# 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 2018

# CONTENTS

# CORPORATE INFORMATION

## BOARD OF DIRECTORS

### *Executive Directors*

Miss Choi Ka Yee, Crystal *(Chairperson)*
Dr. Hui Ka Wah, Ronnie, *JP*
*(Chief Executive Officer)*
Mr. Lee Chik Yuet
Mr. Wong Seung Ming, *CPA, FCCA*
*(Chief Financial Officer)*
Dr. Chan Wing Lok, Brian *(Note 1)*

### *Non-executive Directors*

Dr. Choi Chee Ming, *GBS, JP*
*(Deputy Chairman)*
Ms. Fang Haiyan *(Deputy Chairperson)*
Mr. Tsai Ming-hsing
*(Deputy Chairman) (Note 2)*
Mr. Chen Jinhao
Dr. Cho Kwai Chee *(Note 3)*

### *Independent Non-executive Directors*

Mr. Ho Kwok Wah, George, *MH*
Mr. Wong Tat Tung, *MH*, *JP (Note 4)*
Mr. Yu Xuezhong
Ms. Li Mingqin
Mr. Wang John Hong-chiun
Mr. Yu Kai Fung Jackie *(Note 5)*
Mr. Wong Sai Kit *(Note 6)*

## BOARD COMMITTEES

### *Audit Committee*

Mr. Ho Kwok Wah, George, *MH (Chairman)*
Mr. Wong Tat Tung, *MH*, *JP (Note 4)*
Mr. Yu Xuezhong
Ms. Li Mingqin
Mr. Wang John Hong-chiun
Mr. Yu Kai Fung Jackie *(Note 5)*
Mr. Wong Sai Kit *(Note 6)*

*Notes:*

1. On 29 June 2018, Dr. Chan was appointed as an executive Director.
2. On 29 June 2018, Mr. Tsai Ming-hsing retired as a non-executive Director and ceased to be the Deputy Chairman of the Company.
3. On 6 March 2018, Dr. Cho was redesignated from an executive Director to a non-executive Director and ceased to be the Executive Deputy Chairman of the Company. On 29 June 2018, Dr. Cho retired as a non-executive Director.
4. On 29 June 2018, Mr. Wong Tat Tung retired as an independent non-executive Director and ceased to be the chairman of the Nomination Committee and a member of each of the Audit Committee and the Remuneration Committee.
5. On 29 June 2018, Mr. Yu was appointed as an independent non-executive Director and the chairman of the Nomination Committee and a member of each of the Audit Committee and the Remuneration Committee.
6. On 29 June 2018, Mr. Wong Sai Kit was appointed as an independent non-executive Director and a member of each of the Audit Committee, the Remuneration Committee and the Nomination Committee.

# CORPORATE INFORMATION

***Remuneration Committee***

Mr. Ho Kwok Wah, George, *MH (Chairman)*
Mr. Wong Tat Tung, *MH*, *JP (Note 4)*
Mr. Yu Xuezhong
Ms. Li Mingqin
Mr. Lee Chik Yuet
Mr. Yu Kai Fung Jackie *(Note 5)*
Mr. Wong Sai Kit *(Note 6)*

***Nomination Committee***

Mr. Wong Tat Tung, *MH*, *JP (Chairman) (Note 4)*
Mr. Yu Kai Fung Jackie *(Chairman) (Note 5)*
Mr. Ho Kwok Wah, George, *MH*
Ms. Li Mingqin
Mr. Lee Chik Yuet
Mr. Wong Sai Kit *(Note 6)*

## COMPANY SECRETARY

Mr. Wong Seung Ming, *CPA, FCCA*

## AUDITORS

Moore Stephens CPA Limited
*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 BANKERS

Bank of Communications Co., Ltd.
Dah Sing Bank, Limited
Fubon Bank (Hong Kong) Limited
Hang Seng Bank Limited

## PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Estera Management (Bermuda) Limited
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

# FINANCIAL HIGHLIGHTS

For the six months ended 30 June 2018:

– The Group recorded revenue of approximately HK$529,396,000 (2017: HK$538,174,000).

– The Group recorded a profit of approximately HK$61,502,000 (2017: HK$57,953,000).

As at 30 June 2018:

– The Group had net current assets and net assets of approximately HK$1,737,252,000 and HK$4,383,399,000, respectively.

– The Group had a current ratio of 8.67 and a gearing ratio of 0.47%.

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2018 (2017: 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 2018.

During the period under review, the Group recorded a profit of approximately HK$61,502,000 (2017: approximately HK$57,953,000). The increase in profit was mainly attributable to the net increase in other gains and losses which was set off by the increase in administrative expenses.

### *Other gains and losses*

During the period under review, the Group recognised net gain in respect of other gains and losses of approximately HK$56,571,000 (2017: net loss of approximately HK$17,128,000).

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

The Group recorded reversal of impairment loss in respect of promissory note of HK$30,000,000 and other receivables of approximately HK$2,258,000 (being the interest accrued on the promissory note) for the six months ended 30 June 2018 (while no reversal of impairment loss in respect of promissory note and other receivables was recorded for the six months ended 30 June 2017). Such reversal of impairment loss is due to repayment of the promissory note in the principal amount of HK$30,000,000 issued by a corporation which is a third party independent of the Company and its connected persons (as defined in the Listing Rules) in favour of the Group for partial settlement of the consideration of the Group's disposal of shares of New Ray, whose shares are listed on the Main Board of the Stock Exchange (Stock code: 6108), and interest accrued thereon in the aggregate amount of approximately HK$33,058,000 in July 2018.

*Fair value gain on investment properties*

The Group recorded a fair value gain on investment properties of approximately HK$29,784,000 for the six months ended 30 June 2018 (2017: Nil). The fair value gain was contributed by the increase in fair value of a number of the Group's properties.

*Fair value loss on held for trading investments*

During the six months ended 30 June 2017, the Group recorded a fair value loss of approximately HK$14,775,000 in respect of the Group's investment in the securities of China Parenting Network Holdings Limited, whose shares are listed on GEM of the Stock Exchange (Stock code: 8361), which was previously classified as held for trading investments during the year ended 31 December 2017. As at 30 June 2018, the Group's investment in China Parenting is classified as financial assets at fair value through profit or loss and a fair value loss of approximately HK$7,248,000 was recognised.

***Administrative expenses***

During the period under review, the Group recognised administrative expenses of approximately HK$184,813,000 (2017: approximately HK$153,706,000). Such increase was mainly due to the increase in legal and professional fee and also depreciation and rent, rates and building management fee as a result of opening of two health management centres in Hong Kong.

## BUSINESS REVIEW

***Suspension of trading and progress update on resumption of trading***

The SFC issued a direction to suspend trading in the Shares on the Stock Exchange with effect from 9:00 a.m. on 27 November 2017. As at the date of this interim report, the Company's share trading activity has remained suspended. As disclosed in the Company's announcement dated 18 December 2017, the Board has established an independent board committee, comprising all the independent non-executive Directors, to conduct an independent investigation into the issues and matters arising from or relating to the trading suspension, to make recommendations to the Board on appropriate actions to be taken, and to work towards the goal of having the Shares resumed trading on the Stock Exchange. In February 2018, the independent board committee recruited an independent forensic accountant to conduct a forensic investigation into the issues and matters arising from or relating to the trading suspension and other related issues. The forensic investigation has been completed and reported to the independent board committee. The Company will make an announcement in relation to the findings of the forensic investigation as soon as practicable. As disclosed in the Company's announcements dated 11 July 2018 and 1 August 2018, the Company has made a submission to the SFC to address the SFC's concerns on the Group and to seek the SFC's re-consideration on its direction, and the Company has been communicating with the SFC in connection with the resumption of trading in the Shares. The Group is now striving to have its Shares resumed trading on the Stock Exchange. The Company will keep the shareholders and potential investors of the Company informed of the progress on this matter.

***Healthcare service network of the Group***

As at 30 June 2018, the Group had 497 multi-disciplinary healthcare service points, including 291 general practice service points, 86 specialties service points, 36 dental service points and 84 auxiliary service points, of which the Group had 741 medical doctors, dentists and auxiliary service providers (including 435 general practitioners, 251 specialists and 55 dentists) through its self-operated and affiliated centres.

***Business in Hong Kong***

*Third-party administrator business – Vio*

The third-party administrator business of the Group has recorded steady growth in the first half of 2018. During the period under review, the Group continued to enhance the operation efficiency and quality of services of Vio network and expand its business through successful extension of service contracts with existing corporate and insurance company clients. The Group is also committed to expanding Vio's medical centre service network. Vio's self-operated medical centre in Central has been relocated to another prime location in Central during the period under review. The new facility is more spacious and provides more comprehensive and better medical services to the customers. It is anticipated that the relocation and expansion of medical centre will help boost Vio's market share and drive business growth.

During the period under review, income generated from the Group's Hong Kong managed care business was approximately HK$228,306,000 (2017: approximately HK$225,474,000), representing approximately 43.13% of the Group's revenue for the six months ended 30 June 2018 (2017: approximately 41.90%) and net profit margin of the third-party administrator business has been steadily maintained, making Vio one of the leaders of the market.

*Self-operated medical and dental service business*

The Group's self-operated medical and dental service business remained stable while specialty medical service business has recorded significant growth in the first half of 2018. During the period under review, the Group continued to improve the quality of its medical services through better centralised administrative support to the doctors so that its doctors can stay more focused on providing better medical services. Specialty medical services require good specialist doctors for provision of quality medical services to meet the market demand. Therefore, the Group leveraged its managerial experience accumulated over the years to attract more prominent specialists to join the Group and provide administrative support through centralised administration system together with a flexible and attractive incentive scheme for the doctors. The scope of specialty medical services has gradually expanded and customers have been increasing. Years of experience and a large customer base help promote the Group's brand recognition. The Group's self-operated chain medical service centre will be included in Vio's third-party medical service management network in order to enlarge the service network, bring in cross-referral and create synergies among upstream and downstream parties along the medical value chain to enhance the synergistic effects and the Group's core competitiveness.

