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)

ANNUAL REPORT 2014

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Corporate Information

BOARD OF DIRECTORS

Executive Directors

Miss Choi Ka Yee, Crystal *(Chairperson)*
Dr. Cho Kwai Chee *(Executive Vice Chairman)*
Dr. Hui Ka Wah, Ronnie, *JP*
(Chief Executive Officer)
Dr. Ip Chun Heng, Wilson
Mr. Lee Chik Yuet
Dr. Chan Wing Lok, Brian
Mr. Wong Seung Ming, *CPA, FCCA*
(Chief Financial Officer)

Non-executive Director

Dr. Choi Chee Ming, *GBS, JP (Vice-Chairman)*

Independent Non-executive Directors

Mr. Chan Kam Chiu
Mr. Ho Kwok Wah, George
Mr. Wai Kwok Hung, *SBS, JP*
Mr. Wong Tat Tung, *MH*

BOARD COMMITTEES

Audit Committee

Mr. Chan Kam Chiu *(Chairman)*
Mr. Ho Kwok Wah, George
Mr. Wai Kwok Hung, *SBS, JP*
Mr. Wong Tat Tung, *MH*

Remuneration Committee

Mr. Wai Kwok Hung, *SBS, JP (Chairman)*
Mr. Chan Kam Chiu
Mr. Ho Kwok Wah, George
Mr. Wong Tat Tung, *MH*
Mr. Wong Seung Ming, *CPA, FCCA*

Nomination Committee

Mr. Ho Kwok Wah, George *(Chairman)*
Mr. Chan Kam Chiu
Mr. Wai Kwok Hung, *SBS, JP*
Mr. Wong Tat Tung, *MH*

COMPANY SECRETARY

Mr. Wong Seung Ming, *CPA, FCCA*

AUDITOR

Deloitte Touche Tohmatsu
Certified Public Accountants

REGISTERED OFFICE

Canon's Court
22 Victoria Street
Hamilton HM 12
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

6th Floor, Town Health Technology Centre
10-12 Yuen Shun Circuit
Siu Lek Yuen
Shatin, New Territories
Hong Kong

PRINCIPAL BANKER

Dah Sing Bank, Limited

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Appleby Management (Bermuda) Limited
Canon's Court
22 Victoria Street
Hamilton HM 12
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Tengis Limited
Level 22
Hopewell Centre
183 Queen's Road East
Hong Kong

WEBSITE

www.townhealth.com

Chairperson's Statement

On behalf of Town Health International Medical Group Limited ("Town Health" or the "Company" and together with its subsidiaries, the "Group"), I am pleased to present this annual report for the year ended 31 December 2014 (the "year") to our shareholders.

BUSINESS REVIEW

2014 is a year of inflection for the healthcare industry with a series of favourable policies released in 2013 paving the way for the opening up of the Chinese hospital and healthcare services markets in the People's Republic of China ("PRC"). With the improved access to healthcare services and increased public awareness for health in the PRC, the medical expenditure in the PRC increased rapidly. The Group has strong investments to expand its healthcare business in Hong Kong and the PRC over the year and had an encouraging result.

During the year, the Group recorded a profit of approximately HK$80,889,000, an approximately 1.98% increase over the same period last year. Since the change of the Group's name in March 2014, it has been dedicated to investing and expanding its medical businesses both in Hong Kong and the PRC markets. The Group is actively seeking investment opportunities in Hong Kong and the PRC healthcare industry. During the year, the Group underwent three major acquisitions to further expand our business in the healthcare segment, including the purchase of Luck Key Investment Limited, Dr. Vio & Partners Limited and Bonjour Beauty International Limited.

In addition, the Group introduced subsidiaries of Fubon Financial Holding Co., Ltd. ("Fubon Financial"), one of the leading publicly listed financial institutions in Taiwan offering comprehensive and diversified financial services, namely Fubon Life Insurance Co., Ltd. ("Fubon Life") and Fubon Insurance Co., Ltd. ("Fubon Insurance") as strategic investors to invest in the Company through subscription of shares and convertible preference shares in the Company, broadening the Group's shareholder base and also providing large amount of capital for the Group to develop PRC healthcare businesses. In the beginning of 2015, the Group also invited China Life Insurance (Group) Company ("China Life Group"), the largest state-owned financial and insurance group in the PRC, as the Group's largest shareholder, significantly facilitating the Group's venturing into the PRC healthcare market.

In response to the rapidly expanding medical business scope and scale of the Group both in Hong Kong and the PRC, and to better manage different business segments in different localities, the Group strengthened and enhanced its management team by establishing a professional healthcare management committee and a legal and compliance committee. In addition, the Board comprises professionals with a wide range of business and financial experience and expertise. Such effective and qualified Board is vital to corporate management, and will foster the Group's long-term development.

Market capital of the Group has doubled from HK$3.1 billion in the beginning of 2014 to HK$6.2 billion in the end of 2014, which significantly proved the successful strategies set by the Group.

OUTLOOK

The PRC government continues to deepen the ongoing healthcare reform. Abundant new investment and development opportunities are opened up to private institutions; the Group will seize the opportunities for developing its business in both private and public hospital segments. The PRC government is in the process of cutting down the reliance of public hospitals on drug sales. Also, the reform allows doctors to practice at multiple sites so as to promote a smooth and effective flow of high-quality medical resources and provide better medical services to the public. Increasing the fees for medical services is also one of the focuses of the reform. Benefiting from the support and network of China Life Group, we will actively expand our business in order to capture the huge market potential of healthcare reforms in the PRC.

The Group believes that with its long history of established healthcare operation in Hong Kong, the Group is equipped with expertise, healthcare management system and professional management team that it could leverage on and venture into the PRC healthcare market aggressively.

Meanwhile, the Group will continue its efforts in developing healthcare market in Hong Kong, in particular, building mega specialty centres covering Ophthalmology, Orthopaedics, Cosmetic Dermatology, General Surgery and In-Vitro Fertilization. We believe that the Hong Kong medical market is big enough for the Group to create a large platform for each medical specialty business. Furthermore, medical tourism business for China Life Group's clients, as well as their staff and agencies in Shenzhen will be another key focus for development in this year; and we expect to expand the business to the whole region of the PRC in the long run.

In order to enhance customers' satisfaction and improve operational efficiency, an online to offline (O2O) platform has been created. Through various channels, including website, mobile apps and call centres, different needs of customers can be well taken care of. The platform is targeted to be officially launched in the market in 2015.

We would like to take this opportunity to express our gratitude to all valuable shareholders, investors and clients for their support, and also thanks to all the staff for their efforts to contribute to the success of the Group. The Group will continue to maintain its leading position in the Hong Kong healthcare industry, and venture into the PRC healthcare market to introduce quality and professional medical healthcare and related management services.

Choi Ka Yee, Crystal
Chairperson

Hong Kong, 27 March 2015

Management Discussion and Analysis

FINANCIAL REVIEW

Results

The Group is pleased to announce the results for the year ended 31 December 2014. Revenue for the year rose by 39.49% to approximately HK$494,579,000 (2013: HK$354,553,000). The Group recorded profit of approximately HK$80,889,000 (2013: HK$79,318,000) during the year. During the year, the Group recorded (1) an increase in the profit generated from provision of healthcare and dental services, provision of health check and laboratory services and managed care business; (2) gain on fair value changes on held for trading investments; (3) a reversal of tax provision for an unrealised revaluation gain from listed securities held for sale; and (4) reversal of impairment loss recognised in respect of loans receivable, and such increase in the profit for the year was offset by the decrease of share of results of associates, impairment loss recognised in respect of interests in associates and the absence of gain on remeasurement of an associate in the year.

In 2014, the Group has undergone a number of major acquisitions which greatly expand its business scope and scale. At the same time, the Group has been actively seeking investors who could bring in not just funding but also opportunities for the Group to further its development.

Increase in profit generated from the provision of healthcare and dental services, the provision of health check and laboratory services and managed care business

The Group's provision of healthcare and dental services business secured an outstanding result during the year. In particular, the acquisition of Dr. Vio & Partners Limited ("Dr. Vio") has brought synergistic benefits to both the Group and Dr. Vio, it was also a good opportunity for the Group to make the right investment in healthcare business which will bring not only synergy but will also place the Group strategically in a much more competitive position in the healthcare market. During the year, the profit generated from the provision of healthcare and dental services business increased by 24.44% to approximately HK$29,898,000 (2013: HK$24,026,000), the profit generated from the provision of health check and laboratory services increased to HK$14,161,000 (2013: loss of HK$45,339,000) and the profit generated from managed care business was approximately HK$9,920,000.

Securities and properties investment

During the year, the Group recorded a gain of approximately HK$31,934,000 (2013: HK$24,131,000). The Group will continue to adopt a prudent investment strategy and gradually trim down the investment portfolio so as to release resources for focusing on healthcare business.

The consolidated profit attributable to owners of the Company for the year was approximately HK$84,612,000 (2013: HK$49,633,000). Basic earnings per share were HK1.84 cents (2013: HK1.08 cents). The Board recommends the payment of a final dividend of HK0.33 cent per ordinary share for the year ended 31 December 2014 (2013: HK5.5 cents).

Management Discussion and Analysis

OPERATION REVIEW

Population aging is a pervasive, profound and enduring phenomenon sweeping across the globe. Hong Kong and the PRC are no exceptions. The number of elderly people is expected to multiply in the coming 20-30 years, which will seize about one-third of the overall population in both regions. Owing to rising healthcare demands, the public medical resources are insufficient to cater for the future need. The problem exacerbates when new epidemics occur, like the recent influenza H3N2. These years, the Hong Kong government has proposed the cooperation between public health organizations or institutions and private healthcare providers so as to offer more choices to accommodate the need for quality healthcare services. For the PRC, due to the growing awareness of healthcare and its related information and the emergence of an expanding middle class, there are far more frequent calls on better and professional medical services. Therefore, the PRC government has put forward a series of healthcare reforms to deal with the situation.

One reform is to tackle the over-reliance on drug-selling revenue of public hospitals. Rather, public hospitals are allowed to increase the fees for medical services. Such reform not only increases the financial transparency of public hospitals and allows patients to receive healthcare services at a fairer cost, but also enhances the value and status of doctors. Another reform is to open up the healthcare market to private investors. Thus, doctors can have more freedom to practice in different locations, which stimulates the development of private healthcare sector. All reforms reveal the emergence of a vast healthcare market in Hong Kong and the PRC, and as the largest medical group in Hong Kong with a large pool of professional expertise and management system in operating chain medical clinics, the Group expects that it can capture the growing healthcare markets in the coming decade.

Healthcare and dental services

Being one of the leading medical services providers in Hong Kong, the Group provides one-stop integrated medical services across whole value chain encompassing primary, specialty medical care, laboratory check and pharmaceutical services. At present, the Group operates 84 medical centres and 11 dental clinics in strategic positions across Hong Kong. Healthcare and dental services remain the major source of revenue of the Group for the year. This segment contributed approximately HK$330,351,000 (2013: HK$312,206,000), which constituted approximately 66.79% of the total revenue of the Group for the year.

The Group has officially renamed as "Town Health International Medical Group Limited" in March 2014 to enhance the corporate image. The change in company name is to better reflect and emphasize the business focus of the Group in the provision of healthcare and related services. More resources and capital will be reserved for the development in the medical sector while the investment on securities and properties will be gradually trimmed down. In addition, in view of the rapidly expanding medical business scope and scale of the Group, and to better manage different business segments in different localities, the Group has strengthened its management team, with Dr. Cho Kwai Chee appointed as the Executive Vice Chairman, Dr. Hui Ka Wah, Ronnie, *JP*, appointed as the Chief Executive Officer, and Mr. Wong Seung Ming appointed as an Executive Director and the Chief Financial Officer. Two new committees were established, namely Professional Healthcare Management Committee and Legal and Compliance Committee, to assist the Board to oversee different matters relating to the Group.

Management Discussion and Analysis

Steadily growing healthcare market in Hong Kong

The Group actively advances its healthcare business in Hong Kong through acquisitions and developing new platforms. During the year, the Group underwent three major acquisitions. Firstly, the Group acquired 94.3% equity interest in Dr. Vio in September 2014, which is both a direct medical service provider and a well-regarded administrator of third-party funded medical services with substantial in-house expertise. With its long-established reputation in the field, the wide span of corporate customers and the track record of the two times growth in revenue during the last decade, there are many possible synergies between the Group and Dr. Vio. On the one hand, there will be an increasing number of referrals from Dr. Vio to the Group in particular specialty medical care and laboratory and medical diagnostic referrals. Substantial referral to specialty medical care greatly supports the establishment of large specialty medical centres. With the scale and branding effects for each specialty, these specialty centres can facilitate cross-border training and the development of cross-border medical specialty platform, leading to medical tourism business. On the other hand, the clinic network of the Group could expand and enhance the service provision of Dr. Vio. As such, it forms a cohesive healthcare value chain which allows both parties to achieve greater market share in the local medical sector. It also places the Group strategically in a much more competitive position in the private healthcare market and further consolidates its leadership in the industry. Given the benefits of managed care business, the Group could work with its partners to adopt a similar business model in the PRC market so as to expand its business scope and scale.

Secondly, the Group entered into a sale and purchase agreement with Bonjour Group Limited on 20 August 2014, pursuant to which the Group has conditionally agreed to acquire 100% equity interest in Bonjour Beauty International Limited ("Bonjour Beauty", a company wholly owned by Bonjour Group Limited). Completion of such acquisition took place on 1 January 2015. Bonjour Beauty operates a well-established cosmetic beauty chain in Hong Kong with a large customer base, which owns 15 beauty and health salons under the brands of "About Beauty", "Dr. Protalk" and "Top Comfort" in Hong Kong, Macau and the PRC. Since the Group is one of the leading medical services providers in Hong Kong, such acquisition is in line with the Group's strategy to develop medical cosmetic dermatology business and could bring synergistic advantages for both parties. The huge customer base of Bonjour Beauty could serve as potential clientele referral pool for the Group's to be established cosmetic dermatology medical centre which, in turn, could enhance the service scope and quality of Bonjour Beauty. The Group plans to establish one plastic surgery and one medical dermatology centres with a target to increase medical income to be more than 50% mix of Bonjour Beauty's revenue and increase its net profit margin to more than 20%. The Group expects the cosmetic dermatology business could be further developed to become an important business segment of the Group and in particular to develop medical tourism business attracting customers in the PRC to come to Hong Kong for cosmetic dermatology services.

Thirdly, the Group subscribed for approximately 9.9% of shares of Luck Key Investment Limited ("Luck Key") in August 2014. Luck Key and its subsidiaries ("Luck Key Group HK"), through 9 health check centres and 2 laboratories in Hong Kong, provide one-stop medical diagnostic and health check services with advanced imaging technology. The Group believes that Luck Key Group HK could support and facilitate the business development of the Group in Hong Kong and the PRC healthcare markets.

With the expectation of a rapidly increasing clientele pool after a series of acquisitions, the Group realizes that there is a growing need for the Group to develop a one-stop comprehensive platform to facilitate customers' access to different business units offered by the Group's subsidiaries or affiliated companies. The establishment of such a platform not only enhances customers' shopping experience and brings greater convenience to customers, but also allows the Group to cross-sell different products so as to create value and increase revenue. Also, it can improve operational efficiency among different subsidiaries of the Company. Therefore, the Group has formed a joint venture with Thisco Ventures Limited to develop an Online to Offline (O2O) healthcare IT platform to integrate various business units within the Group and its affiliated companies. One Pass, the newly launched healthcare O2O platform, includes an advanced e-appointment and automated sales system, network of service locations, membership management and an online social media platform. It seamlessly incorporates the Group's business units and affiliated companies into a mega service network, which consists of primary care medical services, specialty care medical services, dental care, cosmetic beauty and dermatology services, medical diagnostic and laboratory services, and financial services. Also, the Group plans to develop wearable health devices, which could monitor a user's heartbeat, and sleep, walk or exercise patterns. These wearable devices could be incorporated into the online platform for users to closely monitor their health and access the services or products offered by the Group when needed. The Group will also develop an O2O call centre as to monitor and manage patients' health conditions. Patients can transmit through One Pass platform their personal information like blood pressure and blood glucose level and the call centre will alert the patient once an abnormality is identified. The Group expects that virtualizing business operations from online to offline can enhance customer loyalty as well as shaping a new form of consumption.

Forging important strategic partnership with powerful insurance giants

During the year, the Group has introduced two subsidiaries of Fubon Financial, namely Fubon Life and Fubon Insurance as strategic investors of the Group. In the beginning of 2015, the Group also invited China Life Group as the Group's largest shareholder.

Management Discussion and Analysis

In October 2014, the Group signed a share subscription agreement with the subsidiaries of Fubon Financial, pursuant to which the subsidiaries of Fubon Financial agreed to subscribe for (i) 357,142,857 subscription shares, which represented approximately 7.16% of the then issued share capital of the Company (i.e. 4,629,188,550 shares of the Company) as enlarged by the allotment and issue of such subscription shares; and (ii) 291,666,666 perpetual non-voting redeemable convertible preference shares which, upon full conversion, represent approximately 5.93% of the then issued share capital of the Company (i.e. 4,629,188,550 shares of the Company) as enlarged by the allotment and issue of such conversion shares. The transaction has been completed in 2014 and the net proceeds from the subscriptions will be mainly used in the Group's acquisition, investment and development of hospitals and medical institutions in the PRC, and medical or healthcare related business in Hong Kong. With Fubon Financial, one of the leading publicly listed financial institutions in Taiwan offering comprehensive and diversified financial services, as the Group's strategic investor, it can strengthen the Group's capital base and broaden the Group's shareholder base as well as facilitate its expansion in the PRC market.

In January 2015, the Group entered into a share subscription agreement with China Life Group, the largest state-owned financial and insurance group in the PRC, pursuant to which China Life Group has agreed to subscribe for 1,785,098,644 shares of the Company, which represent 23% of the total issued shares of the Company as enlarged by (a) the allotment and issue of such subscription shares; (b) the shares of the Company to be allotted and issued assuming full conversion of the perpetual non-voting redeemable convertible preference shares of the Company at the initial conversion price without any adjustment thereto; and (c) the shares of the Company to be allotted and issued upon exercise of all outstanding share options to subscribe for shares of the Company granted by the Company under the share option scheme in full. China Life Group will become the Group's single largest shareholder holding 23% of the total issued shares on a fully diluted basis. The gross proceeds from China Life Group's investment is approximately HK$1.75 billion, which will be applied for the purpose of the Group's investment, acquisition or development of medical and/or healthcare related businesses in the PRC. The Group could forge a strong strategic partnership relationship with China Life Group and make use of its extensive network in mainland medical and government sectors to accelerate the Group's venturing into the PRC healthcare market, in particular acquisition and reform of public hospitals. Further, the Group could develop together with China Life Group in offering insurance related services like health check or laboratory testing services in the PRC. The commercial medical insurance market in the PRC is still in the primitive stage, and therefore has much room for growing. The Group hopes to work with China Life Group in exploring and developing the medical insurance market in the PRC. Meanwhile, the Group strives to develop medical tourism business by tapping the huge clientele pool of China Life Group, so that more PRC customers could enjoy quality medical and healthcare services in Hong Kong.

Management Discussion and Analysis

Solid investment in the PRC healthcare market

In March 2015, the Group acquired 49% interest in Huayao Medical Group Limited (together with its subsidiaries, the "Renji Group"). Renji Group owns a rehabilitation-oriented hospital and one outpatient medical clinic in Hangzhou which provide traditional Chinese medical care, Western internal medicine healthcare and dental care services. The rehabilitation hospital has the market niche which offers clinical services complementary to the services of many big integrated hospitals in the nearby locality. The Group hopes to capitalize this investment to establish a PRC hospital management platform which possesses expertise and management system for reforming and managing public hospitals in Zhejiang Province. With the increasing demand for rehabilitation services in Hangzhou and the whole PRC, the Group expects that the rehabilitation hospital business model can be replicated in other provinces. Pursuant to the agreement in relation to such acquisition, all parties involved will contribute a total sum of RMB120 million into the Renji Group, and such sum will be used to acquire or develop three more integrated clinics in the coming two years. Also, the Group will strive to acquire and reform one medium sized public hospital in Zhejiang Province.

Also, the Group signed an agreement with Guizhou Industry Investment (Group) Co., Ltd. in July 2014 to facilitate the future collaboration with the provincial government of Guizhou Province in developing the healthcare industry there such as reforming and managing public hospitals in Guizhou Province.

The Group is now developing a comprehensive hospital management system, which encompasses supply chain and medical staff management systems, TH Zhejiang Medical Management Company, a wholly-owned subsidiary of the Company, will mainly focus on the supply chain management system which mainly handles the procurement of pharmaceutical, consumables and equipment for hospitals. On the other hand, the medical staff management system will provide standardized remuneration packages for doctors and management and centralize the recruitment of medical staff and develop Hong Kong-China cross-border doctor training program. The Group will make use of its brand name to enhance the image of acquired hospitals or institutions and hospitals under the Group's management.

Steadily growing pharmaceutical business in the PRC

The Group has invested in the pharmaceutical segment through New Ray Medicine International Holding Limited (Stock Code: 8180) ("New Ray Medicine") in 2013. New Ray Medicine procures pharmaceutical products throughout the PRC from 31 suppliers and sells 43 pharmaceutical products through a network of 124 distributors customers spreading over 19 regions in the PRC. New Ray Medicine has successfully promoted its products to around 800 hospitals through the last tendering process in Zhejiang Province. Its reliable supply chain network and extensive distributorship allows its products to penetrate into different niche markets effectively.

Securities and properties investments

The securities investment portfolio of the Group consists of investments in listed and unlisted securities. In the year of 2014, the Group recorded a gain of approximately HK$19,893,000 (2013: loss of HK$51,891,000) on fair value changes on held for trading investments.

The properties investment of the Group consists of retail and office properties in prime locations. The Group's rental income from its properties investments was approximately HK$19,183,000 (2013: HK$28,061,000), representing a decrease of 31.64%. With a view to better utilizing resources, the Group will gradually decrease its securities and properties investments in the near future. In the future, the Group will only invest in properties which facilitate its medical business.

PROSPECTS

In Hong Kong

The Group will continue to develop its medical specialty network in Hong Kong. The substantial referral for specialty medical care from Dr. Vio to the Group greatly supports the establishment of specialty centres (Ophthalmology, Orthopaedics, Cosmetic Dermatology, General Surgery & In-Vitro Fertilization, etc.). Each of these specialty centres offers spacious environment with a number of specialist doctors of the same specialty equipped with day surgery setup and sophisticated equipment comparable to private hospitals. The establishment of these specialty centres can aid the development of a cross-border medical specialty platform leading to the development of medical tourism business, especially for China Life Group's clients. The target of the Group is to develop several medical specialty platforms to such a scale that each platform could be large enough to be separately listed on the stock market.

PRC-HK Medical Tourism

The Group targets to set up a cross-border medical platform utilizing its extensive healthcare network in Hong Kong to channel the PRC customers and insurance clients in particular clients of China Life Group to Hong Kong for medical treatments or other healthcare services. As such, the Group will co-operate with China Life Group to develop medical tourism business between Hong Kong and the PRC, in particular, for the provision of services in the following five areas:

1. High-end dental services in Hong Kong

2. Specialty medical services in Hong Kong

3. Health check services and high-end imaging diagnostic services in Hong Kong

4. Plastic surgery and cosmetic dermatology services in Hong Kong

5. High-end medical diagnostic services in Guangdong

These services have been offered to the staff and agencies of China Life Group and these services will be extended to cover China Life Group's clients in Shenzhen. Once the logistics arrangement is well established, these services will be further extended to cover the whole PRC market, offering these services to all China Life Group's clients. To further advance these services, the Company has established a membership-based O2O platform, in which China Life Group's clients could search for the different services offered, make electronic registration, receive the latest promotions and enjoy discounts or coupons. The Group will also establish website, apps and call centre to further enhance the logistics arrangement of these services. The O2O platform will eventually be integrated with One Pass network so as to greatly expand its memberships and network coverage.

In the PRC

The PRC has a population of over 1.3 billion, with an annual growth of approximately 7 million. It is expected that the proportion of population aged 60 years and above will reach 15% this year and further increase to 24% by 2030.

The Group will continue to expand its businesses into the PRC healthcare market grasping the new investment and development opportunities as opened up to private institutions. As 90% of inpatient and outpatient services are provided by public hospitals in the PRC, the PRC government is currently promoting the transformation of public hospitals and supporting the development of private hospitals in order to establish a basic and universal healthcare system that can provide safe, effective, convenient and low-cost services to all of its people. China medical industry has been developing quickly in recent years, as a result of the market demand and steadfast health care reform. The number of Chinese hospitals grew at a CAGR of 6% in 2011 to 2013, higher than 2.26% in 2005 to 2010. The revenue of China hospital industry jumped at a CAGR of 23.6% in 2011 to 2013, and it is expected to maintain the growth rate of over 20% and hit RMB4.07 trillion in 2017.

