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 ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2019

FINANCIAL HIGHLIGHTS

For the year ended 31 December 2019:

– The Group recorded revenue of approximately HK$1,128,932,000 (2018: approximately HK$1,121,736,000).

– The Group recorded a profit for the Year of approximately HK$10,519,000 (2018: approximately HK$85,509,000).

As at 31 December 2019:

– The Group held bank balances and cash of approximately HK$1,840,856,000 (2018: approximately HK$1,720,425,000).

– The Group had a current ratio (defined as total current assets divided by total current liabilities) of 7.42 (2018: 8.26) and a gearing ratio (defined as total bank borrowings divided by equity attributable to owners of the Company) of 0.44% (2018: 0.46%).

The Board does not recommend the payment of a final dividend for the Year (2018: HK0.25 cent per share).

FINAL RESULTS

The Board is pleased to announce the audited consolidated results of the Company and its subsidiaries for the Year, together with the comparative figures for the previous year, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2019

	Notes	**2019** *HK$'000*	2018 *HK$'000*
Revenue	3	**1,128,932**	1,121,736
Cost of sales		**(752,568)**	(749,157)
Gross profit		**376,364**	372,579
Other income	5	**60,264**	69,572
Administrative expenses		**(352,071)**	(365,279)
Other gains and losses, net	6	**(76,548)**	21,467
Finance costs	7	**(6,117)**	(688)
Share of results of associates		**37,422**	34,782
Share of results of joint ventures		**(541)**	(17,430)
Profit before tax		**38,773**	115,003
Income tax expenses	8	**(28,254)**	(29,494)
Profit for the year	9	**10,519**	85,509

	Note	2019 HK$'000	2018 HK$'000
Other comprehensive (expense) income for the year			
Items that will not be reclassified to profit or loss:			
Fair value changes in equity instruments at fair value through other comprehensive income		**(25,581)**	6,208
Fair value changes in revaluation of properties upon transfer to investment properties		**12,048**	–
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on the translation of foreign operations		**(16,635)**	(47,794)
Share of other comprehensive expense of associates and joint ventures		**(399)**	(4,041)
		(30,567)	(45,627)
Total comprehensive (expense) income for the year		**(20,048)**	39,882
(Loss) profit for the year attributable to:			
Owners of the Company		**(8,414)**	64,014
Non-controlling interests		**18,933**	21,495
		10,519	85,509
Total comprehensive (expense) income attributable to:			
Owners of the Company		**(34,917)**	30,679
Non-controlling interests		**14,869**	9,203
		(20,048)	39,882
(Loss) earnings per share *(HK cent)*			
– Basic and diluted	11	**(0.11)**	0.85

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2019

	Note	**2019**	2018
		HK$'000	*HK$'000*
NON-CURRENT ASSETS			
Investment properties		**567,416**	606,566
Property, plant and equipment		**361,941**	377,379
Right-of-use assets		**124,081**	–
Loans receivable		**4,216**	5,109
Goodwill		**483,354**	489,109
Intangible assets		**336,352**	349,364
Interests in associates		**319,528**	298,706
Interests in joint ventures		**22,005**	2,442
Financial assets at fair value through profit or loss		**–**	68,171
Equity instruments at fair value through other comprehensive income		**59,609**	85,190
Promissory notes		**–**	330,000
		2,278,502	2,612,036
CURRENT ASSETS			
Inventories		**24,589**	25,625
Trade and other receivables	12	**219,724**	262,166
Financial assets at fair value through profit or loss		**6,411**	7,805
Loans receivable		**41,137**	856
Promissory notes		**325,456**	–
Amounts due from associates		**1,164**	2,975
Tax recoverable		**732**	1,180
Bank balances and cash		**1,840,856**	1,720,425
		2,460,069	2,021,032

	Notes	2019 HK$'000	2018 HK$'000
CURRENT LIABILITIES			
Trade and other payables	13	**165,990**	138,974
Contract liabilities		**3,570**	11,885
Amount due to an investee		**300**	305
Amounts due to non-controlling interests		**42,971**	47,685
Bank borrowings	14	**17,730**	18,756
Lease liabilities		**67,027**	–
Tax payable		**34,005**	26,947
		331,593	244,552
NET CURRENT ASSETS		**2,128,476**	1,776,480
TOTAL ASSETS LESS CURRENT LIABILITIES		**4,406,978**	4,388,516
NON-CURRENT LIABILITIES			
Lease liabilities		**62,772**	–
Deferred tax liabilities		**41,195**	44,418
		103,967	44,418
		4,303,011	4,344,098
CAPITAL AND RESERVES			
Share capital	15	**75,261**	75,261
Reserves		**3,940,286**	3,996,010
Equity attributable to owners of the Company		**4,015,547**	4,071,271
Non-controlling interests		**287,464**	272,827
Total equity		**4,303,011**	4,344,098

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

1. GENERAL

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

The Company's shares are listed on the Stock Exchange of Hong Kong Limited.

The address of the registered office of the Company is Victoria Place, 5th Floor, 31 Victoria Street, Hamilton HM10, Bermuda. The address of the principal place of business of the Company is 6th Floor, Town Health Technology Centre, 10–12 Yuen Shun Circuit, Siu Lek Yuen, Shatin, New Territories, Hong Kong.

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

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

New and amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the following new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time in the current year:

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 year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

HKFRS 16 Leases

The Group has applied HKFRS 16 for the first time in the current year. HKFRS 16 superseded Hong Kong Accounting Standard ("HKAS") 17 Leases ("HKAS 17"), and the related interpretations.

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.

As at 1 January 2019, the Group recognised additional lease liabilities and measured right-of-use assets at the carrying amounts as if HKFRS 16 had been applied since commencement dates, but discounted using the incremental borrowing rates of the relevant group entities at the date of initial application by applying HKFRS 16.C8(b)(i) transition. Any difference at the date of initial application is recognised in the opening retained 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. relied on the assessment of whether leases are onerous by applying HKAS 37 Provisions, Contingent Liabilities and Contingent Assets as an alternative of impairment review;

ii. elected not to recognise right-of-use assets and lease liabilities for leases with lease term ending within 12 months of the date of initial application;

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

iv. 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; and

v. 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 HKFRS16:

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

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

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

Note: The Group renewed the leases of several existing clinics 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 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	**Adjustments**	**Carrying amounts under HKFRS 16 at 1 January 2019**
	HK$'000	*HK$'000*	*HK$'000*
Non-current assets			
Right-of-use assets	–	159,019	159,019
Current liabilities			
Lease liabilities	–	(73,035)	(73,035)
Non-current liabilities			
Lease liabilities	–	(92,967)	(92,967)
Capital and reserves			
Accumulated profits	(695,523)	6,284	(689,239)
Non-controlling interests	(272,827)	699	(272,128)

Note: The reporting of cash flows from operating activities under indirect method for the year ended 31 December 2019, has been prepared based on restated opening consolidated statement of financial position as at 1 January 2019 as disclosed above.