During the period under review, income generated from the Group's Hong Kong medical and dental services business was approximately HK$260,133,000 (2017: approximately HK$238,209,000), representing approximately 49.14% of the Group's revenue for the six months ended 30 June 2018 (2017: approximately 44.26%).

*Network of health management centres*

During the period under review, the Group has worked closely with China Life Group to develop health management centres in Hong Kong and the PRC, in order to promote effective integration of insurance and health management businesses. These health management centres have introduced the concept of "preventive healthcare" and "holistic healthcare", combining health checks and follow-up healthcare services so as to provide one-stop comprehensive medical services for customers. One health management centre is located at the China Life Group's building in Wan Chai and another one in Tsim Sha Tsui. The Group has developed a strong sales team for the health management business. In order to meet the diverse needs of customers, the Group provides a wide range of health management solutions with an aim to effectively enhance the health status of its customers. Through its mobile application, the Group is able to provide personalised health advice and guidance to customers and establish personal health records for clients that contain key health information, medical records, medical reports, assessment reports, and other data so that customers could closely monitor and evaluate their health status regularly. In addition, the Group will strengthen its cooperation with the sales team of China Life Group, so as to attract their VIP customers to enjoy the high-end medical services, hence expanding its market share.

*Beauty and cosmetic medicine business*

Following the Group's acquisition of an aggregate of 50% share capital of Auspicious Idea in 2016 and 2017, the beauty and medical brand "The Beauty Medical" of Auspicious Idea officially integrated into the Group's medical beauty business segment. During the period under review, the Group has actively integrated the management and operation of "The Beauty Medical" with the Group's other businesses. The Group's health management centre in Tsim Sha Tsui has integrated the beauty and cosmetic medicine services which provide medical cosmetics, and anti-aging services into the health management services to provide one-stop comprehensive health management and medical beauty services. The Group has actively combined lifestyle beauty, medical cosmetics, and other medical services to expand the Group's scope of services, so as to enhance its competitiveness, increase cross-selling opportunities, reduce marketing costs and create operational synergies. The Group's rich experience on health management services, and its broad-based specialist doctor network have helped enhance its medical beauty business's competitiveness. Also, the first medical beauty clinic in the PRC wholly-owned by "The Beauty Medical" was opened in the Futian District, Shenzhen, at the end of 2017. This has significantly helped expand the Group's medical beauty business in the PRC.

# MANAGEMENT DISCUSSION AND ANALYSIS

During the period under review, "The Beauty Medical" recruited a total of 4 full-time or part-time doctors, among them, 1 is an orthopaedist. Its medical network in Hong Kong, Shenzhen and Shanghai opened 11, 7 and 3 centres respectively. During the period under review, the revenue of "The Beauty Medical" was approximately HK$125,993,000 (2017: approximately HK$115,107,000).

***Business in the PRC***

*Hospital management and consulting services business in the PRC*

During the period under review, the Group has been actively involved in the management of Nanshi Hospital through Nanyang Xiangrui, a subsidiary of the Company in the PRC which is principally engaged in hospital management advisory services. As of 30 June 2018, the business of Nanshi Hospital has recorded steady revenue growth. The growth rate has slowed down due to the limitation of fully occupied inpatient beds in the hospital. During the period under review, the Nanshi Hospital has adopted a series of reforms on both hardware and software enhancement. For the hardware enhancement, the Group has refurbished and renovated the hospital lobby, reception areas and various outpatient and inpatient departments. The Group has also introduced a Hong Kong-style clinic operation system to Nanshi Hospital. For the software improvement, medical specialists from Hong Kong were delegated to Nanshi Hospital to offer training to the local medical staff, including optimisation of consultation routines and improving the outpatient services in order to upgrade the standard of healthcare services and help consolidate Nanshi Hospital's leading position in the region.

For the long-term development of Nanshi Hospital, the construction of a new hospital block has been progressing apace. Construction has officially begun and is expected to be completed in 2019. By then, the old and new hospital blocks together with a new integrated outpatient building will cover more than 150,000 sq. m. with around 2,000 beds. The new block will also be equipped with high standard surgery centres, intensive care units as well as high-end obstetrics and gynecology inpatient wards of international standard, and VIP inpatient wards, together with an array of high-end medical equipment.

# MANAGEMENT DISCUSSION AND ANALYSIS

During the period under review, the Group acquired a building in the high-end commercial district of Nanyang City, and has planned to develop in it a high-end integrated medical centre targeting high-end customers in Nanyang City. The centre will be equipped with top-class dental and Invisalign orthodontic services, ophthalmic femtosecond services as well as beauty and medical cosmetic services, to provide high-end clients in Nanyang City with high quality and "patient-oriented" medical services which are of international standard.

During the period under review, the Group also further expanded the business scope of Nanyang Xiangrui, by establishing various subsidiaries to cover marketing business, trading of medical equipment and consumables and building management business. In the future, the Group will strive to identify and work with hospitals other than Nanshi Hospital so as to provide Hong Kong-style hospital management services to the clients.

*High-end health check business*

During the period under review, Yikang, a subsidiary of the Company which operates a high-end imaging diagnostic centre in the PRC with Sixth Hospital, purchased advanced medical imaging diagnostic equipment to enhance its service quality, which has contributed to its significant business growth.

*High-end dental services*

During the period under review, the dental clinic business of Yamei in Hangzhou has been expanding steadily. With the high-quality services together with an effective marketing strategy has earned Yamei expansion of a good reputation in the market and achieved a steady business growth and customer base since its establishment. Invisalign training for local dentists has become an important part of Yamei's business and helped fuel steady revenue growth during the period under review. As the key trainer of Invisalign treatment for the Group, Dr. Yau Yi Kwong has been actively developing Invisalign orthodontic services in the PRC, and building Yamei as the premier brand of Invisalign dental service provider in the industry.

*Chain beauty and cosmetic medicine centres*

In 2017, the Group had entered into a cooperation agreement with Shanxi Taigang to jointly develop beauty and cosmetic medicine business in the Shanxi Province. The cooperation between Shanxi Taigang and the Group will integrate both Shanxi Taigang's resources for healthcare customers and the Group's advantages with medical techniques, advanced management models, together with Hong Kong-style, professional, safe and people-oriented beauty and cosmetic medicine services in order to jointly build a network of local chain beauty and cosmetic medicine centres. The Group and Shanxi Taigang are in the negotiation of entering into a formal agreement to provide further details on their cooperation.

***Other investments***

As at 30 June 2018, the Group held 7,708.37 shares in Heemin Capital – Class A Shares with an aggregate subscription price of US$7,884,000 (equivalent to HK$61,103,000). Heemin Capital is principally engaged in global fund investment. As at 30 June 2018, the fair value of the Group's investment in Heemin Capital is approximately HK$58,571,000. As at 30 June 2018, the Group's investment in Heemin Capital constituted approximately 53% of the balance of the financial assets at fair value through profit or loss which was previously classified as available-for-sale investments as at 31 December 2017.

As at 30 June 2018, the Group held approximately 17.67% of HCMPS with an investment amount of approximately HK$88,703,000. 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 for the six months ended 30 June 2018 of HCMPS, it recorded a profit of approximately HK$15 million. The Group is of the view that the ageing population and the increasing demand for corporate medical solutions services in Hong Kong are favourable to the continuing development of HCMPS's business. As at 30 June 2018, the Group's investment in HCMPS constituted approximately 90% of the balance of equity instruments at fair value through other comprehensive income which was previously classified as available-for-sale investments as at 31 December 2017.

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

Looking ahead, the Group's business in Hong Kong will continue to maintain a stable growth. With the deepening of healthcare reforms in China, there will be increasing demand for high-end healthcare services in the PRC market. To grasp the blooming business opportunities, the Group will leverage its healthcare management expertise to introduce high quality and more efficient Hong Kong-style healthcare service and operation models to the PRC market and strive to become the leading player in the healthcare industry.

### *Hong Kong*

As regards the healthcare services management business, the Group will strive to expand its business network and coverage and further enhance the service quality. The Group will continuously upgrade its technology and operation procedure so as to enhance its operational efficiency.

For the self-operated medical clinics, the Group will continue to optimise the service coverage. The Group will continue to uphold the high standard of service, and integrate the upstream and downstream business to credit the synergy, and provide professional and one-stop medical service for customers. At the same time, the Group will recruit more capable specialty doctors, and to enhance its branding effect.

As regards the health management business, the Group will continue to actively promote the service integration of insurance and healthcare businesses. To this end, the Group has developed a strong marketing and sales team. In the future, the Group will further enhance its branding strategy and launch more promotional activities. At the same time, the Group will explore the possibility of use of the marketing and sales team of China Life Group in order to recruit more high-end customers.

As for the beauty and medical cosmetic business of "The Beauty Medical", the Group will continue to integrate its operation with the Group's other businesses and seek to create synergies and improve operational efficiency. The Group will put emphasis on expanding its business in the PRC medical cosmetic market and to introduce high quality and reliable service to the PRC. In addition, the Group will work closely with China Life Group to explore collaboration opportunities so as to achieve mutual benefits.