Management Discussion and Analysis

As such, the Group is aggressively investing to acquire public hospitals for reform. In the long run, cooperation with China Life Group, a large-scale state-owned enterprise, can provide the Group with strong network and financial support in acquiring mainland public hospitals. Further, the Group can work jointly with China Life Group in developing new medical insurance products including health check insurance schemes and high-end health check packages for VIP customers. The co-operation with China Life Group will also allow the Group to explore business opportunities in areas including managed care business in the PRC and developing old age homes and rehabilitation healthcare services.

The Group is investing to offer high-end dental services in the PRC market. The Group targets to provide high-end dental services, especially Invisalign services. The Group operates 11 dental clinics in Hong Kong and is now investing in the establishment of an Invisalign training centre in Hangzhou, offering high-end Invisalign training and clinical services, as well as other high-end dental services such as Dental Implants. The Group aims at offering Hong Kong branded high-end dental services in the PRC market with a view to establishing a chain dental hospitals/clinics in the PRC market.

The management believes that healthcare reforms would be deepened this year. Although the market will continue to be dominated by the public sector, the reforms make it more attractive for private companies to enter the healthcare market. It makes the operating environment more transparent and fairer for private companies. In addition, doctors are allowed to practice at multiple sites through the healthcare reform, enabling doctors to have greater mobility and to be easier for the private sector to recruit. Private companies could capture such an opportunity by offering high quality services so as to address the needs of the fast-growing affluent middle class population. The Group believes that private hospitals will play an important role in the PRC healthcare market by creating a healthy competitive environment and addressing unmet needs.

Looking ahead, the Group will continue to develop a comprehensive healthcare platform in Hong Kong and leveraging on it, to aggressively invest into the PRC healthcare market. The Board believes its well-experienced and professional management team, together with strong medical expertise, will be able to introduce high-end, professional and one-stop integrated medical services of international standard into the PRC medical market. The Group strives to become one of the largest and most influential healthcare services providers in Hong Kong and the PRC.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2014, the Group held cash and bank balances of approximately HK$1,078,558,000 (2013: HK$201,249,000). The Group had bank borrowings of approximately HK$62,913,000 of which approximately HK$41,030,000 are repayable within one year (2013: HK$363,772,000). As at 31 December 2014, the Group's net current assets amounted to approximately HK$1,244,086,000 (2013: HK$645,595,000) and the Group had a current ratio (defined as total current assets divided by total current liabilities) of 4.54 (2013: 2.25).

As at 31 December 2014, gearing ratio (defined as total bank borrowings divided by equity attributable to owners of the Company) was 2.97% (2013: 30.08%). Major currencies used for the Group's transactions were Hong Kong Dollars, Renminbi and United States Dollars ("US Dollars"). As Hong Kong Dollars are pegged to the US Dollars and the fiscal policy of the Central Government of the PRC in relation to Renminbi is stable throughout the year ended 31 December 2014, the Group considers that the potential foreign exchange exposure of the Group is limited.

CAPITAL STRUCTURE

As at 31 December 2014, the Group had equity attributable to owners of the Company of approximately HK$2,115,466,000 (2013: HK$1,209,166,000).

HUMAN RESOURCES

As at 31 December 2014, the Group employed 905 staff (2013: 528 staff). Total employee costs for the year ended 31 December 2014 including directors' emoluments, amounted to approximately HK$287,999,000 (2013: HK$229,853,000).

The salary and benefit levels of 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.

CONTINGENT LIABILITIES

As at 31 December 2014, the Group had no significant contingent liabilities.

PLEDGE OF ASSETS

As at 31 December 2014, certain property, plant and equipment and investment properties of the Group with carrying value of approximately HK$126,972,000 and HK$256,985,000, respectively, were pledged to secure general banking facilities granted to the Group.

As at 31 December 2013, certain property, plant and equipment, investment properties and assets classified as held for sale of the Group with carrying value of approximately HK$68,951,000, HK$420,405,000 and HK$117,000,000, respectively, and bank deposits and held for trading investments of approximately HK$17,794,000 and HK$68,978,000 were pledged to secure general banking facilities granted to the Group, respectively. The pledge of assets classified as held for sale was released upon the disposal of such assets in 2014.

CAPITAL COMMITMENTS

As at 31 December 2014, the Group had no capital expenditure contracted for but not provided in financial statements (2013: Nil).

EXECUTIVE DIRECTORS

Miss Choi Ka Yee, Crystal ("Miss Choi"), aged 34, has been an executive Director and the Chairperson of the Company since May 2006 and October 2006 respectively. Miss Choi graduated from Boston College in the United States of America with a bachelor degree of science in Accountancy. She also holds a master degree in Corporate Finance from The Hong Kong Polytechnic University. Miss Choi has extensive knowledge in accounting and corporate finance. Miss Choi is a member of Jieyang Committee of the Chinese People's Political Consultative Conference, a member of the board of directors of the Hong Kong Polytechnic University Development Foundation, the vice president of Hong Kong CPCC Youth Association, the chairperson of United We Stand Foundation Limited and a director of Health Check Charity Funds Limited. Miss Choi joined the Company in April 2005 as the director of the corporate finance department. She is also a vice chairperson of Early Light International (Holdings) Limited and E. Lite Property Management Limited. She is the daughter of Dr. Choi Chee Ming, *GBS, JP*, the non-executive Director and Vice-Chairman of the Company.

Dr. Cho Kwai Chee ("Dr. Cho"), aged 51, the founder of the Group as well as an executive Director and the Executive Vice Chairman of the Company. Dr. Cho founded the Group in December 1989 and is now responsible for formulating, overseeing and managing the business and development strategies of the Group. He is also a director of a number of subsidiaries of the Company. Dr. Cho graduated from The University of Hong Kong and holds the qualifications of MBBS (HK), FHKCFP, FRACGP, DCH (London), DCH (RCP&SI), DCH (Glasgow) and DPD (Cardiff). He is also the Vice Chairperson of the 35th Term Board of Director of Yan Oi Tong, the President of the Lions Club of Tsuen Wan (2014-15), the founder and Chairman of the Egive For You Charity Foundation Limited, the founder and Vice Chairman of United We Stand Foundation Limited, the founder and Director of Health Check Charity Funds Limited, the Vice Chairman of Sha Tin District Community Fund Limited, the District President of Scout Association of Hong Kong Yau Tsim District, the School Manager of IMC of Yan Oi Tong Tin Ka Ping Secondary School, the Vice President of the Association of Hong Kong Professionals, the Permanent President of Hong Kong Shatin Industries and Commerce Association Limited and the Director of YOT Chong Sok Un Medical Fund (cancer aid). Dr. Cho is a director of Broad Idea International Limited, a company which is interested in the shares and underlying shares of the Company as at the date of this report, which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO.

Dr. Hui Ka Wah, Ronnie ("Dr. Hui"), *JP*, aged 51, has been an executive Director since June 2014. Dr. Hui had been the Co-Chief Executive Officer of the Company and has become the Chief Executive Officer of the Company since July 2014. Dr. Hui is responsible for execution of the Board's development strategies and managing various business segments of the Group. Dr. Hui is also a director of a number of subsidiaries of the Company. Dr. Hui graduated from The University of Hong Kong with bachelor of medicine and bachelor of surgery. Dr. Hui is a specialist in Paediatrics. He is also a chartered financial analyst (CFA Charter Holder) and holds a degree in master of business administration conferred by Universitas 21 Global. Dr. Hui is a member of the Small and Medium Enterprises Committee of the Government of Hong Kong. Dr. Hui was also a member of the Energy Advisory Committee and a non-official member of the Women's Commission of the Government of Hong Kong. Dr. Hui had been an executive director of Convoy Financial Holdings Limited (formerly known as Convoy Financial Services Holdings Limited) (a company listed on the Main Board of the Stock Exchange with stock code: 1019), from 13 June 2014 to 26 March 2015. Dr. Hui had been the chief financial officer prior to 3 August 2011, the executive director from 3 August 2011 to 15 May 2014, the chief executive officer from 3 August 2011 to 4 March 2013, and the finance director from 4 March 2013 to 15 May 2014, of Hanergy Thin Film Power Group Limited (formerly known as Hanergy Solar Group Limited) ("Hanergy") (a company listed on the Main Board of the Stock Exchange with stock code: 566). He has also been the senior vice president of Hanergy since 4 March 2013. Dr. Hui had also been the independent non-executive director of Suncorp Technologies Limited (a company listed on the Main Board of the Stock Exchange with stock code: 1063), from 22 November 2007 to 4 May 2012.

EXECUTIVE DIRECTORS *(Continued)*

Dr. Ip Chun Heng, Wilson ("Dr. Ip"), aged 57, has been an executive Director since January 2015. He is also a director of a number of subsidiaries of the Company. Dr. Ip has over 37 years' experience in running retail and service business. He has in-depth knowledge and experience in the retail sales and cosmetic product market. In June 1991, Dr. Ip co-founded the business of Bonjour Holdings Limited (a company listed on the Main Board of the Stock Exchange with stock code: 653) and its subsidiaries. Since 2003, he has been the chairman and an executive director of Bonjour Holdings Limited and has been responsible for overall strategic planning and formulation of corporate policies of the whole group. From 2008, Dr. Ip was appointed as the chief executive officer of Bonjour Holdings Limited. Dr. Ip has obtained several awards, including World Outstanding Chinese Award and honorary doctoral degree from State Gleska University of California in 2007, consumer product category award at the "Ernst & Young Entrepreneur of the Year 2011 China" in 2011, and Asia Pacific Customer Relationship Excellence (CRE) Awards 2011 – CEO of the Year (Retail) awarded by the Asia Pacific Customer Relationship Excellence Award Selection Committee in 2012. Dr. Ip is a director of Bonjour Group Limited and Bonjour Holdings Limited, which are interested in the shares of the Company as at the date of this report, which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO. In addition, Dr. Ip is a director of each of Deco City Limited (which holds 100% interest in Promised Return Limited) and Promised Return Limited (which holds 54.01% interest in Bonjour Holdings Limited).

Mr. Lee Chik Yuet ("Mr. Lee"), aged 60, has been an executive Director since October 2009. Mr. Lee graduated from The Chinese University of Hong Kong with a bachelor degree in Social Science. He also holds a bachelor degree and a master degree in Laws from The University of Hong Kong. Prior to joining the Group, Mr. Lee had been a practising solicitor for more than 13 years in Hong Kong specialized in commercial, corporate finance and investment laws and practice in Hong Kong and the PRC. Mr. Lee is currently a director and the legal representative and general manager of a subsidiary of the Company in the PRC. Mr. Lee is also a director of a number of subsidiaries of the Company. He is also an executive director of New Ray Medicine International Holding Limited ("New Ray Medicine") (a company listed on the Growth Enterprise Market of the Stock Exchange with stock code: 8180). The Company is interested in 26.00% of the issued shares in New Ray Medicine through an indirect wholly-owned subsidiary.

Dr. Chan Wing Lok, Brian ("Dr. Chan"), aged 50, has been an executive Director since July 2011. Dr. Chan graduated from The University of Hong Kong and holds the qualifications of MBBS (HK), DCH (RCP&SI) and DPD (Cardiff). He is the district vice president of Yau Tsim District of Scout Association of Hong Kong. Dr. Chan joined the Group in 1991. Dr. Chan is currently the chairman of Town Health Medical & Dental Services Limited, a subsidiary of the Company and responsible for the Group's clinic operational management and business development, and the enhancement and maintenance of the Group's service quality. He is also a medical practitioner of the Group delivering medical consultation services to the patients of the Group. Dr. Chan is also a director of a number of subsidiaries of the Company.

EXECUTIVE DIRECTORS *(Continued)*

Mr. Wong Seung Ming ("Mr. Wong"), aged 43, has been an executive Director and the Chief Financial Officer of the Company since July 2014. He has been working as the company secretary of the Company since 2007. Mr. Wong graduated from the City University of Hong Kong with a bachelor degree in Accountancy. He is a fellow member of the Association of Chartered Certified Accountants and a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants. Mr. Wong worked in various auditing firms and the finance department of several companies including companies listed on the Main Board of the Stock Exchange. Mr. Wong has approximately 20 years of experience in accounting, auditing and financial management. Mr. Wong is also a member of the remuneration committee of the Board and a director of a number of subsidiaries of the Company.

NON-EXECUTIVE DIRECTOR

Dr. Choi Chee Ming ("Dr. Choi"), *GBS, JP*, aged 69, has been a non-executive Director and the Vice-Chairman of the Company since February 2006. Dr. Choi holds a master degree in Business Administration from Newport University in the United States of America. He also holds a PhD in Business Management from Harbin Institute of Technology, the PRC and an Honorary Degree of Doctor of Business Administration from The Hong Kong Polytechnic University. Dr. Choi is the chairman of Early Light International (Holdings) Limited and E. Lite (Choi's) Holdings Limited and has extensive business interests in the manufacturing industry and the property sector. He is the honorary president of the Toys Manufacturer's Association of Hong Kong, honorary president of the Hong Kong Young Industrialists Council and a court member of The Hong Kong Polytechnic University. He is currently a non-executive director and vice-chairman of Regal Hotels International Holdings Limited (a company listed on the Main Board of the Stock Exchange with stock code: 78). Dr. Choi is a director of Broad Idea International Limited, a company which is interested in the shares and underlying shares of the Company as at the date of this report, which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chan Kam Chiu ("Mr. Chan"), aged 62, has been an independent non-executive Director since July 2002. Mr. Chan has engaged in the catering industry for over 35 years. He has also involved in entertainment, property and investment projects in the recent years and is currently a honorary advisor of Hong Kong (New Territories) Realty Association. Mr. Chan is the founding chairman of Hong Kong Shatin Industries & Commerce Association Limited. He is also an honorary president and a director of Shatin Sports Association Limited since 1992. Mr. Chan was a Hong Kong district affairs advisor to Xinhua News Agency for the period from January 1995 to June 1997. He was awarded the "Chief Executive's Commendation for Community Service" in July 2004. Mr. Chan is also the Chairman of the audit committee of the Board and a member of the remuneration committee and the nomination committee of the Board.

INDEPENDENT NON-EXECUTIVE DIRECTORS *(Continued)*

Mr. Ho Kwok Wah, George ("Mr. Ho"), aged 56, has been an independent non-executive Director since September 2004. Mr. Ho is a Practising Certified Public Accountant in Hong Kong. He is the proprietor of George K. W. Ho & Co., Certified Public Accountants and possesses over 20 years' professional experience in accounting, auditing, tax planning and business advisory. Mr. Ho is a director of Hong Kong Shatin Industries and Commerce Association Limited and Hong Kong Commerce and Industry Associations Limited. He is also an independent non-executive director of Belle International Holdings Limited (a company listed on the Main Board of the Stock Exchange with stock code: 1880) and Rykadan Capital Limited (a company listed on the Main Board of the Stock Exchange with stock code: 2288). Mr. Ho is also the Chairman of the nomination committee of the Board and a member of the audit committee and the remuneration committee of the Board.

Mr. Wai Kwok Hung ("Mr. Wai"), *SBS, JP*, aged 60, has been an independent non-executive Director since July 2002. Mr. Wai was the chairman of the Shatin District Council from 2000 to 2011. He was a councillor of the Shatin District Council from 1988 to 2011. Mr. Wai is currently the president of Shatin Sports Association Limited. He is also an independent non-executive director of Great Harvest Maeta Group Holdings Limited (a company listed on the Main Board of the Stock Exchange with stock code: 3683). Mr. Wai is also a member of the audit committee of the Board and the nomination committee of the Board and the Chairman of the remuneration committee of the Board.

Mr. Wong Tat Tung ("Mr. Wong"), *MH*, aged 45, has been an independent non-executive Director since December 2014. Mr. Wong has over 18 years' business experience in the field of asset management and investment. He has served as a Vice President of Credit Suisse Privilege Limited in Hong Kong. Currently, he is the Managing Director of Channel 8 Wealth Management Ltd. Further, Mr. Wong is the Vice Chairman of Sham Shui Po District Council for the Hong Kong Special Administrative Region and a committee member of the city of Tianjin Chinese People's Political Consultative Conference. In addition, Mr. Wong was the Chairman of Yan Oi Tong for the year 2012-2013 and at the same time offered by an educational institution as school board members of their school. From 19 March 2012 to 20 June 2014, Mr. Wong was an independent non-executive director of Larry Jewelry International Company Limited (formerly known as Eternite International Company Limited) (a company listed on the Growth Enterprise Market of the Stock Exchange with stock code: 8351). Mr. Wong is also a member of the audit committee, the nomination committee and the remuneration committee of the Board.

SENIOR MANAGEMENT

Dr. So Chi Kin, aged 47, graduated from The University of Hong Kong and holds the qualification of BDS (HK). He is currently responsible for the development and management of the Group's dental clinic business as well as enhancement of professional dental service standards. He joined the Group in April 1991.

Dr. Yau Yi Kwong, aged 52, graduated from The University of Hong Kong and holds the qualifications of BDS (HK) and DGDP (UK). He is currently responsible for the Group's dental clinic management and is the Group's organizer of continuous dental education and is committed to enhancing the overall standard of our dental services. He joined the Group in November 2000.

Report of the Directors

The directors of the Company ("Directors") present their annual report and the audited consolidated financial statements of the Company and the Group for the year ended 31 December 2014.

PRINCIPAL ACTIVITIES

The Company act as an investment holding company. The activities of its principal subsidiaries and associates are set out in notes 51 and 23 respectively to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2014 are set out in the consolidated statement of profit or loss and other comprehensive income on pages 38 and 39.

DIVIDEND

Subsequent to the end of the reporting period, the Board recommended the payment of a final dividend ("Final Dividend") of HK0.33 cent per ordinary share for the year ended 31 December 2014 (2013: HK5.5 cents per ordinary share) to the shareholders of the Company which is subject to shareholders' approval at the forthcoming annual general meeting of the Company to be held on 1 June 2015 ("AGM"). Subject to the approval of the shareholders of the Company at the AGM, it is expected that the Final Dividend will be paid on or around 30 June 2015 to the shareholders whose names appear on the register of members of the Company on 16 June 2015.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining the entitlement to the proposed Final Dividend for the year ended 31 December 2014, the register of members of the Company will be closed from 11 June 2015 to 16 June 2015, both days inclusive, during which period no transfer of shares of the Company will be effected. In order to qualify for entitlement to the proposed Final Dividend, all transfer of shares accompanied by the relevant shares certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong by 4:30 p.m. on 10 June 2015.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the published results, assets and liabilities of the Group for the last five financial years is set out on page 150 of this annual report.

DONATIONS

Charitable donations made by the Group during the year amounted to HK$1,304,000.

SUBSIDIARIES

Details of acquisition and disposal of subsidiaries during the year are set out in notes 42, 43 and 44 to the consolidated financial statements, respectively.

INVESTMENT PROPERTIES

During the year, the Group revalued all of its investment properties at 31 December 2014. The net increase in fair value of investment properties, which was credited to the consolidated statement of profit or loss and other comprehensive income, amounted to HK$4,605,000.

Details of movements in the investment properties of the Group are set out in note 18 to the consolidated financial statements. Further details of the Group's major properties are set out on page 149 of this annual report.

PROPERTY, PLANT AND EQUIPMENT

Details of movements during the year in the property, plant and equipment of the Group are set out in note 19 to the consolidated financial statements.

SHARE CAPITAL

Details of movements during the year in the share capital of the Company are set out in notes 39 and 40 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the bye-laws of the Company ("Bye-laws") and the laws of Bermuda, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

RESERVES AND DISTRIBUTABLE RESERVES

Details of movements during the year in the reserves and reserves available for distribution to the Company's shareholders of the Group and the Company are set out on pages 42 and 43 of this report and in note 50 to the consolidated financial statements.

SHARE OPTIONS

The Company adopted a share option scheme on 16 September 2008 for the primary purpose of providing incentives to directors and eligible employees ("2008 Scheme"). The 2008 Scheme shall remain in force for a period of 10 years commencing from the adoption date of the 2008 Scheme, i.e. 16 September 2008.

The maximum number of shares of the Company which may be issued upon exercise of all options that may be granted under the existing 2008 Scheme limit is 91,119,471 shares of HK$0.01 each (representing approximately 1.66% of the issued share capital of the Company as at the date this report). As at the date of this report, there were options carrying the rights to subscribe for 14,103,000 shares of the Company granted under the existing 2008 Scheme limit (excluding those options granted and lapsed in accordance with the terms of the 2008 Scheme) and options carrying the rights to subscribe for 77,016,471 shares of the Company (representing approximately 1.41% of the issued share capital of the Company as at the date this report) may be granted under the existing 2008 Scheme limit.

Particulars of the Company's share option schemes are set out in note 41 to the consolidated financial statements.

Report of the Directors

DIRECTORS

The Directors who held office during the year and up to the date of this report are:

Executive Directors:

Miss Choi Ka Yee, Crystal ("Miss Choi") *(Chairperson)*
Dr. Cho Kwai Chee ("Dr. Cho") *(Executive Vice Chairman)*
Dr. Hui Ka Wah, Ronnie, *JP* ("Dr. Hui") *(Chief Executive Officer) (appointed on 3 June 2014)*
Dr. Ip Chun Heng, Wilson ("Dr. Ip") *(appointed on 1 January 2015)*
Mr. Lee Chik Yuet ("Mr. Lee")
Dr. Chan Wing Lok, Brian ("Dr. Chan")
Mr. Wong Seung Ming *(Chief Financial Officer) (appointed on 22 July 2014)*

Non-executive Director:

Dr. Choi Chee Ming, *GBS, JP* ("Dr. Choi") *(Vice-Chairman)*

Independent non-executive Directors:

Mr. Chan Kam Chiu ("Mr. Chan")
Mr. Ho Kwok Wah, George ("Mr. Ho")
Mr. Wai Kwok Hung, *SBS, JP* ("Mr. Wai")
Mr. Wong Tat Tung, *MH (appointed on 30 December 2014)*

In accordance with bye-law 99 of the Bye-Laws and pursuant to the code provision A.4.2 of Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules"), Mr. Lee, Mr. Chan and Mr. Wai will retire by rotation at the forthcoming annual general meeting and are eligible for re-election.

In accordance with bye-law 102(B) of the Bye-Laws, Dr. Hui, Mr. Wong Seung Ming, Mr. Wong Tat Tung, *MH* and Dr. Ip, each being appointed by the Board as an addition to the existing Board, will hold office until the forthcoming annual general meeting and being eligible, will offer themselves for re-election.

DIRECTORS' SERVICES CONTRACTS

Each of Miss Choi, Dr. Cho, Mr. Lee, Dr. Chan and Dr. Choi has been re-appointed for a term of 2 years commencing from 1 January 2015; Dr. Hui has been redesignated as the chief executive officer for the term commencing on 22 July 2014 and ending on 31 December 2016, Dr. Ip has been appointed for a term of 2 years commencing from 1 January 2015; Mr. Wong Seung Ming has been appointed as the chief financial officer for the term commencing from 22 July 2014 and ending on 31 December 2016; Mr. Chan, Mr. Ho and Mr. Wai have been re-appointed for a term of 31 months commencing from 31 May 2014; Mr. Wong Tat Tung, *MH* has been appointed for a term of 2 years commencing from 30 December 2014. They are all subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Bye-laws and Appendix 14 to the Listing Rules.

Save as disclosed above, as at the date of this report, none of the Directors has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation other than statutory compensation.

INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received a written confirmation of independence from each of the independent non-executive Directors pursuant to rule 3.13 of the Listing Rules. The Company considers that each of the independent non-executive Directors is independent.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 2014, the interests and short positions of the Directors and the chief executive of the Company ("Chief Executives") in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of the Listed Issuers (the "Model Code"), were as follows:

Long position in ordinary shares of HK$0.01 each of the Company

Name of Director	Capacity	Nature of interests	Number of shares of the Company held	Number of underlying shares of the Company held	Total	Approximate % of shareholding of the Company (Note 1)
Dr. Cho	Interest of a controlled corporation	Corporate interest	1,335,243,431 (Note 2)	83,333,333 (Note 3)	1,418,576,764	27.75%
Mr. Lee	Beneficial owner	Personal interest	–	5,000,000 (Note 4)	5,000,000	0.10%
Dr. Chan	Beneficial owner	Personal Interest	2,760,000	–	2,760,000	0.05%
Dr. Choi	Interest of a controlled corporation	Corporate interest	1,335,243,431 (Note 2)	83,333,333 (Note 3)	1,418,576,764	27.75%

Notes:

(1) The total number of issued shares of the Company ("Shares") as at 31 December 2014 (that was, 5,110,372,223 Shares) have been used for the calculation of the approximate percentage.

(2) Such Shares were held by Broad Idea International Limited ("Broad Idea"). Dr. Cho and Dr. Choi were deemed to be interested in the 1,335,243,431 Shares held by Broad Idea under Part XV of the SFO given that they are beneficially interested in 50.1% and 49.9% of the issued share capital of Broad Idea respectively.

(3) Such underlying Shares were held by Broad Idea which is owned as to 50.1% by Dr. Cho and as to 49.9% by Dr. Choi. Accordingly, Dr. Cho and Dr. Choi are both deemed to be interested in the 83,333,333 underlying Shares held by Broad Idea under Part XV of the SFO.