New and amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 17	Insurance Contracts[1]
Amendments to HKFRS 3	Definition of a Business[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS1 and HKAS 8	Definition of Material[4]
Amendments to HKFRS9, HKAS39 and HKFRS 7	Interest Rate Benchmark Reform[4]

1 Effective for annual periods beginning on or after 1 January 2021

2 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020

3 Effective for annual periods beginning on or after a date to be determined

4 Effective for annual periods beginning on or after 1 January 2020

In addition to the above new and amendments to HKFRSs, a revised Conceptual Framework for Financial Reporting was issued in 2018. Its consequential amendments, the Amendments to References to the Conceptual Framework in HKFRS Standards, will be effective for annual periods beginning on or after 1 January 2020.

The directors of the Company anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

Conceptual Framework for Financial Reporting 2018 (the "New Framework") and the Amendments to References to the Conceptual Framework in HKFRS Standards

The New Framework:

- reintroduces the terms stewardship and prudence; introduces a new asset definition that focuses on rights and a new liability definition that is likely to be broader than the definition it replaces, but does not change the distinction between a liability and an equity instrument;

- discusses historical cost and current value measures, and provides additional guidance on how to select a measurement basis for a particular asset or liability;

- states that the primary measure of financial performance is profit or loss, and that only in exceptional circumstances other comprehensive income will be used and only for income or expenses that arise from a change in the current value of an asset or liability; and

- discusses uncertainty, derecognition, unit of account, the reporting entity and combined financial statements.

Consequential amendments have been made so that references in certain HKFRSs have been updated to the New Framework, whilst some HKFRSs are still referred to the previous versions of the framework. These amendments are effective for annual periods beginning on or after 1 January 2020, with earlier application permitted. Other than specific standards which still refer to the previous versions of the framework, the Group will rely on the New Framework on its effective date in determining the accounting policies especially for transactions, events or conditions that are not otherwise dealt with under the accounting standards.

3. REVENUE

Revenue represents the aggregate of the net amounts received and receivable from third parties for the year. There is no seasonality and cyclicality of the 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 the customers are as follows:

	2019	2018
	HK$'000	*HK$'000*
Revenue recognised under HKFRS 15		
Hong Kong medical services		
– Medical services	**425,064**	450,334
– Dental services	**61,280**	62,355
	486,344	512,689
Hong Kong managed care business	**477,251**	467,802
Mainland hospital management and medical services	**139,754**	111,746
Others		
– Miscellaneous healthcare related services	**10,121**	12,829
	1,113,470	1,105,066
Revenue recognised under other accounting standard		
Others		
– Rental income	**15,462**	16,670
Total	**1,128,932**	1,121,736
Revenue recognised under HKFRS 15		
Timing of revenue recognition		
At point in time	**999,722**	1,002,660
Over time	**113,748**	102,406
	1,113,470	1,105,066

Revenue from Hong Kong medical services, majority of Hong Kong managed care business, certain of 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 are recognised on over time basis.

4. SEGMENT INFORMATION

During 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, which were based on the different types of major businesses. This is also the basis upon which the Group is organised and managed. During the year ended 31 December 2019, the chief operating decision maker, being the chief executive officer ("CEO"), reassessed the current business units of the Group. The CEO considered that the business operations are more effective for the Group to assess the segment performance. The "securities and properties investments and treasury management" and "others" segments reported separately in the consolidated financial statements for the year ended 31 December 2018 have been regrouped and reorganised into the "others" segment in current year.

Specifically, the Group's operating and reportable segments for the year ended 31 December 2019 are as follows:

- Hong Kong medical services – Provision of 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 services 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 consolidated financial statements have been restated to conform with the current year'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 revenues and results

For the year ended 31 December 2019

	Hong Kong medical services HK$'000	Hong Kong managed care business HK$'000	Mainland hospital management and medical services HK$'000	Others HK$'000	Elimination HK$'000	Total HK$'000
Revenue						
External sales	**486,344**	**477,251**	**139,754**	**25,583**	**–**	**1,128,932**
Inter-segment sales	**48,138**	**–**	**–**	**–**	**(48,138)**	**–**
	534,482	**477,251**	**139,754**	**25,583**	**(48,138)**	**1,128,932**
Segment results	**26,619**	**45,812**	**31,359**	**(9,804)**	**–**	**93,986**
Unallocated other income						**6,386**
Finance costs						**(749)**
Unallocated other gains and losses						**(9,226)**
Unallocated corporate expenses						**(51,624)**
Profit before tax						**38,773**

For the year ended 31 December 2018 (Restated)

	Hong Kong medical services HK$'000	Hong Kong managed care business HK$'000	Mainland hospital management and medical services HK$'000	Others HK$'000	Elimination HK$'000	Total HK$'000
Revenue						
External sales	512,689	467,802	111,746	29,499	–	1,121,736
Inter-segment sales	40,481	–	–	–	(40,481)	–
	553,170	467,802	111,746	29,499	(40,481)	1,121,736
Segment results	39,616	47,096	29,423	79,932	–	196,067
Unallocated other income						6,898
Finance costs						(688)
Unallocated other gains and losses						(34,149)
Unallocated corporate expenses						(53,125)
Profit before tax						115,003

Segment profit represents the profit earned or generated by each segment without allocation of central administration costs, directors' remuneration, certain finance costs, certain items of other gains and losses and other income. This is the measure reported to the CEO for the purposes of resources allocation and performance assessment.

Revenue from provision of miscellaneous services

Provision of miscellaneous services are mainly related to provision of health management services and other healthcare related services. No analysis of revenue from provision of miscellaneous services is presented as the management of the Group considers the cost to develop it would be excessive.

Other segment information

For the year ended 31 December 2019

	Hong Kong medical services *HK$'000*	Hong Kong managed care business *HK$'000*	Mainland hospital management and medical services *HK$'000*	Others *HK$'000*	Total for segments *HK$'000*	Unallocated *HK$'000*	Total *HK$'000*
Amounts included in the measure of segment profit:							
Interest income	–	–	–	(46,994)	(46,994)	–	(46,994)
Dividend income	(4,058)	–	–	–	(4,058)	–	(4,058)
Fair value changes on investment properties	–	–	–	51,529	51,529	–	51,529
Share of results of associates	(15,081)	–	259	(22,600)	(37,422)	–	(37,422)
Share of results of joint ventures	–	–	515	26	541	–	541
Depreciation of property, plant and equipment	19,397	6,536	7,449	10,088	43,470	3,047	46,517
Depreciation of right-of-use assets	60,754	10,160	4,827	2,476	78,217	–	78,217
Amortisation of intangible assets	–	7,251	3,175	–	10,426	–	10,426
Loss on disposal/written off of property, plant and equipment	348	–	–	9,303	9,651	–	9,651
Loss on written off of right-of-use assets	–	–	–	346	346	–	346
Loss on disposal of subsidiaries	9,606	–	–	–	9,606	–	9,606
Impairment loss on goodwill	991	–	–	–	991	–	991
Allowance of expected credit losses on promissory note	–	–	–	–	–	4,544	4,544
Finance costs	3,404	1,013	764	187	5,368	749	6,117
Amounts included in the information regularly provided to the CEO:							
Additions to property, plant and equipment	6,651	3,122	44,801	459	55,033	–	55,033

