



# 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)



## 2015 INTERIM REPORT

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## CORPORATE INFORMATION

### BOARD OF DIRECTORS

#### **Executive Directors**

Miss Choi Ka Yee, Crystal (*Chairperson*)

Dr. Cho Kwai Chee

(*Executive Deputy Chairman*)

Dr. Hui Ka Wah, Ronnie, JP

(*Chief Executive Officer*)

Dr. Ip Chun Heng, Wilson

Mr. Lee Chik Yuet

Mr. Wong Seung Ming, CPA, FCCA

(*Chief Financial Officer*)

Dr. Chan Wing Lok, Brian (*Note 1*)

#### **Non-executive Directors**

Dr. Choi Chee Ming, GBS, JP (*Deputy Chairman*)

Ms. Fang Haiyan (*Deputy Chairperson*)

Mr. Chen Jinhao

Mr. Tsai Ming-hsing (*Deputy Chairman*) (*Note 2*)

#### **Independent Non-executive Directors**

Mr. Ho Kwok Wah, George, MH

Mr. Wong Tat Tung, MH

Mr. Yu Xuezhong

Ms. Li Mingqin

Mr. Wang John Hong-chiun (*Note 2*)

Mr. Wai Kwok Hung, SBS, JP (*Note 1*)

### BOARD COMMITTEES

#### **Audit Committee**

Mr. Ho Kwok Wah, George, MH (*Chairman*)

Mr. Wong Tat Tung, MH

Mr. Yu Xuezhong

Ms. Li Mingqin

Mr. Wang John Hong-chiun (*Note 2*)

Mr. Wai Kwok Hung, SBS, JP (*Note 1*)

#### **Remuneration Committee**

Mr. Ho Kwok Wah, George, MH

(*Chairman*) (*Note 3*)

Mr. Wong Tat Tung, MH

Mr. Yu Xuezhong

Ms. Li Mingqin

Mr. Lee Chik Yuet

Mr. Wai Kwok Hung, SBS, JP (*Note 3*)

#### **Nomination Committee**

Mr. Wong Tat Tung, MH (*Chairman*)

Mr. Ho Kwok Wah, George, MH

Ms. Li Mingqin

Mr. Lee Chik Yuet

Mr. Wai Kwok Hung, SBS, JP (*Note 1*)

#### **Notes:**

1. Resigned on 2 September 2015
2. Appointed on 2 September 2015
3. On 2 September 2015, Mr. Ho Kwok Wah, George, MH was appointed as, while Mr. Wai Kwok Hung, SBS, JP resigned as, the Chairman of the Remuneration Committee.

### COMPANY SECRETARY

Mr. Wong Seung Ming, CPA, FCCA

### AUDITOR

Deloitte Touche Tohmatsu

*Certified Public Accountants*

### REGISTERED OFFICE

Canon's Court

22 Victoria Street

Hamilton HM12

Bermuda

### 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 BANKER

Dah Sing Bank, Limited

### PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Appleby Management (Bermuda) Ltd.

Canon's Court

22 Victoria Street

Hamilton HM12

Bermuda

### HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Tengis Limited

Level 22, Hopewell Centre,

183 Queen's Road East

Hong Kong

### WEBSITE

[www.townhealth.com](http://www.townhealth.com)

## FINANCIAL HIGHLIGHTS

For the six months ended 30 June 2015:

- The Group recorded revenue of approximately HK\$538,789,000 (2014: approximately HK\$191,887,000).
- The Group recorded a profit of approximately HK\$259,926,000 (2014: approximately HK\$64,634,000). The increase in profit was mainly attributable to (1) the significant additional revenue generated following the completion of the acquisitions of, amongst others, Dr. Vio & Partners Limited and Bonjour Beauty International Limited, (2) an increase in gain from the strategic investment in securities, and (3) effective treasury management.

As at 30 June 2015:

- The Group had a current ratio (defined as total current assets divided by total current liabilities) of 5.59 and a gearing ratio (defined as total bank and other borrowings divided by equity attributable to owners of the Company) of 3.16%.

During the six months ended 30 June 2015, a final dividend of HK0.33 cents per ordinary share for the year ended 31 December 2014 was declared and paid.

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2015 (2014: Nil).

## MANAGEMENT DISCUSSION AND ANALYSIS

### FINANCIAL REVIEW

Town Health International Medical Group Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) are pleased to report the results for the six months ended 30 June 2015 (the “Period under review”).

During the Period under review, revenue increased by 180.78% to approximately HK\$538,789,000 (2014: approximately HK\$191,887,000), and the Group recorded profit of approximately HK\$259,926,000 (2014: approximately HK\$64,634,000).

The increase in profit was mainly attributable to (1) the significant additional revenue generated following the completion of the acquisitions of, amongst others, Dr. Vio & Partners Limited (“Dr. Vio”) and Bonjour Beauty International Limited (“Bonjour Beauty”), (2) an increase in gain on strategic investment in securities, and (3) effective treasury management. Profit attributable to owners of the Company for the Period under review was approximately HK\$258,297,000 (2014: approximately HK\$45,157,000). The profit was slightly offset by the increase in finance costs of approximately HK\$14,921,000 and loss on deemed disposal of an associate of approximately HK\$40,160,000 during the Period under review. The Group’s gross profit margin for the Period under review was 43.16% (2014: 30.50%), representing an increase of 12.66 percentage points as compared with the corresponding period last year.

#### ***Additional revenue contributions from acquisitions***

The Group has been actively diversifying and expanding its medical businesses in Hong Kong and the People’s Republic of China (the “PRC”). It has commenced the managed care business and the beauty and cosmetic medicine business following its mergers with, and acquisitions, of Dr. Vio and Bonjour Beauty in September 2014 and January 2015 respectively, thereby broadening its revenue sources and increasing its profit.

#### ***Increase in gain from strategic investment in securities***

Total gain from the Group’s strategic investment in securities for the Period under review amounted to approximately HK\$298,259,000 (2014: approximately HK\$9,851,000), comprising realised gain from disposal of held for trading investments of approximately HK\$242,461,000 and unrealised gain on fair value changes on held for trading investments in healthcare related companies of approximately HK\$55,798,000.

#### ***Effective treasury management***

In order to better manage its net cash on hand, the Group has implemented effective treasury management during the Period under review and interest income increased to approximately HK\$17,020,000 during the Period under review (2014: approximately HK\$9,532,000).

## MANAGEMENT DISCUSSION AND ANALYSIS

### OPERATION REVIEW

#### ***Ambitious expansion of medical business in Hong Kong and the PRC***

Adhering to an established development strategy of diversifying its medical business, the Group has made persistent effort to enlarge the scale and the growth momentum of its medical business through both organic growth and mergers and acquisitions, including the acquisitions of the businesses of managed care, beauty and cosmetic medicine and hospital management which were completed in 2014 and the first half of 2015 respectively. During the Period under review, the Group focused on integrating these new businesses, creating synergies and optimising the overall medical platform by leveraging its internal resources, strengths and expertise in the medical industry.

#### ***Steady growth of healthcare and dental services business***

Being one of the leading healthcare service providers in Hong Kong, the Group provides one-stop integrated healthcare services across whole value chain encompassing primary and specialty medical care, laboratory check and dental services. The Group opened a total of 4 new medical centres during the Period under review. At present, the Group operates 88 medical centres, 10 dental clinics, 10 health check centres and 3 laboratories across Hong Kong. During the Period under review, the Group had been searching for potential locations and had been recruiting outstanding and experienced doctors and dentists for its new medical centres. Healthcare and dental services contributed revenue of approximately HK\$207,560,000 (2014: HK\$182,473,000), which constituted approximately 38.52% (2014: 95.09%) of the total revenue of the Group for the Period under review.

#### ***Managed care business***

The Group commenced its managed care business and reinforced its position in Hong Kong's healthcare management industry after the acquisition of Dr. Vio in September 2014. Revenue and normalised operating profit of Dr. Vio has been increasing by over 10% and 20% respectively for the past four consecutive years, demonstrating Dr. Vio's rapid development and continuous business growth. During the Period under review, by proactively incorporated Dr. Vio into its own network, the Group further enlarged the coverage of Dr. Vio's healthcare network, providing more convenient and higher quality services to Dr. Vio's customers, and strengthened Dr. Vio's market competitiveness. In addition, the Group and Dr. Vio established joint medical centres in Tsuen Wan and Shatin respectively, expanding the network coverage of Dr. Vio while enhancing its competitiveness. On the other hand, the collaboration between Dr. Vio's healthcare network and the Group's specialty medical services was enhanced through resource integration in order to create synergies by way of referrals to the Group's specialists from Dr. Vio. The Group also vigorously promoted Dr. Vio's business and increased its presence in the medical insurance



## MANAGEMENT DISCUSSION AND ANALYSIS

market during the Period under review through soliciting more medical insurance service contracts from insurance companies. During the Period under review, the Group has initiated discussions with China Life (Overseas) Company Limited (“China Life Overseas”) for co-operation in managed care business and Dr. Vio’s healthcare management services aiming at providing professional and quality medical services to its clients in Hong Kong. Meanwhile, the Group and China Life Insurance (Group) Company (“China Life Group”) have also been exploring the possibility of replicating Dr. Vio’s medical management service model in the PRC medical insurance market to enable an effective allocation of resources and control medical expenses with Dr. Vio’s management system which would, in turn, enhance the cost control and operational efficiency of the PRC medical insurance market.