(4) These represented the interests in underlying Shares in respect of the share options granted by the Company, the details of which are set out in the section titled "Share Option Schemes" in note 41 to consolidated financial statements.

Save as disclosed above, as at 31 December 2014, none of the Directors or Chief Executives, nor their associates had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under Sections 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDER'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 2014, the following persons (other than the Directors or Chief Executives) had interests or short position in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

Name	Capacity	Number of shares of the Company held	Number of underlying shares of the Company held	Total	Approximate % of shareholding of the Company (Note 1)
Broad Idea (Note 2)	Beneficial owner	1,335,243,431	83,333,333	1,418,576,764	27.75%
Bonjour Group Limited (Note 3)	Beneficial owner	365,327,586	–	365,327,586	7.14%
Bonjour Holdings Limited (Note 3)	Interest of a controlled corporation	365,327,586	–	365,327,586	7.14%
Fubon Financial	Interest of a controlled corporation	357,142,857 (Note 4)	291,666,666 (Note 5)	648,809,523	12.69%
Fubon Life	Beneficial owner	259,740,260	212,121,212	471,861,472	9.23%

Notes:

(1) The total number of issued Shares as at 31 December 2014 (that was, 5,110,372,223 Shares) have been used for the calculation of the approximate percentage.

(2) Broad Idea is beneficially owned by Dr. Cho as to 50.1% and Dr. Choi as to 49.9%. Accordingly, Dr. Cho and Dr. Choi are both deemed to be interested in the Shares and underlying Shares held by Broad Idea under Part XV of the SFO.

(3) Bonjour Group Limited, a wholly-owned subsidiary of Bonjour Holdings Limited, was the beneficial owner of the 365,327,586 Shares. Accordingly, Bonjour Holdings Limited is deemed to be interested in such 365,327,586 Shares under part XV of the SFO.

(4) Such Shares were held as to (i) 259,740,260 Shares by Fubon Life; and (ii) 97,402,597 Shares by Fubon Insurance. Each of Fubon Life and Fubon Insurance is a wholly-owned subsidiary of Fubon Financial. Accordingly, Fubon Financial is deemed to be interested in the aggregate of 357,142,857 Shares held by Fubon Life and Fubon Insurance under Part XV of the SFO.

(5) Such underlying Shares were held as to (i) 212,121,212 underlying Shares by Fubon Life; and (ii) 79,545,454 underlying Shares by Fubon Insurance. Each of Fubon Life and Fubon Insurance is a wholly-owned subsidiary of Fubon Financial. Accordingly, Fubon Financial is deemed to be interested in the aggregate of 291,666,666 underlying Shares held by Fubon Life and Fubon Insurance under Part XV of the SFO.

Save as disclosed above, as at 31 December 2014, there were no shareholders who had interest or short position in the shares or underlying shares of the Company which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

MAJOR CUSTOMERS AND SUPPLIERS

For the financial year ended 31 December 2014, the percentage of turnover attributable to the Group's largest customer and the five largest customers are approximately 4% and 15% of the Group's total turnover respectively. The Group's largest supplier and five largest suppliers accounted for approximately 14% and 41% of the Group's total purchase respectively.

As far as the Directors are aware, none of the Directors, their close associates or any shareholder of the Company (which to the knowledge of the Directors owns more than 5% of the Company's issued share capital), had any interest at any time during the year in any of the five largest customers and suppliers of the Group for the year ended 31 December 2014.

DIRECTOR'S INTEREST IN COMPETING BUSINESS

None of the Directors nor their respective close associates had an interest in a business, apart from the businesses of the Group, which competes or is likely to compete, either directly or indirectly, with the businesses of the Group pursuant to Rule 8.10 of the Listing Rules during the year.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed herein, at no time during the year was the Company or any of its subsidiaries, a party to any arrangement to enable the Directors or Chief Executives or their spouse or children under 18 years of age to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

ISSUE OF CONVERTIBLE SECURITIES DURING THE YEAR

Pursuant to the perpetual non-voting redeemable convertible preference shares subscription agreement dated 31 October 2014 entered into between the Company, Fubon Life, Fubon Insurance and Broad Idea, (i) Fubon Life has conditionally agreed to subscribe, and the Company has conditionally agreed to allot and issue, 212,121,212 perpetual non-voting redeemable convertible preference shares of HK$0.01 each in the share capital of the Company ("**Convertible Preference Shares**") at the cash consideration of HK$254,545,455; (ii) Fubon Insurance has conditionally agreed to subscribe, and the Company has conditionally agreed to allot and issue, 79,545,454 Convertible Preference Shares at the cash consideration of HK$95,454,545; and (iii) Broad Idea has conditionally agreed to subscribe, and the Company has conditionally agreed to allot and issue, 83,333,333 Convertible Preference Shares at the cash consideration of HK$100,000,000, each at the subscription price of HK$1.20 per Convertible Preference Share ("**CPS Subscriptions**"). All the Convertible Preference Shares have been allotted and issued at HK$1.20 per Convertible Preference Share on 29 December 2014. Further details of the CPS Subscriptions are set out in note 40 to the consolidated financial statements.

DIRECTORS' INTEREST IN CONTRACTS OF SIGNIFICANCE

Pursuant to the share subscription agreement dated 31 October 2014 entered into between the Company, Fubon Life, Fubon Insurance and Broad Idea, (i) Fubon Life has conditionally agreed to subscribe, and the Company has conditionally agreed to allot and issue, 259,740,260 Shares at the cash consideration of HK$254,545,455; (ii) Fubon Insurance has conditionally agreed to subscribe, and the Company has conditionally agreed to allot and issue, 97,402,597 Shares at the cash consideration of HK$95,454,545; and (iii) Broad Idea has conditionally agreed to subscribe, and the Company has conditionally agreed to allot and issue, 102,040,816 Shares at the cash consideration of HK$100,000,000, each at the subscription price of HK$0.98 per Share ("**Share Subscriptions**").

No Director had a material interest, whether directly or indirectly, in any contract of significance subsisting during or at the end of the year, save for the interests of Dr. Cho Kwai Chee, an executive Director and Dr. Choi Chee Ming, the non-executive Director under the Share Subscriptions and the CPS Subscriptions.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

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

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's shares during the year.

CORPORATE GOVERNANCE

Principal corporate governance practices adopted by the Company are set out in the Corporate Governance Report on pages 28 to 35 of this annual report.

RELATED PARTY TRANSACTIONS AND CONNECTED TRANSACTIONS

Details of significant related party transactions undertaken by the Group during the year in the ordinary course of business are set out in note 49 to the consolidated financial statements. Such transactions do not fall under the definition of "connected transaction" or "continuing connected transaction" under Chapter 14A of the Listing Rules.

On 30 June 2014, Chemosino International Limited subscribed for 208 ordinary shares of HK$1.00 each, representing 18.49% of the then issued share capital of Asset Management International Limited (formerly known as Town Health Asset Management Limited) ("**Asset Management**"), a non-wholly owned subsidiary of the Company, at the total consideration of HK$83,000,000 ("**Chemosino Subscription**") and immediately following completion of such subscription, Asset Management is indirectly owned as to 60% by the Group and as to 40% by Chemosino International Limited. Immediately before completion of the Chemosino Subscription, Asset Management was owned as to 73.61% by the Group and 26.39% by Chemosino international Limited. As such, Chemosino International Limited was the substantial shareholder of Asset Management and a connected person of the Company. Accordingly, the Chemosino Subscription constituted a connected transaction for the Company under Chapter 14A of the Listing Rules.

On 20 August 2014, the Company and Bonjour Group Limited entered into the agreement ("**Bonjour Agreement**") for sale and purchase pursuant to which the Company has conditionally agreed to allot and issue 365,327,586 consideration shares to Bonjour Group Limited (or its nominee) to settle the consideration of HK$423,780,000 in respect of Bonjour Group Limited's conditional sale, and the Company's conditional acquisition, of 1,000 shares of US$1 each in the share capital of Bonjour Beauty International Limited, representing 100% of the issued share capital of Bonjour Beauty International Limited ("**Bonjour Acquisition**"). Bonjour Beauty International Limited was wholly-owned by Bonjour Group Limited and Bonjour Group Limited was beneficially owned as to 100% by Bonjour Holdings Group, which was then indirectly and beneficially owned as to 61.10% by Dr. Ip and his spouse. As such, Dr. Ip was an ultimate substantial shareholder of Bonjour Beauty International Limited. Pursuant to the Bonjour Agreement, it was proposed that Dr. Ip would be appointed as an executive Director with effect from the completion date of the Bonjour Acquisition. As such, Dr. Ip, an ultimate substantial shareholder of Bonjour Beauty International Limited, was proposed to be a controller (as defined under the Listing Rules) of the Company. Accordingly, the Bonjour Acquisition constituted a connected transaction for the Company under Chapter 14A of the Listing Rules.

Save for the Share Subscriptions and the CPS Subscriptions as mentioned under the paragraphs headed "Directors' Interest in Contracts of Significance" and "Issue of Convertible Securities During the Year" of this report, the Chemosino Subscription and the Bonjour Acquisition, there were no other transactions which constituted connected transaction(s) or continuing connected transaction(s) for the Company under Chapter 14A of the Listing Rules during the year. The Directors confirm that the Company has complied with the disclosure requirements (if any) in accordance with Chapter 14A of the Listing Rules.

Report of the Directors

EMOLUMENT POLICIES

The emolument policy of the employees of the Group is set up by the board of Directors on the basis of their merit, qualifications and competence.

The emoluments of the Directors are decided by the board of Directors, having regard to the Company's operating results, individual performance and comparable market statistics.

The Company has adopted a share option scheme, of which share options may be granted to eligible persons. Details of the scheme are set out in note 41 to the consolidated financial statements.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors as at the latest practicable date prior to the issue of this annual report, the Company maintained a sufficient public float as at the date of this report.

AUDITOR

A resolution will be submitted to the forthcoming annual general meeting to re-appoint Messrs. Deloitte Touche Tohmatsu as auditor of the Company until the conclusion of the next annual general meeting.

REVIEW BY AUDIT COMMITTEE

The audited consolidated financial statements of the Company for the year ended 31 December 2014 have been reviewed by the Audit Committee of the Board.

On behalf of the Board

Choi Ka Yee, Crystal
Chairperson

Hong Kong, 27 March 2015

Corporate Governance Report

The board (the "Board") of directors (the "Directors") of Town Health International Medical Group Limited (the "Company") is committed to maintaining a good corporate governance standard. The Board believes that a good corporate governance standard will provide a framework for the Company and its subsidiaries (collectively the "Group") to formulate the business strategies and policies, and manage the associated risks through effective internal control procedures. It will also enhance the transparency of the Group and strengthen the accountability to the shareholders and creditors.

CORPORATE GOVERNANCE PRACTICES

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

During the year ended 31 December 2014, the Company has complied with the respective code provisions of the CG Code.

Directors' Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules as the Company's code of conduct regarding Directors' securities transactions. Having made specific enquiry of all Directors, all the Directors have complied with the required standard set out in the Model Code throughout the year.

Board of Directors

As at the date of this annual report, the Board comprises twelve members, seven of which are executive Directors, namely Miss Choi Ka Yee, Crystal who is the Chairperson of the Company, Dr. Cho Kwai Chee who is the Executive Vice Chairman, Dr. Hui Ka Wah, Ronnie, *JP* who is the Chief Executive Officer, Dr. Ip Chun Heng, Wilson, Mr. Lee Chik Yuet, Dr. Chan Wing Lok, Brian and Mr. Wong Seung Ming who is the Chief Financial Officer of the Company. Dr. Choi Chee Ming, *GBS, JP* is the non-executive Director and Vice-Chairman of the Company. Four other members are independent non-executive Directors, namely Mr. Chan Kam Chiu, Mr. Ho Kwok Wah, George, Mr. Wai Kwok Hung, *SBS, JP* and Mr. Wong Tat Tung, *MH*. The biographical details of the Directors and relationship between them (if any) are set out in the section headed "Biographical Details of Directors and Senior Management" on pages 15 to 18 of this annual report.

All Directors are subject to retirement by rotation and re-election at the annual general meeting of the Company at least once every three years in accordance with the bye-laws of the Company (the "Bye-Laws") as amended from time to time and the requirements of the Listing Rules.

The Board held four regular meetings during the year. The Board is responsible for the formulation of the Group's business strategies and overall policies, and monitoring the performance of the management and corporate governance functions. The executive Directors are delegated with the power to execute the business strategies, develop and implement the policies in the daily operation of the Group. The independent non-executive Directors provide their professional advices to the Group whenever necessary.

Board of Directors *(Continued)*

Composition of the Board, including names of the independent non-executive Directors, is disclosed in all corporate communications to the shareholders of the Company ("Shareholders").

All Directors have full and timely access to all the information and accounts of the Group. The Directors may seek independent professional advice in appropriate circumstances, at the expense of the Company. The Company will, upon request, provide separate independent professional advice to the Directors to assist them to discharge their duties to the Company. The Company has arranged appropriate insurance cover for the Directors.

Board Diversity Policy

During the year, the Board adopted a board diversity policy setting out the approach to achieve diversity on the Board. The Company considered diversity of board members can be achieved through consideration of a number of aspects, including but not limited to gender, age, cultural and educational background, and professional experience. The appointment of Directors will be based on its own business model and specific needs, having due regard for the benefits of diversity on the Board.

Directors' continuous professional development

The Directors, namely, Miss Choi Ka Yee, Crystal, Dr. Cho Kwai Chee, Dr. Hui Ka Wah, Ronnie, *JP*, Mr. Lee Chik Yuet, Dr. Chan Wing Lok, Brian, Mr. Wong Seung Ming, Dr. Choi Chee Ming, *GBS, JP*, Mr. Chan Kam Chiu, Mr. Ho Kwok Wah, George, Mr. Wai Kwok Hung, *SBS, JP* and Mr. Wong Tat Tung, *MH*, had confirmed that they had complied with the code provision A.6.5 of the CG Code during the year ended 31 December 2014 by participating in continuous professional development. The Company had arranged a seminar on the Listing Rules for the Directors. All of them had been provided with the training materials for such seminar and each of them confirmed that he/she had read the training materials. In addition, all of them attended such in-house seminar.

Chairperson and Chief Executive Officer

Throughout the year and as at the date of this report, Miss Choi Ka Yee, Crystal was the Chairperson of the Company. From 1 January 2014 to 21 July 2014, Dr. Cho Kwai Chee was the Chief Executive Officer of the Company. From 22 July 2014 to 31 December 2014 and as at the date of this report, Dr. Hui Ka Wah, Ronnie, *JP* was the Chief Executive Officer of the Company. The Chairperson and the Chief Executive Officer of the Company have segregated and clearly defined roles. The Chairperson provides leadership for the Board. The Chief Executive Officer has responsibility for the Group's overall business and development strategies, and daily management generally.

Independent Non-Executive Directors

Pursuant to rule 3.10 of the Listing Rules, the Company has four independent non-executive Directors, one of them has appropriate professional or accounting or related financial management expertise. The Company received a written confirmation of independence from each of the independent non-executive Directors pursuant to rule 3.13 of the Listing Rules. The Company considers that each of the independent non-executive Directors is independent.

Term of Appointment of Non-Executive Directors

Three of the independent non-executive Directors, namely Mr. Chan Kam Chiu, Mr. Ho Kwok Wah, George and Mr. Wai Kwok Hung, *SBS, JP* have been re-appointed for a term of 33 months commencing from 31 May 2014. Mr. Wong Tat Tung, *MH*, an independent non-executive Director, has been appointed for a term of two years commencing from 30 December 2014. Dr. Choi Chee Ming, *GBS, JP*, a non-executive Director, has been re-appointed for a term of two years commencing from 1 January 2015.

Remuneration Committee

The Board has established a remuneration committee (the "Remuneration Committee") with its role and function set out in its specific written terms of reference in accordance with the provisions set out in the CG Code, which are posted on the websites of the Stock Exchange and the Company. The principal duties of the Remuneration Committee are to formulate the Company's remuneration policy and recommend remuneration packages of the Directors and senior management to the Board for approval. The Company's remuneration policy is to provide a competitive level of remuneration in accordance with current market conditions to attract and motivate the Directors and staff for their contribution.

The Remuneration Committee adopted the approach under code provision B.1.2(c)(ii) to make recommendation to the Board on the remuneration packages of the Directors and senior management of the Company.

From 1 January 2014 to 27 November 2014, the Remuneration Committee comprised three independent non-executive Directors, namely Mr. Chan Kam Chiu, Mr. Ho Kwok Wah, George and Mr. Wai Kwok Hung, *SBS, JP* and one executive Director, namely Dr. Cho Kwai Chee. From 28 November 2014 to 29 November 2014, the Remuneration Committee comprised three independent non-executive Directors, namely Mr. Chan Kam Chiu, Mr. Ho Kwok Wah, George and Mr. Wai Kwok Hung, *SBS, JP* and one executive Director namely Mr. Wong Seung Ming. From 30 December 2014 to 31 December 2014 and as at the date of this report, the Remuneration Committee comprised four independent non-executive Directors, namely Mr. Chan Kam Chiu, Mr. Ho Kwok Wah, George, Mr. Wai Kwok Hung, *SBS, JP* and Mr. Wong Tat Tung, *MH* and one executive Director, namely Mr. Wong Seung Ming. During the year and as at the date of this report, Mr. Wai Kwok Hung, *SBS, JP*, was the chairman of the Remuneration Committee.

The Remuneration Committee held five meetings during the year. The Remuneration Committee reviewed the remuneration policy of the Company, assessed the performance of the executive Directors and senior management and recommended specific remuneration packages of the Directors and senior management to the Board. The letter of re-appointment of each of Mr. Chan Kam Chiu, Mr. Ho Kwok Wah, George and Mr. Wai Kwok Hung, *SBS, JP* and the letter of appointment of each of Miss Choi Ka Yee, Crystal, Dr. Cho Kwai Chee, Dr. Hui Ka Wah, Ronnie, *JP*, Dr. Ip Chun Heng, Wilson, Mr. Lee Chik Yuet, Dr. Chan Wing Lok, Brian, Mr. Wong Seung Ming, Dr. Choi Chee Ming, *GBS, JP* and Mr. Wong Tat Tung, *MH* and the terms thereof were also reviewed and approved by the Remuneration Committee during the year.

Nomination Committee

The nomination committee (the "Nomination Committee") with specific written terms of reference in accordance with the provisions set out in the CG Code, which are posted on the websites of the Stock Exchange and the Company.

From 1 January 2014 to 29 December 2014, the Nomination Committee comprised three independent non-executive Directors, namely Mr. Chan Kam Chiu, Mr. Ho Kwok Wah, George and Mr. Wai Kwok Hung, *SBS, JP*. From 30 December 2014 to 31 December 2014 and as at the date of this report, the Nomination Committee comprised four independent non-executive Directors, namely Mr. Chan Kam Chiu, Mr. Ho Kwok Wah, George, Mr. Wai Kwok Hung, *SBS, JP* and Mr. Wong Tat Tung, *MH* (appointed on 30 December 2014). During the year and as at the date of this report, Mr. Ho Kwok Wah, George was the chairman of the Nomination Committee.

The Group adopted a board diversity policy, a summary of which is set out in the paragraph headed "Board Diversity Policy" in this Corporate Governance Report.

Major responsibilities of the Nomination Committee are to formulate and implement the policy for nominating candidates for election by shareholders at the general meeting (either to fill a casual vacancy or as an addition to the Board); review the structure, size and composition of the Board (including the skills, knowledge and experience) and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy; identify individuals suitably qualified to become members of the Board and select or make recommendations to the Board on the selection of individuals nominated for directorship; assess the independence of non-executive Directors and make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors based on merit of the Directors, having due regard for the benefits of diversity on the Board. The process for the nomination of Directors is led by the Nomination Committee, which has been made on a merit basis.

According to the Bye-Laws, any Director appointed by the Board either to fill a casual vacancy or as an addition to the Board shall hold office only until the next following annual general meeting of the Company and who shall then be eligible for re-election at such meeting, and Directors are all subject to retirement by rotation and re-election at the annual general meeting of the Company at least once every three years.

The circular to the shareholders of the Company with notice of the annual general meeting contains biographical details of all Directors proposed to be elected and re-elected at the annual general meeting to enable shareholders of the Company to make an informed decision on election and re-election of Directors.

The Nomination Committee held five meetings during the year and reviewed the structure, size and composition of the Board for the year in light of the board diversity policy, in terms of factors including the skills, knowledge and experience possessed by the members of the Board.

Audit Committee

The Board has established an audit committee (the "Audit Committee") with written terms of reference in accordance with the provisions set out in the CG Code, which are posted on the websites of the Stock Exchange and the Company. The principal duties of the Audit Committee are to review the Company's annual results and accounts and interim results and to provide advice and comments thereon to the Board. The Audit Committee is also responsible for reviewing and supervising the Group's financial reporting and internal control procedures.

From 1 January 2014 to 29 December 2014, the Audit Committee comprised three independent non-executive Directors, namely Mr. Chan Kam Chiu, Mr. Ho Kwok Wah, George and Mr. Wai Kwok Hung, *SBS, JP*. From 30 December 2014 to 31 December 2014 and as at the date of this report, the Audit Committee comprised four independent non-executive Directors, namely Mr. Chan Kam Chiu, Mr. Ho Kwok Wah, George, Mr. Wai Kwok Hung, *SBS, JP* and Mr. Wong Tat Tung, *MH* (appointed on 30 December 2014). During the year and as at the date of this report, Mr. Chan Kam Chiu was the chairman of the Audit Committee.

The Audit Committee held three meetings during the year and the two meetings were attended by the Company's external auditors so that the members of the Audit Committee could exchange their views and concerns with the auditors. The Audit Committee reviewed the annual and interim results of the Group and made recommendations to the Board and the management in respect of the Group's financial reporting and internal control procedures.

Corporate Governance Functions

The Board is responsible for performing corporate governance and has reviewed the Company's policies and practices on corporate governance and compliance with the CG Code, reviewed and monitored the training and continuous professional development of the Directors and senior management and reviewed and monitored the Company's policies and practices on compliance with legal and regulatory requirements during the year as well as the disclosures in this Corporate Governance Report.

Attendance of Directors at Meetings

The attendance of the Directors at the general meetings of the Company, meetings of the Board, the Audit Committee, the Remuneration Committee and the Nomination Committee during the year are set out below:

	Number of meetings attended/held				
Director	General meetings	Board meetings	Audit Committee meetings	Remuneration Committee meetings	Nomination Committee meetings
Executive Directors					
Miss Choi Ka Yee, Crystal	5/5	4/4	N/A	N/A	N/A
Dr. Cho Kwai Chee	4/5	4/4	N/A	3/3	N/A
Dr. Hui Ka Wah, Ronnie, *JP* (note 1)	3/3	2/2	N/A	N/A	N/A
Dr. Ip Chun Heng, Wilson (note 2)	N/A	N/A	N/A	N/A	N/A
Mr. Lee Chik Yuet	5/5	4/4	N/A	N/A	N/A
Dr. Chan Wing Lok, Brian	4/5	4/4	N/A	N/A	N/A
Mr. Wong Seung Ming (note 3)	3/3	2/2	N/A	2/2	N/A
Non-executive Director					
Dr. Choi Chee Ming, *GBS, JP*	1/5	4/4	N/A	N/A	N/A
Independent non-executive Directors					
Mr. Chan Kam Chiu	4/5	4/4	3/3	5/5	5/5
Mr. Ho Kwok Wah, George	5/5	4/4	3/3	5/5	5/5
Mr. Wai Kwok Hung, *SBS, JP*	5/5	4/4	3/3	5/5	5/5
Mr. Wong Tat Tung, *MH* (note 4)	0/0	0/0	0/0	0/0	0/0

Notes:

1. Dr. Hui Ka Wah, Ronnie, *JP* was appointed as an executive Director on 3 June 2014.

2. Dr. Ip Chun Heng, Wilson, was appointed as an executive Director on 1 January 2015.

3. Mr. Wong Seung Ming, *CPA, FCCA* was appointed as an executive Director on 22 July 2014.

4. Mr. Wong Tat Tung, *MH* was appointed as an independent non-executive Director on 30 December 2014.

Accountability and Audit

The Directors acknowledge their responsibility for preparing the financial statements of the Group which give a true and fair view of the state of affairs of the Group and of the profit and cash flows for the year ended 31 December 2014. The Directors prepared the financial statements of the Group on a going concern basis, and selected appropriate accounting policies and applied them consistently, with applicable disclosures required under the Listing Rules and pursuant to the relevant statutory requirements.

The statement issued by the auditor of the Company, Deloitte Touche Tohmatsu, regarding their reporting responsibilities is set out in the section headed "Independent Auditor's Report" on pages 36 to 37 of this annual report.

Internal Controls

The Board has the overall responsibility for internal control of the Group, including reviewing its effectiveness, risk management, and setting appropriate policies having regard to the objectives of the Group. The Board, through the Audit Committee, conducted a review on the effectiveness of the Group's system of financial and non-financial controls. The system of internal control is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable but not absolute assurance against material misstatement or loss. Controls are monitored by management review.

