Group Limited
Jianke	南陽健科醫療科技有限公司 (in English, for identification purpose only, Nanyang Jianke Medical Technology Co., Ltd.), a subsidiary of the Company
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
Nanshi Hospital	南陽南石醫院 (in English, for identification purpose only, Nanshi Hospital of Nanyang)
Nanshi Hospital Seniors' Rehabilitation and Care Centre	南石醫院老年康復護理院 (in English, for identification purpose only, Nanshi Hospital Seniors' Rehabilitation and Care Centre)
Nanyang Ruishi Ophthalmology Hospital	南陽瑞視眼科醫院有限公司 (in English, for identification purpose only, Nanyang Ruishi Ophthalmology Hospital Co., Ltd.), a subsidiary of the Company

GLOSSARY

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
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
RMB	Renminbi, the lawful currency of the PRC
Ruibang	南陽市瑞邦家政服務有限公司 (in English, for identification purpose only, Nanyang Ruibang Home Services Co., Ltd.), a subsidiary of the Company
SFC	Securities and Futures Commission of Hong Kong
SFO	Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong)
Share(s)	ordinary share(s) of HK$0.01 each in the share capital of the Company
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

GLOSSARY

TBM	The Beauty Medical
TH (BVI)	Town Health (BVI) Limited, a wholly-owned subsidiary of the Company
US$	United States dollars, the lawful currency of the United States of America
Vio	Dr. Vio & Partners Limited, a subsidiary of the Company
Xiangbang	河南祥邦物業服務有限公司 (in English, for identification purpose only, Henan Xiangbang Property Services Co., Ltd.), a subsidiary of the Company
Wise Lead	Wise Lead Holdings Limited
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
Yugangxiang	雲南豫港祥醫藥有限公司 (in English, for identification purpose only, Yunnan Yugangxiang Pharmaceuticals Co., Ltd.), a subsidiary of the Company