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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 2020

FINANCIAL HIGHLIGHTS

For the six months ended 30 June 2020:

- The Group recorded revenue of approximately HK\$437,155,000 (2019: approximately HK\$584,905,000).
- The Group recorded a loss of approximately HK\$87,662,000 (2019: profit of approximately HK\$26,939,000).

As at 30 June 2020:

- The Group had net current assets and net assets of approximately HK\$2,111,429,000 and HK\$4,173,490,000, respectively.
- The Group had a current ratio of 7.86 and a gearing ratio of 0.44%.

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

RESULTS

The Board is pleased to report the unaudited interim condensed consolidated results of the Company and its subsidiaries for the six months ended 30 June 2020, together with the comparative unaudited figures for the six months ended 30 June 2019, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2020

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

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

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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2020

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

		30 June 2020 (unaudited) HK\$'000	31 December 2019 (audited) HK\$'000
	<i>Notes</i>		
CURRENT LIABILITIES			
Trade and other payables	14	154,726	165,990
Contract liabilities		2,694	3,570
Amount due to an investee		300	300
Amounts due to non-controlling interests		41,464	42,971
Bank borrowing	15	17,207	17,730
Lease liabilities		70,795	67,027
Tax payable		20,428	34,005
		<u>307,614</u>	<u>331,593</u>
NET CURRENT ASSETS		<u>2,111,429</u>	<u>2,128,476</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>4,285,912</u>	<u>4,406,978</u>
NON-CURRENT LIABILITIES			
Lease liabilities		72,912	62,772
Deferred tax liabilities		39,510	41,195
		<u>112,422</u>	<u>103,967</u>
		<u>4,173,490</u>	<u>4,303,011</u>
CAPITAL AND RESERVES			
Share capital	16	75,261	75,261
Reserves		3,810,793	3,940,286
Equity attributable to owners of the Company		3,886,054	4,015,547
Non-controlling interests		287,436	287,464
Total equity		<u>4,173,490</u>	<u>4,303,011</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

1. GENERAL

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

The Company's shares are listed on The Stock Exchange of Hong Kong Limited ("Stock Exchange").

The addresses of the registered office and the principal place of business of the Company are 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 Hong Kong Dollars ("HK\$"), which is the same as the functional currency of the Company.

As disclosed in the annual consolidated financial statements for the years ended 31 December 2017, 2018 and 2019, the Securities and Futures Commission ("SFC") has on 27 November 2017 issued a direction to suspend trading in the shares of the Company with effect from 27 November 2017 as it appears to the SFC that, inter alia, the Company's interim report for the six months ended 30 June 2016 published by the Company on 7 September 2016 and the Company's annual report for the year ended 31 December 2016 published by the Company on 27 April 2017 included materially false, incomplete or misleading information ("Suspension").

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

- (i) conduct an independent investigation on the issues and matters arising from or relating to the Suspension;
- (ii) make recommendations to the Board on appropriate action to be taken; and
- (iii) working towards the goal of having the shares resumed in trading on the Stock Exchange.

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

After reviewing the findings and conclusion of the independent forensic accountant reports, the IBC accepted that the matters leading to the SFC's concerns on the materiality false, incomplete or misleading information contained in the Company's interim report for the six months ended 30 June 2016 published by the Company on 7 September 2016 and the Company's annual report for the year ended 31 December 2016 published by the Company on 27 April 2017 were not substantiated. Hence, the Board has determined that no restatement of figures stated in the accounts contained in these previously issued annual and interim reports is necessary, and no disclosures contained in these accounts need to be amended.

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

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

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

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

- (i) The Stock Exchange's guidance letter states that the Stock Exchange would discuss with the SFC before exercising its right to delist an issuer suspended under Section 8 of the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong).
- (ii) After consultation with the SFC, the Stock Exchange confirms that the Stock Exchange will, until further notice, withhold exercising its right to delist the Company under Rule 6.01A(2)(b)(i) of the Listing Rules should trading in the Company's securities remain suspended on 31 January 2020.