For the year ended 31 December 2018 (Restated)

	Hong Kong medical services *HK$'000*	Hong Kong managed care business *HK$'000*	Mainland hospital management and medical services *HK$'000*	Others *HK$'000*	Total for segments *HK$'000*	Unallocated *HK$'000*	Total *HK$'000*
Amounts included in the measure of segment profit:							
Interest income	–	–	–	(53,178)	(53,178)	–	(53,178)
Dividend income	(2,625)	–	–	(4,045)	(6,670)	–	(6,670)
Reversal of allowance of expected credit loss recognised on other receivables	–	–	–	(2,258)	(2,258)	–	(2,258)
Reversal of allowance of expected credit loss recognised on amounts due from investees	(500)	–	–	–	(500)	–	(500)
Fair value changes on investment properties	–	–	–	(25,665)	(25,665)	–	(25,665)
Reversal of allowance of expected credit loss on promissory notes	–	–	–	(30,000)	(30,000)	–	(30,000)
Share of results of associates	(14,771)	–	186	(20,197)	(34,782)	–	(34,782)
Share of results of joint ventures	–	–	14	17,416	17,430	–	17,430
Depreciation of property, plant and equipment	20,662	6,275	2,734	13,821	43,492	3,282	46,774
Amortisation of intangible assets	–	7,251	3,310	–	10,561	–	10,561
Loss on disposal/written off of property, plant and equipment	345	–	–	(10)	335	153	488
Finance costs	–	–	–	–	–	688	688
Amounts included in the information regularly provided to the CEO:							
Additions to property, plant and equipment	11,554	2,473	72,927	373	87,327	525	87,852

Geographical information

The Group's revenue from external customers based on geographical location of operations, are detailed below:

	2019	2018
	HK$'000	*HK$'000*
Other regions of the PRC	**139,754**	111,746
Hong Kong	**989,178**	1,009,990
	1,128,932	1,121,736

Information about the Group's non-current assets by geographical location of the assets are detailed below:

	Carrying amount of non-current assets	
	2019	2018
	HK$'000	*HK$'000*
Other regions of the PRC	**565,024**	496,506
Hong Kong	**1,649,653**	1,627,060
Non-current assets *(Note)*	**2,214,677**	2,123,566

Note: Non-current assets shown above exclude loans receivable, financial assets at fair value through profit or loss, equity instruments at fair value through other comprehensive income and promissory notes.

There is no single customer contributing over 10% of the total sales of the Group during both years.

5. OTHER INCOME

	2019	2018
	HK$'000	*HK$'000*
Interest income	**46,994**	53,178
Dividend income from equity instruments at fair value through other comprehensive income:		
– Relating to investment derecognised during the year	**–**	3,953
– Relating to investments held at the end of the reporting period	**4,058**	2,675
Dividend income from financial assets at fair value through profit or loss	**–**	42
Rental income	**4,569**	4,594
Sundry income	**4,643**	5,130
	60,264	69,572

6. OTHER GAINS AND LOSSES, NET

	2019	2018
	HK$'000	*HK$'000*
Fair value changes on investment properties	**(51,529)**	25,665
Fair value changes on financial assets at fair value through profit or loss	**(227)**	(36,956)
Loss on disposal of subsidiaries	**(9,606)**	–
Loss on disposal/written off of property, plant and equipment	**(9,651)**	–
(Allowance of) reversal of allowance of expected credit loss in respect of:		
– promissory notes	**(4,544)**	30,000
– other receivables	**–**	2,258
– amounts due from investees	**–**	500
Impairment loss recognised on goodwill	**(991)**	–
	(76,548)	21,467

7. FINANCE COSTS

	2019	2018
	HK$'000	*HK$'000*
Interest on bank borrowings	**749**	688
Interest on lease liabilities	**5,368**	–
	6,117	688

8. INCOME TAX EXPENSES

	2019	2018
	HK$'000	*HK$'000*
Tax charge comprises:		
Current tax		
– Hong Kong Profits Tax	**14,957**	15,563
– PRC Enterprise Income Tax	**16,749**	17,317
	31,706	32,880
(Over) underprovision in prior years		
– Overprovision of Hong Kong Profits Tax	**(876)**	(809)
– Underprovision of PRC Enterprises Income Tax	**–**	32
	(876)	(777)
	30,830	32,103
Deferred tax		
– Current year	**(2,576)**	(2,609)
	28,254	29,494

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 ("Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

Accordingly, the Hong Kong profits tax of the qualifying group entity is calculated at 8.25% on the first HK$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK$2 million.

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

9. PROFIT FOR THE YEAR

	2019 HK$'000	2018 HK$'000
Profit for the year has been arrived at after charging:		
Staff costs		
– Directors' remuneration	**12,913**	12,874
– Other staff's salaries	**552,350**	544,229
– Other staff's bonus	**79,600**	75,146
– Other staff's other benefits	**945**	1,076
– Other staff's retirement benefits scheme contributions	**8,895**	7,130
	654,703	640,455
Less: Staff costs recognised in administrative expenses	**(118,661)**	(112,438)
Staff costs recognised in cost of sales	**536,042**	528,017
Auditors' remuneration	**3,662**	3,663
Cost of inventories recognised in cost of sales:		
– Pharmaceutical supplies	**122,390**	123,246
– Others inventories	**2,984**	3,326
	125,374	126,572
Depreciation of property, plant and equipment recognised in administrative expenses	**41,767**	44,869
Depreciation of property, plant and equipment recognised in cost of sales	**4,750**	1,905
Total depreciation of property, plant and equipment	**46,517**	46,774
Depreciation of right-of-use assets	**78,217**	–
Loss on disposal/written off of property, plant and equipment	**9,651**	488
Loss on written off of right-of-use assets	**346**	–
Amortisation of intangible assets, recognised in administrative expenses		
– customer relationship	**7,251**	7,251
– management services right and consulting services contracts	**3,175**	3,310
Total amortisation of intangible assets	**10,426**	10,561
and after crediting:		
Gross rental income from investment properties	**15,462**	16,670
Less: Direct operating expenses of properties that generated rental income	**(1,272)**	(1,532)
Net rental income from investment properties	**14,190**	15,138

10. DIVIDENDS

	2019	2018
	HK$'000	*HK$'000*
Dividends recognised as distribution during the year		
– Final dividend of HK0.25 cent per ordinary share for the year ended 31 December 2018	**18,815**	–

On 28 March 2019, the board of directors of the Company recommended the payment of a final dividend of HK0.25 cent per share for the year ended 31 December 2018. The board of directors of the Company does not recommend the payment of a final dividend for the year ended 31 December 2019.

11. (LOSS) EARNINGS PER SHARE

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

(Loss) earnings for the purposes of basic and diluted (loss) earnings per share

	2019	2018
	HK$'000	*HK$'000*
(Loss) profit for the year attributable to owners of the Company	**(8,414)**	64,014

Number of shares

	2019	2018
Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share	**7,526,134,452**	7,526,134,452

The denominators used are the same as those detailed above for both basic and diluted (loss) earnings per share. Diluted earnings per share for both 2019 and 2018 were presented as the same as basic earnings per share as there were no potential ordinary shares in issue for both 2019 and 2018.

