康 TOWN
健 HEALTH

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 2024

FINANCIAL HIGHLIGHTS

For the six months ended 30 June 2024:

– The Group recorded revenue of approximately HK$914,280,000 (2023: HK$916,833,000).

– The Group recorded a net loss of approximately HK$28,542,000 (2023: net profit of approximately HK$38,683,000) and a loss attributable to owners of the Company of approximately HK$47,676,000 (2023: profit of approximately HK$21,061,000).

As at 30 June 2024:

– The Group had net current assets and net assets of approximately HK$1,360,735,000 (31 December 2023: HK$1,344,516,000) and HK$3,524,725,000 (31 December 2023: HK$3,618,746,000) respectively.

– The Group had a current ratio (defined as total current assets divided by total current liabilities) of 3.78 (31 December 2023: 3.25) and a gearing ratio (defined as total bank borrowings divided by equity attributable to owners of the Company) of 2.68% (31 December 2023: 2.70%).

The Board does not recommend the payment of interim dividend for the six months ended 30 June 2024 (2023: Nil).

RESULTS

The Board hereby reports the unaudited interim condensed consolidated results of the Company and its subsidiaries for the six months ended 30 June 2024, together with the comparative unaudited figures for the six months ended 30 June 2023, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2024

		Six months ended 30 June	
		2024	2023
		(unaudited)	(unaudited)
	Notes	***HK$'000***	*HK$'000*
Revenue	*4*	**914,280**	916,833
Cost of sales		**(664,727)**	(674,371)
Gross profit		**249,553**	242,462
Other income	*6*	**18,660**	23,124
Administrative expenses		**(194,598)**	(196,737)
Other gains and losses, net	*7*	**(69,572)**	1,219
Finance costs	*8*	**(11,969)**	(10,915)
Share of results of associates		**(1,991)**	3,399
Share of results of joint ventures		**–**	(4,452)
(Loss) profit before tax		**(9,917)**	58,100
Income tax expenses	*9*	**(18,625)**	(19,417)
(Loss) profit for the period	*10*	**(28,542)**	38,683

	Note	Six months ended 30 June **2024** **(unaudited)** ***HK$'000***	2023 (unaudited) *HK$'000*
Other comprehensive (expense) income for the period			
Items that will not be reclassified to profit or loss:			
Fair value changes in equity instruments at fair value through other comprehensive income		**(22,422)**	(19,685)
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on the translation of foreign operations		**(35,719)**	(65,874)
Share of other comprehensive income of an associate and a joint venture		**2,677**	2,274
		(33,042)	(63,600)
		(55,464)	(83,285)
Total comprehensive expense for the period		**(84,006)**	(44,602)
(Loss) profit for the period attributable to:			
Owners of the Company		**(47,676)**	21,061
Non-controlling interests		**19,134**	17,622
		(28,542)	38,683
Total comprehensive (expense) income attributable to:			
Owners of the Company		**(96,094)**	(50,468)
Non-controlling interests		**12,088**	5,866
		(84,006)	(44,602)
(Loss) earnings per share (HK cent(s))	*12*		
Basic and diluted		**(0.70)**	0.31

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2024

	Note	**30 June 2024 (unaudited) *HK$'000***	31 December 2023 (audited) *HK$'000*
NON-CURRENT ASSETS			
Investment properties		**567,285**	594,155
Property, plant and equipment		**304,227**	326,964
Right-of-use assets		**101,411**	134,835
Loans receivable		**31,164**	39,156
Goodwill		**665,641**	671,686
Intangible assets		**394,278**	402,944
Interests in associates		**218,424**	260,708
Equity instruments at fair value through other comprehensive income		**26,224**	48,626
Deferred tax assets		**3,118**	2,586
Fixed bank deposits		**113,888**	77,018
		2,425,660	2,558,678
CURRENT ASSETS			
Inventories		**54,797**	52,499
Trade and other receivables	*13*	**492,095**	511,071
Financial assets at fair value through profit or loss		**2,428**	6,772
Loans receivable		**22,100**	15,200
Amounts due from associates		**717**	1,070
Tax recoverable		**316**	868
Pledged bank deposits		**164,803**	163,570
Fixed bank deposits		**364,012**	158,759
Bank balances and cash		**748,776**	1,032,079
		1,850,044	1,941,888

	Notes	30 June 2024 (unaudited) HK$'000	31 December 2023 (audited) HK$'000
CURRENT LIABILITIES			
Trade and other payables	*14*	**316,725**	299,517
Contract liabilities		**19,714**	16,833
Amounts due to non-controlling interests		**38,430**	44,158
Bank borrowings	*15*	**20,140**	22,002
Lease liabilities		**57,180**	68,750
Convertible bonds		**–**	116,760
Tax payable		**37,120**	29,352
		489,309	597,372
NET CURRENT ASSETS		**1,360,735**	1,344,516
TOTAL ASSETS LESS CURRENT LIABILITIES		**3,786,395**	3,903,194
NON-CURRENT LIABILITIES			
Bank borrowings	*15*	**64,052**	65,561
Lease liabilities		**54,805**	76,873
Deferred tax liabilities		**33,180**	35,018
Convertible bonds		**109,633**	106,996
		261,670	284,448
		3,524,725	3,618,746
CAPITAL AND RESERVES			
Share capital	*16*	**67,735**	67,735
Reserves		**3,070,172**	3,174,394
Equity attributable to owners of the Company		**3,137,907**	3,242,129
Non-controlling interests		**386,818**	376,617
Total equity		**3,524,725**	3,618,746

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

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 address of the registered office of the Company is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. The address of the principal place of business of the Company is 6th Floor, Town Health Medical Group Centre, 10-12 Yuen Shun Circuit, Siu Lek Yuen, Shatin, New Territories, Hong Kong.

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

2. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard ("**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 2023.

3. MATERIAL ACCOUNTING POLICY INFORMATION

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**"), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2024 are the same as those presented in the Group's annual financial statements for the year ended 31 December 2023.

Application of amendments to HKFRSs

In the current interim period, the Group has applied 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 2024 for the preparation of the condensed consolidated financial statements:

Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)
Amendments to HKAS 1	Non-current Liabilities with Covenants
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements

The application of the amendments to HKFRSs in the current interim 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.

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:

Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[1]
Amendments to HKAS 21 and HKFRS 1	Lack of Exchangeability[2]
Amendments to HKFRS 9 and HKFRS 7	Amendments to the Classification and Measurement of Financial Instruments[3]
HKFRS 18	Presentation and Disclosure in Financial Statements[4]
HKFRS 19	Subsidiaries without Public Accountability: Disclosures[4]
Amendments to HK Int 5	Hong Kong Interpretation 5 Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause[4]

[1] Effective for annual periods beginning on or after a date to be determined.

[2] Effective for annual periods beginning on or after 1 January 2025.