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

As at the date of approval for issuance of the condensed consolidated financial statements for the six months ended 30 June 2020, the trading in the shares has not been resumed. The Company has been communicating with the SFC in connection with the resumption of trading in the shares and will provide further updates as and when appropriate.

2. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standards (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) as well as with the applicable disclosure requirements of Appendix 16 to the Listing Rules.

The condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements for the year ended 31 December 2019.

3. PRINCIPAL ACCOUNTING POLICIES

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

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

Application of amendments to HKFRSs

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

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

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

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

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

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

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

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

3.2.1 Accounting policies

Leases

Covid-19-related rent concessions

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

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

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

3.2.2 Transition and summary of effects

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

3.3 Accounting policies newly applied by the Group

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

Government grants

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

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

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

Variable lease payments (the Group as a lessee)

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

4. REVENUE

Revenue represents the aggregate of the net amounts received and receivable from third parties for the period. There is no seasonality or 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	
	2020	2019
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Revenue recognised under HKFRS 15		
Hong Kong medical services		
– Medical services	148,013	227,643
– Dental services	24,189	30,194
	<u>172,202</u>	<u>257,837</u>
Hong Kong managed care business	<u>194,181</u>	<u>236,697</u>
Mainland hospital management and medical services	<u>64,191</u>	<u>72,496</u>
Others		
– Miscellaneous healthcare related services	<u>–</u>	<u>10,218</u>
Revenue recognised under other accounting standards		
Others		
– Rental income	<u>6,581</u>	<u>7,657</u>
Total	<u>437,155</u>	<u>584,905</u>
Revenue recognised under HKFRS 15		
Timing of revenue recognition		
At point in time	388,083	517,885
Over time	<u>42,491</u>	<u>59,363</u>
	<u>430,574</u>	<u>577,248</u>
Revenue recognised under other accounting standards	<u>6,581</u>	<u>7,657</u>
	<u>437,155</u>	<u>584,905</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 year ended 31 December 2019, there were four reportable and operating segments presented, namely Hong Kong medical services, Hong Kong managed care business, Mainland hospital management and medical services and others. During the six months ended 30 June 2020, the chief operating decision maker, being the chief executive officer (“CEO”), assessed the current business units of the Group and the CEO considered that the locations of the different types of business are most relevant for the purposes of resources allocation and assessment of segment performance.

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

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

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

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

Segment revenue and results

Six months ended 30 June 2020

	Hong Kong medical services (unaudited) HK\$'000	Hong Kong managed care business (unaudited) HK\$'000	Mainland hospital management and medical services (unaudited) HK\$'000	Others (unaudited) HK\$'000	Elimination (unaudited) HK\$'000	Total (unaudited) HK\$'000
REVENUE						
External sales	172,202	194,181	64,191	6,581	–	437,155
Inter-segment sales	17,200	–	–	–	(17,200)	–
	<u>189,402</u>	<u>194,181</u>	<u>64,191</u>	<u>6,581</u>	<u>(17,200)</u>	<u>437,155</u>
Segment results	<u>(29,189)</u>	<u>10,289</u>	<u>5,346</u>	<u>(33,167)</u>	<u>–</u>	<u>(46,721)</u>
Impairment loss recognised on property, plant and equipment	(3,201)	–	–	–	–	(3,201)
Impairment loss recognised on goodwill	–	(6,736)	–	–	–	(6,736)
	<u>(32,390)</u>	<u>3,553</u>	<u>5,346</u>	<u>(33,167)</u>	<u>–</u>	<u>(56,658)</u>
Finance costs						(303)
Unallocated other income						4,315
Unallocated corporate expenses						<u>(25,196)</u>
Loss before tax						<u><u>(77,842)</u></u>

Six months ended 30 June 2019 (Restated)