12. TRADE AND OTHER RECEIVABLES

	2019	2018
	HK$'000	*HK$'000*
Trade receivables	**119,890**	158,648
Deposits	**39,884**	40,469
Other receivables	**52,924**	48,813
Prepayments	**7,026**	14,236
	219,724	262,166

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

The following is an aged analysis of trade receivables, net of allowance, presented based on the invoice dates at the end of the reporting period, which approximated the respective revenue recognition dates:

	2019	2018
	HK$'000	*HK$'000*
0 – 60 days	**113,244**	145,287
61 – 120 days	**4,806**	10,619
121 – 180 days	**1,336**	1,964
181 – 240 days	**504**	778
	119,890	158,648

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

As at 31 December 2019 and 2018, no trade receivables are past due at the end of the reporting period for which the Group has not provided an allowance for expected credit loss.

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

13. TRADE AND OTHER PAYABLES

	2019	2018
	HK$'000	*HK$'000*
Trade payables	**36,061**	36,997
Other payables	**44,127**	12,993
Deposits received	**5,821**	5,333
Accruals	**79,981**	83,651
	165,990	138,974

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

	2019	2018
	HK$'000	*HK$'000*
0 – 60 days	**28,420**	34,635
61 – 120 days	**6,588**	1,648
Over 121 days	**1,053**	714
	36,061	36,997

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

14. BANK BORROWINGS

	2019	2018
	HK$'000	*HK$'000*
Secured:		
Mortgage loan	**17,730**	18,756

The bank borrowings are repayable as follows:

On demand and within one year	**1,062**	1,137
In more than one year but not more than two years	**1,108**	1,165
In more than two years but not more than three years	**1,155**	1,194
In more than three years but not more than four years	**1,203**	1,224
In more than four years but not more than five years	**1,251**	1,254
Over five years	**11,951**	12,782
	17,730	18,756
Less: Amounts due within one year shown under current liabilities	**(1,062)**	(1,137)
Carrying amount of bank borrowings that are not repayable within one year from the end of reporting period but contain a repayment on demand clause (shown under current liabilities)	**(16,668)**	(17,619)
	–	–

As at 31 December 2019, the bank borrowings of the Group carry variable interest rates at Hong Kong Interbank Offered Rate ("HIBOR") +2.25% per annum (2018: variable interest rate from HIBOR+2.25% per annum).

The Group's mortgage loan is secured by the Group's leasehold land and building with carrying value of HK$46,047,000 (2018: HK$49,169,000) 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.

15. SHARE CAPITAL

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

16. EVENT AFTER THE REPORTING PERIOD

After the outbreak of Coronavirus Disease 2019 ("COVID-19 outbreak") in early 2020, a series of precautionary and control measures have been and continued to be implemented across the country/region. The Group will pay close attention to the development of the COVID-19 outbreak and evaluate its impact on the financial position and operating results of the Group. As at the date on which this set of financial statements was authorised for issue, the Group was not aware of any material adverse effects on the financial statements as a result of the COVID-19 outbreak.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

The Company is pleased to report the results of the Group for the Year.

During the Year, the Group's revenue increased by approximately 0.64% to approximately HK$1,128,932,000 (2018: approximately HK$1,121,736,000) and the Group recorded a profit of approximately HK$10,519,000 (2018: approximately HK$85,509,000). The decrease in the profit was mainly attributable to the net loss in respect of other gains and losses of approximately HK$76,548,000 for the Year, as compared to a net gain in respect of other gains and losses of approximately HK$21,467,000 for the year ended 31 December 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 Year; (b) a fair value loss on the Group's investment properties for the Year; and (c) the losses arising from the disposal of a centre providing healthcare related services in June 2019, as well as property, plant and equipment of another centre providing healthcare related services being written off during the Year, notwithstanding that the Group recorded a significant decrease in fair value loss on financial assets at fair value through profit or loss and a significant increase in profit from the business segment in the provision of hospital management and related services in Mainland China during the Year due to the development of different business under Nanyang Xiangrui, the Group's hospital management subsidiary providing comprehensive and professional management services to hospitals managed by the Group.

Reversal of allowance of expected credit loss recognised in respect of promissory note and other receivables

The Group recorded a reversal of allowance of expected credit 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 year ended 31 December 2018, while no reversal of allowance of expected credit loss in respect of promissory note and other receivables was recorded for the Year. Such reversal of allowance of expected credit 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 (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$51,529,000 for the Year (2018: fair value gain of approximately HK$25,665,000). The fair value loss was contributed by the decrease in fair value of a number of the Group's investment properties which are located in Hong Kong.

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

During the Year, the Group disposed of 75% interest in Premium Rich International Limited, which operated a centre 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 centre providing healthcare related services were written off with a loss amounting to approximately HK$9,303,000 for the Year due to the closure of the centre.

Fair value loss on financial assets at fair value through profit or loss

The Group recorded a fair value loss on financial assets at fair value through profit or loss of approximately of HK$227,000 for the Year (2018: approximately HK$36,956,000). Such decrease was mainly due to the significant decrease in fair value loss on a financial asset as a result of the expiry as at 31 December 2019 of the profit guarantee and put option granted by the vendor of Auspicious Idea Corporate Development Limited to the Group.

BUSINESS REVIEW

Annual Business Review

The city of Hong Kong faced unprecedented challenges in 2019. Weak global economy, Sino-U.S. trade conflicts and social instability across Hong Kong conspired to slow down the economy of Hong Kong. All of these factors seriously impacted the city's tourism, retail and food and beverage industries. Not immune to the erratic transport arrangements and the public's perceptions of the compromised personal safety as a result of the social instability, the Group's healthcare business in Hong Kong were adversely affected and showed signs of weakness. However, leveraging its decades of medical service management experience and comprehensive service network, the Group maintained a stable revenue. Regarding business operations in Mainland China, the Group actively explored business in healthcare market in Mainland China and expanded to various operational sectors. During the Year, the new core management from China Life Group officially debuted. The new management team's solid resources in Mainland China, deep understanding in the Mainland China market and vast management experience played an important role for the Group in strategy formulation, business development and organisation building. It also contributed a big boost to the Group's confidence in its business development in Mainland China.

Trading Suspension and Recent Development of Trade Resumption

As of the date of this announcement, trading in the Shares remains suspended. As disclosed in the Company's announcement dated 10 January 2020, the Stock Exchange held discussions with the SFC and confirmed that the Stock Exchange would, until further notice, withhold exercising its right to delist the Company under Rule 6.01A(2)(b)(i) of the Listing Rules should trading in the Company's securities remain suspended on 31 January 2020. The above is without prejudice to the Stock Exchange exercising its rights under Rule 6.01A of the Listing Rules at a later stage when the Stock Exchange considers appropriate. The Company will continue to communicate with the SFC and will seek to resume trading of the Shares on the Stock Exchange. However, the Company at this stage is unable to set a definite time frame for trading resumption. Town Health will continue to keep the Shareholders and potential investors informed of updates on the matter.