[3] Effective for annual periods beginning on or after 1 January 2026.

[4] Effective for annual periods beginning on or after 1 January 2027.

The Group is assessing the full impact of the new and amendments to HKFRS.

4. REVENUE

Revenue represents the aggregate of the net amounts received and receivable from third parties for the period. 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:

	Six months ended 30 June	
	2024	2023
	(unaudited)	(unaudited)
	HK$'000	*HK$'000*
Revenue recognised under HKFRS 15		
Hong Kong medical services		
– Medical services	**360,904**	359,576
– Dental services	**33,558**	29,757
	394,462	389,333
Hong Kong managed medical network business	**250,043**	238,105
Mainland hospital management and medical services	**264,377**	283,378
	908,882	910,816
Revenue recognised under other accounting standard		
Others		
– Rental income	**5,398**	6,017
Total	**914,280**	916,833

	2024	2023
Revenue recognised under HKFRS 15		
Timing of revenue recognition		
At point in time	**876,563**	877,771
Over time	**32,319**	33,045
	908,882	910,816

Revenue from Hong Kong medical services (including provision of medical and dental services), Hong Kong managed medical network business and majority of Mainland hospital management and medical services (including selling healthcare and pharmaceutical products and provision of medical and dental services) are recognised at a point in time, whereas other sources of revenue from Mainland hospital management and medical services are recognised over time.

5. SEGMENT INFORMATION

The chief operating decision maker, being the chief executive officer ("**CEO**"), regularly evaluated the current business units of the Group and the locations of the different types of business which are most relevant for the purposes of resources allocation and assessment of segment performance. The Group has identified four reportable and operating segments, namely Hong Kong medical services, Hong Kong managed medical network business, Mainland hospital management and medical services and others.

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

- Hong Kong medical services – Provision of medical and dental services in Hong Kong
- Hong Kong managed medical network business – Managing healthcare networks & provision of third party medical network administrator services in Hong Kong
- Mainland hospital management and medical services – Provision of hospital management services and related services, provision of medical and dental services in the Mainland China
- Others – Leasing of properties and provision of other healthcare related services

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 2024

	Hong Kong medical services (unaudited) *HK$'000*	**Hong Kong managed medical network business (unaudited)** *HK$'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	**394,462**	**250,043**	**264,377**	**5,398**	**–**	**914,280**
Inter-segment sales	**27,325**	**–**	**–**	**–**	**(27,325)**	**–**
	421,787	**250,043**	**264,377**	**5,398**	**(27,325)**	**914,280**
Segment results before impairment losses	**39,726**	**18,851**	**25,559**	**(17,796)**	**–**	**66,340**
Impairment loss recognised on right-of-use assets	**(1,329)**	**–**	**–**	**–**	**–**	**(1,329)**
Impairment loss recognised on interests in associates	**–**	**–**	**–**	**(36,700)**	**–**	**(36,700)**
Segment results	**38,397**	**18,851**	**25,559**	**(54,496)**	**–**	**28,311**
Unallocated finance costs						**(5,877)**
Unallocated other income						**4,128**
Unallocated corporate expenses						**(36,479)**
Loss before tax						**(9,917)**

Six months ended 30 June 2023

	Hong Kong medical services (unaudited) *HK$'000*	Hong Kong managed medical network business (unaudited) *HK$'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	389,333	238,105	283,378	6,017	–	916,833
Inter-segment sales	19,674	–	–	–	(19,674)	–
	409,007	238,105	283,378	6,017	(19,674)	916,833
Segment results before impairment losses	34,011	18,860	20,659	22,402	–	95,932
Reversal of impairment loss recognised on right-of-use assets	1,747	–	–	–	–	1,747
Impairment loss recognised on interest in a joint venture	–	–	–	(6,062)	–	(6,062)
Segment results	35,758	18,860	20,659	16,340	–	91,617
Unallocated finance costs						(8,016)
Unallocated other income						6,995
Unallocated corporate expenses						(32,496)
Profit before tax						58,100

Geographical information

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

	Six months ended 30 June	
	2024	2023
	(unaudited)	(unaudited)
	HK$'000	*HK$'000*
Hong Kong	**649,903**	633,455
Other regions of the PRC	**264,377**	283,378
	914,280	916,833

6. OTHER INCOME

	Six months ended 30 June	
	2024	2023
	(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	**595**	1,260
Interest income	**13,937**	14,857
Rental income	**1,416**	2,810
Sundry income	**2,712**	4,197
	18,660	23,124

7. OTHER GAINS AND LOSSES, NET

	Six months ended 30 June	
	2024	2023
	(unaudited)	(unaudited)
	HK$'000	*HK$'000*
Fair value changes on financial assets at fair value through profit or loss	**(4,348)**	6,155
Fair value changes on investment properties	**(26,870)**	(2,896)
Impairment loss recognised on interests in associates	**(36,700)**	–
Impairment loss recognised on interest in a joint venture	**–**	(6,062)
(Impairment loss) reversal of impairment loss recognised on right-of-use assets	**(1,329)**	1,747
(Loss) gain on disposal of and written off of property, plant and equipment	**(23)**	2,385
Others	**(302)**	(110)
	(69,572)	1,219

8. FINANCE COSTS

	Six months ended 30 June	
	2024	2023
	(unaudited)	(unaudited)
	HK$'000	*HK$'000*
Interest on bank borrowings	**2,704**	3,175
Interest on lease liabilities	**3,388**	2,899
Interest on convertible bonds	**5,877**	4,841
	11,969	10,915

9. INCOME TAX EXPENSES

	Six months ended 30 June	
	2024	2023
	(unaudited)	(unaudited)
	HK$'000	*HK$'000*
Current tax		
– Hong Kong Profits Tax	**11,990**	10,546
– PRC Enterprise Income Tax	**8,243**	10,390
	20,233	20,936
Provision in prior years		
– Over provision of Hong Kong Profits Tax	**(10)**	–
Deferred Tax	**(1,598)**	(1,519)
	18,625	19,417

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

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

10. (LOSS) PROFIT FOR THE PERIOD

	Six months ended 30 June	
	2024	2023
	(unaudited)	(unaudited)
	HK$'000	*HK$'000*
(Loss) profit for the period has been arrived at after charging:		
Staff costs		
– Directors' emoluments	**5,484**	10,270
– Other staff's salaries, bonus and other benefits	**368,365**	357,081
– Other staff's retirement benefits scheme contributions	**6,686**	7,205
	380,535	374,556
Amortisation of intangible assets	**5,601**	5,660
Depreciation of property, plant and equipment	**27,509**	30,541
Depreciation of right-of-use assets	**36,283**	38,072

11. DIVIDENDS

During the current interim period, a final dividend of Hong Kong 0.12 cent per share of the Company ("**Share**") for the year ended 31 December 2023 (2023: a final dividend of Hong Kong 0.12 cent per Share for the year ended 31 December 2022) was declared to the owners of the Company. The aggregate amount of final dividend declared during the interim period amounted to approximately HK$8,128,000 (2023: HK$8,128,000).