### ***Continual expansion of specialty medical centres***

The Group is committed to providing diversified specialty medical services through a comprehensive medical service platform. During the Period under review, 2 cardiology centres, an orthopaedic centre and an endocrinology centre have commenced operation. The Group currently has a total of 36 specialty medical centres offering orthopaedic, endocrinology, nephrology, plastic surgery, beauty and cosmetic medicine, cardiology, ophthalmology, reproductive medicine, otorhinolaryngology, general surgery, physiotherapy and other specialty services. To facilitate the development of the specialty medical business, the Group has recruited various seasoned specialists for its team during the Period under review. At the same time, the Group fostered further collaboration between its specialty medical services and Dr. Vio’s healthcare network through effective resource integration and patient referral in order to provide professional and quality specialty medical services to the enormous customer base of Dr. Vio and accelerate the development of the Group’s specialty medical business.

### ***Beauty and cosmetic medicine business***

Completed in January 2015, the acquisition of Bonjour Beauty marked a new milestone in the Group’s beauty and cosmetic medicine business development. Bonjour Beauty specialises in providing professional, quality and effective beauty and cosmetic medicine services to its customers. Its beauty and cosmetic medicine network currently comprises 16 beauty salons across the PRC, Hong Kong and Macau. During the Period under review, the Group made use of its over 25 years of expertise and management experience in the medical industry to optimise the business development strategy of Bonjour Beauty and stepped up the development of cosmetic medicine business in order to maximise the value of Bonjour Beauty’s business. Preparations for a professional plastic surgery centre at a

## MANAGEMENT DISCUSSION AND ANALYSIS

prime location in Causeway Bay were under way while a new cosmetic medicine centre in another region was being planned. Furthermore, the Group has not only boosted the marketing effects of Bonjour Beauty by establishing a sales team with experienced cosmetic medicine sales, but also enlisted additional experienced medical cosmetic practitioners exclusively for this business to deliver professional services to its customers. In addition, two introductory campaigns called “魅力有約之港醫美麗行” were organised for senior staff and management of the Shenzhen branch of China Life Group during the Period under review. Beauty and cosmetic medicine and vaccine seminars were also held at the Shenzhen office of China Life Group, during which the Group’s senior beauty and cosmetic medicine consultants introduced and explained their services to the audience. The Group also engaged in a constructive discussion with China Life Group about the development of medical tourism between the PRC and Hong Kong as well as offering exclusive discounts for China Life Group’s clients. In view of the development of medical tourism, the Group believes that new customers from the PRC will drive the sustainable growth of the beauty and cosmetic medicine business, which is expected to be another key focus of the Group.

### ***Hospital management services***

In March 2015, the Group completed the acquisition of 49% interest in Huayao Medical Group Limited (together with its subsidiaries, “Renji Group”). Renji Group operates a rehabilitation hospital, an elderly home and an outpatient medical clinic in Hangzhou which provide traditional Chinese medical care, Western medicine healthcare and dental services to the locals. During the Period under review, the Group endeavoured to enhance the operational efficiency of Renji Group by establishing a modern corporate governance structure, refining the supply chain management system, and strengthening human resources and financial management. Moreover, to standardise and regulate hospital operation and management, the hospital information and supply chain management systems were being developed during the Period under review with the aim of making it applicable to the management of other hospitals in the PRC in the future. Meanwhile, the Group is also planning to expand Renji Group to increase the number of its hospital beds to over 500 so as to meet the demands of the locals.



## MANAGEMENT DISCUSSION AND ANALYSIS

### ***Forging influential strategic partnership with China Life Group***

In January 2015, the Group entered into an investment agreement ("Investment Agreement") with China Life Group. Following the completion of the Investment Agreement, China Life Group became the largest shareholder holding approximately 23.9% of the total issued shares of the Company in May 2015. Having China Life Group as the Group's largest shareholder is monumental in the following ways: (1) pooling of China Life Group's strength, capital resources and client base in the insurance market as well as the Group's medical business platform to boost the Group's future development as an integrated healthcare services provider and management services provider and to extend the Group's business from Hong Kong to the huge medical market in the PRC by establishing chain clinics, medical network and community medical business jointly with China Life Group in the PRC; (2) using the Group's management systems and expertise and Dr. Vio's medical management system to provide support to the implementation of China Life Group's healthcare strategy and as the stepping stone for the Group to apply Dr. Vio's managed care operation model to the private medical insurance market in the PRC; and (3) leveraging China Life Group's enormous staff and client bases to nurture the Group's medical tourism business by providing them with high-end dental services, specialty medical services, advanced health check services and professional beauty and cosmetic medicine services so as to boost the market demand for the Group's medical platform in Hong Kong and provide impetus to its development. To implement the above strategies, the Group has appointed Ms. Fang Haiyan, the general manager of the Business Department of China Life Group, as the Deputy Chairperson of the Board and a non-executive director of the Company ("Director") and Mr. Chen Jinhao, an associate director of China Life Group, as a non-executive Director during the Period under review. Mr. Yu Xuezhong, an assistant to the medical superintendent, a professor in emergency medicine and a supervisor of the emergency medicine division of Peking Union Medical College Hospital, and Ms. Li Mingqin, an executive director and the vice president of Sino Biopharmaceutical Limited (Stock Code: 1177), were also appointed as independent non-executive Directors during the Period under review to further strengthen the Group's management, and enrich its expertise, in the PRC medical market. Furthermore, to facilitate the co-operation and medical business development between the Group and China Life Group, the Group appointed a senior officer of China Life Group as the head of PRC business development who is responsible for all joint medical collaboration projects between the two parties as well as developing all other PRC medical projects, so as to closely coordinate the co-operation between the two parties and effectively implement all collaboration projects.

## MANAGEMENT DISCUSSION AND ANALYSIS

### ***Medical tourism between the PRC and Hong Kong***

After entering into the Investment Agreement in January 2015, China Life Group and the Group started to discuss on the development of medical tourism between the PRC and Hong Kong as one of the major initiatives. China Life Group currently has over 300 million clients in the PRC and China Life Overseas is one of the leading insurance companies in Hong Kong. In view of the increasing consumption power and huge demand for high-end and quality medical services of the citizens in the PRC, the Group's co-operation with China Life Group will allow the clients of China Life Group to enjoy exclusive medical and cosmetic packages in Hong Kong at favourable discounts through the Group's medical platform across the PRC and Hong Kong. These packages will cover the Group's comprehensive medical specialty, health check and diagnosis, high-end dental, professional beauty and cosmetic medicine, vaccine injection and other services in Hong Kong as well as high-end health check and medical diagnostic services in Guangzhou. During the Period under review, the Group has set up a website, a mobile application and a customer hotline centre designated for the development of medical tourism in the PRC and Hong Kong with China Life Group. As mentioned above, the Group has also conducted two introductory campaigns called “魅力有約之港醫美麗行” as well as beauty and cosmetic medicine and vaccine seminars for the Group's senior beauty and cosmetic medicine consultants to introduce the Group's high-end healthcare services and equipment to the senior sales team of China Life Group in Shenzhen. Staff of China Life Group participating in such activities had the opportunity to experience the Group's exclusive offers and medical services in Hong Kong. The Group wishes to expedite the development of medical tourism so as to provide quality medical services to the clients of China Life Group, thereby cementing their loyalty and allegiance to China Life Group while giving further impetus to the development of the Group's medical platform in Hong Kong.