### *The PRC*

The rapid growth of China's economy has led a rapid rise of demand for various healthcare services, such as rehabilitation hospital and community clinic services. In the future, the Group will continue to focus on expanding its PRC healthcare business.

The further development of Nanshi Hospital will expand the Group's income base. In addition, the Group will focus on developing its community healthcare. The Group's new comprehensive medical centre is located at the centre of Nanyang City and equipped with high-end sophisticated outpatient facilities to serve the needs of high-end customers. The centre is expected become the most prestigious medical centre in that locality.

As for the high-end health check business, the Group will actively explore for other development opportunities to broaden its high-end laboratory and medical diagnostic business, and adjust its business strategies to cater for the changes.

The Group expects that its high-end PRC dental business will continue to grow in the second half of the year. The Group will proactively promote Invisalign orthodontic services, and enhance its brand awareness in China, and continue to introduce its dental clinic services and Invisalign training services to Nanshi Hospital.

The Group will also actively develop the businesses of Nanyang Xiangrui's subsidiaries covering marketing, medical equipment and consumables trading and property management services, in order to expand the services scope of its hospital management business.

Meanwhile, the Group will continue to strengthen its cooperation with China Life Group to develop integrated health management centres in the PRC. The Group will strive to develop a new collaborative business model between the insurance and healthcare services sectors. Focusing on preventive medicines and anti-aging services, the health management centre will provide comprehensive and holistic healthcare services to high-end customers of China Life Group.

## 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 also controlling borrowings at a healthy level.

As at 30 June 2018, the Group held bank balances and cash of approximately HK$1,668,894,000 (31 December 2017: approximately HK$1,391,559,000) of which approximately 71% and 29% are denominated in HK$ and RMB respectively. The Group had bank borrowings which represented a mortgage loan of approximately HK$19,258,000 (31 December 2017: approximately HK$19,777,000) of which approximately HK$1,123,000 (31 December 2017: approximately HK$1,109,000) are repayable within one year. The Group's loans were arranged on a floating interest rate basis. Details of bank borrowings of the Group are set out in note 18 to the condensed consolidated financial statements for the six months ended 30 June 2018.

As at 30 June 2018, the Group's net current assets amounted to approximately HK$1,737,252,000 (31 December 2017: approximately HK$1,597,930,000) and the Group had a current ratio of 8.67 (31 December 2017: 6.12). As at 30 June 2018, the Group's gearing ratio was 0.47% (31 December 2017: 0.49%). The Group considers the level of liabilities of a company reflects its financial health. The Group strives to keep the level of borrowings at 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 potential foreign exchange exposure of the Group is limited.

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

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

## CAPITAL STRUCTURE

As at 30 June 2018, the Group had equity attributable to owners of the Company of approximately HK$4,109,743,000 (31 December 2017: approximately HK$4,037,403,000).

## SHARE CAPITAL

Details of movements in the share capital of the Company during the period under review are set out in note 19 to the condensed consolidated financial statements for the six months ended 30 June 2018.

## 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 2018, certain property, plant and equipment and investment properties of the Group with carrying value of approximately HK$50,730,000 (31 December 2017: approximately HK$195,732,000) and HK$Nil (31 December 2017: approximately HK$486,502,000) respectively, were pledged to secure general banking facilities granted to the Group. As at 30 June 2018, the Group were in the process of releasing certain property, plant and equipment and investment properties of the Group with carrying value of approximately HK$109,747,000 and HK$410,565,000 respectively, which were previously pledged to secure general banking facilities granted to the Group.

## CONTINGENT LIABILITIES

As at 30 June 2018, the Group had no material contingent liabilities (31 December 2017: Nil).

## HUMAN RESOURCES AND TRAINING SCHEMES

As at 30 June 2018, the Group employed 1,259 staff (31 December 2017: 1,245). Total employee costs, including directors' emoluments, amounted to approximately HK$324,286,000 for the six months ended 30 June 2018 (2017: approximately HK$328,571,000). 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.

As at 31 December 2017, the amount of unutilised net proceeds amounted to approximately HK$618 million. During the six months ended 30 June 2018, approximately HK$5 million of the net proceeds had been utilised for investment and development of the dental chain in the PRC. As at 30 June 2018, (i) approximately HK$244 million of the net proceeds had been utilised as the 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; (ii) approximately HK$5 million of the net proceeds had been utilised for investment and development of the dental chain in the PRC; and (iii) approximately HK$18 million of the net proceeds had been utilised for developing One Pass, the “one-stop, IT O2O platform” of the Group.

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

***Issue of shares to China Life Group***

On 5 January 2015, the Group entered into an investment agreement with China Life Group, pursuant to which China Life Group has agreed to subscribe for 1,785,098,644 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. 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.

As at 31 December 2017, the amount of unutilised net proceeds amounted to approximately HK$1,108 million. During the six months ended 30 June 2018, (i) approximately HK$2 million of the net proceeds had been utilised for further acquisition of approximately 0.2% interest in Nanyang Xiangrui; (ii) approximately HK$2 million of the net proceeds had been utilised for developing medical clinics in the PRC; (iii) approximately HK$3 million of the net proceeds had been utilised for developing health check business in the PRC; and (iv) approximately HK$57 million of the net proceeds had been utilised for developing health management centres in Hong Kong and the PRC. As at 30 June 2018, (i) approximately HK$640 million of the net proceeds had been utilised as the investment by the Group in Nanyang Xiangrui by way of acquisition of the equity interests and/or capital injection; (ii) approximately HK$2 million of the net proceeds had been utilised for developing medical clinics in the PRC; (iii) approximately HK$3 million of the net proceeds had been utilised for developing health check business in the PRC; and (iv) approximately HK$57 million of the net proceeds had been utilised for developing health management centres in Hong Kong and the PRC.

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 2018, the interests and short positions of the Directors and the chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

***Long positions in the Shares***

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

Notes:

1. The total number of Shares as at 30 June 2018 (that was, 7,526,134,452 Shares) has been used for the calculation of the approximate percentage.

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

Save as disclosed above, as at 30 June 2018, 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).

# DISCLOSURE OF INTERESTS

## DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed above, at no time during the six months ended 30 June 2018 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 2018, 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 | 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% |

# DISCLOSURE OF INTERESTS

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

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

Notes:

1. The total number of Shares as at 30 June 2018 (that was, 7,526,134,452 Shares) has been used for the calculation of the approximate percentage.

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

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

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

Save as disclosed above, as at 30 June 2018, 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 of the Company.

## SHARE OPTION SCHEME

***2008 Scheme***

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

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

There were no share options outstanding under the 2008 Scheme as at 1 January 2018 and no share options were granted by the Company under the 2008 Scheme during the six months ended 30 June 2018.

# 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.

## CHANGE OF AUDITORS

Moore Stephens CPA Limited was appointed as the new auditors of the Company with effect from 15 February 2018 upon resignation of Deloitte Touche Tohmatsu. Resolution was passed at the annual general meeting of the Company held on 29 June 2018 to re-appoint Moore Stephens CPA Limited as auditors of the Company until the conclusion of the next annual general meeting of the Company.

## COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

During the six months ended 30 June 2018, 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 2018.

## 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.

## AUDIT COMMITTEE

As at 30 June 2018, the Audit Committee comprised of six independent non-executive Directors, namely Mr. Ho Kwok Wah, George, *MH* as the chairman of the Audit Committee, Ms. Li Mingqin, Mr. Wang John Hong-chiun, Mr. Wong Sai Kit, Mr. Yu Kai Fung Jackie and Mr. Yu Xuezhong. The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed the internal control and financial reporting matters including the review of the unaudited financial statements of the Group for the six months ended 30 June 2018 and this interim report.

## REVIEW OF INTERIM RESULTS

The condensed consolidated financial information for the six months ended 30 June 2018 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 interim financial statements of the Group for the six months ended 30 June 2018 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.

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

# INDEPENDENT AUDITOR'S REVIEW REPORT

MOORE STEPHENS

Moore Stephens CPA Limited
801-806 Silvercord, Tower 1,
30 Canton Road, Tsimshatsui,
Kowloon, Hong Kong

T +852 2375 3180
F +852 2375 3828

www.moorestephens.com.hk

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 28 to 70, which comprise the condensed consolidated statement of financial position as of 30 June 2018 and the related condensed consolidated statement of profit or loss and comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six month period then ended and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting", issued by the Hong Kong Institute of Certified Public Accountants("HKICPA"). The directors of the Company are responsible for the preparation and presentation of the interim financial report in accordance with HKAS 34.

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

# INDEPENDENT AUDITOR'S REVIEW REPORT

## SCOPE OF REVIEW

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

## CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements as at 30 June 2018 are not prepared, in all material respects, in accordance with HKAS 34.