	Hong Kong medical services (unaudited) HK\$'000	Hong Kong managed care business (unaudited) HK\$'000	Mainland hospital management and medical services (unaudited) HK\$'000	Others (unaudited) HK\$'000	Elimination (unaudited) HK\$'000	Total (unaudited) HK\$'000
REVENUE						
External sales	257,837	236,697	72,496	17,875	–	584,905
Inter-segment sales	24,931	–	–	–	(24,931)	–
	<u>282,768</u>	<u>236,697</u>	<u>72,496</u>	<u>17,875</u>	<u>(24,931)</u>	<u>584,905</u>
Segment results	<u>26,053</u>	<u>21,193</u>	<u>29,434</u>	<u>(3,731)</u>	<u>–</u>	<u>72,949</u>
Finance costs						(359)
Unallocated other income						4,112
Unallocated other gains and losses						(2,811)
Unallocated corporate expenses						<u>(28,231)</u>
Profit before tax						<u><u>45,660</u></u>

Geographical information

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

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

6. OTHER INCOME

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

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

7. OTHER GAINS AND LOSSES, NET

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

8. FINANCE COSTS

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

9. INCOME TAX EXPENSES

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

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

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

10. (LOSS) PROFIT FOR THE PERIOD

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

11. DIVIDENDS

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

12. (LOSS) EARNINGS PER SHARE

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

	Six months ended	
	30 June	
	2020	2019
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
(Loss) profit for the period attributable to owners of the Company and (loss) earnings for the purpose of calculating basic and diluted (loss) earnings per share	(93,968)	14,153
	30 June	30 June
	2020	2019
	(unaudited)	(unaudited)
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic and diluted (loss) earnings per share	7,526,134,452	7,526,134,452

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

13. TRADE AND OTHER RECEIVABLES

	30 June 2020 (unaudited) HK\$'000	31 December 2019 (audited) HK\$'000
Trade receivables	101,374	119,890
Prepayments, deposits and other receivables	103,916	99,834
	<u>205,290</u>	<u>219,724</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 2020 (unaudited) HK\$'000	31 December 2019 (audited) HK\$'000
0-60 days	88,505	113,244
61-120 days	11,385	4,806
121-180 days	700	1,336
181-240 days	784	504
	<u>101,374</u>	<u>119,890</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 (2019: 180 to 240 days) while settlement by corporate customers of the Group's managed care operation is from 60 to 180 days (2019: 60 to 180 days). The Group provides an average credit period of 60 to 240 days (2019: 60 to 240 days) to its trade customers under its other business activities.

14. TRADE AND OTHER PAYABLES

	30 June 2020 (unaudited) HK\$'000	31 December 2019 (audited) HK\$'000
Trade payables	41,315	36,061
Other payables	39,868	44,127
Deposits received	5,215	5,821
Accruals	68,328	79,981
	<u>154,726</u>	<u>165,990</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 2020 (unaudited) HK\$'000	31 December 2019 (audited) HK\$'000
0-60 days	26,117	28,420
61-120 days	7,266	6,588
Over 120 days	7,932	1,053
	<u>41,315</u>	<u>36,061</u>

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

15. BANK BORROWING

	30 June 2020 (unaudited) HK\$'000	31 December 2019 (audited) HK\$'000
Secured	<u>17,207</u>	<u>17,730</u>

As at 30 June 2020 and 31 December 2019, the bank borrowing of the Group carried variable interest rates at Hong Kong Interbank Offered Rate +2.25% per annum.

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

16. SHARE CAPITAL

	Numbers of Shares	Amount HK\$'000
Ordinary shares of HK\$0.01 each		
Authorised:		
At 1 January 2019, 31 December 2019 and 30 June 2020	<u>30,000,000,000</u>	<u>300,000</u>
Issued and fully paid:		
At 1 January 2019, 31 December 2019 and 30 June 2020	<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 2020.