The Board does not recommend the payment of interim dividend for the six months ended 30 June 2024 (2023: Nil).

12. (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) profit for the purposes of basic and diluted (loss) earnings per Share

	Six months ended 30 June	
	2024	2023
	(unaudited)	(unaudited)
	HK$'000	*HK$'000*
(Loss) profit for the period attributable to owners of the Company	**(47,676)**	21,061

Number of Shares

	30 June 2024	30 June 2023
	(unaudited)	(unaudited)
Weighted average number of Shares for the purposes of basic and diluted (loss) earnings per Share	**6,773,522,452**	6,774,206,065

The computation of diluted (loss) earnings per Share for the six months ended 30 June 2024 and 2023 do not assume the conversion of the Company's outstanding convertible bonds since their assumed conversion would have anti-dilutive effect.

13. TRADE AND OTHER RECEIVABLES

	30 June 2024 (unaudited)	31 December 2023 (audited)
	HK$'000	*HK$'000*
Trade receivables	**353,199**	380,905
Bills receivables	**59,209**	48,180
	412,408	429,085
Deposits	**41,007**	39,443
Other receivables	**21,894**	29,813
Prepayments	**16,786**	12,730
	492,095	511,071

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

	30 June 2024 (unaudited)	31 December 2023 (audited)
	HK$'000	*HK$'000*
0 – 60 days	**228,436**	261,055
61 – 120 days	**97,376**	81,831
121 – 180 days	**62,177**	54,847
181 – 240 days	**20,727**	29,538
Over 240 days	**3,692**	1,814
	412,408	429,085

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 (31 December 2023: 180 to 240 days) whilst settlement by corporate customers for the Group's managed medical network operation is from 60 to 180 days (31 December 2023: 60 to 180 days). The Group allows credit period of 180 to 270 days (31 December 2023: 180 to 270 days) and 60 to 240 days (31 December 2023: 60 to 240 days) to its customers under mainland hospital management services and related services and trade customers under other business activities respectively.

14. TRADE AND OTHER PAYABLES

	30 June 2024 (unaudited) *HK$'000*	31 December 2023 (audited) *HK$'000*
Trade payables	**160,714**	157,265
Other payables	**42,876**	29,804
Deposits received	**5,324**	5,396
Accruals	**107,811**	107,052
	316,725	299,517

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

	30 June 2024 (unaudited) *HK$'000*	31 December 2023 (audited) *HK$'000*
0 – 60 days	**78,093**	89,972
61 – 120 days	**32,814**	27,246
Over 120 days	**49,807**	40,047
	160,714	157,265

The average credit period on purchase of goods is 60 to 120 days (31 December 2023: 60 to 120 days).

15. BANK BORROWINGS

	30 June 2024 (unaudited) HK$'000	31 December 2023 (audited) HK$'000
Unsecured:		
Term loan	**5,190**	6,917
Secured:		
Mortgage loans	**79,002**	80,646
	84,192	87,563
The bank borrowings are repayable as follows:		
On demand and within one year	**7,099**	6,568
In more than one year but not more than two years	**5,287**	6,714
In more than two years but not more than three years	**3,962**	3,526
In more than three years but not more than four years	**4,211**	3,778
In more than four years but not more than five years	**4,501**	4,033
Over five years	**59,132**	62,944
	84,192	87,563
Less: Amounts due within one year shown under current liabilities	**(7,099)**	(6,568)
Carrying amount of bank borrowing that is not repayable within one year from the end of reporting period but contain a repayment on demand clause (shown under current liabilities)	**(13,041)**	(15,434)
Non-current portion	**64,052**	65,561

As at 30 June 2024 and 31 December 2023, the bank borrowings of the Group carried variable interest rates ranging from Hong Kong Interbank Offered Rate ("**HIBOR**") +1.40% per annum to HIBOR +2.25% per annum.

The Group's mortgage loans are secured by the Group's leasehold land and building with carrying value of approximately HK$31,999,000 (31 December 2023: HK$33,560,000) and investment property with carrying value of approximately HK$104,000,000 (2023: HK$116,000,000). In addition, mortgage loan with carrying amount of approximately HK$12,604,000 (31 December 2023: HK$13,142,000) was also 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
Shares of HK$0.01 each		
Authorised:		
At 1 January 2023, 31 December 2023 and 30 June 2024	30,000,000,000	300,000
Issued and fully paid:		
At 1 January 2023	6,836,374,452	68,364
Cancellation of Shares	(62,852,000)	(629)
At 31 December 2023 and 30 June 2024	6,773,522,452	67,735

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

The Company hereby reports the results of the Group for the six months ended 30 June 2024.

During the period under review, the Group recorded an unaudited loss of approximately HK$28,542,000 (2023: profit of approximately HK$38,683,000) and an unaudited loss attributable to owners of the Company of approximately HK$47,676,000 (2023: profit of approximately HK$21,061,000). Even though there has not been material adverse change in the business and operational performance of the Group, the overall results of the Group were affected by a number of losses incurred outside the Group's ordinary course of business and recording of share of losses of associates, mainly comprising:

Significant Increase in Fair Value Losses on Investment Properties

The Group recorded fair value losses on its investment properties of approximately HK$26,870,000 for the six months ended 30 June 2024 (2023: approximately HK$2,896,000), which was mainly due to the continuing contraction in the Hong Kong property market during the period under review.

Impairment Losses Recognised on Interests in Associates

The Group recorded impairment losses recognised on the Group's interests in associates of approximately HK$36,700,000 for the six months ended 30 June 2024 (2023: nil), which was mainly attributable to the generally adverse economic conditions in Hong Kong and the Mainland China. In cases where certain associates did not achieve targeted performance levels, the management adopted a more conservative performance projection than that adopted during the year ended 31 December 2023, thereby imposing negative impacts on the valuation of the associates when the relevant impairment tests were being carried out for the period under review.

Fair Value Losses on Financial Assets

The Group recorded fair value losses on the Group's financial assets of approximately HK$4,348,000 for the six months ended 30 June 2024 (2023: fair value gain of approximately HK$6,155,000), which was mainly due to the unfavorable performance of certain financial assets, resulting in a negative impact on their valuation during the period under review.

Share of Losses of Associates

The Group recorded share of losses of associates of approximately HK$1,991,000 for the six months ended 30 June 2024 (2023: share of profits of approximately HK$3,399,000) due to their unsatisfactory performance in light of the generally adverse economic conditions.