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

Hong Kong, 28 August 2018

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

*For the six months ended 30 June 2018*

| | Notes | **Six months ended 30 June 2018 (unaudited) HK$'000** | Six months ended 30 June 2017 (unaudited) HK$'000 |
|---|---|---|---|
| **Continuing operations** | | | |
| Revenue | 4 | **529,396** | 538,174 |
| Cost of sales | | **(365,129)** | (367,705) |
| Gross profit | | **164,267** | 170,469 |
| Other income | 6 | **36,372** | 42,322 |
| Administrative expenses | | **(184,813)** | (153,706) |
| Other gains and losses | 7 | **56,571** | (17,128) |
| Finance costs | 8 | **(264)** | (323) |
| Share of results of associates | | **7,122** | 10,359 |
| Share of results of a joint venture | | **261** | (1,152) |
| Profit before tax | | **79,516** | 50,841 |
| Income tax expenses | 9 | **(18,014)** | (14,569) |
| Profit for the period from continuing operations | 10 | **61,502** | 36,272 |
| **Discontinued operation** | | | |
| Profit for the period from discontinued operation | | **–** | 21,681 |
| Profit for the period | | **61,502** | 57,953 |

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

*For the six months ended 30 June 2018*

| | Note | Six months ended 30 June **2018 (unaudited) HK$'000** | 2017 (unaudited) HK$'000 |
|---|---|---|---|
| **Other comprehensive income (expense) for the period** | | | |
| *Item that will not be reclassified to profit or loss:* | | | |
| Fair value gain on movements in equity instruments at fair value through other comprehensive income | | **19,954** | – |
| *Items that may be reclassified subsequently to profit or loss:* | | | |
| Exchange difference arising from the translation of foreign operations | | **(11,658)** | 23,929 |
| Fair value loss on available-for-sale investments | | **–** | (5,060) |
| | | **(11,658)** | 18,869 |
| | | **8,296** | 18,869 |
| Total comprehensive income for the period | | **69,798** | 76,822 |
| Profit for the period attributable to: | | | |
| Owners of the Company | | | |
| – from continuing operations | | **57,627** | 21,836 |
| – from discontinued operation | | **–** | 21,681 |
| Non-controlling interests | | **3,875** | 14,436 |
| | | **61,502** | 57,953 |
| Total comprehensive income attributable to: | | | |
| Owners of the Company | | **69,151** | 57,865 |
| Non-controlling interests | | **647** | 18,957 |
| | | **69,798** | 76,822 |
| Earnings per share (HK cent) | 12 | | |
| For continuing operations and discontinued operation | | | |
| – Basic and diluted | | **0.77** | 0.56 |
| For continuing operations | | | |
| – Basic and diluted | | **0.77** | 0.28 |

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*As at 30 June 2018*

| | Notes | 30 June 2018 (unaudited) HK$'000 | 31 December 2017 (audited) HK$'000 |
|---|---|---|---|
| **NON-CURRENT ASSETS** | | | |
| Investment properties | | **610,685** | 597,601 |
| Property, plant and equipment | 13 | **389,582** | 343,166 |
| Loans receivable | 14 | **5,539** | 5,998 |
| Goodwill | | **500,362** | 502,127 |
| Intangible assets | | **360,803** | 368,134 |
| Interests in associates | | **278,545** | 268,675 |
| Interests in a joint venture | | **17,855** | 17,594 |
| Available-for-sale investments | | **–** | 286,329 |
| Financial assets at fair value through profit or loss | | **101,101** | 37,840 |
| Equity instruments at fair value through other comprehensive income | | **98,937** | – |
| Promissory notes | 15 | **330,000** | 330,000 |
| Deposits made for acquisition of property, plant and equipment | | **–** | 8,165 |
| | | **2,693,409** | 2,765,629 |
| **CURRENT ASSETS** | | | |
| Inventories | | **26,416** | 24,585 |
| Trade and other receivables | 16 | **220,579** | 241,325 |
| Held for trading investments | | **–** | 16,726 |
| Financial asset at fair value through profit or loss | | **9,478** | – |
| Loans receivable | 14 | **864** | 163,594 |
| Promissory notes | 15 | **30,000** | – |
| Amounts due from associates | | **6,030** | 6,730 |
| Amount due from a non-controlling interest | | **1,247** | 64 |
| Tax recoverable | | **388** | 867 |
| Fixed bank deposit | | **–** | 64,358 |
| Bank balances and cash | | **1,668,894** | 1,391,559 |
| | | **1,963,896** | 1,909,808 |

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*As at 30 June 2018*

| | Notes | **30 June 2018 (unaudited) HK$'000** | 31 December 2017 (audited) HK$'000 |
|---|---|---|---|
| **CURRENT LIABILITIES** | | | |
| Trade and other payables | 17 | **126,824** | 222,140 |
| Amount due to an investee | | **307** | 308 |
| Amounts due to non-controlling interests | | **46,621** | 47,101 |
| Bank borrowings | 18 | **19,258** | 19,777 |
| Tax payable | | **33,634** | 22,552 |
| | | **226,644** | 311,878 |
| **NET CURRENT ASSETS** | | **1,737,252** | 1,597,930 |
| **TOTAL ASSETS LESS CURRENT LIABILITIES** | | **4,430,661** | 4,363,559 |
| **NON-CURRENT LIABILITIES** | | | |
| Deferred tax liabilities | | **47,262** | 49,079 |
| | | **4,383,399** | 4,314,480 |
| **CAPITAL AND RESERVES** | | | |
| Share capital | 19 | **75,261** | 75,261 |
| Reserves | | **4,034,482** | 3,962,142 |
| Equity attributable to owners of the Company | | **4,109,743** | 4,037,403 |
| Non-controlling interests | | **273,656** | 277,077 |
| Total equity | | **4,383,399** | 4,314,480 |

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

*For the six months ended 30 June 2018*

| | Attributable to owners of the Company | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Share capital HK$'000 | Share premium HK$'000 | Capital redemption reserve HK$'000 | Capital reserve HK$'000 | Distributable reserve HK$'000 | Other reserve HK$'000 | Investment revaluation reserve HK$'000 | Property revaluation reserve HK$'000 | Translation reserve HK$'000 | Accumulated profits HK$'000 | Total HK$'000 | Non-controlling interests HK$'000 | Total HK$'000 |
| At 31 December 2017 (audited) | 75,261 | 3,341,639 | 9,020 | 10,033 | 62,677 | (96,591) | 23,386 | 33,609 | 7,565 | 570,804 | 4,037,403 | 277,077 | 4,314,480 |
| Adjustment (see note 3.1) | – | – | – | – | – | – | (18,930) | – | – | 23,335 | 4,405 | – | 4,405 |
| At 1 January 2018 (restated) | 75,261 | 3,341,639 | 9,020 | 10,033 | 62,677 | (96,591) | 4,456 | 33,609 | 7,565 | 594,139 | 4,041,808 | 277,077 | 4,318,885 |
| Profit for the period | – | – | – | – | – | – | – | – | – | 57,627 | 57,627 | 3,875 | 61,502 |
| Other comprehensive income (expense) for the period | – | – | – | – | – | – | 19,954 | – | (8,430) | – | 11,524 | (3,228) | 8,296 |
| Total comprehensive income for the period | – | – | – | – | – | – | 19,954 | – | (8,430) | 57,627 | 69,151 | 647 | 69,798 |
| Reclassification upon disposal of equity instruments at fair value through other comprehensive income | – | – | – | – | – | – | (40,468) | – | – | 40,468 | – | – | – |
| Acquisition of additional interests in subsidiaries | – | – | – | – | – | (1,216) | – | – | – | – | (1,216) | 1,128 | (88) |
| Dividends paid to non-controlling interests | – | – | – | – | – | – | – | – | – | – | – | (5,196) | (5,196) |
| At 30 June 2018 (unaudited) | 75,261 | 3,341,639 | 9,020 | 10,033 | 62,677 | (97,807) | (16,058) | 33,609 | (865) | 692,234 | 4,109,743 | 273,656 | 4,383,399 |

*For the six months ended 30 June 2017*

| | 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$'000 | Accumulated profits HK$'000 | Total HK$'000 | Non-controlling interests HK$'000 | Total HK$'000 |
| At 1 January 2017 (audited) | 77,613 | 3,628,179 | 9,020 | 10,033 | 62,677 | (111,658) | (8,239) | 33,609 | (32,852) | 703,194 | 4,371,576 | 210,383 | 4,581,959 |
| Profit for the period | – | – | – | – | – | – | – | – | – | 43,517 | 43,517 | 14,436 | 57,953 |
| Other comprehensive (expense) income for the period | – | – | – | – | – | – | (5,060) | – | 19,408 | – | 14,348 | 4,521 | 18,869 |
| Total comprehensive income for the period | – | – | – | – | – | – | (5,060) | – | 19,408 | 43,517 | 57,865 | 18,957 | 76,822 |
| Shares repurchased and cancelled | (2,352) | (286,540) | – | – | – | – | – | – | – | – | (288,892) | – | (288,892) |
| Dividends recognised as distribution | – | – | – | – | – | – | – | – | – | (21,073) | (21,073) | – | (21,073) |
| Dividends paid to non-controlling interests | – | – | – | – | – | – | – | – | – | – | – | (4,037) | (4,037) |
| At 30 June 2017 (unaudited) | 75,261 | 3,341,639 | 9,020 | 10,033 | 62,677 | (111,658) | (13,299) | 33,609 | (13,444) | 725,638 | 4,119,476 | 225,303 | 4,344,779 |

# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

*For the six months ended 30 June 2018*

| | Notes | Six months ended 30 June 2018 (unaudited) HK$'000 | 2017 (unaudited) HK$'000 |
|---|---|---|---|
| **Net cash (used in) generated from operating activities** | | **(16,316)** | 6,209 |
| **Investing activities** | | | |
| Repayments of loans receivables | | **163,189** | – |
| Proceeds from disposal of equity instruments at fair value through other comprehensive income | | **140,276** | – |
| Decrease in time deposits with maturity over 3 months | | **64,358** | – |
| Proceeds from disposal of financial asset at fair value through profit or loss | | **13,108** | – |
| Acquisition of property, plant and equipment | | **(68,276)** | (20,011) |
| Investment in an associate | | **(2,998)** | (108,000) |
| Net proceeds from disposal of subsidiaries | 21 | **–** | 76,813 |
| Partial repayment of promissory note | | **–** | 47,631 |
| Advance of loans receivables | | **–** | (150,000) |
| Acquisition of a medical practice | 20 | **–** | (2,000) |
| Other cash flows arising from investing activities | | **(4,041)** | (2,299) |
| **Net cash generated from (used in) investing activities** | | **305,616** | (157,866) |
| **Financing activities** | | | |
| Repurchase of shares | | **–** | (288,892) |
| Other cash flows arising from financing activities | | **(8,154)** | (4,886) |
| **Net cash used in financing activities** | | **(8,154)** | (293,778) |

# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

*For the six months ended 30 June 2018*

| | Six months ended 30 June | |
|---|---|---|
| | **2018** | 2017 |
| | **(unaudited)** | (unaudited) |
| | **HK$'000** | HK$'000 |
| **Increase (decrease) in cash and cash equivalents** | **281,146** | (445,435) |
| **Cash and cash equivalents at the beginning of period** | **1,391,559** | 1,447,756 |
| **Effect of foreign exchange rates changes** | **(3,811)** | 13,182 |
| **Cash and cash equivalents at the end of period, representing bank balances and cash** | **1,668,894** | 1,015,503 |

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*For the six months ended 30 June 2018*

## 1. GENERAL

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

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

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

The condensed consolidated financial statements are presented in HK$, which is the same as the functional currency of the Company.