Healthcare Service Network of the Group

As of 31 December 2019, the Group had 475 service points covering a range of healthcare services, including 275 general practice service points, 79 specialist service points, 24 dental service points and 97 auxiliary service points. As of 31 December 2019, the Group employed 737 doctors, dentists and auxiliary service staff (including 419 general practitioners, 216 specialists, 42 dentists and 60 auxiliary service staff), all of whom provided healthcare services via the Group's network of self-operated and affiliated healthcare centres.

The Group's medical service network are as follows:

	As of 31 December 2019
Medical services	**354**
General practice services	275
Specialist services	79
Dental services	**24**
Auxiliary services	**97**
Physiotherapy services	52
Diagnostic imaging and laboratory testing services	27
Traditional Chinese medicine services	17
Health management services	1
Total:	**475**

The Group's self-operated healthcare centres are as follows:

	As of 31 December 2019
Medical services	**93**
General practice services	51
Specialist services	42
Dental services	**13**
Auxiliary services	**20**
Diagnostic imaging and laboratory testing services	12
Physiotherapy services	7
Health management services	1
Total:	**126**

Business in Hong Kong

Managed Care – Vio

In 2019, managed care business maintained a stable revenue and recorded a net profit. The ongoing social instability in the fourth quarter of 2019, which once affected the service hours of the Group's affiliated healthcare network, imposed downward pressure on the managed care business. While revenue in the first three quarters of 2019 still maintained growth compared with the same period in 2018, the fourth quarter of 2019 dragged down the overall performance. Nevertheless, leveraging Vio's efficient operational management and budget controls, the managed care business recorded a stable income and a net profit. During the Year, Vio upgraded its internal IT management system, enabling it to efficiently manage more than 600 affiliated doctors and implement a series of processes ranging from diagnosis to invoicing. The improved functions of such system has effectively reduced the number of administrative duties performed by affiliated doctors and medical assistants on Vio's platform. Meanwhile, more than 100 self-operated medical centres of the Group have joined the healthcare network managed by Vio, allowing Vio to provide a wider range of services across a larger service area. The synergy between Town Health and Vio contributed to the sustainable growth of the managed care business.

The revenue generated from the Group's managed care business in 2019 amounted to approximately HK$477,251,000 (2018: approximately HK$467,802,000), and accounted for approximately 42.27% of the Group's revenue for the Year (2018: approximately 41.70%) while the net profit margin remained relatively stable.

Self-Operated Clinic Chain

During the Year, the Group operated a total of 51 general practice medical centres, 42 specialist centres and 13 dental centres. The Group's self-operated clinic chain business maintained stable revenue over the same period in 2018. Mainly attributable to the unstable traffic conditions caused by social unrest, the service hours and the number of patients had been greatly affected. The Group has for years devoted to providing specialist services, and has continually expanded its excellent medical team and range of services, which has acquired a good reputation among its customers. During the Year, the Group's new cardiology specialist centre in Yuen Long recorded growth in revenue while the Hong Kong Cardiac Diagnostic Centre in Tsim Sha Tsui, and the gastroenterology & hepatology specialist centre, the ENT specialist centre and the orthopaedics specialist centre at the Champion Building in Jordan all achieved satisfactory results. At the same time, the Group began to cooperate with large insurance companies and its self-operated orthopaedics and cardiology specialist centres to join the medical service networks of the insurance companies, gradually implementing the service of direct payment of medical expenses by medical insurance. Furthermore, more than 100 self-operated medical centres of the Group have joined the healthcare network managed by Vio. Through the medical schemes administered by Vio, the Group provides healthcare services to medical card holders, which in turn helps the Group increase market penetration of its healthcare services and enlarge its clientele, resulting in the long-term sustainability of its business.

The revenue generated from the general practice services, specialist services and dental services of the Group for the Year amounted to approximately HK$486,344,000 (2018: approximately HK$512,689,000), and accounted for approximately 43.08% of the Group's revenue for the Year (2018: approximately 45.70%).

Medical Beauty Business

Despite of being negatively affected by the ongoing social instability in Hong Kong during the second half of 2019, with great demand for beauty services in Mainland China, the Group's medical beauty business segment – TBM, recorded a double-digit percentage of growth in revenue when comparing with the same period in 2018. During the Year, TBM opened a beauty centre in Shanghai K11, a prestigious commercial centre in Shanghai. The unveiling of the new centre served to solidify the position of TBM brand in the mid-to-high-end market and helped bolster its brand image of 'strength, professionalism and reliability', and enhanced service experience of customers. TBM also opened another beauty centre in the high-end commercial district of Nanshan district of Shenzhen, providing beauty care and medical beauty services. This twin-centre business model makes TBM's skin management services more comprehensive and accessible to its customers while the referral of beauty care to medical beauty services enhances the cross-selling effect. Furthermore, TBM runs a one-stop health management centre in Tsim Sha Tsui acquired from the Group, with the aim of providing mid-to-high-end family customers with one-stop health management and medical beauty services, including comprehensive healthcare services such as vaccinations, health check, health assessments, skin management and anti-ageing, and post-health check management. In the future, TBM will solidify its position in the mid-to-high-end family market, and focus on establishing a one-stop health management centre model of health management plus skin management.

During the Year, TBM employed 11 full-time or part-time doctors, and had 9, 5 and 4 centres in Hong Kong, Shenzhen and Shanghai, respectively. During the Year, TBM's revenue amounted to approximately HK$328,361,000 (2018: approximately HK$289,443,000).

Business in Mainland China

Hospital Management and Consulting Services Business in the PRC

During the Year, Nanshi Hospital, managed by the Group's Nanyang Xiangrui, achieved excellent results in all aspects. Nanyang Xiangrui provided Nanshi Hospital with comprehensive management services, including property management, supply chain management, marketing and information system management, which succeeded in elevating the overall business performance of Nanshi Hospital in 2019. Nanshi Hospital's revenue from healthcare services for the Year maintained a double-digit percentage of rapid growth. Benefitting from Nanshi Hospital's remarkable performance, Nanyang Xiangrui's management revenue increased by a double-digit percentage, also being a clear reflection of the Group's outstanding competitive edge in hospital management business.

During the Year, Nanshi Hospital was granted the 'five-star' status for its operational capability by the Chinese Non-government Medical Institutions Association, and became the first non-government hospital in Nanyang City to be granted such honour. Nanshi Hospital has established its authoritative position in cerebrovascular disease treatments. According to the ranking published by related department of the National Health Commission in April 2019, Nanshi Hospital ranked first nationwide in terms of thrombolytic therapy in the national comprehensive stoke centres, and eighth nationwide in terms of comprehensive operational capability. In December 2019, Nanshi Hospital was awarded the honour of 'Comprehensive Stroke Centre'. Nanshi Hospital also strove hard to meet the national requirements for health insurance cost controls, and confined medicine use to under 30% progressively which was the best level in the industry. These measures were recognised by both the Healthcare Security Administration and the Health Commission.