If the "other gains and losses, net" as shown in the condensed consolidated statement of profit or loss are excluded, the Group would have recorded an unaudited operating profit of approximately HK$41,030,000 (2023: HK$37,464,000) and an unaudited operating profit attributable to owners of the Company of approximately HK$21,896,000 (2023: HK$19,842,000) with respect to its business operations for the six months ended 30 June 2024.

BUSINESS REVIEW

In the first half of 2024, the tense geopolitical situation and the cyclical changes in economic interest rate affected the economic confidence and consumer activities in Hong Kong. The changing consumption patterns of citizens and tourists posed challenges to the local private healthcare industry. Although the unemployment rate in Hong Kong remained low and people's employment earnings increased, it had become a trend for Hong Kong citizens to go to the Mainland China for consumption. There was even a cross-border medical consumption spree represented by "seeing dentists in the Mainland China", which intensified the competition between Hong Kong and other cities in the Guangdong-Hong Kong-Macao Greater Bay Area in the field of non-emergency healthcare services. In addition, the medical tourism industry in Hong Kong was still in its infancy after the Pandemic, and local private medical institutions were not significantly benefited from the rebound in visitor arrivals of Hong Kong.

In Hong Kong, the Group supports the government's primary healthcare development strategy and successively participated in a number of government-funded or public-private partnership programmes for primary healthcare. On the one hand, the Group promoted the sustainable development of medical services and managed medical network businesses and, on the other hand, shouldered the corporate social responsibility of making contribution to the improvement of the overall health status of citizens.

In the Mainland China, benefiting from the strong public demand for quality medical resources and recognition of Hong Kong-style medical service concepts and standards, the Group's hospital management and health management businesses in the Mainland China operated smoothly.

As one of the largest listed healthcare groups with the longest history in Hong Kong and one of the few local comprehensive medical institutions that provide healthcare services in both Hong Kong and the Mainland China, the Group boasts high-quality medical resources and a strong professional medical team. The Group's business segments include: medical services, managed medical network, hospital management, health management, aesthetic medical and beauty and wellness. During the period under review, in light of the unfavourable macro environment, the Group faced challenges in a complex and volatile business environment. Even though there has not been material adverse change in the business and operational performance of the Group with an unaudited operating profit* of approximately HK$41,030,000 (2023: HK$37,464,000), the overall results of the Group were affected by certain losses incurred outside the Group's ordinary course of business including the fair value losses and impairment losses recognised on certain assets and interests in associates respectively which affected the comprehensive performance of the Group during the period under review. As a result, the Group recorded an unaudited loss of approximately HK$28,542,000 (2023: profit of approximately HK$38,683,000).

Healthcare Service Network of the Group

As of 30 June 2024, the Group had 422 healthcare service points covering multiple practices, including 239 general practice service points, 68 specialist service points, 25 dental service points and 90 auxiliary service points. As of 30 June 2024, the Group had 798 doctors, dentists and auxiliary service staff (including 386 general practitioners, 237 specialists, 37 dentists and 138 auxiliary service staff), all of whom provided healthcare services via the Group's network of self-operated and affiliated medical service centres.

Businesses in Hong Kong

Medical Services

In the first half of 2024, the revenue from the Group's medical services was approximately HK$394,462,000 (2023: approximately HK$389,333,000), accounting for approximately 43.14% (2023: approximately 42.46%) of the Group's revenue for the six months ended 30 June 2024. Despite full resumption of normal travel after the Pandemic, the global and Hong Kong economies faced multiple downside risks, local private consumption growth remained weak, and the business environment in the healthcare sector was challenging. The Group proactively overcame various adverse factors arising from changes in the economic situation and market environment, and thus the performance of Hong Kong medical services continued to grow steadily.

* Defined as the resultant figure of the unaudited loss of the Group after excluding the effect of the "other gains and losses, net" as shown in the condensed consolidated statement of profit or loss.

In respect of general practice services, the Group continued to support the government's primary healthcare development strategy. The Group's medical centres which provide general practice services successively participated in a number of government-funded or public-private partnership programmes for primary healthcare, including General Outpatient Clinic Public-Private Partnership Programme, Chronic Disease Co-Care Pilot Scheme, Colorectal Cancer Screening Programme, Vaccination Subsidy Scheme, Elderly Health Care Voucher Programme, etc. The Group's medical centres which provide general practice services have joint with community primary health care services to provide primary health care and chronic disease management services, which worked well together with the development of primary healthcare in Hong Kong and fully met the medical needs of residents. During the period under review, the Group was committed to promoting the sustainable development of the general practice services in the communities, driving a steady increase in the number of general outpatient visits.

In respect of specialist services, the Group has established a team of specialists with outstanding reputation and extensive clinical experience in their respective specialties. To further strengthen public-private partnership, "Hong Kong Cardiac Centre" and "Hong Kong Cardiac Diagnostic Centre", the Group's cardiology brands, also provided referral service programme for all patients referred by the Hospital Authority as a response to the Hospital Authority's public-private partnership programme on radiological imaging service. The programme generally includes a variety of imaging examinations, such as CT coronary angiogram, echocardiogram, treadmill electrocardiogram, 24-hour holter electrocardiogram, etc., which can reduce the burden on the public healthcare system and shorten the waiting time of patients, so as to avoid the deterioration of patients' condition due to excessive waiting time. During the period under review, the department of orthopaedics made efforts to develop its sports trauma physical therapy sub-brand "Elite Physiotherapy and Sports Rehabilitation" to cope with the increasing number of sports trauma cases arising from the increasing popularity of sports. Healthcare service points of orthopaedics are located in Tsim Sha Tsui, Kwun Tong, Sha Tin, Tsuen Wan, Sheung Shui and Yuen Long to facilitate the treatment of nearby patients suffering from bone diseases, trauma and pain.

Hong Kong Medical Consultants, the premier integrated specialty brand of the Group, established multi-specialty medical centres in Hong Kong's core Central Business District. It brings together experienced and top specialists to provide comprehensive, high-quality and effective cross-specialty medical and clinical services. During the period under review, Hong Kong Medical Consultants mainly provided 23 types of specialist and clinical services to Hong Kong citizens and visitors from cities in the Guangdong-Hong Kong-Macao Greater Bay Area. Hong Kong Medical Consultants successfully recruited more senior specialists to join the medical team, including cardiothoracic surgery, orthopaedics and traumatology, etc.. Hong Kong Medical Consultants has also established an allied health team, consisting of clinical psychologists, counselling psychologists, dietitians, occupational therapists, podiatrists and speech therapists to further enhance the rehabilitation and extended care service capabilities of Hong Kong Medical Consultants. The continuous and steady development of Hong Kong Medical Consultants helps to enhance the Group's service system covering from primary care to high-end cross-specialty services, and maintain and consolidate the Group's competitive advantage and market share in the medical service industry.

In respect of dental services, the Group's dental centres continue to join the Pilot Scheme on Dental Services (Dental Scaling) for Civil Service Eligible Persons to reduce the waiting time for public dental services for civil servants.