### ***Development of comprehensive trans-border O2O platform***

Benefited from the increasing popularity of internet and the fast growing number of smartphone users, mobile applications and online to offline (O2O) platforms have developed rapidly in recent years. Therefore, during the Period under review, the Group accelerated the development of its O2O platform which is expected to be launched in the second half of the year. This O2O platform is designed as an efficient and convenient one-stop O2O healthcare platform for the customers of the Group and its partners. With the mobile application developed by the Group, the customers can easily search for suitable doctors on the one-stop O2O healthcare platform and make any outpatient, specialty, dental, health check and beauty and cosmetic medicine appointments in the shortest time. Customers can also browse through health news, keep their own personal medical records, personalise health management plans, receive relevant health reminders or warnings, and seek related

## MANAGEMENT DISCUSSION AND ANALYSIS

advice or recommendations from the customer service centre at any time and place so as to obtain the best treatment for any illness. This O2O platform will be linked to all the business platforms and units of the Group in order to achieve resource sharing, synergies and cross sales while enhancing efficiency for each and every customer and business unit. Furthermore, the Group intends to extend this O2O platform to the PRC medical market. As such, the Group intends to establish further and closer ties with China Life Group and China Life Overseas so as to apply this O2O platform to enhance the development of medical tourism in Hong Kong.

### ***Active exploration of other PRC medical projects***

Driven by the medical reform in the PRC, it is anticipated that the demand for quality medical services will surge. This means that the PRC medical service industry has huge market potential. During the Period under review, the Group industriously developed high-end dental services in the PRC and set up wholly-owned high-end dental clinics in Hangzhou. The Group also established three entities engaging in dental materials procurement, dental software service providers and high-end dental training businesses to support the long-term development of dental business in the PRC. On the other hand, the Group has also been proactively looking for promising chain dental clinics for acquisition to speed up the development of its own dental clinic network, and memorandums have been agreed upon with some potential targets. In addition, for better management of the medical business in the PRC, the Group had established branch offices in Hangzhou and Shanghai during the Period under review. The Hangzhou branch is mainly responsible for managing and supervising the hospital operation in Hangzhou, engaging in public hospital reform projects and setting up dental clinics, while the Shanghai branch acts as the Group's mergers and acquisitions office in the PRC and is responsible for identifying potential medical projects and evaluating their business values.

### ***Steadily growing pharmaceutical distribution business in the PRC***

New Ray Medicine International Holding Limited ("New Ray Medicine") (Stock Code: 6108), an associate of the Company, has successfully migrated its listing to the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") after being listed on the Growth Enterprise Market of the Stock Exchange for 20 months since 2013. This migration represented further market recognition of New Ray Medicine's business growth. New Ray Medicine procures pharmaceutical products throughout the PRC from 30 suppliers and sells 45 pharmaceutical products through a network of 122 distributors spreading over 19 regions in the PRC. New Ray Medicine has successfully promoted its products to around 800 hospitals through the tendering process in Zhejiang Province. Its reliable supply chain network and extensive distributorship allows its products to penetrate into different niche markets effectively. During the Period under review, New Ray Medicine recorded outstanding business growth and made further contribution to the Group's profit.

## MANAGEMENT DISCUSSION AND ANALYSIS

### ***Strategic investments***

To achieve long-term and sustainable business growth, the Group has established a strategic investment business unit to prudently select promising listed healthcare related companies in Hong Kong as investment targets, which will then be assessed and analysed by the professional medical team and financial experts of the Group for making potential investments. The Group will also study the feasibility of business co-operation with these companies so as to develop strategic partnership and future co-operation in the healthcare market through business resource sharing in a mutually beneficial way while at the same time, to generate reasonable investment returns through these investments. During the Period under review, the Group's total gain on strategic investment in securities increased to approximately HK\$298,259,000, which comprised realised gain on disposal of investments held for trading of approximately HK\$242,461,000 and unrealised gain on fair value changes of investments held for trading in healthcare related companies of approximately HK\$55,798,000, as compared with approximately HK\$9,851,000 for the six months ended 30 June 2014.

### ***Treasury management***

Following the capital investment by China Life Group and subsidiaries of Fubon Financial Holding Co., Ltd., net cash held by the Group during the Period under review amounted to approximately HK\$2,511,404,000. To better manage such net cash, the Group invested such cash in term deposits, bonds and loans receivable during the Period under review. The Group had regularly reviewed its capital liquidity to maintain a sound capital structure and sufficient cashflow to prepare for potential acquisitions arising from time to time. Attributable to the interest income from such treasury management, the Group's interest income for the Period under review increased to approximately HK\$17,020,000 from approximately HK\$9,532,000 for the corresponding period last year.

## OUTLOOK

### ***In Hong Kong***

The Group will continue to diversify its healthcare business in Hong Kong. For the healthcare and dental services business, in order to expand its medical network steadily, the Group keeps on identifying suitable locations for its new outpatient and dental clinics and recruiting experienced medical and dental practitioners to cope with the business growth.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

With regard to specialty medical services, it is expected that the ophthalmology centre and plastic surgery centre will go into operation in the second half of the year. In order to strengthen its position in the specialty medical market, the Group will continue to strengthen its specialist team and build a more diversified business mix by recruiting experienced specialist doctors. In addition, the Group plans to establish one orthopaedic centre, one surgery centre and one obstetrics & gynaecology centre. Equipped with large and advanced equipment for medical test, diagnosis and treatment and day surgery operating theatres which meet international standards, these specialty centers serve to support the development of the specialty medical business and offer comprehensive and professional specialty medical services for patients. On the other hand, the managed care business of Dr. Vio will further integrate into the Group's specialty medical services business so as to channel more direct referrals from the medical network under Dr. Vio to the Group's specialty medical centres, thus creating a stronger synergy between the two sides. Meanwhile, the Group will increase the efforts to promote its specialty medical services to the clients of China Life Group, with the aim of driving the demand for specialty medical services under Hong Kong medical tourism platform.

In relation to managed care business, apart from expanding the outpatient network of Dr. Vio by opening new outpatient centres, the businesses of Dr. Vio and the Group will be further integrated. With an extensive service network, the Group strives to enlarge its market share by securing more new medical service contracts from potential clients such as insurance companies and corporate clients. The existing information technology system of Dr. Vio will also be upgraded to improve operational and management efficiency. The Group is actively pursuing a closer relationship with China Life Overseas by offering premium medical services for its staff and high-end clients through Dr. Vio's medical network, and will study the possibility of joint development of medical insurance products with China Life Overseas for the Hong Kong market.

## MANAGEMENT DISCUSSION AND ANALYSIS

The Group's beauty and cosmetic medicine business continues to grow as the new professional plastic surgery centre in Causeway Bay is expected to commence operation in the second half of the year. The Group aims to provide every customer with the most effective and professional services of medical plastic surgery and beauty and cosmetic medicine in a warm and welcoming environment equipped with professional and sophisticated medical equipment. Leveraging its edges in the healthcare industry, Group will also offer quality and professional beauty and cosmetic medicine services for customers in the Greater China Region. Furthermore, the Group will focus on marketing and promotion of its cosmetic medicine services and consider opening new cosmetic medicine centres in other locations to offer medical injection and slimming treatment, anti-wrinkle treatment by injection, and other beauty and cosmetic medicine services to customers, and channel more clients of China Life Group to enjoy the Group's beauty and cosmetic medicine services through PRC-HK medical tourism. The Group will organise more seminars on, and introductory campaigns of, beauty and cosmetic medicine for the staff and clients of China Life Group so that they can better understand and experience the Group's beauty and cosmetic medicine services.

The Group is dedicated to stepping up the development of PRC-HK medical tourism. In addition to organising subject seminars and PRC-HK medical introductory campaigns with the Shenzhen office of China Life Group, the Group will extend similar efforts to other provinces. Plan is made to explore with the Jiangsu branch of China Life Group the ideas for launching PRC-HK medical tourism services in Jiangsu. The Group is also planning to organise introductory campaigns for clients of other provincial branches of China Life Group to visit the Group's specialty medical centres, professional plastic surgery centres and beauty and cosmetic medicine centres as well as the high-end dental clinics and technologically-advanced health check centres in Hong Kong, and seminars on the Group's specialty medical and beauty and cosmetic medicine services. It is believed that the development of PRC-HK medical tourism will boost the demand for the Group's medical services in Hong Kong, and the extensive clientele of China Life Group will become a major driving force of the Group's business growth.



## MANAGEMENT DISCUSSION AND ANALYSIS

In respect of the O2O platform, the Group's mobile application, namely One Pass, is expected to be launched and available for download in the second half of the year. The customers of the Group's medical and dental clinic chain, Dr. Vio's managed care network, beauty and cosmetic medicine network, specialty medical centres and health check centres can use One Pass to search for medical services and professional medical and beauty and cosmetic medicine information, make an appointment and read each business unit's latest updates or promotions. One Pass also features a personalised health management function which, together with the hotline centre, provides users with a comprehensive health management system. In addition, the Group is also vigorously strengthening co-operation with China Life Overseas regarding One Pass to cope with the development needs of the insurance business of China Life Overseas. It is expected that this O2O platform can serve as a channel for China Life Overseas to make prompt, efficient and effective contacts and communications between frontline staff and clients, and provide insurance product and other relevant information for their clients. The Group will also explore the possibility of offering more diversified services on One Pass so as to expand its network in the PRC market.