Nanshi Hospital continued to strengthen its medical disciplines during the Year, forming strong specialities, including cardio-cerebral vascular centre. Nanshi Hospital also invited experts from all over the country to hold talks and exchange experience at Nanshi Hospital to continually enhance its level of medical skills.

The rehabilitation branch of Nanshi Hospital officially came into service in September 2019 with a total floor area of 5,500 sq.m., accommodating 110 beds, an inpatient care area, three modern medicine rehabilitation therapy departments and one traditional Chinese medicine rehabilitation therapy department. At present, the daily visits of the rehabilitation branch is over 700. Nanshi Hospital's rehabilitation medicine discipline has become a provincial key training medical discipline in Nanyang City, which is a clear indication that the rehabilitation medicine discipline of Nanshi Hospital has attained the highest standard in the industry. Furthermore, with the topping-out ceremony concluded in December 2019, the new inpatient block with a total floor area of 84,000 sq.m. of Nanshi Hospital will continue the internal decoration works and is expected to be operational in early 2021 to meet the growing local demand for medical care.

In 2019, Henan Ruishi Ophthalmology Hospital also came into service. The hospital, owned and managed by Nanyang Xiangrui, is located in a high-end commercial centre with high pedestrian flow in the centre of Nanyang City with a total floor area of 3,000 sq.m. The hospital specialises in ophthalmology and optometry and has established six ophthalmology sub-specialities. It has introduced specialists from the Ophthalmology Centre of Beijing University to provide expert technical support for ophthalmic treatment and is equipped with the VisuMax femtosecond laser from ZEISS for refractive surgery. The hospital is striving to become a ophthalmology hospital in Nanyang City with top-notch technology, comprehensive services and most advanced facilities.

High-end Medical Diagnostic and Health Check Business

During the Year, the Sixth Hospital's medical diagnostic centre managed by Yikang, a subsidiary of the Company, generated excellent results, especially in the areas of health check and laboratory testing which both reported double-digit percentage of growth in revenue. Yikang also showed remarkable growth in revenue and net profit from its management business. During the Year, Yikang successfully signed a supplemental cooperation agreement with the Sixth Hospital. According to the supplemental cooperation agreement, Yikang would continue to manage the medical diagnostic centre of the Sixth Hospital until 2028, and charge a fixed management fee and commission based on a certain percentage of revenue, on a yearly basis. It is expected that the management fee and the commission will provide a steady source of income for Yikang in the future. Furthermore, Yikang, along with Shanghai United Imaging Smart Medical Investments and Management Co., Ltd. and Guangdong Dixon Industrial Investments Co., Ltd., was planning to build a large medical diagnostic centre in Zhongshan City, Guangdong Province, with a floor area of 6,000 sq.m. The proposed medical diagnostic centre will have health check centre, specialist outpatient clinic and health management centre to provide one-stop healthcare services, and to continue to devote to the medical market in the Greater Bay Area.

Clinics Business in Mainland China

Ganghe Clinic, the Group's clinic located in the central area of Futian District, Shenzhen with a total floor area of 600 sq.m. came into service in early 2019. Ganghe Clinic mainly provides services in general medicine, surgery, gynecology and health management. Ganghe Clinic is also equipped with a distinctive program – lifecycle health management for women, which includes endocrine therapy and laser therapy. Ganghe Clinic invited Dr. Liang Xiaoyan, a renowned gynecologist in Guangzhou, and her medical team to provide high-end endocrine therapy services. Furthermore, Ganghe Clinic works closely with the Shenzhen branch of China Life Group, to establish post-health check services system for China Life Group's high-end VIP clients, including doctor referrals, specialist clinic, post-health check health management and doctors to provide customised health consultation solutions. 'Green Lane' services are also available at Ganghe Clinic. Ganghe Clinic is connected with a specialist team of more than 200 top specialists from hospitals in Guangzhou, Shenzhen and Hong Kong which provides solid technical backup for the clinic's development.

Mainly due to the suspension of Invisalign training, the overall revenue of Yamei suffered a slight decline comparing with the same period in 2018. Yamei provides comprehensive dental services and strives to develop Invisalign orthodontics as its distinctive service with competitive edge. Yamei actively invested resources in popular science and charitable activities including promotion of public oral health and pediatric dental examinations to build its brand name. The branding campaign has succeeded in earning Yamei 'Five Stars' customer service rating from DianPing.com, and has turned it into one of the most popular listed service providers in Hangzhou.

Chain Health Management Centres Business

Located at the China Life Centre in Jinan City, Shandong Province, China Life Town Health International Health Management Centre with a total floor area of 2,800 sq.m. came into service in 2019. The centre has several specialist departments, including general practice, surgery, gynecology, ophthalmology, oral and maxillofacial surgery, and medical beauty. It is also equipped with a wide range of advanced health check facilities. Dietitians and health consultants are also on hand to provide services to complement the one-stop health management services at the centre.

In addition, the centre strengthened its partnership with China Life Group and jointly launched a series of activities, among which China Life Group's *'Kai Men Hong'* sales event attracted 2,000 customers to the centre for health check services. Through its high quality, value-added healthcare services, the centre bolstered China Life Group's insurance agents' ability to win the trust of their customers resulting in China Life Group's remarkable feat of signing a significant amount of new insurance polices during the event. This synergy is a successful case to the feasibility of the new 'insurance plus healthcare' model, and also a significant milestone in the Group's development of 'insurance plus healthcare' strategy.

Other investments

As at 31 December 2019, the Group held approximately 17.67% of HCMPS with an investment amount of approximately HK$86,585,000. HCMPS and its subsidiaries are principally engaged in the provision of contract-based medical schemes for integrated medical and healthcare check-up services. Based on the latest unaudited combined financial information for the year ended 30 September 2019 of HCMPS, it recorded a profit of approximately HK$17 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 31 December 2019, the Group's investment in HCMPS constituted approximately 88.93% of the balance of equity instruments at fair value through other comprehensive income.

As at 31 December 2018, the Group owned 7,707.27 shares in Heemin Capital – Class A Shares with an aggregate subscription price of approximately US$7,884,000 (equivalent to approximately HK$61,103,000) and the Group's investment in Heemin Capital constituted approximately 85% of the balance of the financial assets at fair value through profit or loss. Heemin Capital is principally engaged in global fund investment. As at 31 December 2019, the Group had redeemed all the shares in Heemin Capital and recorded a gain of approximately HK$4,858,000.

The Group prudently and carefully selects promising investments which are duly assessed and analysed by the senior management team of the Group. After taking into account future business prospects and the respective financial performance of the various investments, as at the date of this announcement, the Group intended to continue holding the remaining investments in its present portfolio.

OUTLOOK

The outbreak of the coronavirus (COVID-19) has imposed tremendous impact on the economy and social well-being in Mainland China, Hong Kong and worldwide since the beginning of January 2020. Business of the Group is anticipated to be adversely impacted in the short-term, and the results for the first half of the year was dragged down by this sudden epidemic. However, after the outbreak is over, medical demand will be gradually released, health and hygiene awareness of the citizens will generally be enhanced, and the demand for quality medical services is always with high rigidity. The Group expects to maintain a steady development.