As one of the largest and most extensive medical centre chains in Hong Kong, the Group provides services ranging from general practice services to dental services as well as various specialist services, enabling citizens to receive comprehensive medical services at the places close to where they live and work. For the convenience of citizens of the community, the Group also implemented a series of convenience-for-people measures, including the addition of a queuing system in medical centres, the implementation of night and public holiday consultation services, etc.

It is becoming a trend for patients to "walk to and from" public and private medical institutions. With eHealth, public and private healthcare institutions can exchange electronic health records. During the period under review, the Group proactively promoted the participation of its medical centres in the eHealth, which enabled the Group's doctors to access patients' electronic health records in the provision of medical services in accordance with the "need to know" principle and with the mutual consent of patients, so as to provide more coherent medical services.

Managed Medical Network – Vio

In the first half of 2024, the Group's medical network management business in Hong Kong recorded revenue of approximately HK$250,043,000 (2023: approximately HK$238,105,000), accounting for approximately 27.35% (2023: approximately 25.97%) of the Group's revenue for the six months ended 30 June 2024. Net emigration and decline in the labour force in Hong Kong has meant that Vio faces the double whammy of shrinking patient pool and rising staff costs. Some chronically unfilled positions are having to be filled by part-timers. Nevertheless, Vio has achieved organic growth of the managed medical network business through its experienced management team and efficient I.T. system to deliver high level customer services. During the period under review, Vio's revenue increased year-on-year, demonstrating operational resilience.

Vio supports the government's primary care blueprint and is dedicated to provide cost-effective healthcare to medical scheme members funded by medical insurers or direct corporate clients. Vio is the only major medical network awarded with the ISO 9001:2015 Quality Management System certification, which was re-certified for six years in June 2024.

It has been a year since Vio started operating a medical centre at Citylink Plaza in Sha Tin, providing consultation and health screening services to residents and workers in that populous area. We are pleased that it has built up a loyal client base.

Vio focuses on increasing customer loyalty. It has introduced measures to build and maintain relationship with enterprises and insurance companies. Vio values good customer service and holds regular training sessions to improve employees' understanding of new medical scheme rules and enhance data security awareness.

Vio has continued to upgrade its I.T. systems. It has established a browser-based Clinic Management System (web-CMS). New modules have been rolled out in phases to frontline medical centres. The back-office team have been working hard to enhance the security of the whole I.T. network to protect personal data.

Vio offers its employees competitive compensation packages and benefits. In addition, Vio has established a work-life balance culture and adopted family-friendly employment practices to attract and retain committed staff who need the flexibility to take care of parents or children. Vio has developed an ethos of nurturing talents, by providing on-the-job training to help employees in their professional development and enable them to realise their full potential.

Businesses in Mainland China

Hospital Management Business

Nanyang Xiangrui, a subsidiary of the Company, is mainly engaged in hospital management business. In the first half of 2024, its business segments, including medical technologies and services, sales and delivery of medical devices, property management, and extended services for home care and other fields, operated steadily, providing comprehensive support to Nanshi Hospital, a national Grade III Level A hospital managed by Nanyang Xiangrui.

During the period under review, Nanshi Hospital recorded growth in the number of overall outpatient visits, inpatient visits and surgeries, which exemplified the effectiveness of the "general hospital + branches" operation model exported by Nanyang Xiangrui to Nanshi Hospital. In particular, Nanshi Chinese Medicine Rehabilitation Hospital had outstanding performance, and its departments of the children's rehabilitation and rehabilitation medicine showed a good momentum of development.

As the first licensed internet hospital in Nanyang City, Henan Province, the internet hospital of Nanshi Hospital has served over 850,000 visits since March 2022 (when it was put into service) to June 2024. At present, the internet hospital of Nanshi Hospital has 44 departments and about 400 doctors are available online for a long time, covering online consultation, medication consultation, online and offline prescription, online appointment, online registration, online payment, report inquiry, drug delivery, and mailing of electronic medical records, etc.

During the period under review, Nanshi Hospital became the first batch of hospitals in Nanyang City to pass the national "Grade III Level A" review. Experts from the Health Commission of Henan Province conducted a comprehensive review on hospital management, medical quality assurance, nursing quality assurance, infection prevention and control management, management of key departments, medical technology quality assurance and other aspects of Nanshi Hospital, and affirmed the unique management, outstanding medical service capacity, hospital specialty construction achievements of Nanshi Hospital. Nanshi Hospital is the first to set up an internet hospital in Nanyang City.

Nanshi Hospital advocates the coordinated development of "medical treatment, education and research" and integrates multi-disciplinary resources to carry out interdisciplinary joint diagnosis and treatment. During the period under review, the multi-disciplinary joint diagnosis and treatment clinics were officially opened, and experts from various departments of Nanshi Hospital conducted consultations for patients and jointly formulate the optimal treatment plans. The multi-disciplinary joint diagnosis and treatment clinics provide patients with high level treatment and quality services for a variety of difficult and complex diseases, such as epilepsy, spinal muscular atrophy, sleep-disordered breathing, and organic mental disorders, etc. to avoid them travelling between different specialist clinics.

In addition, Nanyang City Integrated Sports Rehabilitation Service Centre and Xinhua Road West Clinic of Nanyang Nanshi Chinese Medicine Rehabilitation Hospital opened in April 2024 as the first sports rehabilitation centre "integrating sports and medicine" in Nanyang City. The centre consists of nine areas: traditional Chinese medicine outpatient clinic, national physical fitness monitoring station, adolescent health promotion area, body healing area for adults, mental health promotion area, sleep health promotion area, sports rehabilitation area, sports health promotion area and day care wards for the elderly. The centre provides personalised health management solutions for customers of different ages and physical conditions. Following the national strategy of integration of sports and medicine, it extends the scientific fitness and disease prevention system from urban Grade III Level A hospitals to grass-roots communities, providing more people with scientific, systematic and targeted rehabilitation, diagnosis and treatment services.

Health Management Business

During the period under review, the Group's health management institutions in Guangzhou City and Shenzhen City in Guangdong Province and Jinan City in Shandong Province operated steadily. Local operation teams continued to develop characteristic businesses in response to the healthcare needs of local residents, and the high-quality customer base continued to expand.