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

Adverse impact of the COVID-19 pandemic on business operation of the Group

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

Fair value loss on investment properties

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

Share of losses of associates

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

BUSINESS REVIEW

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

Healthcare Service Network of the Group

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

Business in Hong Kong

Managed Care – Vio

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

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

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

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

Self-Operated Clinic Chain

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

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

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

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

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

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

Medical Beauty Business

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

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

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

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

Business in Mainland China

Hospital Management and Consulting Services Business in Mainland China

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

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

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

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

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

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

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

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

Health Management Centres Business

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

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

High-end Medical Diagnostic and Health Check Business

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

Clinics Business in Mainland China

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

Other Investments

As at 30 June 2020, the Group held approximately 17.67% of HCMPS with an investment amount of approximately HK\$86,585,000. HCMPS and its subsidiaries are principally engaged in the provision of contracted medical schemes for integrated medical and healthcare check-up services. Based on the latest unaudited combined financial information available for the three months ended 31 March 2020 of HCMPS, it recorded a profit of approximately HK\$1.4 million for the three months ended 31 March 2020. As at 30 June 2020, the Group's investment in HCMPS constituted approximately 84% of the balance of equity instruments at fair value through other comprehensive income. During the period under review, a fair value loss on the Group's investment in HCMPS of approximately HK\$20,144,000 (2019: fair value loss of approximately HK\$11,132,000) has been recognised in other comprehensive income. Although the performance of HCMPS was affected by the outbreak of the COVID-19 pandemic, the Group is of the view that the ageing population and the increasing demand for corporate medical solutions services in Hong Kong are favourable to the continuing development of HCMPS' business in the long term.

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

OUTLOOK

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

Hong Kong

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

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

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

Mainland China

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

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

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

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

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

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

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

LIQUIDITY AND FINANCIAL RESOURCES

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

As at 30 June 2020, the Group held bank balances and cash of approximately HK\$1,646,319,000 (31 December 2019: approximately HK\$1,840,856,000) of which approximately 69.93% and 30.07% are denominated in HK\$ and RMB respectively. The Group had bank borrowing which represented a mortgage loan of approximately HK\$17,207,000 (31 December 2019: approximately HK\$17,730,000) of which approximately HK\$1,085,000 (31 December 2019: approximately HK\$1,062,000) are repayable within one year. The Group's loans were arranged on a floating interest rate basis. Details of bank borrowing of the Group are set out in note 15 to the condensed consolidated financial statements for the six months ended 30 June 2020.

As at 30 June 2020, the Group's net current assets amounted to approximately HK\$2,111,429,000 (31 December 2019: approximately HK\$2,128,476,000) and the Group had a current ratio of 7.86 (31 December 2019: 7.42). As at 30 June 2020, the Group's gearing ratio was 0.44% (31 December 2019: 0.44%). The Group considers the level of liabilities of a company reflects its financial health. The Group strives to keep the level of borrowings at a minimum and to maintain ample internal resources to support its business operations, not only to reduce interest burden, but also to enable the Group to respond to changes and capture business opportunities in a timely manner when they arise. As such, both current ratio and gearing ratio are useful in assessing the Group's financial positions. While higher current ratio reflects sufficiency of the Group's assets and the capability of the Group to meet its debt repayment obligations, lower gearing ratio represents lesser reliance on debt financing and greater financial stability of the Group. During the period under review, the Group's liquidity position was well-managed and the Group's financial resources were sufficient to support its business operations. Where necessary, the Group may also consider other fund raising activities when opportunity arises under favourable market conditions.

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

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

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

CAPITAL STRUCTURE

As at 30 June 2020, the Group had equity attributable to owners of the Company of approximately HK\$3,886,054,000 (31 December 2019: approximately HK\$4,015,547,000).

SHARE CAPITAL

Details of movements in the share capital of the Company during the period under review are set out in note 16 to the condensed consolidated financial statements for the six months ended 30 June 2020.

SIGNIFICANT INVESTMENT, MATERIAL ACQUISITION AND DISPOSAL

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

PLEDGE OF ASSETS

As at 30 June 2020, a leasehold land and building of approximately HK\$44,486,000 (31 December 2019: approximately HK\$46,047,000) was pledged to secure the Group's mortgage loan.