The Group has always been confident in the medium to long-term development of the medical and health industry. Apart from responding flexibly to market changes, the Group will adopt more forward-looking measures as a long-term development plan. While striving to maintain its development in the Hong Kong healthcare business, the Group will continue to devote to the healthcare market in Mainland China. The healthcare services market in Mainland China is expected to have a bright future because of the acceleration of population aging, growing gross national income (GNI), heightened public awareness of health, and a growing demand for high-end healthcare services. As the first Hong Kong healthcare enterprise to manage a large 3A-grade hospital in Mainland China, the Group will leverage its medical operation management prowess, rich practical experience gained over years and excellent medical team to further expand its business operations in the healthcare market in Mainland China. Also, with the backing of China Life Group's robust strength, and vast management experience and resources of the new management from China Life Group, the Group has every confidence in its business sustainability and ability to continue to stay at the forefront of the industry.

Hong Kong

In terms of managed care business, Vio will continue its medical management service contracts with large enterprises and insurance companies, and will actively expand the scope of its services and increase high value-added services in order to further maintain the company's profit margin. Vio will also continue to invest in the upgrading of its IT management system to further improve the management efficiency.

Regarding its self-operated clinic chain, the Group will continue to actively expand its healthcare service network and attract more professional medical staff. On the basis of cost-effectiveness, the Group will open more medical centres in the densely populated areas of Hong Kong in order to enhance the Group's competitiveness and create sustainable business strategies. The Group will further expand the scale of its orthopaedic specialist centres by expanding the area of its Kwun Tong orthopaedic specialist centre. Meanwhile, the Group will open a new orthopaedic magnetic resonance imaging centre to achieve synergy with the orthopaedic diagnoses and treatment. The Group's orthopaedic specialist centres will strive to become a sizeable and comprehensive chain of orthopaedic medical centres in Hong Kong. Furthermore, under the Private Healthcare Facilities Ordinance (Chapter 633 of the Laws of Hong Kong) introduced by the Hong Kong Government, the premises where registered medical practitioners and registered dentists practise including day procedure centres will be required to obtain licenses or letters of exemption to safeguard the interests and rights of the patients. The Group's existing two ophthalmic day procedure centres will apply for the said license to conform to the requirements of such ordinance. With the strict policy regulations, large medical groups will usher in new opportunities for long-term healthy development.

In terms of scale, the Group's specialist service network is one of the largest of its kind in Hong Kong with the greatest number of comprehensive services and the most doctors. Specialist services will continue to be the focus of the Group's future development. The Group will also continue to expand its cooperation with the large insurance companies. In addition to orthopaedics and cardiology, the goal is to include other specialist services into the insurance companies' service networks so that comprehensive healthcare services can be provided to insurance customers, and the service of direct payment of medical expenses by medical insurance can be implemented.

The Group will explore Mainland China market with a focus on the Greater Bay Area. The favourable medical policies of the Greater Bay Area will open new avenues for Hong Kong specialists of different medical disciplines to develop Mainland China market and provide high-end customers with premium healthcare services in line with international standards and facilitate Mainland China customers to seek medical consultations or diagnoses. The Group is also capable of arranging the Mainland China customers to visit Hong Kong for further treatment if they require surgeries. In the future, the Group will launch more in-depth cooperation with China Life Group's Mainland China companies, and develop medical tourism services aiming at high-end Mainland China customers, and achieve mutual access of medical resources between China and Hong Kong.

Regarding medical beauty business, TBM will explore new marketing channels through new media to elevate its brand recognitions and overall reputation. In addition to maintaining steady business development in Hong Kong, TBM will vigorously expand the medical beauty business in Mainland China. TBM plans to set up three new centres in Guangzhou, and one in Shanghai. As the present centre in Shanghai can no longer meet the hugh customer volume, the new Shanghai centre will be set up in a high-end business district in order to build a brand image and take advantage of economies of scale. In the future, TBM will review the situation and on the basis of cost-effectiveness, open new comprehensive skin management centres in Mainland China to provide beauty care and medical beauty services in the hope that the twofold service model will create synergetic effects, and stimulate cross-selling. Since the launch time of high-energy beauty equipment in Hong Kong coincides with Europe and the United States, and ahead of Mainland China, the Group expects to vigorously attract customers from the Greater Bay Area to enjoy medical tourism services in Hong Kong when the new coronavirus epidemic is over.

Mainland China

As an active response to the PRC government's favourable policies of encouraging Hong Kong-funded healthcare institutions to establish medical practices in Mainland China, the Group will seize the opportunity, and, by making good use of its experience and strengths, introduce Hong Kong's comprehensive triage system into China, aiming to become a benchmark for Mainland China's healthcare industry.

Regarding hospital management, the pharmaceutical company established by Nanyang Xiangrui has officially obtained the approval of the Medical Products Administration and will formally be established in early 2020. Nanyang Xiangrui will thereby further expand its business scope and provide services related to procurement of pharmaceutical products for Nanshi Hospital, and is expected to become a new revenue growth point for Nanyang Xiangrui. Meanwhile, Nanshi Hospital will further strengthen the setting up of medical disciplines and has joined forces with tertiary academic institutions including Nanyang Medical College and Henan University in respect of education and teaching, and student training and the like to pool the top talents for the hospital. Nanshi Hospital will also continue to organise medical exchange programmes and invite medical experts from across the country to lead the programmes in an effort to promote integration of medicine, education and research. Moreover, the new hospital block of Nanshi Hospital is expected to come into service in early 2021. During the same period, the overall environment of the old hospital block will be optimised and reconstructed simultaneously. The whole area of the hospital will be re-planned and the decoration and transformation of the external hospital area and the internal environment will be gradually carried out to provide patients with a better environment for medical treatment, and boost the number of outpatient visits. In mid-2019, the PRC government launched the Diagnosis Related Groups (DRG) policy and identified 30 DRG payment pilot cities. Nanshi Hospital will actively conform to the new national policy and will regulate its management procedures.

In terms of high-end medical diagnostic and health check business, Yikang's large medical diagnostic centre invested in Zhongshan City, Guangdong Province is expected to come into service in end 2020 providing medical diagnostic, health check, specialist outpatient clinic and health management services. The centre will be managed by a team set up by Yikang, and management staff will be stationed there to provide management advice. Meanwhile, Ganghe Clinic from Shenzhen will in the future identify business partners, explore online marketing channels, actively develop market, and develop customer groups.