In Guangdong Province, Guangzhou Integrated Clinic in Guangzhou City continued to strengthen strategic cooperation with nearby hospitals and reproductive medicine centres. It developed a one-stop healthcare service platform focusing on the core businesses of peripheral supporting services for assisted reproductive services and life cycle healthcare services for female. At present, Guangzhou Integrated Clinic has incubated a diagnosis and treatment base for reproductive system diseases, a diagnosis and treatment base for sleep disorders, an evaluation base for cardiopulmonary exercise test, a monitoring base for digital healthcare, and a pharmacy selling assisted reproductive-related medicines and healthcare products. During the period under review, Ganghe Clinic, located in Shenzhen City, as the Group's business hub between Hong Kong and the Mainland China, cooperated with more medical institutions in Hong Kong and the Mainland China to promote implementation of cross-border medical linkage and cooperation projects. Meanwhile, Ganghe Clinic continued to serve the insurance customers of the Shenzhen Branch of China Life Insurance and focused on providing special services such as reproductive medicine, gynecological services and Helicobacter pylori screening, etc. Moreover, the VIP service of reproductive medicine jointly provided by Ganghe Clinic and Guangzhou Integrated Clinic was very popular with VIP clients. During the period under review, both institutions continuously improved the two-way referral mechanism to enable VIP clients to enjoy high-quality reproductive resources in Shenzhen City and Guangzhou City.

In Shandong Province, Town Health International Health Management Centre in Jinan City is mainly engaged in health check, stomatology and medical beauty. Health check is the main source of income of Town Health International Health Management Centre. During the period under review, the centre launched innovative health check products and improved the standards of service. Town Health International Health Management Centre devoted more efforts to product innovation and launched more products that meet market demands and customer requirements. For long-term customers, the five-year electronic health record was launched to display various health indicators of customers in the past five years through charts, audio, video and other ways, so that customers can understand the changes and risks of their bodies and take targeted preventive treatment. For customers suffering from high blood pressure, high cholesterol and high blood sugar, the drug adaptability test for "three highs" was launched. Test for once is applicable for lifelong. The test can help customers to accurately select the types of drugs highly match with their health status, so that they are able to receive targeted treatment for "three highs". Besides, Town Health International Health Management Centre provided special health check arrangement for group customers and provided regular on-the-job training for employees to continuously improve customer experience and standards of service.

Other Businesses

During the period under review, TBMG, which was engaged in aesthetic medical and beauty and wellness, employed 12 full-time or part-time doctors (2023: 13 doctors), and had 13, 9, 9 and 3 centres in Hong Kong, Shenzhen, Shanghai and Guangzhou, respectively (2023: 15, 10, 9 and 3 centres).

In the first half of 2024, it had become a trend for Hong Kong citizens to go to the Mainland China for consumption or travel abroad, and local private consumption expenditure remained weak; the slowing economic growth in the Mainland China weakened residents' purchasing power and consumer confidence, and the wave of "consumption downgrade" continued. In the face of complex external environment and cyclical changes in economic interest rate, the management team of TBMG, relying on rich operating experience and strong execution ability, flexibly responded to market changes, reduced costs and increased efficiency to promote high-quality business development.

During the period under review, TBMG made strategic adjustments to its centre network layout, took advantage of renewal opportunities to consolidate overlapping centres or centres in synergistic operation, and adjusted the allocation of human resources accordingly to improve the overall operating efficiency and profitability.

TBMG has built a complete customer database. During the period under review, on the basis of analysing customers' consumption habits through big data, it provided personalised services, enhanced interaction and improved service experience, striving to improve customer loyalty and satisfaction.

TBMG also continued to promote online and offline marketing to introduce the latest products, services and discounts through multiple channels, with a view to enhancing existing customer interaction and attracting potential target customers. During the period under review, TBMG identified cost-effective channels through closely monitoring and reviewing its marketing expenditure to effectively enhance publicity effectiveness.

OUTLOOK

In 1989, Town Health established its first medical centre in Sha Tin to serve residents in the community. In 2024, the Group reached an important milestone of its 35th anniversary. At the important milestone, Town Health has adopted a new logo that better highlights the core values and corporate commitment, demonstrating the Group's original intention and enthusiasm to provide quality healthcare services.

The new logo is based on the design concept of caring and sense of responsibility. It presents a simple "house" shape. The house is constructed from the initial "T" and "h" of the English name "Town Health", and "T" and "h" also form the Chinese character "仁 (benevolence)", implying doctors' benevolence and excellent medical skills. The new corporate colors, i.e. blue and lake green, are fresh and calm, and inject vitality into the Group's corporate image.

Town Health has expanded from a community medical centre to the present industry leader with its business extending into multiple areas of healthcare, which is all due to the trust and support of every shareholder, customer and business partner. With a new image, the Group will provide high-quality healthcare services from primary care to high-end cross-specialty services, to meet a full range of needs of customers from prevention, outpatient, diagnosis and surgery to rehabilitation and nursing.

Looking ahead, the Group will continue to support the government's primary healthcare development strategy and proactively participate in government-funded and public-private partnership programmes for primary healthcare. Meanwhile, the Group seeks to integrate the healthcare resources of various business segments in Hong Kong and the Mainland China to establish a full-cycle, integrated and one-stop healthcare service ecosystem in the Guangdong-Hong Kong-Macao Greater Bay Area.

Hong Kong

In terms of medical services, in the face of uncertainties in the business environment, the Group will continue to support the government's primary healthcare development strategy and provide customers with one-stop quality medical services with a pragmatic attitude. The Group will integrate the existing resources of Hong Kong medical services and seek to strengthen mutually beneficial synergies with its premier integrated specialty brand, Hong Kong Medical Consultants, to further improve the two-way referral mechanism between the general practice services and specialist services. In addition, the Group plans to establish a Medical Advisory Committee to advise from time to time on the quality and safety of the medical services provided by the Group, which will not only effectively regulate the Group's medical services in accordance with laws and social needs, but also ensure that the Group can provide customers with professional and caring medical service experience. The Group will also continue to invite outstanding healthcare talents to join the team to promote the professional development of the healthcare team and inject innovative thinking into healthcare services. In the second half of 2024, the Group will explore innovative operating models and continue to optimize the service network of Hong Kong medical services. In particular, the medical centre established by the department of orthopaedics in Sheung Shui will be relocated to Tai Po to better meet the specialist medical needs of the residents in the area.

In the managed medical network arena, Vio has established a solid business foundation and a loyal customer base through its 77 years' history. Vio will leverage on its competitive advantages and continue to provide quality services to current clients and bid for new business, with the goal of capturing more market share and driving revenue growth. In the second half of 2024, Vio will continue to strengthen its cooperation with the Group's self-operated centres and its affiliates. It will support the development of the government's primary care strategy and provide medical insurers and corporate clients with more cost-effective medical schemes. In addition, Vio will invest more resources in a data security enhancement project with a view to obtaining accreditation in information security management system to strengthen the protection of personal data and further enhance clients' confidence in Vio.