### ***In the PRC***

The PRC government has proposed a comprehensive reform to the overall healthcare system to encourage healthy competition in the sector. The 《進一步改善醫療服務行動計劃》(Campaign for Further Improvement of Healthcare Services) addresses the concerns of the government and citizens about healthcare services and, in particular, proposes to enhance co-operative exchanges with Hong Kong, Macau and Taiwan. The Group is optimistic about the prospects of the PRC healthcare market and anticipates that there will be a huge room for development.

In recent years, the PRC government has been vigorously promoting the public healthcare reform in response to the demand for better healthcare services. As a move to promote the development of the private healthcare sector, doctors are allowed to practice at multiple sites so as to release professional human resources from the core public healthcare sector. The PRC government also supports the development of private healthcare institutions in order to increase the proportion of private medical services and improve the efficiency of healthcare services. In view of the national policies on healthcare development, the Group and China Life Group will work with the Shenzhen municipal government in a large integrated medical outpatient project where a large integrated outpatient centre will be set up in the central business district in Futian of Shenzhen to promote high-end community healthcare development. The outpatient centre, which targets the local

## MANAGEMENT DISCUSSION AND ANALYSIS

community, will offer various services such as professional medical diagnosis, high-end imaging examination and high-end outpatient services. Outpatient services include general outpatient, otorhinolaryngology, gastroenterology, surgery, cardiology and orthopaedics; while high-end dental services include dental implantation and invisalign services. The project will also comprise a beauty and cosmetic medicine and plastic surgery centre, two well-equipped operating theatres and high-end imaging equipment, in order to provide Shenzhen citizens with comprehensive, high-end and professional healthcare services that are comparable to those offered in Hong Kong. The Group and China Life Group are in the process of discussing and finalising the details of the project with the Shenzhen municipal government. In addition to speeding up the development of the large integrated medical outpatient project, the Group and China Life Group are also exploring the possibility of jointly developing outpatient clinic chain in Beijing.

Ever since the acquisition of Renji Group in March 2015, the Group has been devoted to the standardisation of its management systems and, to that end, incorporated TH Zhejiang Medical Management Group Limited, a wholly-owned subsidiary of the Company, that focuses on supply chain, medical staff and brand management of hospitals in the PRC. The Group hopes that through systematic and centralised medicine, consumables and medical equipment supply chain management, procurement costs can be reduced and profitability of the hospitals will be further increased. In addition, the Group is also actively expanding Renji Group and targets at raising the number of its hospital beds to over 500 so as to enhance its scale to serve more patients. The Group believes that coupled with operation and management reforms of its medical business in the PRC, the Hong Kong brand will generate brand equity and thus improve the image of the hospitals acquired or managed by it in the PRC. The Group will strive to acquire promising outpatient centres and hospitals in order to accelerate the expansion of its medical service network in the PRC.

In the second half of the year, the Group will expedite the development of its dental clinic network in Hangzhou. It will also prepare for the establishment of a dental training centre in Shanghai so as to provide high-end dental training to the PRC dentists. By nurturing more professional dentists, the Group will be capable of enhancing its market recognition and brand name in the PRC while recruiting more dentists for its professional dentist team. Furthermore, with the aim of expediting the development of its PRC dental business through acquisitions, the Group is currently searching for promising dental clinic chains and has commenced negotiation with one of the potential targets.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

The Group will continue to pursue business development in Hong Kong, the PRC and overseas. To step up its medical business in the PRC, Hong Kong and Asia-Pacific, it is proactively identifying promising acquisition targets such as outpatient clinic chains, private hospitals, beauty and cosmetic medicine centres, dental clinics and medical consumables suppliers as well as participating in the reform of public hospitals.

In view of the stock market uncertainties, the Group will prudently select investment targets on healthcare related companies listed in Hong Kong. The Group will adhere strictly to its stringent investment criteria to adopt more prudent evaluation and analysis on each potential investment target and to strive to create more co-operations through strategic investments so as to maintain a growth momentum for the development of the Group's medical business.

As to treasury management, the Group will continue to make good use of its cash flows and manage its net cash position prudently. Low-risk and highly-liquid cash management schemes will be implemented so as to maintain sufficient capital for the Group's business development while obtaining stable and reasonable returns.

Looking forward, the Group will keep on its business diversification strategy and boost the development of each of its operations with a view to strengthening its leadership as a comprehensive medical service provider in Hong Kong. Meanwhile, the Group will also expedite its expansion in the PRC medical market. Its professional medical services in Hong Kong and management systems will be modified to make them applicable to the PRC medical market so as to provide better and more professional medical services to the PRC market. The Group strives to become one of the largest and most influential medical institutes in the PRC and Hong Kong.

### **LIQUIDITY AND FINANCIAL RESOURCES**

As at 30 June 2015, the Group held bank balances and cash of approximately HK\$2,511,404,000 (31 December 2014: approximately HK\$1,078,558,000). The Group had bank and other borrowings of approximately HK\$143,854,000 (31 December 2014: approximately HK\$179,446,000). Details of bank and other borrowings are set out in notes 16 and 17 to the condensed consolidated financial statements for the six months ended 30 June 2015.

As at 30 June 2015, net current assets amounted to approximately HK\$2,508,948,000 (31 December 2014: approximately HK\$1,244,086,000). Current ratio (defined as total current assets divided by total current liabilities) was 5.59 (31 December 2014: 4.54).

## MANAGEMENT DISCUSSION AND ANALYSIS

As at 30 June 2015, gearing ratio (defined as total bank and other borrowings divided by equity attributable to owners of the Company) was 3.16% (31 December 2014: 8.48%). Major currencies used for the Group's transactions were Hong Kong Dollars, Renminbi and United States Dollars ("US Dollars"). As Hong Kong Dollars are pegged to the US Dollars and the fiscal policy of the Central Government of the PRC in relation to Renminbi is stable throughout the six months ended 30 June 2015, the Group considers that the potential foreign exchange exposure of the Group is limited.

### CAPITAL STRUCTURE

As at 30 June 2015, the Group had equity attributable to owners of the Company of approximately HK\$4,546,619,000 (31 December 2014: approximately HK\$2,115,466,000).

### SHARE CAPITAL

Pursuant to the perpetual non-voting redeemable convertible preference shares subscription agreement and ordinary shares subscription agreement, both dated 31 October 2014 and entered into between the Company, Fubon Life Insurance Co., Ltd., Fubon Insurance Co., Ltd. and Broad Idea International Limited, on 29 December 2014, the Company allotted and issued (i) 459,183,673 ordinary shares of the Company at HK\$0.98 per share ("Ordinary Shares Subscription"); and (ii) 374,999,999 perpetual non-voting redeemable convertible preference shares of HK\$0.01 each in the share capital of the Company at HK\$1.2 per share ("CPS Subscription"). 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.

In 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 ordinary shares of the Company. Upon completion of the share subscription which has taken place on 29 May 2015, 1,785,098,644 ordinary shares of the Company were allotted and issued to China Life Group at HK\$0.98 per share and China Life Group became the largest shareholder holding 23.9% of the total issued shares of the Company. The net proceeds from the share subscription 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

## MANAGEMENT DISCUSSION AND ANALYSIS

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 healthcheck, 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.

As at 30 June 2015, (i) approximately HK\$244 million of the net proceeds mentioned above had been utilised for (1) the acquisition of 49% interest in Huayao Medical Group Limited at the consideration of approximately HK\$188 million; and (2) the capital contribution to Huayao Medical Group Limited of approximately HK\$56 million details of which are set out in the announcement of the Company dated 17 March 2015; and (ii) approximately HK\$11 million of the net proceeds mentioned above had been utilised for developing the “one-stop, IT O2O platform”.

Further details of other movements in the share capital of the Company during the Period under review are set out in notes 18 and 19 to the condensed consolidated financial statements for the six months ended 30 June 2015.

### CHARGES ON THE GROUP'S ASSETS

As at 30 June 2015, certain property, plant and equipment and investment properties of the Group with carrying value of approximately HK\$124,535,000 (31 December 2014: HK\$126,972,000) and HK\$206,085,000 (31 December 2014: HK\$256,985,000) respectively, were pledged to secure general banking facilities granted to the Group.

### CONTINGENT LIABILITIES

As at 30 June 2015, the Group had no material contingent liabilities (31 December 2014: Nil).