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

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

## 2. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with HKAS 34 "Interim Financial Reporting" issued by the 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 2017.

## 3. PRINCIPAL ACCOUNTING POLICIES

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

Other than changes in accounting policies resulting from application of new HKFRSs, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2018 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2017.

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

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

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the HKICPA which are mandatorily effective for the annual period beginning on or after 1 January 2018 for the preparation of the Group's condensed consolidated financial statements:

| | |
|---|---|
| HKFRS 9 | Financial Instruments |
| HKFRS 15 | Revenue from Contracts with Customers and the related Amendments |
| HK(IFRIC)-Int 22 | Foreign Currency Transactions and Advance Consideration |
| Amendments to HKFRS 2 | Classification and Measurement of Share-based Payment Transactions |
| Amendments to HKFRS 4 | Applying HKFRS 9 "Financial Instruments" with HKFRS 4 "Insurance Contracts" |
| Amendments to HKAS 28 | As part of the Annual Improvements to HKFRSs 2014-2016 Cycle |
| Amendments to HKAS 40 | Transfers of Investment Property |

The new and amendments to HKFRSs have been applied in accordance with the relevant transition provisions in the respective standards and amendments which results in changes in accounting policies, amounts reported and/or disclosures as described below.

*3.1 Impacts and changes in accounting policies of application on HKFRS 9 "Financial Instruments"*

In the current period, the Group has applied HKFRS 9 and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) expected credit losses ("ECL") for financial assets and 3) general hedge accounting.

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

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

*3.1 Impacts and changes in accounting policies of application on HKFRS 9 "Financial Instruments" (Continued)*

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9, i.e. applied the classification and measurement requirements (including impairment) retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018. The difference between carrying amounts as at 31 December 2017 and the carrying amounts as at 1 January 2018 are recognised in the opening accumulated profits and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 "Financial Instruments: Recognition and Measurement".

3.1.1 *Key changes in accounting policies resulting from application of HKFRS 9*

<u>Classification and measurement of financial assets</u>

Trade receivables arising from contracts with customers are initially measured in accordance with HKFRS 15.

All recognised financial assets that are within the scope of HKFRS 9 are subsequently measured at amortised cost or fair value, including unquoted equity investments measured at cost less impairment under HKAS 39.

All financial assets are subsequently measured at fair value through profit or loss ("FVTPL"), except that at the date of initial application of HKFRS 9, or at initial recognition of a financial asset if later than the date of initial recognition, the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income ("OCI") if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 "Business Combinations" applies.

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

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

*3.1 Impacts and changes in accounting policies of application on HKFRS 9 "Financial Instruments" (Continued)*

3.1.1 *Key changes in accounting policies resulting from application of HKFRS 9 (Continued)*

Equity instruments designated as at fair value through other comprehensive income ("FVTOCI")

As explained above, the date of initial application/initial recognition, the Group may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVTOCI.

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in OCI and accumulated in the investment revaluation reserve; and are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, and will be transferred to accumulated profits.

Dividends on these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established in accordance with HKFRS 9, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the "other income" line item in profit or loss.

Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset and is included in the "other gains and losses" line item.

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

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

*3.1 Impacts and changes in accounting policies of application on HKFRS 9 "Financial Instruments" (Continued)*

3.1.1 *Key changes in accounting policies resulting from application of HKFRS 9 (Continued)*

Financial assets at FVTPL *(Continued)*

The directors of the Company reviewed and assessed the Group's financial assets as at 1 January 2018 based on the facts and circumstances that existed at that date. Changes in classification and measurement on the Group's financial assets and the impacts thereof are detailed in Note 3.1.2.

Impairment under ECL model

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9 (including trade receivables and amounts due from associates/non-controlling interests). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables. The ECL on these assets are assessed individually for debtors with significant balances and/or collectively using a provision matrix with appropriate groupings.

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

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

*3.1 Impacts and changes in accounting policies of application on HKFRS 9 "Financial Instruments" (Continued)*

3.1.1 *Key changes in accounting policies resulting from application of HKFRS 9 (Continued)*

Impairment under ECL model *(Continued)*

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;

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

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

*3.1 Impacts and changes in accounting policies of application on HKFRS 9 "Financial Instruments" (Continued)*

3.1.1 *Key changes in accounting policies resulting from application of HKFRS 9 (Continued)*

Significant increase in credit risk *(Continued)*

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

- an actual or expected significant deterioration in the operating results of the debtor;

- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group considers that default has occurred when the instrument is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

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

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

*3.1 Impacts and changes in accounting policies of application on HKFRS 9 "Financial Instruments" (Continued)*

3.1.1 *Key changes in accounting policies resulting from application of HKFRS 9 (Continued)*

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information.

Generally, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

Except for investments in equity instruments that are measured at FVTOCI, the Group recognises an impairment gain or loss in profit or loss for other financial instruments by adjusting their carrying amount, with the exception of trade receivables and amounts due from associates/non-controlling interests, where the corresponding adjustment is recognised through a loss allowance account.

As at 1 January 2018, the directors of the Company reviewed and assessed the Group's existing financial assets for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of HKFRS 9.

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

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

*3.1 Impacts and changes in accounting policies of application on HKFRS 9 "Financial Instruments" (Continued)*

3.1.2 *Summary of effects arising from initial application of HKFRS 9*

The table below illustrates the classification and measurement (including impairment) of financial assets under HKFRS 9 and HKAS 39 at the date of initial application, 1 January 2018.

| | Available-for-sale investments HK$'000 | Held for trading investments HK$'000 | Equity instruments at FVTOCI HK$'000 | Financial assets at FVTPL HK$'000 | Investment revaluation reserve HK$'000 | Accumulated profits HK$'000 |
|---|---|---|---|---|---|---|
| Closing balance at 31 December 2017 – HKAS 39 | 286,329 | 16,726 | – | 37,840 | (23,386) | (570,804) |
| Effect arising from initial application of HKFRS 9 | | | | | | |
| Reclassification | | | | | | |
| • From available-for-sale investments | (286,329) | – | 216,721 | 69,608 | 21,468 | (21,468) |
| • From held for trading investments | – | (16,726) | – | 16,726 | – | – |
| Remeasurement | | | | | | |
| • From cost less impairment to fair value | – | – | 2,538 | 1,867 | (2,538) | (1,867) |
| Opening balance as at 1 January 2018 | – | – | 219,259 | 126,041 | (4,456) | (594,139) |

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

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

*3.1 Impacts and changes in accounting policies of application on HKFRS 9 "Financial Instruments" (Continued)*

3.1.2 *Summary of effects arising from initial application of HKFRS 9 (Continued)*

(a) Available-for-sale ("AFS") investments

*From AFS equity investments to FVTOCI*

The Group elected to present in OCI for the fair value changes of certain equity instruments previously classified as AFS, of which approximately HK$96,546,000 related to unquoted equity investments previously measured at cost less impairment under HKAS 39. These investments are not held for trading and not expected to be sold in the foreseeable future. At the date of initial application of HKFRS 9, approximately HK$216,721,000 were reclassified from AFS investments to equity instruments at FVTOCI, of which approximately HK$96,546,000 related to unquoted equity investments previously measured at cost less impairment under HKAS 39. The fair value gains of approximately HK$2,538,000 relating to those unquoted equity investments previously carried at cost less impairment were adjusted to equity instruments at FVTOCI and investment revaluation reserve as at 1 January 2018. In addition, impairment loss previously recognised of approximately HK$21,468,000 were transformed from accumulated profits to investment revaluation revenue as at 1 January 2018.

*From AFS investments to FVTPL*

At the date of initial application of HKFRS 9, the Group reclassified certain unlisted bond fund of carrying values amounting to approximately HK$61,103,000 and unlisted equity fund of approximately HK$8,505,000 from AFS investments to financial assets at FVTPL. The fair value gain of approximately HK$1,867,000 relating to these investments previously carried at cost less impairment were adjusted to financial assets at FVTPL and accumulated profits as at 1 January 2018.

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

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

*3.1 Impacts and changes in accounting policies of application on HKFRS 9 "Financial Instruments" (Continued)*

3.1.2 *Summary of effects arising from initial application of HKFRS 9 (Continued)*

(a) Available-for-sale ("AFS") investments *(Continued)*

*Impairment under ECL model*

In relation to the impairment of financial assets, HKFRS 9 requires an ECL model, as opposed to an incurred credit loss model under HKAS 39. The ECL model requires an entity to account for ECL and changes in those ECL at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

In the current period, the Group has applied HKFRS 9 simplified approach to measure ECL using lifetime ECL for trade receivables. To measure the ECL, trade receivables have been grouped based on shared credit risk characteristics.

