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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)

UPDATE ON RESUMPTION OF TRADING

This announcement is made by Town Health International Medical Group Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) pursuant to the provisions on disclosure of inside information under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) and Rules 13.09 and 13.24A of the Rules (the “**Listing Rules**”) Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

Reference is made to the announcements of the Company dated 18 December 2017, 11 July 2018, 1 August 2018, 28 August 2018, 5 November 2018, 31 January 2019, 28 March 2019, 30 April 2019, 31 July 2019, 29 August 2019, 31 October 2019, 10 January 2020, 26 March 2020, 29 April 2020, 31 July 2020, 30 October 2020 and 2 February 2021, the interim report of the Company for the six months ended 30 June 2018 published on 21 September 2018, the annual report of the Company for the year ended 31 December 2018 published on 17 April 2019, the interim report of the Company for the six months ended 30 June 2019 published on 19 September 2019, the annual report of the Company for the year ended 31 December 2019 published on 8 April 2020 and the interim report of the Company for the six months ended 30 June 2020 published on 11 September 2020.

The board (the “**Board**”) of directors (the “**Directors**”) of the Company is pleased to announce that the trading of the shares in the Company (the “**Shares**”) on the Stock Exchange will resume at 9:00 a.m. on 1 March 2021, subject to the conditions imposed by the Securities and Futures Commission (the “**SFC**”) as set out below.

RECENT DEVELOPMENTS OF TRADING RESUMPTION

As disclosed in previous announcements of the Company, 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 (Chapter 571V of the Laws of Hong Kong) (the “**SMLR**”). At the request of the SFC, a reputable independent consultant (as agreed by the SFC) (the “**Consultant**”) has been engaged to conduct a review of the Company’s internal control. Such review has now been completed and a report (the “**IC Report**”) has been issued to the Company and the SFC.

The Board confirms that the Company is now being managed by new Board members and senior management who are free from the control of or influence from Dr. Cho Kwai Chee and Dr. Hui Ka Wah, Ronnie in their conduct of the Company’s businesses and operations.

The Company has been informed that the SFC has considered the IC Report and other documents and information submitted by the Company, and the SFC has, by notice to the Stock Exchange and pursuant to section 9(3) of the SMLR, permitted the dealings in the Shares to recommence subject to the following conditions (collectively, the “**Resumption Conditions**”):

- (1) the Company shall publish this announcement;
- (2) the Company undertakes:
 - (a) to implement all the recommendations made by the Consultant in the IC Report by the target completion date with respect to each recommendation as set out in the IC Report;
 - (b) to procure the Consultant to perform a follow-up review as at 31 October 2021 to assess whether the recommendations in the IC Report have been properly implemented by the Company;
 - (c) to procure the Consultant to submit a report following the follow-up review to the Company and the SFC Executive for concurrent review; and

- (3) the Company shall publish an announcement regarding the results of the follow-up review report.

The Company fulfils the first Resumption Condition by publishing this announcement.

THE IC REPORT

The IC Report focuses on (i) the management of the Company; (ii) securities investments, joint venture investments and selection of business partners; (iii) money lending; (iv) disposals by the Company; (v) continuous disclosure obligation; and (vi) corporate governance (the “**Relevant Areas**”).

The IC Report noted that, among other things:

- (i) The Company had not established robust internal control systems and policies and procedures for the Relevant Areas. For example, there were no written policies and procedures on a number of key areas, and there was a lack of proper documentation by the Company on discussions and rationale for decisions on investment, disposals, money lending and continuous disclosure related matters. Subsequently, the Company had established a new investment management policy and an investment management committee to strengthen the management and approval of investment projects of the Group.
- (ii) There have been a number of new appointments of Directors and senior management team members since 2 December 2019, including the chief executive officer, chief financial officer, chief operating officer and two non-executive Directors. Upon joining, this new team has started to review existing corporate governance practices and control procedures of the Company. They have revamped the corporate governance and internal control framework by setting expected controls and requirements in corporate governance policies and general policies and procedures over key business processes, including investment, disposal and money lending, etc.
- (iii) While revamping the control environment of the Company, they have had to deal with the situation caused by the outbreak of COVID-19. Despite the progress, the Consultant has identified a number of control deficiencies and improvement opportunities that should be drawn to the attention of the new senior management team. The Consultant has also provided its recommendations to assist the Company to uplift their corporate governance practices and improve the overall internal control environment of the Company.

With reference to the second Resumption Condition, the Company will (i) implement all the recommendations made by the Consultant in the IC Report by the target completion date with respect to each recommendation as set out in the IC Report; (ii) procure the Consultant to perform a follow-up review as at 31 October 2021 to assess whether the Consultant's recommendations in the IC Report have been properly implemented by the Company; and (iii) procure the Consultant to submit a report following such follow-up review to the Company and the SFC for concurrent review. Further announcement will be made in respect of the follow-up review report as required under the third Resumption Condition.

RESUMPTION OF TRADING

Trading in the Shares has been suspended with effect from 9:00 a.m. on 27 November 2017.

The SFC has notified the Stock Exchange that the trading in the Shares will be permitted to recommence pursuant to section 9(3) of the SMLR with effect from 9:00 a.m. on 1 March 2021.

The Company has also been informed by the SFC that the SFC's investigation into the matter as set out in the Company's announcement dated 27 November 2017 is ongoing.

Shareholders and potential investors of the Company should exercise caution when dealing in the securities of the Company upon resumption of trading.

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

26 February 2021

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.