### HUMAN RESOURCES

As at 30 June 2015, the Group employed 1,379 staff (2014: 533). Total employee costs, including directors' emoluments, amounted to approximately HK\$313,393,000 for the six months ended 30 June 2015 (2014: approximately HK\$116,657,000).

The salary and employee benefits 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.

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

During the six months ended 30 June 2015, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

## DISCLOSURE OF INTERESTS

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

As at 30 June 2015, the interests and short positions of the directors (the "Directors") and the chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (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 of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), were as follows:

*Long positions in the shares and underlying shares of the Company*

Name of Director	Capacity	Number of ordinary shares of the Company held	Number of underlying ordinary shares of the Company held	Total	Approximate % of shareholding of the Company (Note 1)
Dr. Cho Kwai Chee ("Dr. Cho")	Interest of a controlled corporation	1,418,576,764 (Note 2)	902,051,473 (Note 3)	2,320,628,237	31.07%
Dr. Choi Chee Ming, GBS, JP ("Dr. Choi")	Interest of a controlled corporation	1,418,576,764 (Note 2)	902,051,473 (Note 3)	2,320,628,237	31.07%
Dr. Ip Chun Heng, Wilson ("Dr. Ip")	Interest of controlled corporations	375,503,586 (Note 4)	–	375,503,586	5.03%
Dr. Chan Wing Lok, Brian	Beneficial owner	2,760,000	–	2,760,000	0.04%



## DISCLOSURE OF INTERESTS

### Notes:

1. The total number of ordinary shares of the Company ("Shares") as at 30 June 2015 (that was, 7,469,631,786 Shares) have been used for the calculation of the approximate percentage.
2. Such Shares were held by Broad Idea International Limited ("Broad Idea"). 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 given that they are beneficially interested in 50.1% and 49.9% of the issued share capital of Broad Idea respectively. Dr. Cho and Dr. Choi are also directors of Broad Idea.
3. Such underlying Shares were held by Broad Idea which is owned as to 50.1% by Dr. Cho and as to 49.9% by Dr. Choi. Accordingly, Dr. Cho and Dr. Choi are both deemed to be interested in the 902,051,473 underlying Shares held by Broad Idea under Part XV of the SFO. These underlying Shares are the maximum number of option shares that may be sold by China Life Group to Broad Idea upon the exercise of the put option granted to China Life Group under the put option deed dated 5 January 2015 entered into by Broad Idea, Dr. Cho and Dr. Choi in favour of China Life Group in relation to grant of put option, details of which are set out in the circular of the Company dated 3 February 2015.
4. Such Shares were held as to (i) 365,327,586 Shares by Bonjour Group Limited; and (ii) 10,176,000 Shares by Promised Return Limited. Bonjour Group Limited is wholly-owned by Bonjour Holdings Limited. Bonjour Holdings Limited is owned as to 54.01% by Promised Return Limited. Promised Return Limited is wholly-owned by Deco City Limited, which is owned as to 50% by Dr. Ip and 50% by his spouse, Ms. Chung Pui Wan. As such, Dr. Ip is deemed to be interested in the aggregate of 375,503,586 Shares held by Bonjour Group Limited and Promised Return Limited under Part XV of the SFO.

Save as disclosed above, as at 30 June 2015, none of the Directors or chief executives had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO).

## DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed above, at no time during the six months ended 30 June 2015 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.

## DISCLOSURE OF INTERESTS

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

As at 30 June 2015, 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:

Name of Director	Capacity	Number of ordinary shares of the Company held	Number of underlying ordinary shares held	Total	Approximate % of shareholding of the Company (Note 1)
Broad Idea (Note 2)	Beneficial owner	1,418,576,764	902,051,473 (Note 3)	2,320,628,237	31.07%
China Life Insurance (Group) Company	Beneficial owner	1,785,098,644	–	1,785,098,644	23.90%
Fubon Financial Holding Co., Ltd. ("Fubon Financial")	Interest of controlled corporation	357,142,857 (Note 4)	291,666,666 (Note 5)	648,809,523	8.69%
Fubon Life Insurance Co., Ltd. ("Fubon Life")	Beneficial owner	259,740,260 (Note 4)	212,121,212 (Note 5)	471,861,472	6.32%

Notes:

- The total number of Shares as at 30 June 2015 (that was, 7,469,631,786 Shares) have been used for the calculation of the approximate percentage.
- Broad Idea is beneficially owned by Dr. Cho as to 50.1% and Dr. Choi as to 49.9%.
- Such underlying Shares were held by Broad Idea which is owned as to 50.1% by Dr. Cho and as to 49.9% by Dr. Choi. Accordingly, Dr. Cho and Dr. Choi are both deemed to be interested in the 902,051,473 underlying Shares held by Broad Idea under Part XV of the SFO. These underlying Shares are the maximum number of option shares that may be sold by China Life Group to Broad Idea upon the exercise of the put option granted to China Life Group under the put option deed dated 5 January 2015 entered into by Broad Idea, Dr. Cho and Dr. Choi in favour of China Life Group in relation to grant of put option, details of which are set out in the circular of the Company dated 3 February 2015.

## **DISCLOSURE OF INTERESTS**

4. Such 357,142,857 Shares were held as to (i) 259,740,260 Shares by Fubon Life; and (ii) 97,402,597 Shares by Fubon Insurance Co., Ltd. ("Fubon Insurance"). Each of Fubon Life and Fubon Insurance is a wholly-owned subsidiary of Fubon Financial. Accordingly, Fubon Financial is deemed to be interested in the aggregate of 357,142,857 Shares held by Fubon Life and Fubon Insurance under Part XV of the SFO.
5. Such 291,666,666 underlying Shares were held as to (i) 212,121,212 underlying Shares by Fubon Life; and (ii) 79,545,454 underlying Shares by Fubon Insurance. Each of Fubon Life and Fubon Insurance is a wholly-owned subsidiary of Fubon Financial. Accordingly, Fubon Financial is deemed to be interested in the aggregate of 291,666,666 underlying Shares held by Fubon Life and Fubon Insurance under Part XV of the SFO.

Save as disclosed above, as at 30 June 2015, 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 which were required to be kept by the Company under Section 336 of the SFO.

## **SHARE OPTION SCHEME**

### ***2008 Scheme***

The Company has terminated the share option scheme adopted on 24 April 2002 and adopted a new share option scheme (the "2008 Scheme"), as approved by the shareholders of the Company at the extraordinary general meeting held on 16 September 2008 in accordance with Chapter 17 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

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

## DISCLOSURE OF INTERESTS

Details of the share options granted by the Company under the 2008 Scheme to eligible persons and movement in such holding during the six months ended 30 June 2015 are as follows:

	Date of grant	Exercise period	Original exercise price per share HK\$	Adjusted exercise price per share as a result of bonus issue in 2014 HK\$ (Note 1)	Number of share options		
					Outstanding as at 1 January 2015	Exercised during the period	Outstanding as at 30 June 2015
Director (Note 2)	18.6.2010	18.6.2010 to 17.6.2015	1.03	0.206	5,000,000	(5,000,000)	–
Employees	28.6.2010	28.6.2010 to 27.6.2015	1.064	0.2128	120,500,000	(120,500,000)	–
					125,500,000	(125,500,000)	–

Notes:

1. Upon completion of the issue of bonus shares pursuant to the bonus issue of 4 bonus shares for every 1 existing share held on 4 June 2014 on 18 June 2014, the exercise price of the share options granted under the 2008 Scheme and the number of shares to be allotted and issued upon exercise of the subscription right attaching to the outstanding share options in full were adjusted in accordance with the terms of the 2008 Scheme and the supplementary guidance attached to the letter from the Stock Exchange dated 5 September 2005 relating to adjustments to share options. Details of such adjustment are set out in the Company's announcement dated 17 June 2014.
2. These represent the share options granted to Mr. Lee Chik Yuet, an executive Director.
3. The weighted average closing price of the Shares immediately before the dates on which the share options were exercised during the period is HK\$2.42.

During the six months ended 30 June 2015, no share options were lapsed, cancelled or granted by the Company under the 2008 Scheme.

## CORPORATE GOVERNANCE

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

### COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

During the six months ended 30 June 2015, 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 2015.

### CHANGES IN DIRECTOR'S INFORMATION

On 12 June 2015, Mr. Ho Kwok Wah, George, *MH*, an independent non-executive Director, has been appointed as an independent non-executive director of PuraPharm Corporation Limited (Stock Code: 1498), shares of which have been listed on the Main Board of the Stock Exchange on 8 July 2015, and he has been appointed as the Chairman of the nomination committee of the Board with effect from 2 September 2015.

