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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)

ANNOUNCEMENT OF INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2019

FINANCIAL HIGHLIGHTS

For the six months ended 30 June 2019:

- The Group recorded revenue of approximately HK\$584,905,000 (2018: HK\$529,396,000).
- The Group recorded a profit of approximately HK\$26,939,000 (2018: HK\$61,502,000).

As at 30 June 2019:

- The Group had net current assets and net assets of approximately HK\$2,098,666,000 and HK\$4,341,475,000, respectively.
- The Group had a current ratio of 7.43 and a gearing ratio of 0.45%.

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

RESULTS

The board of directors of Town Health International Medical Group Limited is pleased to report the unaudited interim condensed consolidated results of the Company and its subsidiaries for the six months ended 30 June 2019, together with the comparative unaudited figures for the six months ended 30 June 2018, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2019

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

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2019

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

		30 June 2019 (unaudited) HK\$'000	31 December 2018 (audited) HK\$'000
	<i>Notes</i>		
CURRENT LIABILITIES			
Trade and other payables	14	161,490	138,974
Contract liabilities		3,803	11,885
Amount due to an investee		303	305
Amounts due to non-controlling interests		42,830	47,685
Bank borrowings	15	18,236	18,756
Lease liabilities		68,894	–
Tax payable		30,987	26,947
		<u>326,543</u>	<u>244,552</u>
NET CURRENT ASSETS		<u>2,098,666</u>	<u>1,776,480</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>4,459,069</u>	<u>4,388,516</u>
NON-CURRENT LIABILITIES			
Lease liabilities		74,472	–
Deferred tax liabilities		43,122	44,418
		<u>117,594</u>	<u>44,418</u>
		<u><u>4,341,475</u></u>	<u><u>4,344,098</u></u>
CAPITAL AND RESERVES			
Share capital	16	75,261	75,261
Reserves		3,976,310	3,996,010
		<u>4,051,571</u>	<u>4,071,271</u>
Equity attributable to owners of the Company		4,051,571	4,071,271
Non-controlling interests		289,904	272,827
		<u>4,341,475</u>	<u>4,344,098</u>
Total equity		<u><u>4,341,475</u></u>	<u><u>4,344,098</u></u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

1. GENERAL

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

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

The addresses of the registered office and the principal place of business of the Company are Victoria Place, 5th Floor, 31 Victoria Street, Hamilton HM10, Bermuda and 6/F, Town Health Technology Centre, 10-12 Yuen Shun Circuit, Siu Lek Yuen, Shatin, New Territories, Hong Kong respectively.

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

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

2. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with 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 2018.

3. PRINCIPAL ACCOUNTING POLICIES

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

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

Application of new and amendments to HKFRSs

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

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

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

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

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

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

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

Definition of a lease

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

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

As a lessee

Allocation of consideration to components of a contract

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

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

Right-of-use assets

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

The cost of right-of-use assets includes:

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

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

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

Leasehold land and building

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

Refundable rental deposits

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

Lease liabilities

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

The lease liabilities include:

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

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

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

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments change due to changes in market rental rates following a market rent review in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

Lease modifications

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

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

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

Taxation

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

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

As a lessor

Allocation of consideration to components of a contract

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

Refundable rental deposits

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

Lease modification

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

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

Definition of a lease

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

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

As a lessee

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

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

- i. excluded initial direct costs from measuring the right-of-use assets at the date of initial application;
- ii. applied a single discount rate to a portfolio of leases with a similar remaining terms for similar class of underlying assets in similar economic environment. Specifically, discount rate for certain leases of properties in Hong Kong and the PRC was determined on a portfolio basis; and
- iii. used hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group's leases with extension and termination options.

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

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

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

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

Note:

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

As a lessor

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

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

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

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

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

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

Significant changes in significant judgements and key sources of estimation uncertainty

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

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

4. REVENUE

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

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

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

5. SEGMENT INFORMATION

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

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

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

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

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

Segment revenue and results

Six months ended 30 June 2019

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

Six months ended 30 June 2018

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

Geographical information

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

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

6. OTHER INCOME

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

7. OTHER GAINS AND LOSSES, NET

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

8. FINANCE COSTS

	Six months ended	
	30 June	
	2019	2018
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Interest on bank borrowings	359	264
Interest on lease liabilities	2,737	–
	<u>3,096</u>	<u>264</u>

9. INCOME TAX EXPENSES

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

Hong Kong Profits Tax is calculated at 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

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

11. DIVIDENDS

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

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

12. EARNINGS PER SHARE

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

	Six months ended	
	30 June	
	2019	2018
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Profit for the period attributable to owners of the Company and earnings for the purpose of calculating basic and diluted earnings per share	14,153	57,627
	30 June	30 June
	2019	2018
	(unaudited)	(unaudited)
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic and diluted earnings per share	7,526,134,452	7,526,134,452