Auditor's Remuneration

The auditor, Deloitte Touche Tohmatsu, provides both statutory audit and non-audit services to the Group. For the year ended 31 December 2014, fee for statutory audit for the Group amounts to approximately HK$2,592,000. Non-audit services include tax compliance and planning, agreed upon procedures on review of financial statements and transactions, etc. Total fee paid by the Group for non-audit services during the year was approximately HK$978,000.

COMMUNICATION WITH SHAREHOLDERS

The Company provides information in relation to the Group to the Shareholders in a timely manner through a number of formal channels, including interim and annual reports, announcements and circulars. Such published documents together with the corporate information of the Group are also available on the Company's website (www.townhealth.com).

According to the Bye-Laws, the Board may, whenever it thinks fit, convene a special general meeting, and special general meetings shall also be convened on requisition and, in default, may be convened by the requisitionists.

Procedures for Shareholders to convene a general meeting/put forward proposals

1. The Shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid-up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition sent to the Company's head office at 6th Floor, Town Health Technology Centre, 10-12 Yuen Shun Circuit, Siu Lek Yuen, Shatin, New Territories, Hong Kong, for the attention to the board of directors (the "Board") or the company secretary (the "Company Secretary") of the Company, to require a special general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be convene within twenty-one days from the date of the deposit of such requisition.

2. The written requisition must state the purposes of the meeting, and must be signed by the Shareholders concerned and may consist of several documents in like form, each signed by one or more of those Shareholders.

3. The requisition will be verified with the Company's branch share registrar and upon their confirmation that the requisition is proper and in order, the Company Secretary will ask the Board to convene a special general meeting by serving sufficient notice in accordance with the statutory requirements to all the registered Shareholders. On the contrary, if the requisition has been verified as not in order, the Shareholders concerned will be advised of this outcome and accordingly, a special general meeting will not be convened as requested.

4. The Shareholders holding not less than one-twentieth of the total voting rights of those Shareholders having the right to vote at such meeting or not less than one hundred Shareholders, at the expenses of the Shareholders concerned, can submit a written requisition to move a resolution at a general meeting.

5. The written requisition must state the resolution, accompanied by a statement of not more than 1,000 words with respect to the matter referred to in the proposed resolution, signed by all the Shareholders concerned and may consist of several documents in like form (which between them contain the signatures of all the Shareholders concerned).

6. The written requisition must be deposited at 6th Floor, Town Health Technology Centre, 10-12 Yuen Shun Circuit, Siu Lek Yuen, Shatin, New Territories, Hong Kong, the head office of the Company, for the attention of the Company Secretary not less than six weeks before the meeting in the case of a requisition requiring notice of a resolution and not less than one week in the case of any other requisition.

7. The requisition will be verified with the Company's branch share registrar and upon their confirmation that the requisition is proper and in order, the Company Secretary will ask the Board to (i) include the resolution in the agenda for the annual general meeting; or (ii) convene a special general meeting by serving sufficient notice in accordance with the statutory requirements to all the registered Shareholders. On the contrary, if the requisition has been verified as not in order, the Shareholders concerned will be advised of this outcome and accordingly, (i) the proposed resolution will not be include in the agenda for the annual general meeting; or (ii) a special general meeting will not be convened as requested.

Procedures for Shareholders sending enquiries to the board

1. *Enquiries about shareholdings*
   Shareholders should direct their enquiries about their shareholdings to the Company's branch share registrar, Tricor Tengis Limited, via its online holding enquiry service at www.tricoris.com, or send email to is-enquiries@hk.tricorglobal.com or call its hotline at (852) 2980 1333, or go in person to its public counter at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.

2. *Enquiries about corporate governance or other matters to be put to the Board and the Company*
   The Company will not normally deal with verbal or anonymous enquiries. Shareholders may send written enquiries to the Company, for the attention of the Board of Directors or Company Secretary, by email: info@townhealth.com, fax: (852) 2210 2722, or mail to 6/F Town Health Technology Centre, 10-12 Yuen Shun Circuit, Siu Lek Yuen, Shatin, New Territories, Hong Kong. Shareholders may call the Company at (852) 2699 8266 for any assistance.

Deloitte.
德勤

TO THE MEMBERS OF
TOWN HEALTH INTERNATIONAL MEDICAL GROUP LIMITED
康健國際醫療集團有限公司
(FORMERLY KNOWN AS TOWN HEALTH INTERNATIONAL INVESTMENTS LIMITED (前稱康健國際投資有限公司))
(Registered in Bermuda with limited liability)

We have audited the consolidated financial statements of Town Health International Medical Group Limited (formerly known as Town Health International Investments Limited) (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 38 to 148, which comprise the consolidated statement of financial position as at 31 December 2014, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

Independent Auditor's Report

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2014, and of its profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
27 March 2015

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2014

	NOTES	2014 HK$'000	2013 HK$'000
Revenue	7	**494,579**	354,553
Cost of sales		**(334,005)**	(234,321)
Gross profit		**160,574**	120,232
Other income	9	**37,768**	54,406
Administrative expenses		**(235,987)**	(200,449)
Other gains and losses	10	**12,834**	(120,199)
Finance costs	11	**(7,586)**	(9,327)
Gain on disposal of subsidiaries	44	**230**	1,659
Gain on disposal of associates	23	**–**	27,840
Gain (loss) on dilution of interest(s) in associates/an associate	23	**2,363**	(5,788)
Share of results of associates		**44,259**	159,929
Fair value changes on investment properties	18	**4,605**	54,734
Profit before tax		**19,060**	83,037
Income tax credit (expenses)	14	**61,829**	(3,719)
Profit for the year	15	**80,889**	79,318
Other comprehensive income (expense) for the year			
Item that will not be reclassified to profit or loss:			
Gain on fair value change of properties reclassified as investment properties		**–**	40,739
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on the translation of foreign operations		**(823)**	1,059
Share of exchange differences of associates		**(882)**	(407)
Reclassification of translation reserve to profit or loss upon dilution of interest(s) in associates/an associate and deemed disposal of an associate		**(741)**	(12,182)
Fair value loss on available-for-sale investments		**–**	(462)
		(2,446)	(11,992)
Total comprehensive income for the year		**78,443**	108,065

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2014

	NOTE	**2014 HK$'000**	2013 HK$'000
Profit (loss) for the year attributable to:			
Owners of the Company		**84,612**	49,633
Non-controlling interests		**(3,723)**	29,685
		80,889	79,318
Total comprehensive income (expense) attributable to:			
Owners of the Company		**82,318**	68,045
Non-controlling interests		**(3,875)**	40,020
		78,443	108,065
			(Restated)
Earnings per share (HK cents)	17		
– Basic		**1.84**	1.08
– Diluted		**1.83**	1.08

Consolidated Statement of Financial Position

At 31 December 2014

	NOTES	2014 HK$'000	2013 HK$'000
NON-CURRENT ASSETS			
Investment properties	18	**285,085**	448,405
Property, plant and equipment	19	**193,533**	171,916
Loans receivable	20	**11,924**	39,428
Goodwill	21	**200,202**	15,121
Intangible assets	22	**236,099**	–
Interests in associates	23	**251,580**	116,658
Available-for-sale investments	24	**43,596**	58,417
Deposits made on acquisition of property, plant and equipment		**6,555**	–
		1,228,574	849,945
CURRENT ASSETS			
Inventories	25	**16,298**	11,552
Trade and other receivables	26	**147,608**	45,400
Held for trading investments	27	**278,027**	660,920
Loans receivable	20	**39,853**	96,240
Amounts due from associates	28	**8,904**	10,228
Amounts due from investees	29	**1,348**	1,000
Amount due from a non-controlling interest	30	**–**	100
Tax recoverable		**873**	1,089
Pledged bank deposits	31	**–**	17,794
Bank balances and cash	32	**1,078,558**	201,249
		1,571,469	1,045,572
Assets classified as held for sale	33	**24,368**	117,000
		1,595,837	1,162,572
CURRENT LIABILITIES			
Trade and other payables	34	**125,224**	57,775
Amount due to associates/an associate	28	**73**	12
Amount due to an investee	29	**–**	557
Amounts due to non-controlling interests	30	**22,361**	11,834
Amount due to a related party	35	**6**	14
Bank borrowings	36	**62,913**	363,772
Loan notes	37	**116,533**	–
Tax payable		**17,082**	82,013
		344,192	515,977
Liabilities directly associated with assets classified as held for sale	33	**7,559**	–
		351,751	515,977
NET CURRENT ASSETS		**1,244,086**	646,595
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,472,660**	1,496,540

Consolidated Statement of Financial Position

At 31 December 2014

	NOTES	2014 HK$'000	2013 HK$'000
NON-CURRENT LIABILITIES			
Deferred tax liabilities	38	**12,542**	3,063
		2,460,118	1,493,477
CAPITAL AND RESERVES			
Share capital – ordinary shares	39	**51,104**	9,169
Share capital – convertible preference shares	40	**3,750**	–
Reserves		**2,060,612**	1,199,997
Equity attributable to owners of the Company		**2,115,466**	1,209,166
Non-controlling interests		**344,652**	284,311
Total equity		**2,460,118**	1,493,477

The consolidated financial statements on pages 38 to 148 were approved and authorised for issue by the Board of Directors on 27 March 2015 and are signed on its behalf by:

Choi Ka Yee, Crystal
Director

Cho Kwai Chee
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2014

	Attributable to owners of the Company														
	Share capital – ordinary shares HK$'000	Share capital – convertible preference shares HK$'000	Share premium HK$'000	Capital redemption reserve HK$'000 (Note i)	Capital reserve HK$'000 (Note ii)	Distributable reserve HK$'000 (Note iii)	Other reserves HK$'000 (Note iv)	Investment revaluation reserve HK$'000	Property revaluation reserve HK$'000	Translation reserve HK$'000	Share options reserve HK$'000	Accumulated profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 January 2013	9,103	–	508,096	9,020	10,033	62,677	14,814	462	3,055	16,742	210,497	283,132	1,127,631	209,718	1,337,349
Profit for the year	–	–	–	–	–	–	–	–	–	–	–	49,633	49,633	29,685	79,318
Other comprehensive (expense) income for the year	–	–	–	–	–	–	–	(462)	30,554	(11,680)	–	–	18,412	10,335	28,747
Total comprehensive (expense) income for the year	–	–	–	–	–	–	–	(462)	30,554	(11,680)	–	49,633	68,045	40,020	108,065
Exercise of share options	66	–	4,477	–	–	–	–	–	–	–	(498)	–	4,045	–	4,045
Acquisition of subsidiaries (Note 43)	–	–	–	–	–	–	–	–	–	–	–	–	–	19,751	19,751
Recognition of equity-settled share-based payment expenses	–	–	–	–	–	–	–	–	–	–	9,876	–	9,876	–	9,876
Dividend paid to non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	–	–	(2,609)	(2,609)
Shares allotment of a subsidiary	–	–	–	–	–	–	(431)	–	–	–	–	–	(431)	17,431	17,000
At 31 December 2013	9,169	–	512,573	9,020	10,033	62,677	14,383	–	33,609	5,062	219,875	332,765	1,209,166	284,311	1,493,477
Profit for the year	–	–	–	–	–	–	–	–	–	–	–	84,612	84,612	(3,723)	80,889
Other comprehensive (expense) income for the year	–	–	–	–	–	–	–	–	–	(2,294)	–	–	(2,294)	(152)	(2,446)
Total comprehensive (expense) income for the year	–	–	–	–	–	–	–	–	–	(2,294)	–	84,612	82,318	(3,875)	78,443
Issue of bonus shares	36,678	–	–	–	–	–	–	–	–	–	–	(36,678)	–	–	–
Exercise of share options	665	–	42,162	–	–	–	–	–	–	–	(10,713)	–	32,114	–	32,114
Issue of shares upon share subscription															
– Ordinary shares	4,592	–	445,408	–	–	–	–	–	–	–	–	–	450,000	–	450,000
– Preference shares	–	3,750	446,250	–	–	–	–	–	–	–	–	–	450,000	–	450,000
Capital contribution by non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	–	–	8,480	8,480
Acquisition of a subsidiary (Note 43)	–	–	–	–	–	–	–	–	–	–	–	–	–	24,740	24,740
Disposal of a subsidiary	–	–	–	–	–	–	–	–	–	–	–	–	–	6	6
Transaction costs attributable to issue of shares	–	–	(20,770)	–	–	–	–	–	–	–	–	–	(20,770)	–	(20,770)
Dividend paid	–	–	–	–	–	–	–	–	–	–	–	(50,432)	(50,432)	(88,940)	(139,372)
Shares allotment of a subsidiary	–	–	–	–	–	–	(36,930)	–	–	–	–	–	(36,930)	119,930	83,000
At 31 December 2014	51,104	3,750	1,425,623	9,020	10,033	62,677	(22,547)	–	33,609	2,768	209,162	330,267	2,115,466	344,652	2,460,118

Notes:

(i) Capital redemption reserve arises from the reduction of the nominal value of the issued share capital of the Company upon the cancellation of the repurchased shares.

(ii) Capital reserve of the Group represents the difference between the nominal value of HK$350,000 of the ordinary shares issued by the Company and the nominal value of the share capital of approximately HK$10,383,000 of Town Health (BVI) Limited, a subsidiary acquired through an exchange of shares pursuant to the group reorganisation in April 2000.

(iii) Distributable reserve of the Group represents the amount arising from the reduction of share capital net of dividend paid.

(iv) The other reserves of the Group at the end of reporting period mainly represented:

(a) the difference between fair value of assets and liabilities of Million Worldwide Investment Limited and its subsidiaries (collectively referred to as "Million Worldwide Group") acquired by the Group and the fair value of consideration paid by the Group through the issue of enlarged interest in a subsidiary to the vendor of Million Worldwide Group to satisfy the settlement of the consideration, which formed the value of the non-controlling interests amounting to HK$14,814,000; and

(b) the difference between fair value of 17 shares of Asset Management International Limited (formerly known as Town Health Asset Management Limited) ("Asset Management"), a non-wholly owned subsidiary of the Group, allotted to non-controlling interests and the consideration received amounting to HK$431,000 in 2013.

(c) the difference between fair value of 208 shares of Asset Management allotted to non-controlling interests and the consideration received amounting to HK$36,930,000 in 2014.

Consolidated Statement of Cash Flows

For the year ended 31 December 2014

	2014 HK$'000	2013 HK$'000
OPERATING ACTIVITIES		
Profit before tax	**19,060**	83,037
Adjustments for:		
Interest income	**(19,143)**	(13,237)
Dividend income from unlisted investments classified as available-for-sale investments	**(2,332)**	(5,868)
Impairment loss on goodwill	**2,511**	134,489
Gain on remeasurement of an associate	**–**	(87,010)
(Gain) loss on dilution of interest(s) in associates/an associate	**(2,363)**	5,788
Translation reserve reclassified to profit or loss upon dilution of interest(s) in associates/an associate and deemed disposal of an associate	**(741)**	(12,182)
Depreciation of property, plant and equipment	**47,460**	37,637
Unrealised gain on fair value changes on held for trading investments	**(71,558)**	(140,173)
Loss on fair value change upon transfer of held for trading investments to interest in associate	**41,693**	–
(Reversal of) impairment loss recognised on loans receivable, net	**(27,000)**	30,000
Impairment loss recognised on trade receivables	**2,699**	640
Reversal of impairment loss on other receivables	**(22,835)**	–
Impairment loss recognised on available-for-sale investments	**4,782**	2,057
Loss on disposal of property, plant and equipment	**39**	1,004
Amortisation of intangible assets	**3,500**	167
Increase in fair value of investment properties	**(4,605)**	(54,734)
Share of results of associates	**(44,259)**	(159,929)
Share-based payment expenses	**–**	9,876
Finance costs	**7,586**	9,327
Gain on disposal of available-for-sale investments	**(14,826)**	–
Gain on disposal of subsidiaries	**(230)**	(1,659)
Gain on disposal of associates	**–**	(27,840)
(Reversal of) impairment loss recognised on amounts due from investees and associates	**(2,109)**	314
Decrease in fair value of loan notes	**(1,220)**	–
Impairment loss on interests in associates	**65,798**	–
Operating cash outflow before movements in working capital	**(18,093)**	(188,296)
Decrease (increase) in inventories	**603**	(125)
(Increase) decrease in trade and other receivables	**(18,688)**	16,771
(Decrease) increase in amount due to a related party	**(8)**	9
Decrease (increase) in held for trading investments	**247,523**	(206,612)
Increase in trade and other payables	**164,097**	2,989
Cash generated from (used in) operations	**375,434**	(375,264)
Income tax paid	**(4,204)**	(6,220)
NET CASH FROM (USED IN) OPERATING ACTIVITIES	**371,230**	(381,484)

Consolidated Statement of Cash Flows

For the year ended 31 December 2014

	NOTES	2014 HK$'000	2013 HK$'000
INVESTING ACTIVITIES			
Repayment of loans receivable		**256,671**	180,735
Proceeds from disposal of investment properties		**117,000**	265,733
Proceeds from disposal of available-for-sale investments		**37,088**	–
Interest received		**19,143**	13,237
Release of pledged bank deposits		**17,794**	62,157
Dividend received from associates		**13,202**	209,152
Proceeds from disposal of property, plant and equipment		**7,139**	526
Proceeds from disposal of subsidiaries	44	**5,879**	76,456
Dividend received from unlisted investments classified as available-for-sale investments		**2,332**	5,868
Repayment from (advance to) associates		**2,153**	(6,832)
Decrease in amounts due from investees		**436**	525
Acquisition of a subsidiary	43	**(406,479)**	(100,480)
Investments in associates		**(2,947)**	(299)
Advances of loans receivable		**(145,780)**	(318,679)
Purchase of property, plant and equipment		**(83,171)**	(8,732)
Purchase of available-for-sale investments		**(11,973)**	(11,661)
Deposits paid for acquisition of property, plant and equipment		**(6,555)**	–
Proceeds from disposal of associates		**–**	80,772
Acquisition of assets through acquisition of subsidiaries	42	**–**	(43,000)
Purchase of investment properties		**–**	(163,587)
NET CASH (USED IN) FROM INVESTING ACTIVITIES		**(178,068)**	241,891
FINANCING ACTIVITIES			
New bank borrowings raised		**11,503,779**	1,347,644
Proceeds from issue of ordinary shares		**450,000**	4,045
Proceeds from issue of preference shares		**450,000**	–
Proceeds from issue of loan notes		**115,000**	–
Proceeds from shares allotment of a subsidiary		**83,000**	17,000
Proceeds from exercise of share options		**32,114**	–
Repayment from non-controlling interests		**16,827**	1,408
Capital injections from non-controlling interests of subsidiaries		**8,480**	–
Repayment of bank borrowings		**(11,804,683)**	(1,194,447)
Dividend paid		**(139,372)**	(2,609)
Payment for transaction costs attributable to issue of new shares		**(20,770)**	–
Interest paid		**(4,739)**	(9,327)
Repayment from an investee		**–**	134
NET CASH FROM FINANCING ACTIVITIES		**689,636**	163,848
NET INCREASE IN CASH AND CASH EQUIVALENTS		**882,798**	24,255
CASH AND CASH EQUIVALENTS AT 1 JANUARY		**201,249**	176,332
EFFECT OF FOREIGN EXCHANGE RATES CHANGES		**(531)**	662
CASH AND CASH EQUIVALENTS AT 31 DECEMBER, representing bank balances and cash	46	**1,083,516**	201,249

1. GENERAL

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

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

The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information of the report.

Pursuant to a special resolution passed at a special general meeting of the Company held on 25 March 2014 and approved by the Registrar of Companies of Bermuda on 25 March 2014, the English name of the Company be changed from "Town Health International Investments Limited" to "Town Health International Medical Group Limited" and the Chinese name of the Company be changed from "康健國際投資有限公司" to "康健國際醫療集團有限公司".

The consolidated financial statements are presented in Hong Kong dollars, which is the same as the functional currency of the Company.

The Company is an investment holding company. The principal activities of its principal subsidiaries and associates are set out in notes 51 and 23 respectively.

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

Amendments to HKFRSs and the new Interpretation that are mandatorily effective for the current year

The Group has applied for the first time in the current year the following amendments to HKFRSs and a new Interpretation.

Amendments to HKFRS 10, HKFRS 12 and HKAS 27 Investment entities

The Group has applied the amendments to HKFRS 10, HKFRS 12 and HKAS 27 "Investment entities" for the first time in the current year. The amendments to HKFRS 10 define an investment entity and require a reporting entity that meets the definition of an investment entity not to consolidate its subsidiaries but instead to measure its subsidiaries at fair value through profit or loss in its consolidated and separate financial statements.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

Amendments to HKFRSs and the new Interpretation that are mandatorily effective for the current year *(Continued)*

Amendments to HKFRS 10, HKFRS 12 and HKAS 27 Investment entities (Continued)

To qualify as an investment entity, a reporting entity is required to:

- obtain funds from one or more investors for the purpose of providing them with investment management services;
- commit to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and
- measure and evaluate performance of substantially all of its investments on a fair value basis.

Consequential amendments have been made to HKFRS 12 and HKAS 27 to introduce new disclosure requirements for investment entities.

As the Company is not an investment entity (assessed based on the criteria set out in HKFRS 10 as at 1 January 2014), the application of the amendments has had no impact on the disclosures or the amounts recognised in the Group's consolidated financial statements.

Amendments to HKAS 32 Offsetting financial assets and financial liabilities

The Group has applied the amendments to HKAS 32 "Offsetting financial assets and financial liabilities" for the first time in the current year. The amendments to HKAS 32 clarify the requirements relating to the offset of financial assets and financial liabilities. Specifically, the amendments clarify the meaning of 'currently has a legally enforceable right of set-off' and 'simultaneous realisation and settlement'.

The amendments have been applied retrospectively. As the Group does not have any financial assets and financial liabilities that qualify for offset, the application of the amendments has had no impact on the disclosures or on the amounts recognised in the Group's consolidated financial statements.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

Amendments to HKFRSs and the new Interpretation that are mandatorily effective for the current year *(Continued)*

Amendments to HKAS 36 Recoverable amount disclosures for non-financial assets

The Group has applied the amendments to HKAS 36 "Recoverable amount disclosures for non-financial assets" for the first time in the current year. The amendments to HKAS 36 remove the requirement to disclose the recoverable amount of a cash-generating unit (CGU) to which goodwill or other intangible assets with indefinite useful lives had been allocated when there has been no impairment or reversal of impairment of the related CGU. Furthermore, the amendments introduce additional disclosure requirements applicable to when the recoverable amount of an asset or a CGU is measured at fair value less costs of disposal. These new disclosures include the fair value hierarchy, key assumptions and valuation techniques used which are in line with the disclosure required by HKFRS 13 "Fair value measurements".

The application of these amendments has had no material impact on the disclosures in the Group's consolidated financial statements.

Amendments to HKAS 39 Novation of derivatives and continuation of hedge accounting

The Group has applied the amendments to HKAS 39 "Novation of derivatives and continuation of hedge accounting" for the first time in the current year. The amendments to HKAS 39 provide relief from the requirement to discontinue hedge accounting when a derivative designated as a hedging instrument is novated under certain circumstances. The amendments also clarify that any change to the fair value of the derivative designated as a hedging instrument arising from the novation should be included in the assessment and measurement of hedge effectiveness.

The amendments have been applied retrospectively. As the Group does not have any derivatives that are subject to novation, the application of these amendments has had no impact on the disclosures or on the amounts recognised in the Group's consolidated financial statements.

HK(IFRIC) – INT 21 Levies

The Group has applied HK(IFRIC) – INT 21 "Levies" for the first time in the current year. HK(IFRIC) – INT 21 addresses the issue as to when to recognise a liability to pay a levy imposed by a government. The Interpretation defines a levy, and specifies that the obligating event that gives rise to the liability is the activity that triggers the payment of the levy, as identified by legislation. The Interpretation provides guidance on how different levy arrangements should be accounted for, in particular, it clarifies that neither economic compulsion nor the going concern basis of financial statements preparation implies that an entity has a present obligation to pay a levy that will be triggered by operating in a future period.

HK(IFRIC) – INT 21 has been applied retrospectively. The application of this Interpretation has had no material impact on the disclosures or on the amounts recognised in the Group's consolidated financial statements.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

Amendments to HKFRSs and the new Interpretation that are mandatorily effective for the current year *(Continued)*

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

HKFRS 9	Financial instruments[1]
HKFRS 15	Revenue from contracts with customers[2]
Amendments to HKFRS 11	Accounting for acquisitions of interests in joint operations[4]
Amendments to HKAS 1	Disclosure initiative[4]
Amendments to HKAS 16 and HKAS 38	Clarification of acceptable methods of depreciation and amortisation[4]
Amendments to HKAS 19	Defined benefit plans: Employee contributions[3]
Amendments to HKFRSs	Annual improvements to HKFRSs 2010-2012 cycle[5]
Amendments to HKFRSs	Annual improvements to HKFRSs 2011-2013 cycle[3]
Amendments to HKFRSs	Annual improvements to HKFRSs 2012-2014 cycle[4]
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer plants[4]
Amendments to HKAS 27	Equity method in separate financial statements[4]
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture[4]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment entities: Applying the consolidation exception[4]

1 Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.
2 Effective for annual periods beginning on or after 1 January 2017, with earlier application permitted.
3 Effective for annual periods beginning on or after 1 July 2014, with earlier application permitted.
4 Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.
5 Effective for annual periods beginning on or after 1 July 2014, with limited exceptions. Earlier application is permitted.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

HKFRS 9 Financial instruments

HKFRS 9 issued in 2009 introduced new requirements for the classification and measurement of financial assets. HKFRS 9 was subsequently amended in 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2013 to include the new requirements for general hedge accounting. Another revised version of HKFRS 9 was issued in 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments.