### AUDIT COMMITTEE

During the six months ended 30 June 2015, the audit committee comprised of five independent non-executive Directors, namely Mr. Ho Kwok Wah, George, *MH* as the chairman of the audit committee, Mr. Wai Kwok Hung, *SBS, JP*, Mr. Wong Tat Tung, *MH*, Mr. Yu Xuezhong and Ms. Li Mingqin. 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 financial statements of the Group for the six months ended 30 June 2015 and this interim report.

## **OTHER INFORMATION**

### **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.

On behalf of the Board  
**Town Health International Medical Group Limited**  
**Lee Chik Yuet**  
*Executive Director*



## RESULTS

The Board of Directors (the “Board”) of Town Health International Medical Group Limited (the “Company”) is pleased to report the unaudited interim condensed consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2015 (the “Period under review”), together with the comparative unaudited figures for the six months ended 30 June 2014, as follows:

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

*For the six months ended 30 June 2015*

	Notes	Six months ended 30 June	
		2015 (unaudited) HK\$'000	2014 (unaudited) HK\$'000
Revenue	4	<b>538,789</b>	191,887
Cost of sales		<b>(306,272)</b>	(133,371)
Gross Profit		<b>232,517</b>	58,516
Other income	6	<b>33,509</b>	22,534
Administrative expenses		<b>(244,437)</b>	(95,590)
Other gains and losses	7	<b>296,149</b>	36,201
Finance costs	8	<b>(18,217)</b>	(3,296)
Gain on disposal of a subsidiary		–	1,874
Loss on deemed disposal of an associate		<b>(40,160)</b>	–
Share of results of associates		<b>11,114</b>	3,444
Increase in fair value of investment properties		–	1,515
Profit before tax		<b>270,475</b>	25,198
Income tax (expenses) credit	9	<b>(10,549)</b>	39,436
Profit for the period	10	<b>259,926</b>	64,634

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

For the six months ended 30 June 2015

		Six months ended 30 June	
		2015 (unaudited) HK\$'000	2014 (unaudited) HK\$'000
	Notes		
<b>Other comprehensive expense for the period</b>			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Exchange difference arising on the translation of foreign operations		<b>(1,201)</b>	(6,513)
Share of exchange reserve of associates		<b>(42)</b>	(1,003)
		<b>(1,243)</b>	(7,516)
Total comprehensive income for the period		<b>258,683</b>	57,118
Profit for the period attributable to:			
Owners of the Company		<b>258,297</b>	45,157
Non-controlling interests		<b>1,629</b>	19,477
		<b>259,926</b>	64,634
Total comprehensive income attributable to:			
Owners of the Company		<b>257,143</b>	37,641
Non-controlling interests		<b>1,540</b>	19,477
		<b>258,683</b>	57,118
Earnings per share			
– Basic	12	<b>HK4.39 cents</b>	HK0.98 cents
– Diluted		<b>HK4.18 cents</b>	HK0.96 cents

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2015

	Notes	30 June 2015 (unaudited) HK\$'000	31 December 2014 (audited) HK\$'000
<b>NON-CURRENT ASSETS</b>			
Investment properties		360,170	285,085
Property, plant and equipment		202,926	193,533
Loans receivable	13	149,924	11,924
Goodwill		424,462	200,202
Intangible assets		409,702	236,099
Interests in associates		383,693	251,580
Available-for-sale investments		206,705	43,596
Deposits made on acquisition of property, plant and equipment		–	6,555
Deferred tax asset		724	–
		<b>2,138,306</b>	<b>1,228,574</b>
<b>CURRENT ASSETS</b>			
Inventories		18,085	16,298
Trade and other receivables	14	284,724	147,608
Held for trading investments		111,660	278,027
Loans receivable	13	107,590	39,853
Amounts due from associates		9,355	8,904
Amount due from an investee		1,353	1,348
Amount due from a related party		5,195	–
Tax recoverable		6,199	873
Bank balances and cash		2,511,404	1,078,558
		<b>3,055,565</b>	<b>1,571,469</b>
Assets classified as held for sale		–	24,368
		<b>3,055,565</b>	<b>1,595,837</b>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2015

	Notes	30 June 2015 (unaudited) HK\$'000	31 December 2014 (audited) HK\$'000
<b>CURRENT LIABILITIES</b>			
Trade and other payables	15	338,671	125,224
Amounts due to associates		50	73
Amounts due to non-controlling interests		28,700	22,361
Amount due to a related party		521	6
Bank borrowings	16	22,488	62,913
Loan notes	17	121,366	116,533
Tax payable		34,821	17,082
		<b>546,617</b>	<b>344,192</b>
Liabilities directly associated with assets classified as held for sale		–	7,559
		<b>546,617</b>	<b>351,751</b>
<b>NET CURRENT ASSETS</b>		<b>2,508,948</b>	<b>1,244,086</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>4,647,254</b>	<b>2,472,660</b>
<b>NON-CURRENT LIABILITIES</b>			
Deferred tax liabilities		42,728	12,542
Long services payment liabilities		1,369	–
		<b>44,097</b>	<b>12,542</b>
		<b>4,603,157</b>	<b>2,460,118</b>
<b>CAPITAL AND RESERVES</b>			
Share capital – ordinary shares	18	74,696	51,104
Share capital – convertible preference shares	19	2,917	3,750
Reserves		4,469,006	2,060,612
Equity attributable to owners of the Company		<b>4,546,619</b>	<b>2,115,466</b>
Non-controlling interests		<b>56,538</b>	<b>344,652</b>
Total equity		<b>4,603,157</b>	<b>2,460,118</b>

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2015

	Attributable to owners of the Company													
	Share capital - ordinary shares HK\$'000	Share capital - convertible preference shares HK\$'000	Share premium HK\$'000	Capital redemption reserve HK\$'000	Capital reserve HK\$'000	Distributable reserve HK\$'000	Other reserve HK\$'000	Investment revaluation reserve HK\$'000	Property revaluation reserve HK\$'000	Translation reserve HK\$'000	Share options reserve HK\$'000	Accumulated profits HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000
At 1 January 2015	51,104	3,750	1,425,623	9,020	10,033	62,677	(22,547)	-	33,609	2,768	209,162	330,267	2,115,466	344,652
Profit for the period	-	-	-	-	-	-	-	-	-	-	-	258,297	258,297	1,629
Exchange difference arising on the translation of foreign operations	-	-	-	-	-	-	-	-	-	(1,112)	-	-	(1,112)	(89)
Share of exchange reserve of associates	-	-	-	-	-	-	-	-	-	(42)	-	-	(42)	-
Total comprehensive income for the period	-	-	-	-	-	-	-	-	-	(1,154)	-	258,297	257,143	1,540
Exercise of share options	1,255	-	30,310	-	-	-	-	-	-	-	(209,162)	204,269	26,672	-
Issue of shares upon share subscription	17,851	-	1,731,546	-	-	-	-	-	-	-	-	-	1,748,397	-
Conversion of convertible preference shares	833	(833)	-	-	-	-	-	-	-	-	-	-	-	-
Acquisition of a subsidiary	3,653	-	420,127	-	-	-	15	-	-	(858)	-	-	422,937	-
Disposal of subsidiaries	-	-	-	-	-	-	22,547	-	-	-	-	(22,547)	-	(288,718)
Transaction costs attributable to issue of shares	-	-	(346)	-	-	-	-	-	-	-	-	-	(346)	-
Dividends recognised as distribution (Note 11)	-	-	-	-	-	-	-	-	-	-	-	(24,650)	(24,650)	-
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	(936)
At 30 June 2015	74,696	2,917	3,607,260	9,020	10,033	62,677	15	-	33,609	756	-	745,636	4,546,619	56,538

For the six months ended 30 June 2014

	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	Investment revaluation reserve HK\$'000	Property revaluation reserve HK\$'000	Translation reserve HK\$'000	Share options reserve HK\$'000	Accumulated profits HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total HK\$'000
At 1 January 2014	9,169	512,573	9,020	10,033	62,677	14,383	-	33,609	5,062	219,875	332,765	1,208,166	294,311	1,493,477
Profit for the period	-	-	-	-	-	-	-	-	-	-	45,157	45,157	19,477	64,634
Exchange difference arising on the translation of foreign operations	-	-	-	-	-	-	-	-	(6,513)	-	-	(6,513)	-	(6,513)
Share of exchange reserve of associates	-	-	-	-	-	-	-	-	(1,003)	-	-	(1,003)	-	(1,003)
Total comprehensive income for the period	-	-	-	-	-	-	-	-	(7,516)	-	45,157	37,641	19,477	57,118
Bonus issue of shares	36,678	-	-	-	-	-	-	-	-	-	(36,678)	-	-	-
Dividends recognised as distribution (Note 11)	-	-	-	-	-	-	-	-	-	-	(50,432)	(50,432)	-	(50,432)
Dividends paid to non- controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	(2,116)	(2,116)
At 30 June 2014	45,847	512,573	9,020	10,033	62,677	14,383	-	33,609	(2,454)	219,875	290,812	1,196,375	301,672	1,498,047

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

*For the six months ended 30 June 2015*

	Six months ended 30 June	
	2015 (unaudited) HK\$'000	2014 (unaudited) HK\$'000
Net cash generated from operating activities	<b>470,158</b>	19,349
Net cash (used in) generated from investing activities	<b>(735,146)</b>	180,063
Net cash generated from (used in) financing activities	<b>1,697,834</b>	(123,184)
Increase in cash and cash equivalents	<b>1,432,846</b>	76,228
Cash and cash equivalents at the beginning of period	<b>1,078,558</b>	201,249
Cash and cash equivalents at the end of period, representing bank balances and cash	<b>2,511,404</b>	277,477



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*For the six months ended 30 June 2015*

### 1. GENERAL

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

The Company's ordinary shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and the Company's convertible preference shares are listed on Singapore Exchange Securities Trading Limited.