13. TRADE AND OTHER RECEIVABLES

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

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

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

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

14. TRADE AND OTHER PAYABLES

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

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

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

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

15. BANK BORROWINGS

	30 June 2019 (unaudited) HK\$'000	31 December 2018 (audited) HK\$'000
Secured	<u>18,236</u>	<u>18,756</u>

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

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

16. SHARE CAPITAL

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

MANAGEMENT DISCUSSION AND ANALYSIS

Financial review

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

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

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

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

Fair value loss on investment properties

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

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

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

BUSINESS REVIEW

Suspension of Trading and Progress Update on Resumption of Trading

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

Healthcare Service Network of the Group

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

Business in Hong Kong

Third-Party Administrator Business – Vio

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

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

Self-operated Medical and Dental Services Business

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

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

Medical Beauty Business

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

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

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

Business in Mainland China

Hospital Management and Consulting Services Business in the PRC

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

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

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

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

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

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

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

High-end Health Diagnostic Imaging Business

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

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

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

High-end Dental Services

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

Chain Health Management Centers

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

Chain Medical Beauty Centers

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

Other investments

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

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

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

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

OUTLOOK

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

Hong Kong

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

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

The Mainland China

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

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

LIQUIDITY AND FINANCIAL RESOURCES

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

As at 30 June 2019, the Group held bank balances and cash of approximately HK\$1,780,463,000 (31 December 2018: approximately HK\$1,720,425,000) of which approximately 74% and 26% are denominated in HK\$ and RMB respectively. The Group had bank borrowings which represented a mortgage loan of approximately HK\$18,236,000 (31 December 2018: approximately HK\$18,756,000) of which approximately HK\$1,145,000 (31 December 2018: approximately HK\$1,137,000) are repayable within one year. The Group's loans were arranged on a floating interest rate basis. Details of bank borrowings of the Group are set out in note 15 to the condensed consolidated financial statements for the six months ended 30 June 2019.

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

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

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

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

CAPITAL STRUCTURE

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

SHARE CAPITAL

Details of movements in the share capital of the Company during the period under review are set out in note 16 to the condensed consolidated financial statements for the six months ended 30 June 2019 in this announcement.

SIGNIFICANT INVESTMENT, MATERIAL ACQUISITION AND DISPOSAL

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

PLEDGE OF ASSETS

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

CONTINGENT LIABILITIES

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

HUMAN RESOURCES AND TRAINING SCHEMES

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

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

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

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.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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

REVIEW OF INTERIM RESULTS

The condensed consolidated financial information for the six months ended 30 June 2019 has not been audited, but has been reviewed by the audit committee of the Board. 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 2019 in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA.

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

Hong Kong, 29 August 2019

As at the date of this announcement, the executive Directors are Miss Choi Ka Yee, Crystal (Chairperson), Dr. Hui Ka Wah, Ronnie, JP (Chief Executive Officer), Mr. Lee Chik Yuet, Mr. Wong Seung Ming (Chief Financial Officer) and Dr. Chan Wing Lok, Brian; the non-executive Directors are Dr. Choi Chee Ming, GBS, JP (Deputy Chairman), Ms. Fang Haiyan (Deputy Chairperson) and Mr. Chen Jinhao; and the independent non-executive Directors are Mr. Ho Kwok Wah, George, MH, Mr. Yu Xuezhong, Ms. Li Mingqin, Mr. Yu Kai Fung Jackie and Mr. Wong Sai Kit.

GLOSSARY

Board	the board of Directors
China Life Group	China Life Insurance (Group) Company and its subsidiaries
China Life Shandong	中國人壽保險股份有限公司山東省分公司 (in English, for identification purpose only, China Life Insurance Company Limited, Shandong Branch), a branch office of China Life Insurance Company Limited, whose shares are listed on the Main Board of the Stock Exchange (stock code: 2628)
China or PRC or Mainland China	the People's Republic of China excluding, for the purpose of this announcement only, Hong Kong, the Macao Special Administrative Region of the People's Republic of China and Taiwan
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
current ratio	total current assets divided by total current liabilities
Director(s)	the director(s) of the Company
EIT Law	the Law of the PRC on Enterprise Income Tax
Ganghe Clinic	深圳港和診所 (in English, for identification purpose only, Shenzhen Ganghe Clinic)
gearing ratio	total bank borrowings divided by equity attributable to owners of the Company
Group	the Company and its subsidiaries

HCMPs	HCMPs Healthcare Holdings Limited
Heemin Capital	Heemin Capital Enhanced Yield Bond Fund
HK\$	Hong Kong dollars, the lawful currency of Hong Kong
HKAS	Hong Kong Accounting Standards
HKFRSs	Hong Kong Financial Reporting Standards
HKICPA	Hong Kong Institute of Certified Public Accountants
Hong Kong	Hong Kong Special Administrative Region of the PRC
Jinan Likang	濟南歷康門診部有限公司 (in English, for identification purpose only, Jinan Likang Outpatient Department Limited)
Listing Rules	the Rules Governing the Listing of Securities on the Stock Exchange
Nanshi Hospital	南陽南石醫院 (in English, for identification purpose only, Nanshi Hospital of Nanyang)
Nanyang Ruishi Ophthalmology Hospital	南陽瑞視眼科醫院 (the English name is for identification purpose only, Nanyang Ruishi Ophthalmology Hospital)
Nanyang Xiangrui	南陽祥瑞醫院管理諮詢有限公司 (in English, for identification purpose only, Nanyang Xiangrui Hospital Management Advisory Co. Ltd.), a subsidiary of the Company
New Ray	New Ray Medicine International Holding Limited
RMB	Renminbi, the lawful currency of the PRC
sq.m.	Square metre

SFC	Securities and Futures Commission
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
Taigang General Hospital	太鋼總醫院 (the English name is for identification purpose only, Taigang General Hospital)
United Imaging	上海聯影智慧醫療投資管理有限公司 (in English, for identification purpose only, Shanghai United Imaging Medical Intelligence Investment Management Co., Limited)
US\$	United States dollars, the lawful currency of the United States of America
Vio	Dr. Vio & Partners Limited, a subsidiary of the Company
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