Loss allowance for other financial assets at amortised cost, which mainly comprise of promissory notes, loans receivables, other receivables, fixed bank deposit and bank balances and cash, are measured based on 12m ECL basis and there had been no significant increase in credit risk since initial recognition.

As at 1 January 2018, no additional credit loss allowance has been recognised against accumulated profits as the estimated allowance under the ECL model was not significantly different to that under HKAS 39.

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

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

*3.2 Impacts and changes in accounting policies of application on HKFRS 15 "Revenue from Contracts with Customers"*

The Group has applied HKFRS 15 for the first time in the current interim period. HKFRS 15 superseded HKAS 18 "Revenue", HKAS 11 "Construction Contracts" and the related interpretations.

The Group recognises revenue from the following major sources:

- Hong Kong medical services
- Hong Kong managed care business
- securities and properties investments and treasury management
- Mainland medical management and services
- others

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this Standard recognised at the date of initial application, 1 January 2018. Any difference at the date of initial application is recognised in the opening accumulated profits and comparative information has not been restated. Furthermore, in accordance with the transition provisions in HKFRS 15, the Group has elected to apply the Standard retrospectively only to contracts that are not completed at 1 January 2018. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18 and HKAS 11 and the related interpretations.

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

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

*3.2 Impacts and changes in accounting policies of application on HKFRS 15 "Revenue from Contracts with Customers" (Continued)*

3.2.1 *Key changes in accounting policies resulting from application of HKFRS 15*

HKFRS 15 introduces a 5-step approach when recognising revenue:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, the Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good and service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

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

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

*3.2 Impacts and changes in accounting policies of application on HKFRS 15 "Revenue from Contracts with Customers" (Continued)*

3.2.1 *Key changes in accounting policies resulting from application of HKFRS 15 (Continued)*

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;

- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or

- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation

The progress towards complete satisfaction of a performance obligation is measured based on output method, which is to recognise certain revenue arising from Hong Kong managed care business, Mainland medical management and services and others, on the basis of direct measurements of the value of the services transferred to the customer to date relative to the remaining services promised under the contract, that best depict the Group's performance in transferring control of services.

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

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

*3.2 Impacts and changes in accounting policies of application on HKFRS 15 "Revenue from Contracts with Customers" (Continued)*

3.2.2 Summary of effects arising from initial application of HKFRS 15

The following adjustments were made to the amounts recognised in the condensed consolidated statement of financial position at 1 January 2018. Line items that were not affected by the changes have not been included.

| | **Carrying amounts previously reported at 31 December 2017** | **Reclassification** | **Carrying amounts under HKFRS 15 at 1 January 2018** |
|---|---|---|---|
| | HK$'000 | HK$'000 | HK$'000 |
| Trade and other payables | | | |
| – Deferred income | 2,935 | (2,935) | – |
| – Deposit received | 4,235 | (4,235) | – |
| – Contract liabilities | – | 7,170 | 7,170 |

As at 1 January 2018, deferred income amounting to approximately HK$2,935,000 and certain deposit received amounting to approximately HK$4,235,000 in respect of sales contracts signed with customers previously included in trade and other payables were reclassified to contract liabilities which are included in trade and other payables.

The application of HKFRS 15 has had no material impact on the Group's accumulated profits as at 1 January 2018.

## 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. Disaggregation of revenue from contracts with customers are as follows:

| | Six months ended 30 June | |
|---|---|---|
| | **2018** | 2017 |
| | **(unaudited)** | (unaudited) |
| | **HK$'000** | HK$'000 |
| **Types of services** | | |
| Hong Kong medical services | **260,133** | 238,209 |
| Hong Kong managed care business | **228,306** | 225,474 |
| Property rental income | **8,045** | 9,226 |
| Mainland medical management and services | **28,002** | 65,265 |
| Miscellaneous healthcare services income | **4,910** | – |
| | **529,396** | 538,174 |
| **Timing of revenue recognition** | | |
| At point in time | **499,957** | 501,438 |
| Over time | **29,439** | 36,736 |
| | **529,396** | 538,174 |

## 5. SEGMENT INFORMATION

During the year ended 31 December 2017, there were five reportable and operating segments, namely provision of healthcare and dental services, managed care business, investments in securities and properties and treasury management, hospital management and consulting services business and others. During the six months ended 30 June 2018, the chief operating decision maker, being the chief executive officer of the Company ("CEO"), reassessed the current business units of the Group. The CEO considered that the locations of the different types of business are more relevant for the purposes of resources allocation and assessment of segment performance.

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

- Hong Kong medical services – Operations of the medical and dental practices in Hong Kong
- Hong Kong managed care business – Provision of managed care for healthcare networks & medical third party network administor business in Hong Kong
- Mainland medical management and services – Operations of medical and dental practices in the PRC, provision of hospital management services and provision of consulting services in relation to the hospital management
- Securities and properties investments and treasury management – Trading of listed securities and leasing of properties
- Others – Provision of miscellaneous healthcare services

Comparative figures have been restated to conform with the current year's presentation.

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.

## 5. SEGMENT INFORMATION *(CONTINUED)*

***Segment revenue and results***

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

| | Hong Kong medical services (unaudited) HK$'000 | Hong Kong managed care business (unaudited) HK$'000 | Mainland medical management and services (unaudited) HK$'000 | Securities and properties investments and treasury management (unaudited) HK$'000 | Others (unaudited) HK$'000 | Elimination (unaudited) HK$'000 | Total (unaudited) HK$'000 |
|---|---|---|---|---|---|---|---|
| REVENUE | | | | | | | |
| External sales | 260,133 | 228,306 | 28,002 | 8,045 | 4,910 | – | 529,396 |
| Inter-segment sales | 12,564 | – | – | 3,670 | – | (16,234) | – |
| | 272,697 | 228,306 | 28,002 | 11,715 | 4,910 | (16,234) | 529,396 |
| Segment results | 17,939 | 21,967 | (4,848) | 80,117 | (12,914) | – | 102,261 |
| Finance costs | | | | | | | (264) |
| Unallocated other income | | | | | | | 4,350 |
| Unallocated corporate expenses | | | | | | | (26,831) |
| Profit before tax | | | | | | | 79,516 |

## 5. SEGMENT INFORMATION *(CONTINUED)*

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

***Six months ended 30 June 2017***

| | Hong Kong medical services (unaudited) HK$'000 | Hong Kong managed care business (unaudited) HK$'000 | Mainland medical management and services (unaudited) HK$'000 | Securities and properties investments and treasury management (unaudited) HK$'000 | Others (unaudited) HK$'000 | Elimination (unaudited) HK$'000 | Total (unaudited) HK$'000 |
|---|---|---|---|---|---|---|---|
| REVENUE | | | | | | | |
| External sales | 238,209 | 225,474 | 65,265 | 9,226 | – | – | 538,174 |
| Inter-segment sales | 11,464 | – | – | 3,431 | – | (14,895) | – |
| | 249,673 | 225,474 | 65,265 | 12,657 | – | (14,895) | 538,174 |
| Segment results | 14,579 | 24,040 | 16,584 | 8,284 | (2,815) | – | 60,672 |
| Finance costs | | | | | | | (323) |
| Unallocated other income | | | | | | | 15,099 |
| Unallocated corporate expenses | | | | | | | (24,607) |
| Profit before tax | | | | | | | 50,841 |

## 5. SEGMENT INFORMATION *(CONTINUED)*

***Geographical information***

The Group's revenue from external customers in its continuing operations are detailed below:

| | Six months ended 30 June | |
|---|---|---|
| | **2018** | 2017 |
| | **(unaudited)** | (unaudited) |
| | **HK$'000** | HK$'000 |
| Hong Kong | **501,394** | 472,909 |
| Other regions of the PRC | **28,002** | 65,265 |
| | **529,396** | 538,174 |

## 6. OTHER INCOME

| | Six months ended 30 June | |
|---|---|---|
| | **2018** | 2017 |
| | **(unaudited)** | (unaudited) |
| | **HK$'000** | HK$'000 |
| Dividend income from equity instruments at FVTOCI | **4,843** | – |
| Interest income | **27,179** | 25,173 |
| Rental income | **2,255** | 1,613 |
| Sundry income | **2,095** | 13,486 |
| Dividend income from unlisted investments classified as AFS investments | **–** | 2,050 |
| | **36,372** | 42,322 |

## 7. OTHER GAINS AND LOSSES

| | Six months ended 30 June | |
|---|---|---|
| | **2018** | 2017 |
| | **(unaudited)** | (unaudited) |
| | **HK$'000** | HK$'000 |
| Reversal of impairment loss (impairment loss) recognised in respect of: | | |
| – promissory note | **30,000** | – |
| – trade receivables | **(3,118)** | (2,603) |
| – other receivables | **2,258** | – |
| – amounts due from investees | **–** | 250 |
| Fair value changes on investment properties | **29,784** | – |
| Fair value changes on financial assets at FVTPL | **(2,353)** | – |
| Fair value changes on held for trading investments | **–** | (14,775) |
| | **56,571** | (17,128) |

## 8. FINANCE COSTS

| | Six months ended 30 June | |
|---|---|---|
| | **2018** | 2017 |
| | **(unaudited)** | (unaudited) |
| | **HK$'000** | HK$'000 |
| Interest on bank borrowings | **264** | 323 |

## 9. INCOME TAX EXPENSES

| | Six months ended 30 June | |
|---|---|---|
| | **2018** | 2017 |
| | **(unaudited)** | (unaudited) |
| | **HK$'000** | HK$'000 |
| Hong Kong Profits Tax | **8,205** | 8,151 |
| PRC Enterprise Income Tax | **11,130** | 7,218 |
| Deferred taxation credit | **(1,321)** | (800) |
| | **18,014** | 14,569 |

Hong Kong Profits Tax is calculated at 16.5% (2017: 16.5%) of the estimated assessable profits for both interim periods.