Key requirements of HKFRS 9 are described below:

- All recognised financial assets that are within the scope of HKAS 39 "Financial instruments: Recognition and measurement" are subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

HKFRS 9 Financial instruments *(Continued)*

- In relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

- The new general hedge accounting requirements retain the three types of hedge accounting. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The directors of the Company do not anticipate that the application of HKFRS 9 in the future may have a material impact on amounts reported in respect of the Group's financial assets and financial liabilities.

HKFRS 15 Revenue from contracts with customers

In July 2014, HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 "Revenue", HKAS 11 "Construction contracts" and the related Interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

HKFRS 15 Revenue from contracts with customers *(Continued)*

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

The directors of the Company anticipate that the application of HKFRS 15 in the future may have a material impact on the amounts reported and disclosures made in the Group's consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the Group performs a detailed review.

Amendments to HKAS 16 and HKAS 38 Clarification of acceptable methods of depreciation and amortisation

The amendments to HKAS 16 prohibit entities from using a revenue-based depreciation method for items of property, plant and equipment. The amendments to HKAS 38 introduce a rebuttable presumption that revenue is not an appropriate basis for amortisation of an intangible asset. This presumption can only be rebutted in the following two limited circumstances:

(a) when the intangible asset is expressed as a measure of revenue; or

(b) when it can be demonstrated that revenue and consumption of the economic benefits of the intangible asset are highly correlated.

The amendments apply prospectively for annual periods beginning on or after 1 January 2016. Currently, the Group uses the straight-line method for depreciation and amortisation for its property, plant and equipment, and intangible assets respectively. The directors of the Company believe that the straight-line method is the most appropriate method to reflect the consumption of economic benefits inherent in the respective assets and accordingly, the directors of the Company do not anticipate that the application of these amendments to HKAS 16 and HKAS 38 will have a material impact on the Group's consolidated financial statements.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

Amendments to HKFRS 10 and HKAS 28 Sale or contribution of assets between an investor and its associate or joint venture

Amendments to HKAS 28:

- The requirements on gains and losses resulting from transactions between an entity and its associate or joint venture have been amended to relate only to assets that do not constitute a business.

- A new requirement has been introduced that gains or losses from downstream transactions involving assets that constitute a business between an entity and its associate or joint venture must be recognised in full in the investor's financial statements.

- A requirement has been added that an entity needs to consider whether assets that are sold or contributed in separate transactions constitute a business and should be accounted for as a single transaction.

Amendments to HKFRS 10:

- An exception from the general requirement of full gain or loss recognition has been introduced into HKFRS 10 for the loss control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method.

- New guidance has been introduced requiring that gains or losses resulting from those transactions are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement at fair value of investments retained in any former subsidiary that has become an associate or a joint venture that is accounted for using the equity method are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

- The directors of the Company do not anticipate that the application of these amendments to HKFRS 10 and HKAS 28 will have a material impact on the Group's consolidated financial statements.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

Annual improvements to HKFRSs 2010 – 2012 cycle

The "Annual improvements to HKFRSs 2010 – 2012 cycle" include a number of amendments to various HKFRSs, which are summarised below.

The amendments to HKFRS 2 (i) change the definitions of 'vesting condition' and 'market condition'; and (ii) add definitions for 'performance condition' and 'service condition' which were previously included within the definition of 'vesting condition'. The amendments to HKFRS 2 are effective for share-based payment transactions for which the grant date is on or after 1 July 2014.

The amendments to HKFRS 3 clarify that contingent consideration that is classified as an asset or a liability should be measured at fair value at each reporting date, irrespective of whether the contingent consideration is a financial instrument within the scope of HKFRS 9 or HKAS 39 or a non-financial asset or liability. Changes in fair value (other than measurement period adjustments) should be recognised in profit and loss. The amendments to HKFRS 3 are effective for business combinations for which the acquisition date is on or after 1 July 2014.

The amendments to HKFRS 8 (i) require an entity to disclose the judgements made by management in applying the aggregation criteria to operating segments, including a description of the operating segments aggregated and the economic indicators assessed in determining whether the operating segments have 'similar economic characteristics'; and (ii) clarify that a reconciliation of the total of the reportable segments' assets to the entity's assets should only be provided if the segment assets are regularly provided to the chief operating decision-maker.

The amendments to the basis for conclusions of HKFRS 13 clarify that the issue of HKFRS 13 and consequential amendments to HKAS 39 and HKFRS 9 did not remove the ability to measure short- term receivables and payables with no stated interest rate at their invoice amounts without discounting, if the effect of discounting is immaterial. As the amendments do not contain any effective date, they are considered to be immediately effective.

The amendments to HKAS 16 and HKAS 38 remove perceived inconsistencies in the accounting for accumulated depreciation/amortisation when an item of property, plant and equipment or an intangible asset is revalued. The amended standards clarify that the gross carrying amount is adjusted in a manner consistent with the revaluation of the carrying amount of the asset and that accumulated depreciation/amortisation is the difference between the gross carrying amount and the carrying amount after taking into account accumulated impairment losses.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

Annual improvements to HKFRSs 2010 – 2012 cycle *(Continued)*

The amendments to HKAS 24 clarify that a management entity providing key management personnel services to a reporting entity is a related party of the reporting entity. Consequently, the reporting entity should disclose as related party transactions the amounts incurred for the service paid or payable to the management entity for the provision of key management personnel services. However, disclosure of the components of such compensation is not required.

The directors of the Company do not anticipate that the application of these amendments will have a material effect on the Group's consolidated financial statements.

Annual improvements to HKFRSs 2011 – 2013 cycle

The "Annual improvements to HKFRSs 2011 – 2013 cycle" include a number of amendments to various HKFRSs, which are summarised below.

The amendments to HKFRS 3 clarify that the standard does not apply to the accounting for the formation of all types of joint arrangement in the financial statements of the joint arrangement itself.

The amendments to HKFRS 13 clarify that the scope of the portfolio exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis includes all contracts that are within the scope of, and accounted for in accordance with, HKAS 39 or HKFRS 9, even if those contracts do not meet the definitions of financial assets or financial liabilities within HKAS 32.

The amendments to HKAS 40 clarify that HKAS 40 and HKFRS 3 are not mutually exclusive and application of both standards may be required. Consequently, an entity acquiring investment property must determine whether:

(a) the property meets the definition of investment property in terms of HKAS 40; and

(b) the transaction meets the definition of a business combination under HKFRS 3.

The directors of the Company do not anticipate that the application of these amendments will have a material effect on the Group's consolidated financial statements.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

Annual improvements to HKFRSs 2012 – 2014 cycle

The "Annual improvements to HKFRSs 2012 – 2014 cycle" include a number of amendments to various HKFRSs, which are summarised below.

The amendments to HKFRS 5 introduce specific guidance in HKFRS 5 for when an entity reclassifies an asset (or disposal group) from held for sale to held for distribution to owners (or vice versa), or when held-for-distribution accounting is discontinued. The amendments apply prospectively.

The amendments to HKFRS 7 provide additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset for the purpose of the disclosures required in relation to transferred assets and clarify that the offsetting disclosures (introduced in the amendments to HKFRS 7 Disclosure – Offsetting Financial Assets and Financial Liabilities issued in December 2011 and effective for periods beginning on or after 1 January 2013) are not explicitly required for all interim periods. However, the disclosures may need to be included in condensed interim financial statements to comply with HKAS 34 Interim Financial Reporting.

The amendments to HKAS 19 clarify that the high quality corporate bonds used to estimate the discount rate for post-employment benefits should be issued in the same currency as the benefits to be paid. These amendments would result in the depth of the market for high quality corporate bonds being assessed at currency level. The amendments apply from the beginning of the earliest comparative period presented in the financial statements in which the amendments are first applied. Any initial adjustment arising should be recognised in retained earnings at the beginning of that period.

The amendments to HKAS 34 clarify the requirements relating to information required by HKAS 34 that is presented elsewhere within the interim financial report but outside the interim financial statements. The amendments require that such information be incorporated by way of a cross-reference from the interim financial statements to the other part of the interim financial report that is available to users on the same terms and at the same time as the interim financial statements.

The directors of the Company do not anticipate that the application of these will have a material effect on the Group's consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and by the Hong Kong Companies Ordinance.

Basis of preparation

The 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 explained in accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2, leasing transactions that are within the scope of HKAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 or value in use in HKAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Basis of consolidation *(Continued)*

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39, when applicable, the cost on initial recognition of an investment in an associate.

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combinations *(Continued)*

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 "Income taxes" and HKAS 19 "Employee benefits" respectively;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 "Share-based payment" at the acquisition date (see the accounting policy below); and

- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 "Non-current assets held for sale and discontinued operations" are measured in accordance with that standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value or, when applicable on the basis specified in another HKFRS.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combinations *(Continued)*

Acquisition of subsidiaries which are not businesses

The cost of the acquisition is allocated to the individual identifiable assets and liabilities on the basis of their relative fair values at the date of acquisition. No goodwill or discount on acquisition is recognised upon the acquisition of interest in a subsidiary.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of business (see the accounting policy above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually or more frequently whenever there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro rata basis based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal.

The Group's policy for goodwill arising on the acquisition of an associate is described below.

Investments in associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise in the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate exceeds the Group's interest in that associate, the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments in associates *(Continued)*

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 "Impairment of assets" as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate. When the Group retains an interest in the former associate and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with HKAS 39. The difference between the carrying amount of the associate at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

When the Group reduces its ownership interest in an associate but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with an associate of the Group, profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the asset (or disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such asset (or disposal group) and its sale is highly probable. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold and services provided in the normal course of business, net of discounts and sales related taxes.

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Medical and dental consultation income is recognised when the related services are rendered.

Management and administrative service fee income in relation to provision of healthcare services is recognised when services are provided.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition *(Continued)*

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established (provided that it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably).

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Rental income is recognised on a straight-line basis over the period of the respective leases.

Property, plant and equipment

Property, plant and equipment including leasehold land (classified as finance lease) and buildings held for use in the production or supply of goods or services, or for administrative purposes are stated in the consolidated statement of financial position at cost, less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of property, plant and equipment less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

If an item of property, plant and equipment becomes an investment property because its use has changed as evidenced by end of owner-occupation, any difference between the carrying amount and the fair value of that item at the date of transfer is recognised in other comprehensive income and accumulated in property revaluation reserve. On the subsequent sale or retirement of the asset, the relevant revaluation reserve will be transferred directly to accumulated profits.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation. Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at fair value. All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are accounted for as investment properties and are measured using the fair value model. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the year in which they arise.

If an item of investment properties is transferred to owner-occupied property, the deemed cost of a property is its fair value at the date of change in use.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use or no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the property is derecognised.

Intangible assets

Intangible assets acquired in a business combination and recognised separately from goodwill are initially recognised at their fair values at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination with finite useful lives are reported at cost less accumulated amortisation and accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period. Intangible assets with indefinite useful lives that are carried at cost less any subsequent accumulated impairment losses.

Investment properties classified as held for sale is measured at fair value.

Borrowing costs

Borrowing costs are recognised in profit or loss in the period in which they are incurred.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment losses on tangible and intangible assets other than goodwill

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives are tested for impairment annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on first-in-first-out method. Net realisable value represents the estimated selling price for inventories less all estimated costs necessary to make the sale.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income is recognised on a straight-line basis over the term of the respective lease.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis except for those that are classified and accounted for as investment properties under the fair value model. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

Retirement benefit costs

Payments to state-managed retirement benefit scheme and the Mandatory Provident Fund Scheme are recognised as an expense when employees have rendered service entitling them to the contributions.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's operations in other parts of the People's Republic of China ("PRC") are translated into the presentation currency of the Group (i.e. Hong Kong dollars) using exchange rate prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve.

In relation to dilution of interest in an associate and deemed disposal of an associate that do not result in the Group losing significant influence, the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax as reported in the consolidated statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profit will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from initial recognition of goodwill.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation *(Continued)*

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax liabilities or deferred tax assets for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

Current and deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax is also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

Financial assets are classified into the following specified categories: financial assets at fair value through profit or loss ("FVTPL"), available-for-sale financial assets and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

Financial assets at FVTPL

Financial assets at FVTPL represents financial assets held for trading.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets (Continued)

Financial assets at FVTPL *(Continued)*

Financial assets at FVTPL are measured at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss exclude any dividend or interest earned on the financial assets and is included in the "other gains and losses" line item. Fair value is determined in the manner described in note 6c.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated as available-for-sale or are not classified as loans and receivables, held-to-maturity investments or financial assets at FVTPL.

Equity instruments held by the Group that are classified as available-for-sale investments and are traded in an active market are measured at fair value at the end of each reporting period. Changes in the carrying amount of available-for-sale financial assets are recognised in other comprehensive income and accumulated under the heading of investment revaluation reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss (see the accounting policy in respect of impairment loss on financial assets below).

Dividends on available-for-sale equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established.

Available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, they are measured at cost less any identified impairment losses at the end of the reporting period (see accounting policy on impairment of financial assets below).

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including loans receivable, trade and other receivables, amount(s) due from associates/investees/a non-controlling interest, pledged bank deposits and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment of financial assets below).

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of the reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets (Continued)

Impairment of financial assets *(Continued)*

For available-for-sale equity investments, a significant or prolonged define in the fair value of that investment below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or

- breach of contract, such as default or delinquency in interest or principal payments; or

- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, observable changes in local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables and amounts due from associates/investees,, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable, or amounts due from associates/investees is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets (Continued)

Impairment of financial assets *(Continued)*

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Impairment losses on available-for-sale investments previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to impairment loss is recognised directly in other comprehensive income and accumulated under the heading of investment revaluation reserve.

Financial liabilities and equity instruments

Debt classification as debt or equity and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the group entities are recognised at the proceed received, net of direct issue costs.

Financial liabilities

Financial liabilities (including trade and other payables, amount(s) due to associates/an investee/non-controlling interests/a related party, bank borrowings and loan notes) are subsequently measured at amortised cost, using the effective interest method.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition. Interest expense is recognised on an effective interest basis.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Derivative financial instruments

Derivatives are initially recognised at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately.

Embedded derivatives

Derivatives embedded in non-derivative host contracts are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at FVTPL.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Equity-settled share-based payment transactions

Share-based payment transactions of the Company

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in note 41.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Equity-settled share-based payment transactions *(Continued)*

Share-based payment transactions of the Company *(Continued)*

At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share options reserve.

For share options that vest immediately at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss.

When share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to accumulated profits.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgments in applying accounting policy

The followings are the critical judgments, apart from those involving estimations, that the directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Remeasurement of an associate

The fair value of the previously held interest of 40% in an associate was determined by reference to the cash consideration paid by the Group for the further acquisition of 40% equity interest in an associate less an adjustment factor of 30% to take into account of the control premium paid for the further acquisition of 40%. The carrying amount of the previously held interest of 40% classified as interest in associate, was zero, as the associate was fully impaired in prior years. Accordingly, a gain on remeasurement of the previously held interest in an associate arose.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

Critical judgments in applying accounting policy *(Continued)*

Deferred taxation on investment properties

For the purposes of measuring deferred tax liabilities or deferred tax assets arising from investment properties that are measured using the fair value model, the directors have reviewed the Group's investment property portfolios and concluded that the Group's investment properties are not held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time. Therefore, in measuring the Group's deferred taxation on investment properties, the directors have determined that the presumption that the carrying amounts of investment properties measured using the fair value model are recovered entirely through sale is not rebutted. As a result, the Group has not recognised any deferred taxes on changes in fair value of investment properties as the Group is not subject to any income taxes on disposal of its investment properties.

Key sources of estimation uncertainty

The followings are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Impairment of associates

Management regularly reviews the recoverable amount of the associates (including its goodwill). Determining whether impairment is required involves the estimation of the value in use and fair value of the associates to which exceed the carrying amount of the associates. The value in use calculation requires the Group to estimate cash flows in the coming five years and cash flows beyond 5 years are extrapolated by assuming no growth rate and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 December 2014, the carrying amount of associates net of accumulated impairment loss of HK$35,096,000 amounted to HK$251,580,000 (2013: carrying amount of associates net of accumulated impairment loss of HK$1,711,000, amounted to HK$116,658,000).

Impairment of goodwill and intangible assets

Determining whether goodwill and intangible assets are impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating units and a suitable discount rate in order to calculate the present value. When the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 December 2014, the carrying amount of goodwill and intangible assets are HK$200,202,000 and HK$236,099,000 (net of accumulated impairment loss of goodwill and intangible assets amounting to HK$207,108,000 and HK$nil) (2013: carrying amount of goodwill and intangible assets are HK$15,121,000 and HK$nil, net of accumulated impairment loss of goodwill and intangible assets amounting to HK$207,295,000 and HK$nil).

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

Key sources of estimation uncertainty *(Continued)*

Impairment loss on loans receivable

Management regularly reviews the recoverability of the loans receivable. Appropriate impairment for estimated irrecoverable amount is recognised in profit and loss when there is objective evidence that the amount is not recoverable.

In determining whether allowance for bad and doubtful debts is required, the Group takes into consideration the aged status and likelihood of collection. Specific allowance is only made for the loans receivable that are unlikely to be collected and is recognised on the difference between the carrying amount of loans receivable and the present value of estimated future cash flow discounted using the original effective interest rate. Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 December 2014, the carrying amount of loans receivable net of accumulated impairment loss of HK$6,559,000, amounted to HK$51,777,000 (2013: carrying amount of loans receivable net of accumulated impairment loss of HK$33,559,000, amounted to HK$135,668,000).

Impairment loss on trade receivables

The policy for allowance for bad or doubtful debts of the Group is based on the evaluation of collectability of amounts based on management's estimate. In determining whether impairment is required, the Group takes into consideration the likelihood of collection of debts on an individual basis as well as on a collective basis, including the Group's past experience of collecting payments. Specific allowance is only made for receivables that are unlikely to be collected and is recognised on the difference between the estimated future cash flow expected to receive discounted using the original interest rate and the carrying value. As at 31 December 2014, the carrying amount of trade receivables net of allowance for doubtful debts HK$2,197,000, amounted to HK$65,912,000 (2013: carrying amount of trade receivables net of allowance for doubtful debts HK$2,071,000, amounted to HK$16,348,000).

Impairment loss on available-for-sale investments

Determining whether the unlisted securities classified as available-for-sale investments are impaired requires an estimation of the carrying amount of the unlisted securities. The impairment of unlisted securities classified as available-for-sale investments as at 31 December 2014 was approximately HK$4,782,000 (2013: HK$2,057,000) in relation to unlisted securities during the year. The carrying amount of the available-for-sale investments may be adjusted to reflect the revised estimated cash flows when the Group reviews recoverable amount of the available-for-sale investments.

5. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of borrowings and equity attributable to owners of the Company (comprising issued share capital, share premium, reserves and accumulated profits).

The directors of the Company review the capital structure regularly. As part of this review, the directors consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debts or the redemption of existing debts.

6. FINANCIAL INSTRUMENTS

6a. Categories of financial instruments

	2014 HK$'000	2013 HK$'000
Financial assets		
Held for trading investments	**278,027**	660,920
Available-for-sale investments	**43,596**	58,417
Loans and receivables (including cash and cash equivalents)	**1,252,953**	390,382
Financial liabilities		
Amortised cost	**270,700**	412,782

6. FINANCIAL INSTRUMENTS *(Continued)*

6b. Financial risk management objectives and policies

The Group's Corporate Treasury function provides services to the business units, co-ordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Group through internal risk reports which analyse exposures by degree and magnitude of risks. These risks include market risk (including interest rate risk and other price risk), credit risk and liquidity risk.

There has been no change to the types of the Group's exposure in respect of financial instruments or the manner in which it manages and measures the risks.

Market risk

There has been no change to the Group's exposure to market risks or the manner in which it manages and measures the risks.

(i) Interest rate risk management

The Group's fair value interest rate risk relates primarily to the loans receivable and loan notes. The Group currently does not have any interest rate hedging policy. The Group monitors the interest rate risk exposure closely and may consider to enter any hedging activities if the need arises.

The Group's cash flow interest rate risk relates primarily to variable-rate bank balances, pledged bank deposits and bank borrowings (see note 36 for details of these borrowings). It is the Group's policy to keep its borrowings at floating rate of interests so as to minimise the fair value interest rate risk.

The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of Hong Kong Interbank Offer Rate ("HIBOR") arising from the Group's Hong Kong dollars denominated borrowings.

Interest rates sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for variable-rate bank borrowings at the end of the reporting period. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. A 50 basis points (2013: 50 basis points) increase or decrease in HIBOR is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points (2013: 50 basis points) higher/lower and all other variables were held constant, the Group's post-tax profit for the year ended 31 December 2014 would decrease/increase by HK$263,000 (2013: decrease/increase by HK$1,519,000). This is mainly attributable to the Group's exposure to interest rates on its variable-rate bank borrowings.

6. FINANCIAL INSTRUMENTS *(Continued)*

6b. Financial risk management objectives and policies *(Continued)*

Market risk (Continued)

(ii) Other price risks

The Group is exposed to equity price risk through its investments in listed equity securities classified as either available-for-sale investments or held for trading investments. The Group's equity price risk is mainly concentrated on listed equity instruments quoted in the Stock Exchange. The management manages this exposure by delegating a team to monitor the market price of each investment closely and report to management on any material fluctuation regularly.

Equity price sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to equity price risks on quoted equity instruments at the end of reporting period.

If equity prices had been 10% (2013: 10%) higher/lower:

– post-tax profit for the year ended 31 December 2014 would increase/decrease by approximately HK$27,803,000 (2013: increase/decrease by approximately HK$62,939,000). This is mainly due to changes in fair value of held for trading investments;

– investment revaluation reserve for the year ended 31 December 2013 would increase/decrease by HK$284,000 for the Group as a result of the changes in fair value of available-for-sale investments.

Credit risk management

As at 31 December 2014, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt and loans receivable at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

6. FINANCIAL INSTRUMENTS *(Continued)*

6b. Financial risk management objectives and policies *(Continued)*

Credit risk management (Continued)

The Group's concentration of credit risk related to trade receivables by geographical locations is mainly in Hong Kong as at 31 December 2014 and 2013.

The Group has concentration of credit risk by customer as 44% (2013: 74%) and 14% (2013: 42%) of the total trade receivables were due from the Group's five largest customers and the largest customer respectively. The Group's five largest customers are medical service companies with good reputation.

As at 31 December 2014, the Group also has concentration of credit risk on aggregate loans receivable due from four individuals amounting to HK$45,039,000 and one employee amounting to HK$2,846,000 (2013: five individuals amounting to HK$118,525,000). The Group's five largest loans receivable due from the individuals and employees mentioned above have good credit and/or repayment history. An internal credit assessment process assesses the potential borrower's credit quality and defines credit limits by borrower.

The credit risk on liquid funds is limited because the counterparties are banks with good reputation.

The Group has concentration risk on its held for trading investments which mainly represent investment in an equity security listed on the Stock Exchange. As at 31 December 2014, the Group has concentration risk by investment in Finsoft Corporation (2013: Convoy Financial Services Holdings Limited), as it represents 43% (2013: 18%) of the total held for trading investments.

The management manages and monitors these exposures by monitoring the share price quoted in the Stock Exchange to ensure appropriate measures are implemented on a timely and effective manner.

Liquidity risk management

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank borrowings and ensures compliance with loan covenants.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. Specifically, bank borrowings with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates.

6. FINANCIAL INSTRUMENTS *(Continued)*

6b. Financial risk management objectives and policies *(Continued)*

Liquidity risk management (Continued)

The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curve at the end of the reporting period.