Pursuant to a special resolution passed at a special general meeting of the Company held on 25 March 2014 and as approved by the Registrar of Companies in Bermuda on 25 March 2014, the English name of the Company has changed from "Town Health International Investments Limited" to "Town Health International Medical Group Limited" and the Chinese name of the Company has changed from "康健國際投資有限公司" to "康健國際醫療集團有限公司".

The condensed consolidated financial statements are presented in Hong Kong dollars, which is the same as the functional currency of the Company.

### 2. BASIS OF PREPARATION

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

### 3. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments, which are measured at fair values or revalued amounts, as appropriate.

Except as described below, the accounting policies used in the condensed consolidated financial statements for the six months ended 30 June 2015 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2014.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

### 3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

During the six months ended 30 June 2015, the Group has applied, for the first time, a new Interpretation and certain amendments to Hong Kong Financial Reporting Standards ("HKFRS") issued by the HKICPA that are mandatorily effective for the six months ended 30 June 2015.

The application of the new Interpretation and amendments to HKFRS during the six months ended 30 June 2015 has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

### 4. REVENUE

Revenue represents the aggregate of the net amounts received and receivable from third parties for the period. An analysis of the Group's revenue is as follows:

	<b>Six months ended 30 June</b>	
	<b>2015</b>	2014
	<b>(unaudited)</b>	(unaudited)
	<b>HK\$'000</b>	HK\$'000
Provision of healthcare and dental services	<b>207,560</b>	182,473
Managed care business	<b>170,500</b>	–
Beauty and cosmetic medicine business	<b>152,512</b>	–
Property rental income	<b>8,217</b>	9,414
	<b>538,789</b>	191,887

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

### 5. SEGMENT INFORMATION

#### *Segment revenue and results*

*Six months ended 30 June 2015*

	Provision of healthcare and dental services (unaudited) HK\$'000	Managed care business (unaudited) HK\$'000	Beauty and cosmetic medicine business (unaudited) HK\$'000	Investments in securities and properties and treasury management (unaudited) HK\$'000	Elimination (unaudited) HK\$'000	Total (unaudited) HK\$'000
REVENUE						
External sales	207,560	170,500	152,512	8,217	-	538,789
Inter-segment sales	4,932	-	-	2,937	(7,869)	-
	212,492	170,500	152,512	11,154	(7,869)	538,789
Segment results	7,861	16,026	13,547	301,678	-	339,112
Unallocated other income						10,501
Unallocated corporate expenses						(27,931)
Finance costs						(18,217)
Loss on deemed disposal of an associate						(40,160)
Share of results of associates						7,170
Profit before tax						270,475

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

### 5. SEGMENT INFORMATION (CONTINUED)

**Segment revenue and results** (Continued)

Six months ended 30 June 2014

	Provision of healthcare and dental services (unaudited) HK\$'000	Managed care business (unaudited) HK\$'000	Beauty and cosmetic medicine business (unaudited) HK\$'000	Investments in securities and properties and treasury management (unaudited) HK\$'000	Elimination (unaudited) HK\$'000	Total (unaudited) HK\$'000
REVENUE						
External sales	182,473	-	-	9,414	-	191,887
Inter-segment sales	-	-	-	3,061	(3,061)	-
	182,473	-	-	12,475	(3,061)	191,887
Segment results	6,093	-	-	35,780	-	41,873
Unallocated other income						4,722
Unallocated corporate expenses						(23,419)
Finance costs						(3,296)
Gain on disposal of a subsidiary						1,874
Share of results of associates						3,444
Profit before tax						25,198

#### **Geographical information**

Majority of the Group's operations are located in Hong Kong. Majority of the provision of healthcare and dental services are carried out in Hong Kong. The Group's revenue from external customers based on location of customers is mainly derived from Hong Kong. The Group's non-current assets, excluding financial instruments and the Group's associates, are all located in Hong Kong.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

### 6. OTHER INCOME

	Six months ended 30 June	
	2015	2014
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Interest income	17,020	9,532
Dividend income from listed investments classified as held for trading investments	4,713	5,002
Dividend income from unlisted investments classified as available-for-sale investments	1,275	898
Gain on disposal of investment properties	–	2,380
Rental income	1,391	746
Sundry income	9,110	3,976
	33,509	22,534

### 7. OTHER GAINS AND LOSSES

	Six months ended 30 June	
	2015	2014
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Gain on fair value changes on held for trading investments	298,259	9,851
Impairment loss recognised in respect of trade receivables	(2,110)	(1,837)
Impairment loss reversed in respect of certain loans receivable	–	30,000
Loss on disposal of available-for-sale investments	–	(1,813)
	296,149	36,201

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

### 8. FINANCE COSTS

	Six months ended 30 June 2015 (unaudited) HK\$'000	2014 (unaudited) HK\$'000
Interest on bank borrowings		
– wholly repayable within five years	196	3,296
– not wholly repayable within five years	235	–
Effective interest expense on loan notes	4,833	–
Dividends paid for convertible preference shares	12,953	–
	<b>18,217</b>	<b>3,296</b>

### 9. INCOME TAX (EXPENSES) CREDIT

	Six months ended 30 June 2015 (unaudited) HK\$'000	2014 (unaudited) HK\$'000
Hong Kong Profits Tax	(10,549)	39,436

Hong Kong Profits Tax is calculated at 16.5% (2014: 16.5%) of the estimated assessable profits for both interim periods.

### 10. PROFIT FOR THE PERIOD

	Six months ended 30 June 2015 (unaudited) HK\$'000	2014 (unaudited) HK\$'000
Profit for the period has been arrived at after charging:		
Staff costs		
– Directors' remuneration	8,100	11,107
– Other staff's salaries, bonus and other benefits	302,291	103,960
– Other staff's retirement benefits scheme contributions	3,002	1,590
	<b>313,393</b>	<b>116,657</b>
Amortisation of intangible assets	5,000	–
Depreciation of property, plant and equipment	14,402	13,720
Loss on disposal of property, plant and equipment	–	219



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*For the six months ended 30 June 2015*

### 11. DIVIDENDS

During the six months ended 30 June 2015, a final dividend of HK0.33 cents per ordinary share for the year ended 31 December 2014, amounting to approximately HK\$24,650,000 (2014: approximately HK\$50,432,000), was declared and paid to the owners of the Company.

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2015 (2014: Nil).