Regarding the chain health management centre business, the Group will deepen its cooperation with China Life Shandong, and will provide China Life Shandong's VIP customers with health risk assessment services. Through comprehensive scientific analyses and assessments of customers' lifestyles, occupations, health check data and biomarkers, the Group will digitise customers' health indicators, all in an effort to customise personalised health check packages based on different data, and give insightful advice on health management to customers. The above efforts make the Group's centre stand out from the general health check centres' "disease-diagnosis" health check services. Meanwhile, the centre will focus on the development of four services, namely: *'dietary management', 'sport and exercise management', 'chronic disease management'* and *'Green Lanes of medical partnerships'*, for the purposes of giving personalised advice on diet and exercise in order to establish a complete and intimate health management system. The health management centre has also signed medical network cooperation agreements with Yikang, Jinan Central Hospital and specialists from Hong Kong to build medical network 'Green Lanes'. In the future, the centre will also actively expand dental services to provide customers with orthodontic services and dental restoration services, and recruit expert doctors from across the country to enhance the centre's reputation, and enlarge its customer base and income source.

LIQUIDITY AND FINANCIAL RESOURCES

The Group adopts a prudent cash and financial management policy. As at 31 December 2019, the Group held bank balances and cash of approximately HK$1,840,856,000 (2018: HK$1,720,425,000). In order to achieve better cost control and minimise the costs of funds, the Group's treasury activities are centralised and substantial cash is generally deposited with banks in Hong Kong and denominated mostly in HK$. As at 31 December 2019, the Group had bank borrowings which represented a mortgage loan of approximately HK$17,730,000 (2018: HK$18,756,000) of which approximately HK$1,062,000 (2018: HK$1,137,000) are repayable within one year. As at 31 December 2019, the Group had no committed borrowing facilities. Details of bank borrowings of the Group are set out in note 14 to the consolidated financial statements of this announcement.

As at 31 December 2019, the Group's net current assets amounted to approximately HK$2,128,476,000 (2018: HK$1,776,480,000) and the Group had a current ratio (defined as total current assets divided by total current liabilities) of 7.42 (2018: 8.26). As at 31 December 2019, the Group's gearing ratio (defined as total bank borrowings divided by equity attributable to owners of the Company) was 0.44% (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 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 to assess 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 Year, 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 Year, the Group considers that the potential foreign exchange exposure of the Group is limited.

During the Year, the Group did not use any financial instruments for hedging activities.

CAPITAL STRUCTURE

As at 31 December 2019, the Group had equity attributable to owners of the Company of approximately HK$4,015,547,000 (2018: HK$4,071,271,000).

HUMAN RESOURCES AND TRAINING SCHEME

As at 31 December 2019, the Group employed 1,306 staff (2018: 1,091 staff). Total employee costs for the Year, including directors' remuneration, amounted to approximately HK$654,703,000 (2018: HK$640,455,000). The salary and benefit levels of the employees of the Group are competitive and individual performance is rewarded through the Group's salary and bonus system. 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.

CONTINGENT LIABILITIES

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

PLEDGE OF ASSETS

As at 31 December 2019, a leasehold land and building of approximately HK$46,047,000 was pledged to secure the Group's mortgage loan.

CAPITAL COMMITMENTS

As at 31 December 2019, the Group did not have capital expenditure contracted for but not provided in the financial statements in respect of the acquisition of property, plant and equipment (2018: Nil).

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

During the Year, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the listed shares of the Company.

DIVIDEND

The Board does not recommend the payment of a final dividend for the Year (2018: HK0.25 cent per Share) to the Shareholders.

CLOSURE OF REGISTER OF MEMBERS

The date and notice of the forthcoming AGM, the book closure date for eligibility to attend and vote at the forthcoming AGM will be announced by the Company in due course.

COMPLIANCE WITH THE CG CODE

The Company has adopted its own code of corporate governance based on the principles and code provisions as set out in the CG Code contained in Appendix 14 to the Listing Rules.

During the Year, the Company complied with the respective code provisions of the CG Code then in force.

COMPLIANCE WITH THE MODEL CODE

The Company has adopted the Model Code as the Company's code of conduct regarding Directors' securities transactions. Having made specific enquiry of all Directors, all the Directors have complied with the required standard set out in the Model Code throughout the Year.

AUDITORS

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

A resolution will be submitted to the forthcoming AGM to re-appoint Moore Stephens CPA Limited as the auditors of the Company until the conclusion of the next AGM.

REVIEW BY AUDIT COMMITTEE

The audited consolidated financial statements of the Group for the Year have been reviewed by the Audit Committee.

SCOPE OF WORK OF MOORE STEPHENS CPA LIMITED

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the Year as set out in the preliminary announcement have been agreed by the Group's auditor, Moore Stephens CPA Limited, to the amounts set out in the Group's audited consolidated financial statements for the Year. The work performed by Moore Stephens CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Moore Stephens CPA Limited on the preliminary announcement.

ACKNOWLEDGEMENT

The Company would like to thank the Board, the management and all of its staff for their hard work and dedication, as well as the Shareholders and customers for their support to the Group.

By order of the Board
Town Health International Medical Group Limited
Chen Jinhao
Executive Director
and Chief Executive Officer

26 March 2020

As at the date of this announcement, the executive Director is Mr. Chen Jinhao (Chief Executive Officer), the non-executive Directors are Mr. Wan Yiqing (Chairman) and Ms. Fang Haiyan (Deputy Chairperson); and the independent non-executive Directors are Mr. Ho Kwok Wah, George, MH, Mr. Yu Xuezhong and Ms. Li Mingqin.

GLOSSARY

AGM	annual general meeting of the Company
Audit Committee	audit committee of the Board
Board	the board of Directors
CG Code	Corporate Governance Code as contained in Appendix 14 to the Listing Rules
China Life Group	China Life Insurance and its subsidiaries
China Life Insurance	中國人壽保險(集團)公司(in English for identification purpose only, China Life Insurance (Group) Company)
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)
China or Mainland China or PRC	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 or Town Health	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
Director(s)	the director(s) of the Company
Ganghe Clinic	港和診所 (in English for identification purpose only, Ganghe Clinic)
Group	the Company and its subsidiaries

HCMPS	HCMPS Healthcare Holdings Limited
Heemin Capital	Heemin Capital Enhanced Yield Bond Fund
Henan Ruishi Ophthalmology Hospital	河南瑞視醫療管理有限公司 (in English for identification purpose only, Henan Ruishi Medical Management Co., Ltd.), a subsidiary of the Company
HK$	Hong Kong Dollars, the lawful currency of Hong Kong
Hong Kong	the Hong Kong Special Administrative Region of the PRC
Listing Rules	the Rules Governing the Listing of Securities on the Stock Exchange
Main Board	the Main Board of the Stock Exchange
Model Code	Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
Nanshi Hospital	南陽南石醫院 (in English for identification purpose only, Nanshi Hospital of Nanyang)
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
SFC	Securities and Futures Commission of Hong Kong
Share(s)	ordinary share(s) of HK$0.01 each in the share capital of the Company
Shareholders	the shareholders of the Company
Sixth Hospital	中山大學附屬第六醫院 (in English for identification purpose only, The Sixth Affiliated Hospital of Sun Yat-Sen University)
sq.m.	square metre
Stock Exchange	The Stock Exchange of Hong Kong Limited
TBM	The Beauty Medical
US$	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 Centre Company Limited), a subsidiary of the Company
Year	year ended 31 December 2019
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