Liquidity and interest risk tables

	Weighted average effective interest rate	On demand or less than 1 month HK$'000	1 – 3 months HK$'000	3 months to 1 year HK$'000	1 – 5 years HK$'000	Over 5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31.12.2014 HK$'000
31 December 2014								
Non-derivative financial liabilities								
Trade and other payables	–	–	68,814	–	–	–	68,814	68,814
Amounts due to non-controlling interests	–	22,361	–	–	–	–	22,361	22,361
Amounts due to associates	–	73	–	–	–	–	73	73
Amount due to a related party	–	6	–	–	–	–	6	6
Variable rate bank borrowings	2.47%	62,913	–	–	–	–	62,913	62,913
Loan notes	10%	–	–	8,050	32,200	131,100	171,350	116,533
		85,353	68,814	8,050	32,200	131,100	325,517	270,700

6. FINANCIAL INSTRUMENTS *(Continued)*

6b. Financial risk management objectives and policies *(Continued)*

Liquidity risk management (Continued)

Liquidity and interest risk tables *(Continued)*

	Weighted average effective interest rate	On demand or less than 1 month HK$'000	1 – 3 months HK$'000	3 months to 1 year HK$'000	1 – 5 years HK$'000	Over 5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31.12.2013 HK$'000
31 December 2013								
Non-derivative financial liabilities								
Trade and other payables	–	–	36,593	–	–	–	36,593	36,593
Amounts due to non-controlling interests	–	11,834	–	–	–	–	11,834	11,834
Amount due to an investee	–	557	–	–	–	–	557	557
Amount due to an associate	–	12	–	–	–	–	12	12
Amount due to a related party	–	14	–	–	–	–	14	14
Variable rate bank borrowings	2.48%	363,772	–	–	–	–	363,772	363,772
		376,189	36,593	–	–	–	412,782	412,782

Bank borrowings with a repayment on demand clause are included in the "on demand" time band in the above maturity analysis. As at 31 December 2014, the aggregate undiscounted principal amounts of these bank borrowings amounted to HK$62,913,000 (2013: HK$363,772,000). Taking into account the Group's financial position, the directors do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The directors believe that such bank borrowings will be repaid within 3 months to 18 years (2013: within 3 months) after the reporting date in accordance with the scheduled repayment dates set out in the loan agreements. At that time, the aggregate principal and interest cash outflows will amount to HK$68,475,000 (2013: HK$366,027,000).

6. FINANCIAL INSTRUMENTS *(Continued)*

6c. Fair value measurements of financial instruments

This note provides information about how the Group determines fair value of various financial assets and financial liabilities.

Some of the Group's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique and inputs used).

Financial assets	Fair value as at 31 December 2014	Fair value as at 31 December 2013	Fair value hierarchy	Valuation technique and key input
1. Held for trading investments	Listed equity securities in Hong Kong – HK$278,027,000	Listed equity securities in Hong Kong – HK$629,387,000	Level 1	Quoted bid prices in an active market.
2. Held for trading investments	Unlisted equity fund in Hong Kong – HK$nil	Unlisted equity fund in Hong Kong – HK$31,533,000	Level 2	Derived from quoted bid prices in an active market.
3. Listed available-for-sale investments	Listed equity securities in Hong Kong – HK$nil	Listed equity securities in Hong Kong – HK$2,838,000	Level 1	Quoted bid prices in an active market.
4. Unlisted fund classified as available-for-sale investments	Unlisted equity fund in Hong Kong – HK$8,479,000	Unlisted equity fund in Hong Kong – HK$8,467,000	Level 2	Derived from quoted bid prices in an active market.

There were no transfers between Levels 1 and 2 during the year.

7. REVENUE

Revenue represents the aggregate of the net amounts received and receivable from third parties for the year. An analysis of the Group's revenue for the year is as follows:

	2014 **HK$'000**	2013 HK$'000
Provision of healthcare and dental services (Note)	**330,351**	312,206
Provision of health check and laboratory services	**57,171**	14,286
Managed care business	**87,874**	–
Property rental income	**19,183**	28,061
	494,579	354,553

Note: It mainly represents the revenue from healthcare services.

8. SEGMENT INFORMATION

Information reported to the chief operating decision maker, the Chief Executive Officer ("CEO"), for the purposes of resources allocation and assessment of segment performance focuses on different types of major businesses. This is also the basis upon which the Group is organised and managed. No operating segments identified by the CEO have been aggregated in arriving at the reportable segments of the Group. Specifically, the Group's operating and reportable segments under HKFRS 8 are as follows:

- Provision of healthcare and dental services – Operations of the medical and dental practices and trading of healthcare products
- Provision of health check and laboratory services – Operations of health check and laboratory centres
- Managed care business – Operations of managed care centres and networks
- Investments in securities and properties – Trading of listed securities and leasing of properties

No segment information of assets and liabilities is provided to the CEO for the assessment of performance of different segments. Accordingly, no segment assets and liabilities information is presented. Prior year corresponding segment information that is presented for comparative purposes has been re-presented to conform the changes adopted in the current year.

8. SEGMENT INFORMATION *(Continued)*

Segment revenues and results

For the year ended 31 December 2014

	Provision of healthcare and dental services HK$'000	Provision of health check and laboratory services HK$'000	Managed care business HK$'000	Investments in securities and properties HK$'000	Elimination HK$'000	Total HK$'000
Revenue						
External sales	330,351	57,171	87,874	19,183	–	494,579
Inter-segment sales	1,446	–	–	6,028	(7,474)	–
	331,797	57,171	87,874	25,211	(7,474)	494,579
Segment results	29,898	14,161	9,920	31,934	–	85,913
Other income						29,451
Finance costs						(7,586)
Gain on disposal of subsidiaries						230
Gain on dilution of interests in associates						2,363
Share of results of associates						39,257
Other gains and losses						(39,510)
Unallocated corporate expenses						(91,058)
Profit before tax						19,060

8. SEGMENT INFORMATION *(Continued)*

Segment revenues and results *(Continued)*

For the year ended 31 December 2013

	Provision of healthcare and dental services HK$'000	Provision of health check and laboratory services HK$'000	Managed care business HK$'000	Investments in securities and properties HK$'000	Elimination HK$'000	Total HK$'000
Revenue						
External sales	312,206	14,286	–	28,061	–	354,553
Inter-segment sales	–	–	–	7,073	(7,073)	–
	312,206	14,286	–	35,134	(7,073)	354,553
Segment results	24,026	(45,339)	–	24,131	–	2,818
Other income						18,373
Finance costs						(9,327)
Share-based payment expenses						(9,876)
Gain on disposal of associates						27,004
Loss on dilution of interest in an associate						(5,788)
Share of results of associates						155,914
Other gains and losses						(20,189)
Unallocated corporate expenses						(75,892)
Profit before tax						83,037

The accounting policies of the reporting segments are the same as the Group's accounting policies described in note 3. Segment profit (loss) represents the profit (loss) earned or generated by each segment without allocation of central administration costs, directors' salaries, share of results of associates, other income, other gains and losses, gain on disposal of associates, gain (loss) on dilution of interest(s) in associates/an associate, gain on disposal of subsidiaries, share-based payment expenses and finance costs. This is the measure reported to the CEO for the purposes of resources allocation and performance assessment.

8. SEGMENT INFORMATION *(Continued)*

Other segment information

For the year ended 31 December 2014

	Provision of healthcare and dental services HK$'000	Provision of health check and laboratory services HK$'000	Managed care business HK$'000	Investments in securities and properties HK$'000	Total for segments HK$'000	Unallocated HK$'000	Total HK$'000
Amounts included in the measure of segment profit or loss:							
Depreciation of property, plant and equipment	3,989	18,212	296	24,418	46,915	545	47,460
Amortisation of intangible assets	–	–	3,500	–	3,500	–	3,500
Reversal of impairment loss recognised on loans receivable	–	–	–	–	–	27,000	27,000
Impairment loss recognised on trade receivables	2,674	–	25	–	2,699	–	2,699
Reversal of impairment loss recognised on other receivables	–	22,835	–	–	22,835	–	22,835
Increase in fair value of investment properties	–	–	–	4,605	4,605	–	4,605
Gain on fair value changes on held for trading investments	–	–	–	19,893	19,893	–	19,893
Loss (gain) on disposal of property, plant and equipment	–	–	–	59	59	(20)	39
Amounts included in the information regularly provided to the CEO:							
Additions to property, plant and equipment	4,850	13,646	2,482	62,801	83,779	1,117	84,896

8. SEGMENT INFORMATION *(Continued)*

Other segment information *(Continued)*

For the year ended 31 December 2013

	Provision of healthcare and dental services HK$'000	Provision of health check and laboratory services HK$'000	Managed care business HK$'000	Investments in securities and properties HK$'000	Total for segments HK$'000	Unallocated HK$'000	Total HK$'000
Amounts included in the measure of segment profit or loss:							
Depreciation of property, plant and equipment	4,122	4,140	–	28,861	37,123	514	37,637
Amortisation of intangible assets	167	–	–	–	167	–	167
Impairment loss recognised on loans receivable	–	–	–	–	–	30,000	30,000
Impairment loss recognised on trade receivables	640	–	–	–	640	–	640
Increase in fair value of investment properties	–	–	–	54,734	54,734	–	54,734
Loss on fair value changes on held for trading investments	–	–	–	51,891	51,891	–	51,891
Loss on disposal of property, plant and equipment	1,004	–	–	–	1,004	–	1,004
Amounts included in the information regularly provided to the CEO:							
Additions/transfers to property, plant and equipment	4,574	71,135	–	1,163	76,872	1,736	78,608
Additions to investment properties	–	–	–	163,587	163,587	–	163,587

8. SEGMENT INFORMATION *(Continued)*

Geographical information

Majority of the Group's operations are located in Hong Kong. All provision of healthcare and dental services and managed care operations are carried out in Hong Kong. The Group's revenue from external customers based on locations of customers are mainly derived from Hong Kong. The Group's non-current assets, excluding financial instruments and the Group's associates, are all located in Hong Kong. The location of operations of associates with carrying amount of HK$78,830,000 as at the end of the reporting period (2013: HK$67,618,000) is in the PRC whilst that of the remaining associates is in Hong Kong.

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

9. OTHER INCOME

	2014 HK$'000	2013 HK$'000
Interest income from:		
– bank deposits	**730**	1,131
– loans receivable	**18,413**	12,106
	19,143	13,237
Dividend income from listed investments classified as held for trading investments	**5,985**	30,165
Dividend income from unlisted investments classified as available-for-sale investments	**2,332**	5,868
Rental income	**2,003**	2,029
Sundry income	**8,305**	3,107
	37,768	54,406

10. OTHER GAINS AND LOSSES

	2014 HK$'000	2013 HK$'000
Gain (loss) on fair value changes on held for trading investments (Note)	19,893	(51,891)
Fair value changes of loan notes	1,220	–
Gain on remeasurement of an associate (note 43)	–	87,010
Translation reserve reclassified to profit or loss upon dilution of interest(s) in associates/an associate and deemed disposal of an associate	741	12,182
Reversal of (impairment loss) recognised in respect of:		
– goodwill (note 21)	(2,511)	(134,489)
– trade receivables	(2,699)	(640)
– other receivables	22,835	–
– loans receivable	27,000	(30,000)
– available-for-sale investments (note 24)	(4,782)	(2,057)
– amounts due from associates	768	–
– amounts due from investees	1,341	(314)
– interests in associates (note 23)	(65,798)	–
Gain on disposal of available-for-sale investments	14,826	–
	12,834	(120,199)

Note: It consists of net unrealised gain on fair value changes of HK$71,558,000 (2013: net unrealised gain on fair value changes of HK$140,173,000), net realised loss on fair value changes of HK$9,972,000 (2013: net realised loss on fair value changes of HK$192,064,000) and loss on fair value change upon transfer of held for trading investments to interest in associate of HK$41,693,000.

The net unrealised gain and net realised gain are mainly contributed by the investment in equity shares of Finsoft Corporation (a company with its shares listed on the Stock Exchange) of HK$100,534,000 and HK$43,575,000, respectively (2013: DX.com Holdings Limited (a company with its shares listed on the Stock Exchange, formerly named as ePRO Limited) with net unrealised gain and net realised loss of HK$148,071,000 and HK$203,817,000, respectively).

11. FINANCE COSTS

	2014 HK$'000	2013 HK$'000
Interest on bank borrowings		
– wholly repayable within five years	4,738	9,327
– not wholly repayable within five years	94	–
Effective interest expense on loan notes	2,754	–
	7,586	9,327

12. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

During the year, no emoluments were paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office.

Details of emoluments of individual executive and non-executive and independent non-executive directors are set out as below:

For the year ended 31 December 2014

	Fees HK$'000	Salaries and other benefits HK$'000	Performance bonus HK$'000	Share-based payment expenses HK$'000	Retirement benefits scheme contributions HK$'000	Total emoluments HK$'000
Executive directors						
Miss Choi Ka Yee, Crystal	–	720	60	–	17	797
Dr. Cho Kwai Chee	–	12,480	3,540	–	17	16,037
Mr. Lee Chik Yuet	–	2,457	205	–	17	2,679
Dr. Chan Wing Lok, Brian	–	624	190	–	17	831
Dr. Hui Ka Wah, Ronnie, *JP* (appointed on 3 June 2014)	–	1,750	–	–	9	1,759
Mr. Wong Seung Ming (appointed on 22 July 2014)	–	1,292	108	–	17	1,417
	–	19,323	4,103	–	94	23,520
Non-executive director						
Dr. Choi Chee Ming, *GBS, JP*	–	–	–	–	–	–
Independent non-executive directors						
Mr. Chan Kam Chiu	80	–	–	–	–	80
Mr. Wai Kwok Hung, *SBS, JP*	100	–	–	–	–	100
Mr. Ho Kwok Wah, George	110	–	–	–	–	110
Mr. Wong Tat Tung, *MH* (appointed on 30 December 2014)	–	–	–	–	–	–
	290	–	–	–	–	290
Total	290	19,323	4,103	–	94	23,810

12. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS *(Continued)*

For the year ended 31 December 2013

	Fees HK$'000	Salaries and other benefits HK$'000	Performance bonus HK$'000	Share-based payment expenses HK$'000	Retirement benefits scheme contributions HK$'000	Total emoluments HK$'000
Executive directors						
Miss Choi Ka Yee, Crystal	–	693	58	–	15	766
Dr. Cho Kwai Chee	–	5,205	13,000	–	15	18,220
Mr. Lee Chik Yuet	–	1,860	893	–	15	2,768
Dr. Chan Wing Lok, Brian	–	624	236	–	15	875
	–	8,382	14,187	–	60	22,629
Non-executive director						
Dr. Choi Chee Ming, *GBS, JP*	–	–	–	–	–	–
Independent non-executive directors						
Mr. Chan Kam Chiu	58	–	–	–	–	58
Mr. Wai Kwok Hung, *SBS, JP*	72	–	–	–	–	72
Mr. Ho Kwok Wah, George	96	–	–	–	–	96
	226	–	–	–	–	226
Total	226	8,382	14,187	–	60	22,855

The performance related incentive payment is determined with reference to the Group's performance for the relevant year.

On 22 July 2014, Dr. Hui Ka Wah, Ronnie, *JP*, was appointed as CEO of the Company and Dr. Cho Kwai Chee resigned from CEO of the Company on that date. The emoluments disclosed above include those for services rendered by Dr. Hui Ka Wah, Ronnie, *JP* and Dr. Cho Kwai Chee as CEO of the Company.

13. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, one (2013: one) of them is executive director of the Company whose emolument is included in note 12 above. The emoluments of the remaining four (2013: four) individuals were as follows:

	2014 HK$'000	2013 HK$'000
Salaries and other allowances	**12,580**	11,027
Performance bonus (Note)	**3,645**	8,377
Retirement benefits scheme contributions	**64**	45
	16,289	19,449

Their emoluments were within the following band:

	2014 Number of employees	2013 Number of employees
HK$2,500,001 – HK$3,000,000	**1**	–
HK$3,500,001 – HK$4,000,000	**1**	–
HK$4,000,001 – HK$4,500,000	**1**	2
HK$5,000,001 – HK$5,500,000	**1**	1
HK$5,500,001 – HK$6,000,000	**–**	1
	4	4

During the year, no emoluments were paid by the Group to the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

Note: Pursuant to the service agreement entered into between each of the medical/dental practitioners and the Group, the practitioners are entitled to a fixed salary and a cash performance bonus of such amount representing a certain percentage of the monthly net profit (or, as the case may be, the monthly turnover) generated by the medical or dental practices at which he/she provides his/her services. The percentage is determined with reference to the qualification and experience of the practitioners, as well as the profitability of the medical centres at which the practitioners are practicing.

14. INCOME TAX (CREDIT) EXPENSES

	2014 HK$'000	2013 HK$'000
Tax charge comprises:		
Current tax		
– Hong Kong Profits Tax	8,967	3,695
– Overprovision in prior years (Note)	(69,104)	(144)
	(60,137)	3,551
Deferred tax (note 38)		
– Current year	(1,692)	168
	(61,829)	3,719

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

Note: Pursuant to a judgment in the Hong Kong Court of Final Appeal, the year-ended unrealised revaluation gain from listed securities held for sale were not chargeable to tax in Hong Kong and overprovision of Hong Kong Profits Tax in prior years amounting to HK$69,079,000 were reversed accordingly.

The tax charge for the year can be reconciled to the profit before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	2014 HK$'000	2013 HK$'000
Profit before tax	19,060	83,037
Tax at the domestic income tax rate of 16.5% (2013: 16.5%)	3,145	13,701
Tax effect of expenses not deductible for tax purpose	38,159	20,759
Tax effect of income not taxable for tax purpose	(46,314)	(45,918)
Tax effect of tax losses not recognised	23,639	42,437
Tax effect of share of results of associates	(7,303)	(26,388)
Utilisation of tax losses previously not recognised	(4,050)	(728)
Overprovision in prior years	(69,105)	(144)
Income tax (credit) expenses for the year	(61,829)	3,719

15. PROFIT FOR THE YEAR

	2014 HK$'000	2013 HK$'000
Profit for the year has been arrived at after charging:		
Staff costs		
– Directors' remuneration (note 12)	**23,810**	22,855
– Other staff's salaries, bonus and other benefits	**260,678**	193,900
– Other staff's retirement benefits scheme contributions	**3,511**	3,222
– Share-based payment expenses (note 41)	**–**	9,876
	287,999	229,853
Auditor's remuneration	**2,592**	2,257
Cost of inventories recognised as expenses	**97,761**	51,496
Depreciation of property, plant and equipment	**47,460**	37,637
Loss on disposal of property, plant and equipment	**39**	1,004
Amortisation of intangible assets (included in administrative expenses)	**3,500**	167
Share of tax of associates (included in share of results of associates)	**19,783**	6,154
and after crediting:		
Gross rental income from investment properties	**19,183**	28,061
Less: Direct operating expenses that generated rental income	**(2,279)**	(2,039)
Net rental income from investment properties	**16,904**	26,022

16. DIVIDENDS

	2014 HK$'000	2013 HK$'000
Dividend recognised as distribution during the year:		
– Final dividend of HK5.5 cents per ordinary share in respect of year ended 31 December 2013 (2013: 2012 Final dividend – HK$nil)	**50,432**	–

On 27 March 2015, the directors of the Company recommended to declare a final dividend of HK0.33 cent per ordinary share for the year ended 31 December 2014.

17. EARNINGS PER SHARE

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

	2014 **HK$'000**	2013 HK$'000
Earnings for the purposes of basic and diluted earnings per share:		
Profit for the year attributable to owners of the Company	**84,612**	49,633

Number of shares

	2014	2013 (restated)
Weighted average number of ordinary shares for the purpose of basic earnings per share (Note)	**4,637,091,290**	4,579,967,923
Effect of dilutive potential ordinary shares:		
Share options	**22,472,045**	580,288
Convertible preference shares	**2,054,795**	–
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**4,661,618,130**	4,580,548,211

Note: The weighted average number of ordinary shares for the purposes of calculating basic earnings per share for the year ended 31 December 2013 was adjusted to reflect the effect of issue of bonus shares in June 2014.

18. INVESTMENT PROPERTIES

	HK$'000
FAIR VALUE	
At 1 January 2013	573,040
Additions	163,587
Acquisition of assets through acquisition of subsidiaries (note 42)	43,154
Transfer from property, plant and equipment	63,513
Disposals	(265,733)
Disposal of subsidiaries (note 44)	(66,890)
Increase in fair value recognised in profit or loss	54,734
Reclassified as held for sale (note 33)	(117,000)
At 31 December 2013	448,405
Disposal of subsidiaries (note 44)	(167,925)
Increase in fair value recognised in profit or loss	4,605
At 31 December 2014	285,085

The investment properties were under medium-term leases and situated in Hong Kong. All of the Group's property interests in land held to earn rentals are measured using the fair value model and are classified and accounted for as investment properties.

The fair value of the Group's investment properties at 31 December 2014 and 31 December 2013 and the dates of transfer from property, plant and equipment to investment properties has been arrived at on the basis of a valuation carried out on the respective dates by Ascent Partners Valuation Services Limited and RHL Appraisal Limited, respectively, independent qualified professional valuers not connected with the Group.

Ascent Partners Valuation Services Limited and RHL Appraisal Limited are members of the Institute of Valuers of Hong Kong, and they have appropriate qualifications and recent experience in the valuation of properties in the relevant locations. The fair value was determined based on direct comparison method that reflects recent transaction prices for similar properties, adjusted for differences in nature, location and condition of the properties under review. For those investment properties without recent transaction, the fair value was determined based on the income approach by dividing the existing rental income of the property by the appropriate reversionary rate, and also considered direct comparison method assuming sales of each of the property interests in their existing state and making references to comparable sales transactions as available in the relevant markets. For those investment properties provisionally sold before year ended 31 December 2013 and completed after 31 December 2013, the fair value was determined based on best estimation with reference to transaction prices under provisional sale and purchase agreement.

18. INVESTMENT PROPERTIES *(Continued)*

There has been no change to the valuation technique in 2014 and 2013. In estimating the fair value of the properties, the highest and best use of the properties is their current use.

Details of the Group's investment properties and information about the fair value hierarchy as at 31 December 2013 and 31 December 2014 are as follows:

	Level 2 HK$'000	**Level 3 HK$'000**	**Fair value as at 31.12.2014 HK$'000**
Property units located in Hong Kong	**63,685**	**221,400**	**285,085**

	Level 2 HK$'000	Level 3 HK$'000	Fair value as at 31.12.2013 HK$'000
Property units located in Hong Kong	229,955	218,450	448,405

For the most properties located in Hong Kong, the fair value was derived using the market comparable approach based on recent market prices without any significant adjustments being made to the market observable data.

For investment properties categorised into Level 3 of the fair value hierarchy, the following information is relevant:

	Fair value hierarchy	Valuation technique(s) and key inputs	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Property 1 – Property in Shatin	Level 3	Direct comparison method The key input is price per square feet	Price per square feet, using market direct comparable and taking into account of location and other individual factors such as age and location of the property, of HK$4,656 (2013: HK$4,575) per square feet	A slight increase in the price per square feet will increase significantly the fair value.
Property 2 – Property in Tsuen Wan	Level 3	Income approach The key inputs are: (a) Reversionary rate; and (b) Monthly rent	Reversionary rate, taking into account of the capitalisation of rental income potential, nature of property, prevailing market condition of 3.4% (2013: 3.2%)	A slight increase in the reversionary rate will decrease significantly the fair value.

18. INVESTMENT PROPERTIES *(Continued)*

	Fair value hierarchy	Valuation technique(s) and key inputs	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
			Monthly rent is based on the base annual rental as agreed by both parties of the lease agreement	A slight increase in the monthly rent will increase significantly the fair value.
Property 3 – Property in Shatin	Level 3	Income approach The key inputs are: (a) Reversionary rate; and (b) Monthly rent	Reversionary rate, taking into account of the capitalisation of rental income potential, nature of property, prevailing market condition of 5.3% (2013: 4.7%)	A slight increase in the reversionary rate will decrease significantly the fair value.
			Monthly rent is based on the base annual rental as agreed by both parties of the lease agreement	A slight increase in the monthly rent will increase significantly the fair value.
Property 4 – Property in Jordan	Level 3	Direct comparison method The key input is price per square feet	Price per square feet, using market direct comparable and taking into account of location and other individual factors such as shape of the property, of HK$38,926 (2013: HK$38,926) per square feet	A slight increase in the price per square feet will increase significantly the fair value.
Property 5 – Property in Siu Sai Wan	Level 3	Income approach The key inputs are: (a) Reversionary rate; and (b) Monthly rent	Reversionary rate, taking into account of the capitalisation of rental income potential, nature of property, prevailing market condition of 5.1% (2013: 4.7%)	A slight increase in the reversionary rate will decrease significantly the fair value.
			Monthly rent is based on the base annual rental as agreed by both parties of the lease agreement	A slight increase in the monthly rent will increase significantly the fair value.

There is no transfer into or out of Level 3 during the year.

During the year ended 31 December 2013, following the Group's change of purpose of holding certain properties to earn rental income and for capital appreciation, property, plant and equipment with cost and accumulated depreciation amounted to HK$26,793,000 and HK$4,019,000 were transferred to investment properties when there were commencement of operating leases to third parties. The difference between the fair value of the property and the carrying amount at the date of transfer amounted to HK$40,739,000 was recognised in other comprehensive income.

19. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings HK$'000	Leasehold improvements HK$'000	Furniture and fixtures HK$'000	Motor vehicles HK$'000	Tools and equipment HK$'000	Total HK$'000
COST						
At 1 January 2013	121,342	118,745	4,757	4,438	22,158	271,440
Additions	–	2,900	328	1,736	4,096	9,060
Acquisition of subsidiaries (note 43)	–	19,186	2,799	811	46,752	69,548
Exchange realignment	–	216	52	13	377	658
Transfer to investment property (note 18)	(26,793)	–	–	–	–	(26,793)
Disposals	–	(3,991)	(254)	(1,113)	(1,194)	(6,552)
Disposal of a subsidiary (note 44)	(8,537)	–	–	–	–	(8,537)
At 31 December 2013	86,012	137,056	7,682	5,885	72,189	308,824
Additions	62,437	2,092	59	1,098	17,485	83,171
Acquisition of subsidiaries (note 43)	–	106	61	–	1,558	1,725
Exchange realignment	–	(221)	(53)	(12)	(388)	(674)
Disposals	–	(19,995)	(1,342)	(515)	(16,600)	(38,452)
Disposal of a subsidiary (note 44)	–	–	–	(1,439)	(4)	(1,443)
Reclassified as assets classified as held for sale (note 33)	–	(1,666)	(292)	(280)	(11,329)	(13,567)
At 31 December 2014	**148,449**	**117,372**	**6,115**	**4,737**	**62,911**	**339,584**
ACCUMULATED DEPRECIATION						
At 1 January 2013	16,044	78,067	2,316	2,594	9,097	108,118
Charge for the year	5,072	23,483	1,233	825	7,024	37,637
Exchange realignment	–	85	34	9	102	230
Transfer to investment property (note 18)	(4,019)	–	–	–	–	(4,019)
Eliminated on disposals	–	(3,904)	(229)	(354)	(535)	(5,022)
Eliminated on disposal of a subsidiary (note 44)	(36)	–	–	–	–	(36)
At 31 December 2013	17,061	97,731	3,354	3,074	15,688	136,908
Charge for the year	4,416	23,387	2,620	1,135	15,902	47,460
Exchange realignment	–	(93)	(35)	(9)	(107)	(244)
Eliminated on disposals	–	(13,549)	(1,340)	(515)	(15,870)	(31,274)
Eliminated on disposal of a subsidiary (note 44)	–	–	–	(1,151)	(2)	(1,153)
Reclassified as assets classified as held for sale (note 33)	–	(1,528)	(284)	(144)	(3,690)	(5,646)
At 31 December 2014	**21,477**	**105,948**	**4,315**	**2,390**	**11,921**	**146,051**
CARRYING VALUES						
At 31 December 2014	**126,972**	**11,424**	**1,800**	**2,347**	**50,990**	**193,533**
At 31 December 2013	68,951	39,325	4,328	2,811	56,501	171,916

19. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

The above items of property, plant and equipment are depreciated on a straight-line basis at the following rates per annum:

Leasehold land and buildings	5%
Leasehold improvements	25% or over the term of the lease, if shorter
Furniture and fixtures	20%
Motor vehicles	20%
Tools and equipment	10 – $33^{1}/_{3}$%

The carrying value of leasehold land represents land in Hong Kong held under medium-term lease.

20. LOANS RECEIVABLE

	2014 HK$'000	2013 HK$'000
Fixed-rate loans receivable (unsecured)	**51,777**	135,668
Analysed for reporting purposes as:		
Non-current portion	**11,924**	39,428
Current portion	**39,853**	96,240
	51,777	135,668

The range of effective interest rate (which are fixed rates, also equal to contractual interest rates) on the Group's loans receivable are 1% to 20% (2013: 1% to 24%) per annum.

No collateral agreements have been entered into in respect of the loans receivable.

Before granting loans to outsiders, the Group uses an internal credit assessment process to assess the potential borrower's credit quality and defines credit limits granted to borrowers. Limits attributed to borrowers are reviewed by the management regularly.

The loans receivable at the end of the reporting date have good credit quality, except loans receivable amounting to HK$6,559,000 (2013: HK$33,559,000) which was past due and considered not recoverable. During the year ended 31 December 2014, loan receivable amounting to HK$30,000,000 (2013: HK$nil) was recovered. Accordingly, net reversal of impairment loss HK$27,000,000 (2013: impairment of HK$30,000,000) was made. Management believes that no further impairment allowance is necessary in respect of the remaining loans receivable as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The borrowers have good repayment history.

No loans receivable is past due but not impaired.

21. GOODWILL

	HK$'000
COST	
At 1 January 2013	79,409
Acquisition of a subsidiary	143,007
At 31 December 2013	222,416
Acquisition of a subsidiary (note 43)	195,536
Disposal of a subsidiary (note 44)	(187)
Transfer to assets held for sale (note 33)	(10,455)
At 31 December 2014	**407,310**
IMPAIRMENT	
At 1 January 2013	72,806
Impairment	134,489
At 31 December 2013	207,295
Impairment	2,511
Disposal of a subsidiary (note 44)	(187)
Transfer to assets held for sale (note 33)	(2,511)
At 31 December 2014	**207,108**
CARRYING VALUES	
At 31 December 2014	**200,202**
At 31 December 2013	15,121

21. GOODWILL *(Continued)*

For the purposes of impairment testing, goodwill have been allocated to groups of individual CGUs in 4 (2013: 3) divisions of the Group, namely, healthcare and dental services, trading and retailing of healthcare and pharmaceutical products in Hong Kong, production and sale of radiopharmaceutical products and managed care business. The carrying amounts of goodwill (net of accumulated impairment losses) as at 31 December 2014 and 31 December 2013 allocated to these units are as follows:

	2014 HK$'000	2013 HK$'000
Healthcare and dental services ("Division A"):		
Town Health Medical & Dental Services Limited ("Town Health M&D")	**4,666**	4,666
廣州宜康醫療管理有限公司 ("Yikang")	**–**	–
PHC Medical Group Limited (Formerly known as Noble Pioneer Limited) ("PHC Medical")	**–**	–
Town Health Dental Limited ("Town Health Dental")	**–**	–
Fair Jade Group Limited	**–**	–
Town Health Healthcare Services Limited	**–**	–
Wise Best International Limited	**–**	–
	4,666	4,666
Trading and retailing of healthcare and pharmaceutical products in Hong Kong ("Division B"):		
Audio Health Hearing Care (Shatin) Limited ("Audio Health")	**–**	–
eSilk Road Import & Export Limited ("eSilk")	**–**	–
	–	–
Production and sale of radiopharmaceutical products ("Division C"):		
Ever Full Harvest Limited ("Ever Full")	**–**	10,455
Managed care business ("Division D"):		
Dr. Vio & Partners Limited ("Dr. Vio")	**195,536**	–
	200,202	15,121

21. GOODWILL *(Continued)*

The basis of the recoverable amounts of the above CGUs and their major underlying assumptions are summarised below:

Division A

The recoverable amounts of CGUs of medical and dental services were determined based on value in use calculations. Those calculations used cash flow projections based on financial budgets approved by management covering a period of 5 years, and cash flows beyond 5 years were extrapolated by assuming growth rates and discount rates as below:

	2014		2013	
	HK	**PRC**	HK	PRC
Growth rate	**0% – 12%**	**up to 25%**	0% – 6%	up to 25%
Discount rate	**15%**	**14.82%**	13.04%	14.82%

Another key assumption for the value in use calculations was the budgeted gross margin, which was determined based on the CGU's past performance and management's expectations for the market development.

During the year ended 31 December 2013, the Group recognised an impairment loss of approximately HK$1,937,000 in relation to goodwill to PHC Medical due to the unfavourable performance of certain medical and dental practices. The Group also recognised an impairment loss of HK$132,552,000 in relation to goodwill arising from the acquisition of Yikang. As set out in note 43(d), goodwill arising on acquisition of Yikang amounted to HK$132,552,000. This goodwill has been allocated solely to Yikang as the Group did not identify other CGUs that could be expected to benefit from the synergies on the acquisition. The recoverable amount of the Yikang CGU, determined by using value in use, was HK$98,447,000 and accordingly, the excess of the carrying amount of the assets and liabilities, including goodwill of the CGU over the recoverable amount recognising as an impairment loss, amounted to HK$132,552,000. This impairment loss represents impairment loss on goodwill on acquisition of Yikang and arose due to lack of supporting evidence for revenue growth and future market development, which were included in the determination of the purchase price for the acquisition of Yikang but are excluded from the future cash flow projections for the calculation of value in use.

Division B

The recoverable amounts of the CGUs of trading and retailing in healthcare and pharmaceutical products in Hong Kong were based on value in use calculations. Those calculations used cash flow projections based on financial budgets approved by management covering a period of 5 years, and cash flows beyond 5 years were extrapolated by assuming no growth rate and discount rate of 15% (2013: 13.04%). Another key assumption for the value in use calculations was the budgeted gross margin, which was determined based on the CGU's past performance and management's expectations for the market development.

21. GOODWILL *(Continued)*

Division C

The recoverable amount of the CGU of production and sale of radiopharmaceutical products was based on value in use calculation. Those calculations used cash flow projections based on financial budgets approved by management covering a period of 5 years, and cash flows beyond 5 years were extrapolated by assuming growth rate up to 16.76% (2013: 16.76%) and discount rate of 13.04% (2013: 13.04%). Another key assumption for the value in use calculations was the budgeted gross margin, which was determined based on the CGU's past performance and management's expectations for the market development.

During the year ended 31 December 2013, the Group acquired 70% interest in Ever Full which is engaged in production and sale of radiopharmaceutical products to medical practises in Hong Kong.

During the year ended 31 December 2014, the Group entered into a sale and purchase agreement with Luck Key Investment Limited ("Luck Key") to dispose of its entire investment in Ever Full at a consideration which will be settled by the allotment and issue of shares in Luck Key to the Group. Such shares to be issued to the Company represents 28% interest in Luck Key. As the disposal was not completed at 31 December 2014, the assets (including goodwill) and liabilities attributed to Ever Full have been classified as assets/liabilities held for sale. The difference between the share of fair value of Luck Key to be acquired and the carrying amount of assets and liabilities of Ever Full to be disposed amounting to HK$2,511,000 is recognised as impairment of goodwill.

Division D

For the impairment testing, goodwill, trade name and customer relationship are allocated to the Group's CGU D.

The recoverable amount of the CGU of managed care business was based on its value in use and was determined with the assistance of Ascent Partners Valuation Service Limited, an independent professional qualified valuer not connected with the Group. The calculation used cash flow projections based on financial budgets approved by management covering a five-year period, and at a discount rate 16.59%. Cash flows after the five-year period were extrapolated using 8% growth rate in considering the economic condition of the market.

22. INTANGIBLE ASSETS

	Customer relationship HK$'000	Trade name HK$'000	Total HK$'000
COST			
Addition upon acquisition of a subsidiary and at 31 December 2014	**72,512**	**167,087**	**239,599**
AMORTISATION			
Charge for the year and at 31 December 2014	**3,500**	**–**	**3,500**
CARRYING VALUES			
At 31 December 2014	**69,012**	**167,087**	**236,099**
At 31 December 2013	–	–	–

The intangible assets were purchased as part of the acquisition of Dr. Vio & Partners Limited and are recognised at their fair value at the date of acquisition, details of which are set out in note 43.

The customer relationship has finite useful lives and is amortised on a straight-line basis over 10 years.

The trade name has no legal life. The directors of the Company are of the opinion that the Group has the ability to use the trade name continuously. Various studies including product life cycle studies, market, competitive and environmental trends, and brand extension opportunities have been performed by management of the Group, which support that the trade name has no foreseeable limit to the period over which the services provided are expected to generate net cash flows for the Group.

As a result, the trade name is considered by the management of the Group as having an indefinite useful life because it is expected to contribute to net cash inflows indefinitely. The trade name will not be amortised until its useful life is determined to be finite. Instead it will be tested for impairment annually and whenever there is an indication that it may be impaired.

23. INTERESTS IN ASSOCIATES

	2014 HK$'000	2013 HK$'000
Cost of unlisted investments in associates	**272,230**	137,449
Share of post-acquisition gain (losses), net of dividend received	**11,918**	(23,231)
Share of translation reserve	**2,528**	4,151
Less: Accumulated impairment loss	**(35,096)**	(1,711)
	251,580	116,658

Included in the cost of investments in associates was goodwill of HK$21,178,000 (2013: HK$33,231,000) arising on acquisition of associates. During the year ended 31 December 2014, the Group has acquired associates at total consideration of HK$168,182,000 (2013: HK$299,000) and goodwill of HK$18,649,000 (2013: HK$299,000) was recognised.

During the year ended 31 December 2013, the Group disposed of its 46.01% equity interests in Luck Key, 50% equity interests in RBI Conglomerate (Holdings) Limited and 48% equity interests in Precise Power Limited with total carrying value of HK$52,932,000, for a total consideration of HK$80,772,000, to independent third parties. A gain on disposal of HK$27,840,000 had been recognised in profit or loss for the year ended 31 December 2013.

Following a group restructuring by Max Goodrich International Limited ("Max Goodrich") to prepare its shares listing on the Growth Enterprises Market of the Stock Exchange ("GEM Board"), the Group's 48% interest in Max Goodrich was swapped and thereafter holds 48% in New Ray Medicine International Holding Limited ("New Ray"), the then ultimate holding company of Max Goodrich. On 25 October 2013, New Ray was listed on the GEM Board of the Stock Exchange and equity interests held by the Group was then diluted from 48% to 31.2%. The difference in share of net assets in New Ray after the dilution and reclassification of translation reserve, amounted to HK$5,788,000 and HK$2,085,000 respectively, had been recognised in profit or loss for the year ended 31 December 2013.

23. INTERESTS IN ASSOCIATES *(Continued)*

During the year ended 31 December 2013, the Group also further acquired 40% equity interests in Yikang, at a consideration of HK$124,300,000 and Yikang became a 80% owned subsidiary of the Group thereafter. The translation reserve arising from Yikang in previous years amounted to HK$10,097,000 had been reclassified to profit or loss for the year ended 31 December 2013.

During the year ended 31 December 2014, the Group further increased its interest in Convoy Financial Holdings Limited ("Convoy") from 16.7% to 25.1% and has significant influence over Convoy which then is accounted for as associate of the Group.

During the year ended 31 December 2014, placements of new shares took place in New Ray and Convoy. Equity interests of New Ray and Convoy held by the Group were diluted from 31.2% to 26% and from 25.07% to 21.16% respectively. The differences in share of net assets in New Ray and Convoy after the dilution and reclassification of translation reserve, amounted to HK$2,363,000 and HK$741,000 respectively, have been recognised in the year ended 31 December 2014.

During the year ended 31 December 2014, in view of the performance of Convoy and Extrad Assets Limited ("Extrad Assets"), the Group has performed impairment assessment on investments in Convoy and Extrad Assets whereby the recoverable amounts of Convoy and Extrad Assets were determined based on value in use calculations, with reference to the estimated cash flows in the coming five years and cash flows beyond five years were extrapolated by assuming no growth rate using discount rates of 8.7% and 11%, respectively. Following the impairment assessment, amounts of HK$50,798,000 and HK$15,000,000 were recognised as impairment loss in the profit or loss during the year ended 31 December 2014.

23. INTERESTS IN ASSOCIATES *(Continued)*

Details of the Group's principal associates at the end of the reporting period are as follows:

Name of company	Form of business structure	Place of incorporation	Principal place of operation	Class of shares held	Attributable proportion of nominal value of issued/ registered capital held by the Group		Proportion of voting power held by the Company		Principal activities
					2014	2013	**2014**	2013	
Convoy	Incorporated	Cayman Islands	Hong Kong	Ordinary	**21.16%**	–	**25%**	–	Investment holding and its subsidiaries engaged in independent financial advisory business, money lending business and proprietary investments business
Extrad Assets	Incorporated	British Virgin Islands	Hong Kong	Ordinary	**50%**	50%	**50%**	50%	Investment holding and its associate engaged in manufacturing and sales of toys
New Ray	Incorporated	Bermuda	Hong Kong	Ordinary	**26%***	31.2%	**25%**	25%	Investment holding and its subsidiaries engaged in trading of healthcare products in the PRC
Best Pharmaceutical Limited ("Best Pharmaceutical")	Incorporated	British Virgin Islands	PRC	Ordinary	**48%**	48%	**50%**	50%	Investment holding and its subsidiaries engaged in trading of healthcare products in the PRC

* Following the placing of shares of New Ray, the equity interests held by the Group was then diluted from 31.2% to 26.0%.

In the opinion of the directors, the above associates have a significant effect on the results or assets of the Group. To give details of other associates would, in the opinion of the directors, result in particulars of excessive length.

23. INTERESTS IN ASSOCIATES *(Continued)*

Summarised financial information of material associates

Summarised financial information in respect of each of the Group's material associates is set out below. The summarised financial information below represents amounts shown in the associate's financial statements prepared in accordance with HKFRSs.

All of these associates are accounted for using the equity method in the consolidated financial statements.

(a) *New Ray*

	2014 HK$'000	2013 HK$'000
Current assets	**294,486**	217,659
Non-current assets	**35,248**	16,228
Current liabilities	**(21,559)**	(17,392)
Non-current liabilities	**(4,984)**	(3,297)
Revenue	**206,928**	192,854
Profit for the year	**29,681**	17,403
Other comprehensive (expense) income for the year	**(4,542)**	3,921
Total comprehensive income for the year	**25,139**	21,324

23. INTERESTS IN ASSOCIATES *(Continued)*

Summarised financial information of material associates *(Continued)*

(a) New Ray (Continued)

Reconciliation of the above summarised financial information to the carrying amount of the interest in the associate recognised in the consolidated financial statements:

	2014 HK$'000	2013 HK$'000
Net assets of New Ray	**303,191**	213,198
Proportion of the Group's ownership interest in New Ray	**26%**	31.2%
Carrying amount of the Group's interest in New Ray	**78,830**	66,518

(b) Convoy

	2014 HK$'000
Current assets	**1,592,136**
Non-current assets	**285,145**
Current liabilities	**(771,747)**
Non-current liabilities	**(305,444)**

23. INTERESTS IN ASSOCIATES *(Continued)*

Summarised financial information of material associates *(Continued)*

(b) Convoy (Continued)

	13.06.2014 to 31.12.2014 HK$'000
Revenue	854,402
Profit for the period	113,956
Other comprehensive expense for the period	–
Total comprehensive income for the period	113,956
Dividend received from the associate during the period	–

Reconciliation of the above summarised financial information to the carrying amount of the interest in the associate recognised in the consolidated financial statements:

	2014 HK$'000
Net assets of Convoy	800,090
Non-controlling interests	1,975
	802,065
Proportion of the Group's ownership interest in Convoy	21.16%
Net assets of the Group's interest in Convoy	169,717
Goodwill	15,702
Impairment loss	(50,798)
Carrying amount of the Group's interest in Convoy	134,621

23. INTERESTS IN ASSOCIATES *(Continued)*

Summarised financial information of material associates *(Continued)*

(c) Extrad Assets

	2014 HK$'000	2013 HK$'000
Current assets	104	104
Non-current assets	15,376	14,735
Current liabilities	(12)	(12)
Revenue	–	–
Profit and total comprehensive income for the year	4,641	7,677
Dividend received from the associate during the year	2,000	2,000

Reconciliation of the above summarised financial information to the carrying amount of the interest in the associate recognised in the consolidated financial statements:

	2014 HK$'000	2013 HK$'000
Net assets of Extrad Assets	15,468	14,827
Proportion of the Group's ownership interest in Extrad Assets	50%	50%
Net assets of the Group's interest in Extrad Assets	7,734	7,413
Goodwill	32,932	32,932
Impairment loss	(15,000)	–
Carrying amount of the Group's interest in Extrad Assets	25,666	40,345

23. INTERESTS IN ASSOCIATES *(Continued)*

Summarised financial information of material associates *(Continued)*

(d) Best Pharmaceutical

	2014 HK$'000	2013 HK$'000
Current assets	**42**	2,291
Revenue	**–**	98,293
(Loss) profit for the year	**(749)**	304,180
Other comprehensive expense for the year	**–**	(4,449)
Total comprehensive (expense) income for the year	**(749)**	299,731
Dividend received from the associate during the year	**1,500**	200,070

Reconciliation of the above summarised financial information to the carrying amount of the interest in the associate recognised in the consolidated financial statements:

	2014 HK$'000	2013 HK$'000
Net assets of Best Pharmaceutical	**42**	2,291
Proportion of the Group's ownership interest in Best Pharmaceutical	**48%**	48%
Carrying amount of the Group's interest in Best Pharmaceutical	**20**	1,100

23. INTERESTS IN ASSOCIATES *(Continued)*

Aggregate information of associates that are not individually material

	2014 HK$'000	2013 HK$'000
The Group's share of profit and other comprehensive income	**5,002**	4,016
Aggregate carrying amount of the Group's interests in these associates	**12,443**	8,695

The Group has discontinued recognition of its share of losses of certain associates. The amounts of unrecognised share of those associates, extracted from the relevant audited financial statements or management accounts of associates, both for the year and cumulatively, are as follows:

	2014 HK$'000	2013 HK$'000
Unrecognised share of losses of associates for the year	**–**	(2)
Accumulated unrecognised share of losses of associates	**(13,257)**	(13,257)

24. AVAILABLE-FOR-SALE INVESTMENTS

Available-for-sale investments comprise:

	2014 HK$'000	2013 HK$'000
At fair value:		
– Equity securities listed in Hong Kong (Note a)	**–**	2,838
– Unlisted equity fund	**8,479**	8,467
	8,479	11,305
At cost:		
– Unlisted equity securities (Note b)	**35,117**	47,112
Total	**43,596**	58,417

24. AVAILABLE-FOR-SALE INVESTMENTS *(Continued)*

Notes:

(a) All listed investments are stated at fair value which is determined based on the quoted market bid prices available on the Stock Exchange. During the year ended 31 December 2013, decrease in fair value of listed securities amounting to HK$858,000 was noted, for which HK$462,000 was recognised in investment revaluation reserve and the remaining HK$396,000 was recognised in profit or loss (note 10).

(b) The above unlisted equity securities are measured at cost less impairment at the end of reporting period because the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that their fair values cannot be measured reliably. As at 31 December 2014, the two major unlisted investees accounted for 79% (2013: 81%) of total unlisted equity securities, which are engaged in the provision of finance lease and investment holding, respectively. During the year ended 31 December 2014, impairment loss of HK$4,782,000 (2013: HK$1,661,000) was recognised in profit or loss (note 10).

25. INVENTORIES

	2014 HK$'000	2013 HK$'000
Pharmaceutical supplies	**14,131**	7,735
Healthcare equipment	**1,302**	1,152
Dental materials and supplies	**865**	2,665
	16,298	11,552

26. TRADE AND OTHER RECEIVABLES

	2014 HK$'000	2013 HK$'000
Trade receivables	**68,109**	18,419
Less: Allowance for doubtful debts	**(2,197)**	(2,071)
Total trade receivables, net of allowance	**65,912**	16,348
Deposits	**31,915**	19,389
Other receivables	**46,454**	7,995
Prepayments	**3,327**	1,668
	147,608	45,400

Most of the patients of the medical and dental practices settle in cash. Payments by patients using medical cards will normally be settled within 180 to 240 days. The Group allows an average credit period of 60 to 240 days to its trade customers under other business activities.

26. TRADE AND OTHER RECEIVABLES *(Continued)*

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

	2014 HK$'000	2013 HK$'000
0 – 60 days	**56,312**	12,312
61 – 120 days	**6,114**	3,923
121 – 180 days	**3,444**	113
181 – 240 days	**42**	–
	65,912	16,348

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

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

Movement in the allowance for doubtful debts:

	2014 HK$'000	2013 HK$'000
Balance at the beginning of the year	**2,071**	1,606
Impairment losses recognised	**2,699**	640
Amounts written off as uncollectible	**(2,573)**	(175)
Balance at the end of the year	**2,197**	2,071

The impairment recognised represents the difference between the carrying amount of the specific trade receivables and the present value of the expected recoverable amount. The trade receivables are impaired because of significant financial difficulty of the counterparties.

The amounts included in other receivables are unsecured, interest-free and repayable on demand.

27. HELD FOR TRADING INVESTMENTS

	2014 HK$'000	2013 HK$'000
Listed equity securities in Hong Kong	**278,027**	629,387
Unlisted equity fund	–	31,533
	278,027	660,920

The fair values of the equity securities held for trading were determined based on the quoted market bid prices available on the Stock Exchange.

28. AMOUNTS DUE FROM (TO) ASSOCIATES/AN ASSOCIATE

The amounts are unsecured, interest-free and aged within 60 days.

At 31 December 2014, the balance of amounts due from associates includes accumulated allowances of HK$4,557,000 (2013: HK$11,325,000).

29. AMOUNTS DUE FROM (TO) INVESTEES

The amounts are unsecured, interest-free and repayable on demand.

At 31 December 2014, the balance of amount due from an investee includes accumulated allowances of HK$nil (2013: HK$1,977,000).

30. AMOUNTS DUE FROM (TO) NON-CONTROLLING INTERESTS

The amounts are unsecured, interest-free and repayable on demand.

31. PLEDGED BANK DEPOSITS

The amounts represent deposits that have been pledged to secure general short-term banking facilities granted to the Group and are therefore classified as current assets.

The deposits carried interest rate 0.01% per annum in 2013. The pledged bank deposits have been released upon the termination of the bank loans during the year 2014.