Under the EIT Law and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for both interim periods.

## 10. PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS

| | Six months ended 30 June | |
|---|---|---|
| | **2018** | 2017 |
| | **(unaudited)** | (unaudited) |
| | **HK$'000** | HK$'000 |
| Profit for the period from continuing operations has been arrived at after charging: | | |
| Staff costs | | |
| – Directors' remuneration | **6,444** | 5,711 |
| – Other staff's salaries, bonus and other benefits | **314,230** | 288,442 |
| – Other staff's retirement benefits scheme contributions | **3,612** | 3,355 |
| | **324,286** | 297,508 |
| Amortisation of intangible assets | **5,346** | 4,434 |
| Depreciation of property, plant and equipment | **23,710** | 16,768 |

## 11. DIVIDENDS

The Board does not recommend the payment of interim dividends for the six months ended 30 June 2018 (2017: Nil).

## 12. EARNINGS PER SHARE

***For continuing operations***

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

| | Six months ended 30 June | |
|---|---|---|
| | **2018** | 2017 |
| | **(unaudited)** | (unaudited) |
| | **HK$'000** | HK$'000 |
| Profit for the period attributable to owners of the Company and earnings for the purpose of calculating basic and diluted earnings per share | **57,627** | 21,836 |

| | **30 June 2018 (unaudited)** | 30 June 2017 (unaudited) |
|---|---|---|
| Number of shares | | |
| Weighted average number of ordinary shares for the purpose of calculating basic and diluted earnings per share | **7,526,134,452** | 7,714,710,540 |

## 12. EARNINGS PER SHARE *(CONTINUED)*

***For continuing and discontinued operations***

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

| | Six months ended 30 June | |
|---|---|---|
| | **2018** | 2017 |
| | **(unaudited)** | (unaudited) |
| | **HK$'000** | HK$'000 |
| Profit for the period attributable to owners of the Company and earnings for the purpose of basic and diluted earnings per share | **57,627** | 43,517 |

The denominators used are the same as those detailed above for both basic and diluted earnings per share.

***For discontinued operation***

Basic and diluted earnings per share for the six months ended 30 June 2017 for the discontinued operation was HK0.28 cent per share (2018: Nil) based on the profit for the period from the discontinued operation of approximately HK$21,681,000 (2018: Nil) and the denominators detailed above for both basic and diluted earnings per share.

## 13. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2018, the Group spent approximately HK$76,080,000 (2017: approximately HK$31,003,000) on acquisition of property, plant and equipment.

During the six months ended 30 June 2018, certain premises situated in Hong Kong which were previously leased out for rental income have been changed to self-used premises. Accordingly, the investment properties with fair value of approximately HK$16,700,000 have been transferred to leasehold land and buildings.

## 14. LOANS RECEIVABLE

| | **30 June 2018 (unaudited) HK$'000** | 31 December 2017 (audited) HK$'000 |
|---|---|---|
| Fixed-rate loans receivable (unsecured) | **6,403** | 169,592 |
| Analysed for reporting purpose as: | | |
| Non-current portion | **5,539** | 5,998 |
| Current portion | **864** | 163,594 |
| | **6,403** | 169,592 |

Included in loans receivable as at 31 December 2017 was an aggregate amount of HK$150,000,000 advanced to First Credit Limited ("First Credit"), which accounted for 88% of the loans receivable. The loans carried interest of 5% per annum. Loans of HK$50,000,000 were repayable in January 2018 and loans of HK$50,000,000 and HK$50,000,000 were repayable in February 2018 and March 2018, respectively. The loans were fully guaranteed by First Credit Finance Group Limited, the holding company of First Credit with its shares listed on the Stock Exchange (Stock Code: 8215). On 24 November 2017, the SFC issued a direction to suspend trading in the shares of First Credit Finance Group Limited. In the opinion of the directors of the Company, First Credit is an independent third party which is not related to the Group or its related parties. The loans outstanding as at 31 December 2017 were fully repaid during the current interim period.

## 15. PROMISSORY NOTES

| | Notes | **30 June 2018 (unaudited) HK$'000** | 31 December 2017 (audited) HK$'000 |
|---|---|---|---|
| Megacom Investment | (i) | **30,000** | – |
| Mr. Dai Hai Dong | (ii) | **–** | – |
| Profit Castle Holdings Limited | | **330,000** | 330,000 |
| | | **360,000** | 330,000 |

Notes:

(i) A promissory note with a principal amount of HK$30,000,000 which carried interest of 5% per annum and maturity date in June 2018, was issued by Megacom Investment as part of the consideration of the acquisition of the Group's interests in New Ray in 2016. The promissory note was secured by Mr. Chan Ka Chung, an executive director of China Wah Yan and a shareholder of China Wah Yan based on the information in the published annual report of China Wah Yan for the year ended 31 December 2016. The issuer of the promissory note had the option to early repay the principal amount of the note in full or in part before the maturity date.

According to the announcement of China Wah Yan dated 29 March 2018, the SFC issued a direction to suspend trading in the shares of China Wah Yan on 24 November 2017 because it appeared to SFC that, among other things, China Wah Yan's discloseable transaction announcement dated 23 June 2016 (which relates to its acquisition of interests in New Ray from the Group) contained materially false, incomplete or misleading information. Subsequent to the date of suspension, the directors of the Company reassessed the recoverable amount of the promissory notes due from Megacom Investment and determined that the suspension of trading in the shares of China Wah Yan had adversely impacted the financial ability of this counterparty to repay the monies owed under the promissory notes, thus leading to the recognition of the impairment loss of HK$30,000,000 during the year ended 31 December 2017 to fully write down the carrying amount of the promissory note receivable to Nil as at 31 December 2017. The Group received the principal amount of the promissory note in full in July 2018 and hence the impairment loss amounting to HK$30,000,000 was reversed during the current interim period and the carrying amount of the promissory note receivable was reinstated to its principal amount of HK$30,000,000 as at 30 June 2018.

## 15. PROMISSORY NOTES *(CONTINUED)*

Notes: *(Continued)*

(ii) As at 30 June 2018 and 31 December 2017, a promissory note with a principal amount of HK$203,705,000 was outstanding, which carried interest of 5% per annum and mature in November 2019, the promissory note was issued by the purchaser, Mr. Dai Hai Dong, as part of the consideration of the acquisition of the Group's interests in Wise Lead in 2016. The promissory note is secured by the entire issued share capital of Wise Lead. Wise Lead owns 49% interest in Huayao, whose major assets were rehabilitation-oriented hospital situated in Hangzhou and certain outpatient medical clinics situated in Hangzhou. As disclosed in the annual report of the Company for the year ended 31 December 2017, the Group had reassessed the recoverability of the promissory note receivable as at 31 December 2017 by carrying out credit reviews on the financial condition of the counterparty. During the credit reviews, it was noted upon preliminary inspection conducted by the staff members of the Company that the operations of the hospital and the outpatient medical clinics of Huayao in Hangzhou had ceased. The directors of the Company conducted further credit assessments on Mr. Dai Hai Dong and reassessed the recoverable amount of the promissory note and 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 current interim period, the Group has not obtained any financial information about the counterparty and considered the recoverability of the promissory note is still remote. Accordingly, the impairment loss recognised in the prior year was not reversed.

## 16. TRADE AND OTHER RECEIVABLES

| | **30 June 2018 (unaudited) HK$'000** | 31 December 2017 (audited) HK$'000 |
|---|---|---|
| Trade receivables | **115,508** | 162,900 |
| Less: Allowance for doubtful debts | **(8,286)** | (5,289) |
| Total trade receivables, net of allowance | **107,222** | 157,611 |
| Prepayments, deposits and other receivables | **113,357** | 83,714 |
| | **220,579** | 241,325 |

## 16. TRADE AND OTHER RECEIVABLES *(CONTINUED)*

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

| | **30 June 2018 (unaudited) HK$'000** | 31 December 2017 (audited) HK$'000 |
|---|---|---|
| 0-60 days | **92,521** | 120,953 |
| 61-120 days | **9,913** | 24,096 |
| 121-180 days | **3,203** | 12,143 |
| 181-240 days | **1,585** | 419 |
| | **107,222** | 157,611 |

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

## 17. TRADE AND OTHER PAYABLES

| | **30 June 2018 (unaudited) HK$'000** | 31 December 2017 (audited) HK$'000 |
|---|---|---|
| Trade payables | **30,693** | 56,691 |
| Other payables | **14,738** | 80,079 |
| Accruals | **65,535** | 73,192 |
| Deposits received | **5,194** | 9,243 |
| Contract liabilities | **10,664** | – |
| Deferred income | **–** | 2,935 |
| | **126,824** | 222,140 |

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

| | **30 June 2018 (unaudited) HK$'000** | 31 December 2017 (audited) HK$'000 |
|---|---|---|
| 0-60 days | **27,535** | 39,746 |
| 61-120 days | **1,939** | 5,305 |
| Over 120 days | **1,219** | 11,640 |
| | **30,693** | 56,691 |

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

## 18. BANK BORROWINGS

| | **30 June 2018 (unaudited) HK$'000** | 31 December 2017 (audited) HK$'000 |
|---|---|---|
| Secured | **19,258** | 19,777 |

As at 30 June 2018 and 31 December 2017, the bank borrowings of the Group carried variable interest rates at HIBOR+2.25% per annum.