Mainland China

In terms of hospital management, Nanyang Xiangrui will continue to strengthen innovative management of hospital and continuously improve the refined management of its various business segments, to promote the high-quality development of Nanshi Hospital. In the second half of 2024, Nanshi Hospital will follow the operation model of "general hospital + branches" exported by Nanyang Xiangrui and continue to strengthen the coordinated development of "medical treatment, education and research" and popularize internet hospital services. By doing so, Nanshi Hospital can constantly improve the quality of medical services and continuously create advantageous specialties. In particular, the cardiac rehabilitation centre of Nanshi Hospital will proceed with national standardized certification. The cardiac rehabilitation centre of Nanshi Hospital will improve the integrated management model of cardiovascular diseases, realize the whole process management of first aid, treatment and rehabilitation. At the same time, it will optimize the layout of sports therapy room, cardiopulmonary exercise room, external counterpulsation room and six-minute walking test room. Nanshi Hospital will comprehensively improve the standardized layout of cardiac rehabilitation centre and accelerate the high-quality development of Nanshi Hospital.

In terms of health management, with the enhancement of health awareness, people's demand for high-quality healthcare services has significantly increased. National policies also support the development of comprehensive health industry. The Group's health management institutions in various places will follow the trend and launch services and products tailored to local conditions to expand the customer base and drive performance growth. In the second half of 2024, in Jinan City, Shandong Province, Town Health International Health Management Centre will launch health check packages that meet the market demand and match the needs of customers to bring "customer-oriented" quality service experience. Meanwhile, it will expand the team of service personnel and provide on-the-job training to continuously improve standards of service and efficiency. In Guangdong Province, leveraging on the Group's considerable experience in providing medical services in Hong Kong and based on the market demand in the Mainland China, Guangzhou Integrated Clinic will provide platform for quality healthcare projects in Hong Kong and the Mainland China, and create a wider range of healthcare options for customers from the Mainland China with the intention to visit Hong Kong for treatment. Guangzhou Integrated Clinic and Ganghe Clinic will fully leverage on their competitive advantages in the reproductive business to strengthen the sharing of high-quality resources in Guangzhou City and Shenzhen City, improve the two-way referral mechanism for VIP services and improve satisfaction and loyalty of long-term customers. Ganghe Clinic will play a role of bridge connecting the businesses of the Group in Hong Kong and the Mainland China to proactively promote more cross-border cooperation between the Group and healthcare institutions in Hong Kong and the Mainland China, with the goal of providing seamless one-stop healthcare services to residents of the Guangdong-Hong Kong-Macao Greater Bay Area.

Others

In terms of other businesses, TBMG will allocate resources rationally and develop its business prudently. In the second half of 2024, TBMG will seek to retain existing customers and attract new customers through continuous optimization of its centre network and marketing strategies, supplemented by high-end medical beauty instruments and quality service experience. Meanwhile, TBMG will continue to focus on digitalization. It will make good use of big data to further enhance customer loyalty and satisfaction, and promote customer conversion between beauty and wellness and aesthetic medical. TBMG will also continue to proactively seek suitable potential merger and acquisition opportunities in Hong Kong and the Mainland China, and establish partnerships with different institutions, with the aim of expanding its operation scale and business scope.

LIQUIDITY AND FINANCIAL RESOURCES

The Group adopts a prudent cash and financial management policy. As at 30 June 2024, the Group held total bank balances and deposits of approximately HK$1,391,479,000 (31 December 2023: HK$1,431,426,000), including fixed bank deposits of approximately HK$477,900,000 (31 December 2023: HK$235,777,000), pledged bank deposits of approximately HK$164,803,000 (31 December 2023: HK$163,570,000) and bank balances and cash of approximately HK$748,776,000 (31 December 2023: HK$1,032,079,000). The majority of the Group's bank balances and cash are deposited with banks in Hong Kong and the Mainland China and denominated mostly in HK$ and RMB. In order to strengthen fund management, the Group's treasury activities are relatively centralised. Under the premise of ensuring the safety of funds, the Group, adhering to standardised operation, risk prevention, prudent investment and capital preservation as the primary principles, mainly utilises funds to place time deposits with banks to generate more returns for the Group and its shareholders. As at 30 June 2024, the Group had bank borrowings of approximately HK$84,192,000 (31 December 2023: HK$87,563,000) of which approximately HK$7,099,000 (31 December 2023: HK$6,568,000) are repayable within one year. The Group's loans were arranged on a floating interest rate basis. As at 30 June 2024, the Group had available unutilised banking facilities of HK$300,000,000 (31 December 2023: HK$300,000,000). Details of the bank borrowings of the Group are set out in note 15 to the condensed consolidated financial statements for the six months ended 30 June 2024 set out in this announcement.

As at 30 June 2024, the Group's net current assets amounted to approximately HK$1,360,735,000 (31 December 2023: HK$1,344,516,000) and the Group had a current ratio (defined as total current assets divided by total current liabilities) of 3.78 (31 December 2023: 3.25). As at 30 June 2024, the Group's gearing ratio (defined as total bank borrowings divided by equity attributable to owners of the Company) was 2.68% (31 December 2023: 2.70%). 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$ and RMB. As 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 manageable. The Group regularly reviews the currency exchange risks and closely monitors the fluctuation of foreign currencies. The Group will take appropriate measures to avoid excessive foreign exchange rate risks when necessary.

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

CAPITAL STRUCTURE

As at 30 June 2024, the Group had equity attributable to owners of the Company of approximately HK$3,137,907,000 (31 December 2023: HK$3,242,129,000).

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 2024 set out in this announcement.

SIGNIFICANT INVESTMENT, MATERIAL ACQUISITION AND DISPOSAL

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

PLEDGE OF ASSETS

As at 30 June 2024, the Group pledged certain assets of approximately HK$300,802,000 (31 December 2023: HK$313,130,000), among which (i) leasehold land and building of approximately HK$31,999,000 (31 December 2023: HK$33,560,000) together with investment property of approximately HK$104,000,000 (31 December 2023: HK$116,000,000) were pledged for the mortgage loans while (ii) bank deposits of approximately HK $164,803,000 (31 December 2023: HK$163,570,000) were pledged for the general banking facilities.

CONTINGENT LIABILITIES

As at 30 June 2024, the Group had no significant contingent liabilities (31 December 2023: Nil).

LITIGATION

On 11 July 2022, the Company and Speedy Light International Limited (an indirect wholly-owned subsidiary of the Company, the "**Buyer**") entered into a share purchase agreement (the "**Share Purchase Agreement**") to purchase 100% of the issued shares in Central Medical from Hong Kong Medical Consultants Holdings Limited (the "**Seller**"). Under the Share Purchase Agreement, each of the seller parties, namely (i) the Seller; (ii) Central Healthcare Group Limited; (iii) Dr. Tsang Wah Tak, Kenneth; (iv) Dr. Leung Wing Hung; (v) Dr. Fong Ka Yeung; (vi) Mr. Shiu Shu Ming; and (vii) Dr. Chu Leung Wing (collectively the "**Seller Parties**") has guaranteed to the Buyer that the audited consolidated net profit or loss of Central Medical and its subsidiaries ("**Central Medical Group**") after tax attributable to shareholders (excluding all listing expenses and share-based payments) as set out in the consolidated accounts of Central Medical Group audited by Central Medical's auditors (the "**Adjusted Net Profit**") for each of the three financial years ended 31 March 2022, 2023 and 2024 should be no less than the performance target of HK$30,000,000 (the "**Profit Guarantee**").