CONTINGENT LIABILITIES

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

HUMAN RESOURCES AND TRAINING SCHEMES

As at 30 June 2020, the Group employed 1,183 staff (31 December 2019: 1,306). Total employee costs, including directors' emoluments, amounted to approximately HK\$280,533,000 for the six months ended 30 June 2020 (2019: approximately HK\$325,168,000). The salary and benefits levels of the employees of the Group are competitive and individual performance is rewarded through the Group's salary, bonus system and share option schemes. Remuneration packages are reviewed annually.

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

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

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 2020, the Company has complied with the code provisions as set out in the Corporate Governance Code contained in Appendix 14 to the Listing Rules.

REVIEW OF INTERIM RESULTS

The condensed consolidated financial information for the six months ended 30 June 2020 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 2020 in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA.

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

27 August 2020

As at the date of this announcement, the executive Director is Mr. Chen Jinhao (Chief Executive Officer); the non-executive Directors are Mr. Zhao Hui (Chairman) and Mr. Hou Jun; and the independent non-executive Directors are Mr. Ho Kwok Wah, George, MH, Mr. Yu Xuezhong and Ms. Li Mingqin.

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 Life Shenzhen	中國人壽保險股份有限公司深圳市分公司 (in English, for identification purpose only, China Life Insurance Company Limited, Shenzhen Branch), a branch office of China Life Insurance Company Limited, whose shares are listed on the Main Board of the Stock Exchange (stock code: 2628)
China or PRC or Mainland China	the People's Republic of China excluding, for the purpose of this 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

Ganghe Clinic	深圳港和診所 (in English, for identification purpose only, Shenzhen Ganghe Clinic)
gearing ratio	total bank borrowing divided by equity attributable to owners of the Company
Group	the Company and its subsidiaries
HCMPs	HCMPs Healthcare Holdings Limited
HK\$	Hong Kong dollars, the lawful currency of Hong Kong
HKICPA	Hong Kong Institute of Certified Public Accountants
Hongda	南陽市弘達建築裝飾有限公司 (in English, for identification purpose only, Nanyang Hongda Construction Decoration Co., Ltd.), a subsidiary of the Company
Hong Kong	Hong Kong Special Administrative Region of the PRC
Jianke	南陽健科醫療科技有限公司 (in English, for identification purpose only, Nanyang Jianke Medical Technology Co., Ltd.), a subsidiary of the Company
Listing Rules	the Rules Governing the Listing of Securities on the Stock Exchange
Model Code	Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules

Nanshi Hospital	南陽南石醫院 (in English, for identification purpose only, Nanshi Hospital of Nanyang)
Nanshi Hospital Seniors' Rehabilitation and Care Centre	南石醫院老年康復護理院 (in English, for identification purpose only, Nanshi Hospital Seniors' Rehabilitation and Care Centre)
Nanyang Ruishi Ophthalmology Hospital	南陽瑞視眼科醫院有限公司 (in English, for identification purpose only, Nanyang Ruishi Ophthalmology Hospital Co., Ltd.), a subsidiary of the Company
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
RMB	Renminbi, the lawful currency of the PRC
Ruibang	南陽市瑞邦家政服務有限公司 (in English, for identification purpose only, Nanyang Ruibang Home Services Co., Ltd.), a subsidiary of the Company
SFC	Securities and Futures Commission of Hong Kong
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
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
Xiangbang	河南祥邦物業服務有限公司 (in English, for identification purpose only, Henan Xiangbang Property Services Co., Ltd.), a subsidiary of the Company
Yikang	廣州宜康醫療管理有限公司 (in English, for identification purpose only, Guangzhou Yikang Medical Management Limited), a subsidiary of the Company
Yugangxiang	雲南豫港祥醫藥有限公司 (in English, for identification purpose only, Yunnan Yugangxiang Pharmaceuticals Co., Ltd.), a subsidiary of the Company