### 12. EARNINGS PER SHARE

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

	<b>Six months ended 30 June 2015 (unaudited) HK\$'000</b>	2014 (unaudited) HK\$'000
Earnings for the purpose of basic and diluted earnings per share:		
Profit for the period attributable to owners of the Company	<b>258,297</b>	45,157
	<b>30 June 2015 (unaudited)</b>	30 June 2014 (unaudited)
Number of shares (in thousand):		
Weighted average number of ordinary shares for the purpose of basic earnings per share	<b>5,886,698</b>	4,584,689
Effect of dilutive potential ordinary shares:		
Share options	–	130,644
Convertible preference shares	<b>291,666</b>	–
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<b>6,178,364</b>	4,715,333

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

### 13. LOANS RECEIVABLE

	30 June 2015 (unaudited) HK\$'000	31 December 2014 (audited) HK\$'000
Fixed-rate loans receivable (unsecured)	257,514	51,777
Analysed for reporting purpose as:		
Non-current portion	149,924	11,924
Current portion	107,590	39,853
	257,514	51,777

### 14. TRADE AND OTHER RECEIVABLES

	30 June 2015 (unaudited) HK\$'000	31 December 2014 (audited) HK\$'000
Trade receivables	111,208	68,109
Less: allowance for doubtful debts	(3,866)	(2,197)
Total trade receivables, net of allowance	107,342	65,912
Prepayments, deposits and other receivables	177,382	81,696
	284,724	147,608

Most of the patients of the medical and dental practices settle in cash. Payments by patients using medical cards will normally be settled within 180 to 240 days. Most of the customers from beauty and cosmetic medicine business settle via credit cards. Trade receivables under credit card sales are due within 150 days from the date of billings. The Group allows an average credit period of 60 to 240 days to its trade customers under other business activities.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

### 14. TRADE AND OTHER RECEIVABLES (CONTINUED)

The following is an ageing analysis of trade receivables at the end of the reporting period:

	30 June 2015 (unaudited) HK\$'000	31 December 2014 (audited) HK\$'000
0 – 60 days	96,549	56,312
61 – 120 days	7,878	6,114
121 – 180 days	1,741	3,444
181 – 240 days	1,174	42
	<b>107,342</b>	65,912

The above trade receivables were neither past due nor impaired at the end of the reporting period.

These receivables relate to a number of independent customers that have good repayment history with the Group. The Group does not hold any collateral over these balances.

The Group has provided fully for all receivables over 365 days because based on historical experience, receivables that are past due beyond 365 days are generally not recoverable.

The impairment recognised represents the difference between the carrying amount of the specific trade receivables and the present value of the expected recoverable amount. The trade receivables are impaired because of significant financial difficulty of the counterparties.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

### 15. TRADE AND OTHER PAYABLES

	<b>30 June 2015 (unaudited) HK\$'000</b>	<b>31 December 2014 (audited) HK\$'000</b>
Trade payables	<b>29,084</b>	29,044
Other payables	<b>51,315</b>	35,860
Accruals	<b>62,105</b>	56,014
Deferred income	<b>196,167</b>	4,306
	<b>338,671</b>	125,224

The following is an ageing analysis of trade payables at the end of the reporting period:

	<b>30 June 2015 (unaudited) HK\$'000</b>	<b>31 December 2014 (audited) HK\$'000</b>
0 – 60 days	<b>27,567</b>	28,975
61 – 120 days	<b>1,517</b>	69
	<b>29,084</b>	29,044

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

### 16. BANK BORROWINGS

	30 June 2015 (unaudited) HK\$'000	31 December 2014 (audited) HK\$'000
Secured:		
Revolving loans	–	40,000
Mortgage loan	22,488	22,913
	<b>22,488</b>	62,913

As at 30 June 2015, the bank borrowings of the Group carry variable interest rates at HIBOR+2.25% per annum (31 December 2014: variable interest rate at HIBOR+2.1% to HIBOR+2.25% per annum).

The Group's mortgage loan is secured by the Group's leasehold land and building and supported by personal guarantee which will be released upon repayment of the mortgage.

### 17. LOAN NOTES

During the year ended 31 December 2014, the Company issued loan notes carrying effective interest rate of 10% with aggregate face value amounted to HK\$115,000,000. On initial recognition, the aggregate principal amount of the loan notes amounted to HK\$99,800,000 and the fair value for the redemption option amounted to HK\$15,200,000. The loan notes are unsecured.

The redemption option entitled the Company, at its sole discretion, to redeem any amount of the outstanding loan notes before their maturity by giving a fourteen-business-day prior notice to the holders at their principal amount with interest accrued. The redemption option also entitled the holders to redeem any amount of the loan notes held before maturity date by giving a 6-month prior notice to the Company between 1 June 2016 and 1 June 2020 at certain percentage of their principal amount with interest accrued. The effective interest rate of the loan notes is 10%.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

### 18. SHARE CAPITAL – ORDINARY SHARES

	Number of shares	Amount HK\$'000
Ordinary shares of HK\$0.01 each		
Authorised:		
At 1 January 2014, 31 December 2014 and 30 June 2015	30,000,000,000	300,000
Issued and fully paid:		
At 1 January 2014	916,937,710	9,169
Issue of bonus shares (Note 1)	3,667,750,840	36,678
Exercise of share options (Note 2)	66,500,000	665
Issue of shares upon share subscription (Note 3)	459,183,673	4,592
At 31 December 2014	5,110,372,223	51,104
Issue of consideration shares (Note 4)	365,327,586	3,653
Exercise of share options (Note 5)	125,500,000	1,255
Conversion of convertible preference shares (Note 3)	83,333,333	833
Issue of shares upon share subscription (Note 6)	1,785,098,644	17,851
At 30 June 2015	7,469,631,786	74,696



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*For the six months ended 30 June 2015*

### 18. SHARE CAPITAL – ORDINARY SHARES (CONTINUED)

Notes:

1. On 18 June 2014, the Company issued 4 bonus shares for every 1 existing share held on 4 June 2014.
2. During the year ended 31 December 2014, 21,500,000 and 45,000,000 share options were exercised at a subscription price of HK\$0.2128 and HK\$0.612 per share respectively, resulting in the issue of a total of 66,500,000 ordinary shares and the Company received a total cash consideration of approximately HK\$32,115,000.
3. Pursuant to the share subscription agreement dated 31 October 2014, 459,183,673 ordinary shares were allotted and issued at HK\$0.98 per share on 29 December 2014. The gross proceeds from the share subscription were approximately HK\$450,000,000. On 22 May 2015, 83,333,333 ordinary shares were allotted and issued upon exercise of the conversion rights attaching to the convertible preference shares which were allotted and issued ("CPS Subscription") pursuant to the convertible preference share subscription agreement dated 31 October 2014. For details of the share subscription and the CPS Subscription, please refer to the announcement of the Company dated 31 October 2014 and the circular of the Company dated 28 November 2014.
4. On 1 January 2015, the Company issued 365,327,586 ordinary shares to Bonjour Group Limited for acquisition of 100% equity interest in Bonjour Beauty International Limited. Details of the transaction are disclosed in the announcements of the Company dated 20 August 2014 and 1 January 2015 and the circular of the Company dated 19 November 2014.
5. During the period ended 30 June 2015, 120,500,000 and 5,000,000 share options were exercised at a subscription price of HK\$0.2128 and HK\$0.206 per share respectively, resulting in the issue of a total of 125,500,000 ordinary shares and the Company received a total cash consideration of approximately HK\$26,672,000.
6. Pursuant to the investment agreement dated 5 January 2015, 1,785,098,644 ordinary shares were allotted and issued at HK\$0.98 per share on 29 May 2015. The gross proceeds from the investment agreement were approximately HK\$1,749,397,000. Details of the transaction are disclosed in the announcement of the Company dated 5 January 2015 and the circular of the Company dated 3 February 2015.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

### 19. SHARE CAPITAL – CONVERTIBLE PREFERENCE SHARES ("PREFERENCE SHARES")

	Numbers of shares	Amount HK\$'000
Preference shares of HK\$0.01 each		
Authorised:		
Approved by shareholders of the Company during the period ended 31 December 2014, at 31 December 2014 and 30 June 2015	375,000,000	3,750
Issued and fully paid:		
Issue of shares upon share subscription during the period ended 31 December 2014, at 31 December 2014	374,999,999	3,750
Converted during the period	(83,333,333)	(833)
At 30 June 2015	291,666,666	2,917

The Preference Shares are redeemable, carry no voting right and each of the Preference Shares is convertible into one ordinary share any time after issue.

Pursuant to the Preference Shares subscription agreement dated 31 October 2014, 374,999,999 Preference Shares were allotted and issued at HK\$1.2 per share on 29 December 2014. The gross proceeds from the CPS Subscription were approximately HK\$450,000,000. For details of the CPS Subscription, please refer to the announcement of the Company dated 31 October 2014 and the circular of the Company dated 28 November 2014.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

### 20. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

This note provides information about how the Group determines fair value of various financial assets and financial liabilities.

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 and financial liabilities are determined (in particular, the valuation technique and inputs used).

Financial assets	Fair value as at		Fair value hierarchy	Valuation technique and key input
	30 June 2015	31 December 2014		
1. Held for trading investments	<b>Listed equity securities in Hong Kong – HK\$111,660,000</b>	Listed equity securities in Hong Kong – HK\$278,027,000	Level 1	Quoted bid prices in an active market.
2. Unlisted fund classified as available-for-sale investments	<b>Unlisted equity fund in Hong Kong – HK\$138,400,000</b>	Unlisted equity fund in Hong Kong – HK\$8,479,000	Level 2	Derived from quoted bid prices in an active market.

There were no transfers between Levels 1 and 2 in the current and prior period/year.