Based on the audited consolidated accounts of Central Medical Group with respect to the year ended 31 March 2023, the Adjusted Net Profit of Central Medical Group for the year ended 31 March 2023 amounted to HK$23,469,554, which was below the performance target of HK$30,000,000. Due to non-fulfillment of the Profit Guarantee, the Seller Parties would be liable jointly and severally to pay to the Buyer an amount calculated in accordance with the adjustment mechanism as set out in the Share Purchase Agreement. After calculation, such amount would be HK$97,956,690 (the "**Claim Amount**"). On 23 April 2024, the Buyer served a notice in accordance with the Share Purchase Agreement to the Seller, Central Healthcare Group Limited, Dr. Tsang Wah Tak, Kenneth and Mr. Shiu Shu Ming (the "**Respondents**") to demand them, along with the other Seller Parties, to pay to the Buyer the Claim Amount on or before 30 April 2024. Notwithstanding the lapse of 30 April 2024, the Respondents have failed to pay the Claim Amount. Due to the failure to pay the Claim Amount, after taking legal advice, on 4 June 2024, the Buyer has initiated proceedings against the Respondents claiming, among others, the Claim Amount, the related interest, the legal fees and costs. However, due to the confidential nature of those proceedings, the Company is not able to disclose further information at this time. The Company will issue further announcement(s) to update the development of the matter, as and when appropriate, in accordance with the Listing Rules.

EVENTS AFTER REPORTING PERIOD

There was no important event affecting the Group which has occurred since 30 June 2024.

HUMAN RESOURCES AND TRAINING SCHEME

As at 30 June 2024, the Group employed 1,427 staff members (31 December 2023: 1,399). Total employee costs, including directors' emoluments, amounted to approximately HK$380,535,000 for the six months ended 30 June 2024 (2023: HK$374,556,000). 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.

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

During the period under review, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the listed Shares.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

During the period under review, the Company has complied with the code provisions as set out in the Corporate Governance Code ("**CG Code**") contained in Appendix C1 to the Listing Rules, save for the deviation as described below:

Code provision C.2.1 provides that the roles of chairman and chief executive should be separate and should not be performed by the same individual. During the period under review, Mr. Choi Ka Tsan Karson ("**Mr. Choi**"), the chairman of the Board, also assumed the role as the Chief Executive Officer of the Company. Although such arrangement deviates from code provision C.2.1 of the CG Code, the Board believes that vesting the roles of both the Chairman and the Chief Executive Officer on the same person has the benefit of ensuring consistent leadership to shape and advance long-term strategy, and for optimizing operating efficiency of the Group. Furthermore, the Board considers that the arrangement does not impair the balance of power and authority between the Board and the management of the Group as the four non-executive Directors and six independent non-executive Directors form the majority in the Board comprising 14 members. The Company does not propose to comply with code provision C.2.1 of the CG Code for the time being but will continue to review such positions as the Board reviews its compositions from time to time.

REVIEW OF INTERIM RESULTS

The condensed consolidated financial information for the six months ended 30 June 2024 has not been audited, but has been reviewed by the audit committee of the Board. Moore 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 2024 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
Choi Ka Tsan Karson
Chairman and Chief Executive Officer

Hong Kong, 29 August 2024

As at the date of this announcement, the executive Directors of the Company are Mr. Choi Ka Tsan Karson (Chairman and Chief Executive Officer), Dr. Fok Siu Wing Dominic, Ms. Zhang Xiaoxue and Mr. Liu Shiyin; the non-executive Directors of the Company are Ms. Lee Wai Ling Linda, Ms. Lau Suk Hing Clara, Mr. Liu Yang and Ms. Zhang Leidi; and the independent non-executive Directors of the Company are Mr. Yu Xuezhong, Dr. Xu Weiguo, Mr. Han Wenxin, Mr. Chan Wai Kan, Mr. Cheung Ka Ming and Mr. Tsui Wing Cheong Sammy.

GLOSSARY

Board	the board of Directors
Central Medical	Central Medical Holdings Limited, a company incorporated under the laws of the British Virgin Islands
China or PRC	the People's Republic of China
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
Director(s)	the director(s) of the Company
eHealth	Electronic Health Record Sharing System developed by the Hong Kong government
Ganghe Clinic	深圳港和診所 (in English, for identification purpose only, Shenzhen Ganghe Clinic)
Group	the Company and its subsidiaries
Guangzhou Integrated Clinic	Guangzhou Integrated Clinic is a clinic under the operation of 廣州宜康醫療管理有限公司 (in English, for identification purpose only, Guangzhou Yikang Medical Management Co., Ltd.) (a company established in the PRC with limited liability and a subsidiary of the Company) in Guangzhou City, Guangdong Province in the PRC
HK$	Hong Kong dollars, the lawful currency of Hong Kong
HKICPA	Hong Kong Institute of Certified Public Accountants
Hong Kong	Hong Kong Special Administrative Region of the PRC

Hong Kong Medical Consultants	Hong Kong Medical Consultants Limited, a company incorporated in Hong Kong with limited liability, which is a wholly-owned subsidiary of the Company
Listing Rules	the Rules Governing the Listing of Securities on the Stock Exchange
Mainland China	the People's Republic of China, excluding the Hong Kong Special Administrative Region, the Macau Special Administrative Region and Taiwan
Nanshi Chinese Medicine Rehabilitation Hospital	南陽南石康復中醫院有限公司 (in English, for identification purpose only, Nanyang Nanshi Chinese Medicine Rehabilitation Hospital Co., Ltd.), a subsidiary of the Company
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
Pandemic	pandemic arising from coronavirus 2019, a disease caused by a novel virus designated as severe acute respiratory syndrome coronavirus 2
RMB	Renminbi, the lawful currency of the PRC
period under review	the six months ended 30 June 2024

Share(s)	ordinary share(s) of HK$0.01 each in the share capital of the Company
Stock Exchange	The Stock Exchange of Hong Kong Limited
TBMG	The Beauty Medical Group
Town Health International Health Management Centre	Town Health International Health Management Centre is a health management centre under the operation of 濟南歷康門診部有限公司 (in English, for identification purpose only, Jinan Likang Outpatient Department Co., Ltd.) (a company established in the PRC with limited liability and an indirect non wholly-owned subsidiary of the Company) in Jinan City, Shandong Province in the PRC
Vio	Dr. Vio & Partners Limited, a subsidiary of the Company