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

## 19. SHARE CAPITAL

| | **Numbers of shares** | **Amount** HK$'000 |
|---|---|---|
| Ordinary shares of HK$0.01 each | | |
| Authorised: | | |
| At 1 January 2017, 31 December 2017 and 30 June 2018 | 30,000,000,000 | 300,000 |
| Issued and fully paid: | | |
| At 1 January 2017 | 7,761,298,452 | 77,613 |
| Shares repurchased and cancelled | (235,164,000) | (2,352) |
| At 31 December 2017 and 30 June 2018 | 7,526,134,452 | 75,261 |

## 20. ACQUISITION OF A MEDICAL PRACTICE

On 30 April 2017, Town Health Medical & Dental Services Limited, a wholly-owned subsidiary of the Company, acquired from Essential Health Limited, an associate of the Company, a medical practice at a consideration of HK$2,000,000 in cash. In the opinion of the directors of the Company, no significant identifiable assets and liabilities were assumed, accordingly, goodwill of HK$2,000,000 was recognised in the division of healthcare and dental services.

## 21. DISPOSAL OF SUBSIDIARIES

On 30 December 2016, the Group entered into a sale and purchase agreement with a related party to dispose of the entire issued share capital of Bonjour Beauty International Limited at a consideration HK$430,000,000, which was settled by cash consideration of HK$100,000,000 and a promissory note issued by the purchaser, with a face value of aggregate amount of HK$330,000,000. As at the date of the sale and purchase agreement, the purchaser was a company controlled by a then director of the Company, who resigned as a director of the Company on the same date. The disposal of Bonjour Beauty International Limited and its subsidiaries was completed on 13 April 2017.

The aggregate amounts of the assets and liabilities attributable to the subsidiaries as at the date of disposal (13 April 2017) were as follows:

| | **13 April 2017**<br>HK$'000 |
|---|---|
| Property, plant and equipment | 22,318 |
| Inventories | 7,476 |
| Trade and other receivables | 187,705 |
| Goodwill | 171,645 |
| Intangible assets | 262,242 |
| Bank balances and cash | 23,187 |
| Trade and other payables | (281,935) |
| Deferred tax liabilities | (1,465) |
| **Net assets disposed of** | 391,173 |

## 21. DISPOSAL OF SUBSIDIARIES *(CONTINUED)*

| | **13 April 2017** |
|---|---|
| | HK$'000 |
| **Consideration received or receivable:** | |
| Cash | 100,000 |
| Promissory note | 330,000 |
| Total consideration | 430,000 |
| Carrying amount of net assets disposed of | (391,173) |
| Cumulate exchange differences in respect of the net assets of the subsidiaries reclassified from equity to profit or loss in loss of control of the subsidiaries | (601) |
| Gain on disposal of subsidiaries (included in profit for the period from discontinued operation) | 38,226 |
| **Net cash inflow arising on disposal:** | |
| Cash consideration received | 100,000 |
| Bank balances and cash disposal of | (23,187) |
| | 76,813 |

In the opinion of the directors of the Company, at the date of completion of the disposal, the purchaser was no longer a related party and did not have any relationship with the Group or its related parties.

## 22. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

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

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.

| Financial assets | Fair value as at **30 June 2018 (unaudited) HK'000** | 31 December 2017 (audited) HK'000 | Fair value hierarchy | Valuation technique | Significant unobservable input(s) | Range (weighted average) |
|---|---|---|---|---|---|---|
| 1 Financial assets at FVTPL | | | | | | |
| – listed equity securities in Hong Kong (previously classified as held for trading investments) | **9,478** | 16,726 | Level 1 | Quoted bid prices in an active market | n/a | n/a |
| – unlisted bond fund | **58,571** | n/a | Level 2 | Quoted market prices provided by financial institute, represent the fair value based on the quoted prices on the underlying investments | n/a | n/a |
| – contingent consideration | **42,530** | 37,840 | Level 3 | Monte-Carlo Simulation analysis | Discount rate for vendor cash payment | 25% |
| | | | | | Expected volatility | 44.13% |
| 2 Equity instruments at FVTOCI | **98,937** | n/a | Level 3 | Discounted cash flow method | Yearly growth rates of revenue | Ranging from 7% to 13.3% |
| | | | | | Terminal growth rate | 3.08% |
| | | | | | Pre-tax operating profit margin | 16.26% |
| | | | | | Weighted average cost of capital | 14.86% |
| | | | | | Company specific risk premium | 4.5% |
| 3 Listed equity securities in Hong Kong (previously classified as AFS investments) | **n/a** | 120,175 | Level 1 | Quoted bid prices in an active market | n/a | n/a |

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

## 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)*

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

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

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

| | **Financial assets at FVTPL**<br>HK$'000 | **Equity instruments at FVTOCI**<br>HK$'000 |
|---|---|---|
| At 1 January 2018 | 37,840 | 99,084 |
| Fair value changes | 4,690 | 31,656 |
| Disposal | – | (31,803) |
| **At 30 June 2018** | **42,530** | **98,937** |

The fair value gain on financial assets at FVTPL for the period under review of approximately HK$4,690,000 related to the contingent consideration that are measured at fair value at the end of each reporting period (2017: Nil) and are included in "other gains and losses".

The fair value gain of approximately HK$31,656,000 included other comprehensive income relate to equity instruments at FVTOCI held at the end of the reporting period and are reported as changes of "investment revaluation reserve".

# GLOSSARY

| | |
|---|---|
| 2008 Scheme | share option scheme of the Company adopted on 16 September 2008 |
| Audit Committee | audit committee of the Board |
| Auspicious Idea | Auspicious Idea Corporate Development Limited |
| Board | the board of Directors |
| Broad Idea | Broad Idea International Limited |
| China Life Group | China Life Insurance (Group) Company and its subsidiaries |
| China or PRC | 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 |
| China Wah Yan | China Wah Yan Healthcare Limited |
| Classictime | Classictime Investments Limited |
| 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 |
| 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 |

# GLOSSARY

| | |
|---|---|
| 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 |
| Dr. Chan | Dr. Chan Wing Lok, Brian, an executive Director |
| Dr. Cho | Dr. Cho Kwai Chee |
| Dr. Choi | Dr. Choi Chee Ming, a non-executive Director |
| EIT Law | the Law of the PRC on Enterprise Income Tax |
| Fubon Financial | Fubon Financial Holding Co., Ltd. |
| Fubon Insurance | Fubon Insurance Co., Ltd. |
| Fubon Life | Fubon Life Insurance Co., Ltd. |
| gearing ratio | total bank borrowings divided by equity attributable to owners of the Company |
| Group | the Company and its subsidiaries |
| HCMPS | HCMPS Healthcare Holdings Limited |
| Heemin Capital | Heemin Capital Enhanced Yield Bond Fund |
| HK$ | Hong Kong dollars, the lawful currency of Hong Kong |
| HKAS | Hong Kong Accounting Standards |
| HKFRS | Hong Kong Financial Reporting Standards |
| HKICPA | Hong Kong Institute of Certified Public Accountants |
| Hong Kong | Hong Kong Special Administrative Region of the PRC |

# GLOSSARY

| | |
|---|---|
| Huayao | Huayao Medical Group Limited |
| Listing Rules | the Rules Governing the Listing of Securities on the Stock Exchange |
| Megacom Investment | Megacom Investment Incorporated |
| Model Code | Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules |
| Mr. Yu | Mr. Yu Kai Fung Jackie, an Independent non-executive Directors |
| Nanshi Hospital | 南陽南石醫院 (in English, for identification purpose only, Nanshi Hospital of Nanyang) |
| Nanyang Xiangrui | 南陽祥瑞醫院管理諮詢有限公司 (in English, for identification purpose only, Nanyang Xiangrui Hospital Management Advisory Co. Ltd.), a subsidiary of the Company |
| New Ray | New Ray Medicine International Holding Limited |
| Nomination Committee | nomination committee of the Board |
| Ordinary Shares Subscription | the subscription of 459,183,673 Shares by Fubon Life, Fubon Insurance and Broad Idea and the allotment and issue of the subscription shares |
| Power Financial | Power Financial Group Limited (formerly known as Jun Yang Financial Holdings Limited) |
| Remuneration Committee | remuneration committee of the Board |
| RMB | Renminbi, the lawful currency of the PRC |
| SFC | Securities and Futures Commission |
| SFO | Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) |

# GLOSSARY

| | |
|---|---|
| Shanxi Taigang | 山西太鋼醫療有限公司 (in English for identification purpose only, Shanxi Taigang Medical Co. Ltd.) |
| Share(s) | ordinary share(s) of HK$0.01 each in the share capital of the Company |
| Sixth Hospital | 中山大學附屬第六醫院 (in English, for identification purpose only, The Sixth Affiliated Hospital of Sun Yat-Sen University) |
| Stock Exchange | The Stock Exchange of Hong Kong Limited |
| US$ | United States dollars, the lawful currency of the United States of America |
| Vio | Dr. Vio & Partners Limited, a subsidiary of the Company |
| Wise Lead | Wise Lead Holdings Limited |
| Yamei | 杭州康健雅美口腔門診部有限公司 (in English, for identification purpose only, Hangzhou Town Health Yamei Dental Center Company Limited), a subsidiary of the Company |
| Yikang | 廣州宜康醫療管理有限公司 (in English, for identification purpose only, Guangzhou Yikang Medical Management Limited), a subsidiary of the Company |