32. BANK BALANCES AND CASH

Bank balances and cash comprise cash held by the Group and bank balances that carry interest at market rates ranging from 0.01% – 0.25% (2013: 0.01% to 0.25%) per annum and have original maturity of three months or less.

33. ASSETS CLASSIFIED AS HELD FOR SALE

On 31 December 2014, the Company's wholly-owned subsidiary, Town Health (BVI) Limited ("Town Health BVI"), and Luck Key entered into a sale and purchase agreement pursuant to which Town Health BVI agreed to dispose to Luck Key of its entire equity interest in and shareholder's loan due from Ever Full, a 70% owned subsidiary of Town Health BVI, for a total share consideration of 4,570 ordinary shares in Luck Key, which accounted for 28% interest in Luck Key.

The assets and liabilities attributable to the Group's interest in Ever Full, which is expected to be sold within twelve months, have been classified as a disposal group held for sale and are presented separately in the consolidated statement of financial position. The fair value of assets acquired is expected to exceed the net carrying amount of the relevant assets and liabilities and accordingly, no impairment has been recognised.

The major classes of assets and liabilities of Ever Full as at 31 December 2014, which had been presented separately in the consolidated statement of financial position, were as follows:

	HK$'000
Property, plant and equipment	7,921
Goodwill	7,944
Inventories	866
Trade and other receivables	2,679
Bank balances and cash	4,958
Total assets classified as held for sale	24,368
Trade and other payables	309
Amounts due from non-controlling interests	6,200
Tax payable	374
Deferred tax liabilities	676
Total liabilities directly associated with assets classified as held for sale	7,559

Subsequent to the end of the reporting period, the disposal of Ever Full was completed on 27 February 2015.

At 31 December 2013, the Group was in the process of finalising the terms and conditions relating to disposal of certain of the Group's investment properties in Hong Kong. The transactions were completed in March 2014 at total consideration of approximately HK$117,000,000.

34. TRADE AND OTHER PAYABLES

	2014 HK$'000	2013 HK$'000
Trade payables	**29,044**	12,550
Other payables	**35,860**	17,636
Deposits received	**3,910**	6,407
Accruals	**56,410**	21,182
	125,224	57,775

The following is an aged analysis of trade payables at the end of the reporting period:

	2014 HK$'000	2013 HK$'000
0 – 60 days	**28,975**	12,527
61 – 120 days	**69**	23
	29,044	12,550

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

35. AMOUNT DUE TO A RELATED PARTY

	2014 HK$'000	2013 HK$'000
Kowloon Hearing Services Limited (Note)	**6**	14

Note: Mr. Lai Kwok Fai ("Mr. Lai") is a director and shareholder of this entity. Mr. Lai is also a director of Audio Health, a non-wholly owned subsidiary of the Company. The maximum balance outstanding during the year is HK$16,620 (2013: HK$9,000).

The balance is unsecured, interest-free and repayable on demand.

36. BANK BORROWINGS

	2014 HK$'000	2013 HK$'000
Secured:		
Revolving loans	**40,000**	363,772
Mortgage loan	**22,913**	–
	62,913	363,772
The bank borrowings are repayable as follows:		
On demand and within one year	**41,030**	363,772
In more than one year but not more than two years	**1,057**	–
In more than two years but not more than three years	**1,082**	–
In more than three years but not more than four years	**1,109**	–
In more than four years but not more than five years	**1,137**	–
Over five years	**17,498**	–
	62,913	363,772
Less: Amounts due within one year shown under current liabilities	**(41,030)**	(363,772)
Carrying amount of bank borrowings that are not repayable within one year from the end of reporting period but contain a repayment on demand clause (shown under current liabilities)	**(21,883)**	–
	–	–

As at 31 December 2014, the bank borrowings of the Group carry variable interest rates from HIBOR+2.1% to HIBOR+2.25% per annum (2013: variable interest rate at HIBOR+2% per annum).

The Group's mortgage loan is secured by the Group's leasehold land and building and supported by personal guarantee which will be released upon repayment of the mortgage.

37. LOAN NOTES

During the year ended 31 December 2014, the Company issued loan notes carrying effective interest rate of 10% with aggregate face value amounted to HK$115,000,000. On initial recognition, the aggregate principal amount of the loan notes amounted to HK$99,800,000 and the fair value for the redemption option amounted to HK$15,200,000. The loan notes are unsecured.

The redemption option entitled the Company, at its sole discretion, to redeem any amount of the outstanding loan notes before their maturity by giving a fourteen-business-day prior notice to the holders at their principal amount with interest accrued. The redemption option also entitled the holders to redeem any amount of the loan notes held before maturity date by giving a 6-month prior notice to the Company between 1 June 2016 and 1 June 2020 at certain percentage of their principal amount with interest accrued. The effective interest rate of the loan notes is 10%.

The movement of the loan notes for the year is set out as below:

	HK$'000
Proceeds of issue	115,000
Interest charged	2,753
Changes in fair value	(1,220)
At 31 December 2014	116,533

The valuations was performed by independent valuer, Ascent Partners Valuation Services Limited using the Hull-White One-Factor Model.

38. DEFERRED TAX LIABILITIES

The followings are the major deferred tax liabilities (assets) recognised and movements thereon during the current and prior years:

	Accelerated tax depreciation HK$'000	Tax losses HK$'000	Others HK$'000	Total HK$'000
At 1 January 2013	2,081	(210)	(265)	1,606
(Credit) charge to profit or loss	(9)	177	–	168
Acquisition of subsidiaries	1,301	–	–	1,301
Disposal of a subsidiary	(12)	–	–	(12)
At 31 December 2013	3,361	(33)	(265)	3,063
Credit to profit or loss	(1,692)	–	–	(1,692)
Acquisition of a subsidiary	11,964	–	–	11,964
Disposal of a subsidiary	(117)	–	–	(117)
Transfer to liabilities directly associated with assets classified as held for sale	(676)	–	–	(676)
At 31 December 2014	12,840	(33)	(265)	12,542

At 31 December 2014, the Group has unused tax losses of HK$1,056,450,000 (2013: HK$933,409,000) available for offset against future profits. A deferred tax asset has been recognised in respect of HK$200,000 (2013: HK$200,000) of such losses.

No deferred tax asset has been recognised in respect of the remaining tax losses of HK$1,056,250,000 (2013: HK$933,209,000) due to the unpredictability of future profit streams. Such losses may be carried forward indefinitely.

At 31 December 2014, the Group has deductible temporary differences associated with specific provision on trade receivables of HK$1,606,000 (2013: HK$1,606,000). A deferred tax asset of HK$265,000 (2013: HK$265,000) has been recognised in respect of such deductible temporary differences.

39. SHARE CAPITAL – ORDINARY SHARES

	Number of shares	Amount HK$'000
Ordinary shares of HK$0.01 each		
Authorised:		
At 1 January 2013, 31 December 2013 and 2014	30,000,000,000	300,000
Issued and fully paid:		
At 1 January 2013	910,334,710	9,103
Exercise of share option (Note 1)	6,603,000	66
At 31 December 2013	916,937,710	9,169
Issue of bonus shares (Note 2)	3,667,750,840	36,678
Exercise of share option (Note 3)	66,500,000	665
Issue of shares upon share subscription (Note 4)	459,183,673	4,592
At 31 December 2014	5,110,372,223	51,104

Notes:

1. During the year ended 31 December 2013, 5,103,000 and 1,500,000 share options were exercised at a subscription price of HK$0.49 and HK$1.03 per share, respectively, resulting in the issue of 6,603,000 ordinary shares of HK$0.01 each in the Company and giving a total cash consideration of approximately HK$4,045,000.

2. On 18 June 2014, the Company issued 4 bonus shares for every 1 existing shares held on 4 June 2014.

3. During the year ended 31 December 2014, 21,500,000 and 45,000,000 share options were exercised at a subscription price of HK$0.2128 and HK$0.612 per share, respectively, resulting in the issue of 66,500,000 ordinary shares of HK$0.01 each in the Company and giving a total cash consideration of approximately HK$32,115,000.

4. Pursuant to the share subscription agreement dated 31 October 2014, 459,183,673 shares were allotted and issued at HK$0.98 per share on 29 December 2014. The proceed from the share subscription is approximately HK$450,000,000 which is intended to be used for expanding business in the PRC and Hong Kong. For the details of the share subscription, please refer to the Company's announcement dated 31 October 2014.

40. SHARE CAPITAL – CONVERTIBLE PREFERENCE SHARES ("PREFERENCE SHARES")

	Numbers of shares	Amount
		HK$'000
Preference shares of HK$0.10 each		
Authorised:		
Approved by shareholders of the Company during the year ended 31 December 2014 and at 31 December 2014	375,000,000	3,750
Issued and fully paid:		
Issue of shares upon share subscription during the year ended 31 December 2014 and at 31 December 2014	374,999,999	3,750

The preference shares are redeemable, carry no voting right and each of the preference share is convertible into one ordinary share any time after issue.

Pursuant to the convertible preference share subscription ("CPS Subscription") agreement dated 31 October 2014, 374,999,999 convertible preference shares were alloted and issued at HK$1.2 per share on 29 December 2014. The proceed from the CPS Subscription is intended to be used for expanding business in the PRC and Hong Kong. For details of the CPS subscription, please refer to the Company's announcement dated 31 October 2014.

41. SHARE-BASED PAYMENT TRANSACTIONS

Details of share option scheme adopted by the Company are as follows:

2008 Scheme

The Company has, in accordance with Chapter 17 of the Listing Rules, terminated the share option scheme adopted on 24 April 2002 ("2002 Scheme") and adopted a new share option scheme ("2008 Scheme"), as approved by the shareholders of the Company at the extraordinary general meeting held on 16 September 2008.

According to the 2008 Scheme, the directors of the Company may grant options to the eligible persons fall within the definition prescribed in the 2008 Scheme including directors, employees and consultants etc. of each member of the Group and entity in which member of the Company holds an equity interest, to subscribe for shares in the Company for a consideration of HK$1 for each lot of share options granted.

Share options granted should be accepted within 21 days from the date of grant. The directors of the Company may at its absolute discretion determine the period during which a share option may be exercised, such period should expire no later than 10 years from the date of the adoption of the 2008 Scheme. The directors of the Company may also provide restrictions on the exercise of a share option during the period a share option may be exercised.

The exercise price is determined by the directors of the Company, and shall be at least the highest of: (i) the closing price of the Company's shares on the date of grant; (ii) the average closing price of the Company's shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the share.

The maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the 2008 Scheme and any other share option schemes of the Company shall not exceed 30% (or such higher percentage as may be allowed under the Listing Rules) of the total number of shares in issue from time to time.

The total number of shares issued and to be issued upon exercise of the options granted to each individual under the 2008 Scheme and any other option schemes (including both exercised, cancelled and outstanding options) in any 12-month period shall not exceed 1% of the total number of shares in issue.

41. SHARE-BASED PAYMENT TRANSACTIONS *(Continued)*

Details of the share options granted under the 2008 Scheme to directors, employees and consultants of the Company during the year and movement in such holding during the year are as follows:

					Number of share options							
	Date of grant	Exercisable period	Original exercise price per share HK$	Adjusted exercise price per share HK$	Outstanding at 1 January 2013	Granted during the year	Lapsed during the year	Exercised during the year	Outstanding at 31 December 2013 and 1 January 2014	Adjustment on issue of bonus shares	Exercised during the year	Outstanding at 31 December 2014
Directors	18.6.2010	18.6.2010 to 17.6.2015	1.03	0.2060	2,500,000	–	–	(1,500,000)	1,000,000	4,000,000	–	5,000,000
Employees	28.6.2010	28.6.2010 to 27.6.2015	1.064	0.2128	28,400,000	–	–	–	28,400,000	113,600,000	(21,500,000)	120,500,000
Employees	14.01.2012	14.01.2012 to 13.01.2013	1.51	0.5020	1,500,000	–	(1,500,000)	–	–	–	–	–
Consultants	27.12.2012	27.12.2012 to 26.12.2013	0.49	0.0980	5,103,000	–	–	(5,103,000)	–	–	–	–
Consultant	22.11.2013	22.11.2013 to 21.11.2014	3.06	0.6180	–	9,000,000	–	–	9,000,000	36,000,000	(45,000,000)	–
					37,503,000	9,000,000	(1,500,000)	(6,603,000)	38,400,000	153,600,000	(66,500,000)	125,500,000
Exercisable at the end of the year									38,400,000			125,500,000
Weighted average exercise price (HK$)					1.001	3.06			1.53			0.2125

During the year ended 31 December 2013, 9,000,000 options were granted on 22 November 2013. The Group recognised total expense of approximately HK$9,876,000 for the year ended 31 December 2013 in relation to share options granted by the Company under the 2008 Scheme.

Options granted are fully vested at the date of grant.

41. SHARE-BASED PAYMENT TRANSACTIONS *(Continued)*

The fair values were calculated using the Trinomial Model. The inputs into the Trinomial Model were as follows:

Date of grant	22 November 2013
Closing share price at the date of grant	HK$3.06
Exercise price	HK$3.06
Expected volatility	97.35%
Expected exercise multiple	2.3469X
Expected dividend yield	0.00%
Contractual life	1 year
Risk-free rate	0.2%
Fair value per share option	HK$1.0973

Expected volatility was determined by using the annualised historical volatility of the Company's share price over the previous one year.

The fair values were calculated by RHL Appraisal Limited, an independent firm of professional valuer not connected with the Group. The Trinomial Model is one of the commonly used models to estimate the fair value of the options. The value of an option varies with different variables of certain subjective assumptions. Any changes in the variables so adopted may materially affect the estimation of the fair value of an option.

42. ACQUISITION OF ASSETS THROUGH ACQUISITION OF A SUBSIDIARY/SUBSIDIARIES

On 6 February 2013, Asset Management acquired 100% equity interest in Dragon Oriental Investment Limited ("Dragon Oriental") from an independent third party, at a consideration of HK$43,000,000. Dragon Oriental is engaged in property holding in Hong Kong.

	HK$'000
Net assets of Dragon Oriental acquired:	
Investment property	43,154
Trade and other payables	(154)
Net assets	43,000
Cash consideration paid and net cash outflow in respect of acquisition of subsidiary	43,000

43. ACQUISITION OF SUBSIDIARIES

For the year ended 31 December 2014

(a) On 30 September 2014, the Group acquired 94.3% equity interest in Dr. Vio and its subsidiary ("Dr. Vio Group"), from independent third parties at a consideration of HK$409,288,000. This acquisition has been accounted for using the purchase method. Dr. Vio Group is engaged in provision of managed care services.

	Total HK$'000
Assets acquired and liabilities recognised at the date of acquisition are as follows:	
Property, plant and equipment	1,725
Intangible assets	239,599
Available-for-sale investments	250
Inventories	6,233
Trade and other receivables	66,411
Bank balances and cash	2,809
Trade and other payables	(66,571)
Deferred tax liabilities	(11,964)
Net assets	238,492
Cash consideration paid	409,288
Consideration transferred	409,288
Add: Non-controlling interests	24,740
Net assets recognised	(238,492)
Goodwill arising on acquisition	195,536

43. ACQUISITION OF SUBSIDIARIES *(Continued)*

For the year ended 31 December 2014 *(Continued)*

(a) *(Continued)*

Goodwill arose in the acquisition of Dr. Vio Group because the cost of the combination included a control premium. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development and the assembled workforce of Dr. Vio Group. These benefits are not recognised separately from goodwill because they do not meet the criteria for identifiable intangible assets.

None of the goodwill arising on these acquisition is expected to be deductible for tax purposes.

	HK$'000
Analysis of net outflow of cash and cash equivalents in connection with the acquisition of subsidiaries:	
Cash consideration paid	**409,288**
Bank balances and cash acquired	**(2,809)**
Net cash outflow in respect of the acquisition of subsidiaries	**406,479**

For the expansion of the Group's business, the Group acquired Dr. Vio Group which is engaged in managed care business.

The subsidiaries acquired during the year ended 31 December 2014 contributed approximately HK$87,874,000 to the Group's revenue and contributed profit approximately HK$9,920,000 to the Group's profit for the year.

Had the acquisition been completed on 1 January 2014, total group revenue for the year would have been approximately HK$734,090,000 and profit for the year would have been approximately HK$81,021,000. The proforma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2014, nor is it intended to be a projection of future results.

43. ACQUISITION OF SUBSIDIARIES *(Continued)*

For the year ended 31 December 2013

(b) On 28 February 2013, the Group acquired 100% equity interest in Trans Joy Finance Limited, from an independent third party at a consideration of HK$1,890,000. This acquisition has been accounted for using the purchase method. Trans Joy Finance Limited is engaged in provision of financial services.

	HK$'000
Assets acquired and liabilities recognised at the date of acquisition are as follows:	
Bank balances and cash	1,903
Trade and other payables	(13)
Net assets	1,890
Cash consideration paid	1,890
Analysis of net inflow of cash and cash equivalents in connection with the acquisition of a subsidiary:	
Cash consideration paid	1,890
Bank balances and cash acquired	(1,903)
Net cash inflow in respect of the acquisition of a subsidiary	(13)

For the expansion of the Group's business, the Group acquired Trans Joy Finance Limited engaged in provision of financial services.

The subsidiary acquired during the year ended 31 December 2013 contributed loss of approximately HK$71,000 to the Group's profit during the year.

Had the acquisition been completed on 1 January 2013, profit for the year would have been approximately HK$79,247,000. The proforma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2013, nor is it intended to be a projection of future results.

43. ACQUISITION OF SUBSIDIARIES *(Continued)*

For the year ended 31 December 2013 *(Continued)*

(c) On 27 August 2013, the Group acquired 70% equity interest in Ever Full and its subsidiary ("Ever Full Group"), from an independent third party at a consideration of HK$21,000,000. This acquisition has been accounted for using the purchase method. The amount of goodwill arising as a result of the acquisition was HK$10,455,000. Ever Full Group is engaged in production and sale of radiopharmaceutical products to medical practises in Hong Kong.

	HK$'000
Assets acquired and liabilities recognised at the date of acquisition are as follows:	
Property, plant and equipment	13,468
Trade and other receivables	2,977
Inventories	1,483
Tax recoverable	180
Bank balances and cash	1,340
Trade and other payables	(17,940)
Deferred tax liabilities	(1,301)
Net assets	207
Cash consideration paid	21,000
Goodwill arising on acquisition:	
Consideration transferred	21,000
Acquisition of shareholder's loan	(10,400)
Plus: Non-controlling interests (30% in Ever Full Group)	62
Less: Net assets acquired	(207)
Goodwill arising on acquisition	10,455

43. ACQUISITION OF SUBSIDIARIES *(Continued)*

For the year ended 31 December 2013 *(Continued)*

(c) *(Continued)*

Goodwill arose in the acquisition of Ever Full Group because the cost of the combination included a control premium. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development and the assembled workforce of Ever Full Group. These benefits are not recognised separately from goodwill because they do not meet the criteria for identifiable intangible assets.

None of the goodwill arising on these acquisition is expected to be deductible for tax purposes.

	HK$'000
Analysis of net outflow of cash and cash equivalents in connection with the acquisition of subsidiaries:	
Cash consideration paid	21,000
Bank balances and cash acquired	(1,340)
Net cash outflow in respect of the acquisition of subsidiaries	19,660

For the expansion of the Group's business, the Group acquired Ever Full Group which is engaged in production and sale of radiopharmaceutical products to medical practises in Hong Kong.

The subsidiaries acquired during the year ended 31 December 2013 contributed approximately HK$7,207,000 to the Group's revenue and contributed profit of approximately HK$643,000 to the Group's profit during the year.

Had the acquisition been completed on 1 January 2013, total group revenue for the year would have been approximately HK$370,885,000 and profit for the year would have been approximately HK$81,719,000. The proforma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2013, nor is it intended to be a projection of future results.

43. ACQUISITION OF SUBSIDIARIES *(Continued)*

For the year ended 31 December 2013 *(Continued)*

(d) On 31 October 2013, the Group acquired additional 40% equity interest in Yikang, from an independent third party at a consideration of HK$124,300,000. Immediately after the transaction, Yikang became a 80% owned subsidiary of the Group. This acquisition has been accounted for using the purchase method. The amount of goodwill arising as a result of the acquisition was HK$132,552,000. Yikang is engaged in provision of medical, hospital service and management in the PRC.

	HK$'000
Assets acquired and liabilities recognised at the date of acquisition are as follows:	
Property, plant and equipment	56,080
Inventories	175
Trade and other receivables	18,623
Bank balances and cash	43,467
Trade and other payables	(19,898)
Net assets	98,447
Cash consideration paid	124,300
Goodwill arising on acquisition:	
Cash consideration paid	124,300
Plus: Non-controlling interests (20% in Yikang)	19,689
Fair value of previously held interest in an associate (Note)	87,010
Less: Net assets acquired	(98,447)
	132,552
Analysis of net outflow of cash and cash equivalents in connection with the acquisition of subsidiary:	
Cash consideration paid	124,300
Bank balances and cash acquired	(43,467)
Net cash outflow in respect of the acquisition of subsidiary	80,833

43. ACQUISITION OF SUBSIDIARIES *(Continued)*

For the year ended 31 December 2013 *(Continued)*

(d) *(Continued)*

Note: The fair value of the previously held interest of 40% in Yikang was determined by reference to the cash consideration paid by the Group for the further acquisition of 40% equity interest in Yikang less an adjustment factor of 30% to take into account of the control premium paid for the further acquisition of 40%. The carrying amount of the previously held interest of 40% in Yikang, classified as interest in associate, was HK$nil, as the associate was fully impaired in prior years. Accordingly, a gain on remeasurement of the previously held interest in an associate of $87,010,000 arose (see note 10).

Goodwill arose in the acquisition of Yikang because the cost of the combination included a control premium, paid by the Group for the acquisition of further 40% interest in Yikang taking into account the potential for revenue growth and future market development and the assembled workforce of Yikang. These benefits are not recognised separately from goodwill because they do not meet the criteria for identifiable intangible assets.

None of the goodwill arising on the acquisition is expected to be deductible for tax purposes.

For the expansion of the Group's business, the Group acquired subsidiary engaged in provision of medical, hospital service and management in the PRC.

The subsidiary acquired during the year ended 31 December 2013 contributed approximately HK$5,010,000 to the Group's revenue and contributed loss of approximately HK$2,761,000 to the Group's profit during the year.

Had the acquisition been completed on 1 January 2013, total group revenue for the year would have been approximately HK$384,054,000, and profit for the year would have been approximately HK$72,847,000. The proforma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2013, nor is it intended to be a projection of future results.

44. DISPOSAL OF SUBSIDIARIES

On 21 February 2014, the Group disposed of its entire equity interest in Wealthy Train Limited ("Wealthy Train") to an independent third party at a total consideration of HK$3,322,000.

On 2 July 2014, the Group disposed of its entire equity interest in eSilk to an independent third party at a total consideration of HK$224,000.

On 4 November 2014, the Group disposed of its entire equity interest in Pherson Limited ("Pherson") to an independent third party at a total consideration of HK$3,980,000.

44. DISPOSAL OF SUBSIDIARIES *(Continued)*

On 14 May 2013, the Group disposed of its entire equity interest in Achieved Success Company Limited and its subsidiary ("Achieved Success") to an independent third party at a total consideration of HK$35,000,000.

On 15 May 2013, the Group disposed of its entire equity interest in Dragon Oriental to an independent third party at a total consideration of HK$42,000,000.

The aggregate amounts of the assets and liabilities attributable to the subsidiaries on the dates of disposal were as follows:

	2014				2013		
	Wealthy Train at 21.02.2014 HK$'000	eSilk at 02.07.2014 HK$'000	Pherson at 04.11.2014 HK$'000	Total HK$'000	Achieved Success at 14.05.2013 HK$'000	Dragon Oriental at 15.05.2013 HK$'000	Total HK$'000
Net assets disposed of:							
Property, plant and equipment	–	2	288	290	8,501	–	8,501
Investment properties	164,302	–	3,623	167,925	24,989	41,901	66,890
Inventories	–	18	–	18	–	–	–
Trade and other receivables	–	–	182	182	20	–	20
Bank balances and cash	1,195	448	4	1,647	291	253	544
Trade and other payables	(162,175)	(480)	–	(162,655)	(448)	(154)	(602)
Deferred tax liabilities	–	–	(117)	(117)	(12)	–	(12)
Non-controlling interests	–	6	–	6	–	–	–
	3,322	(6)	3,980	7,296	33,341	42,000	75,341
Gain on disposal	–	230	–	230	1,659	–	1,659
	3,322	224	3,980	7,526	35,000	42,000	77,000
Satisfied by:							
Cash	3,322	224	3,980	7,526	35,000	42,000	77,000
Net cash inflow arising on disposal:							
Cash consideration received	3,322	224	3,980	7,526	35,000	42,000	77,000
Bank balances and cash disposed of	(1,195)	(448)	(4)	(1,647)	(291)	(253)	(544)
	2,127	(224)	3,976	5,879	34,709	41,747	76,456

The subsidiaries disposed of during the year did not contribute significantly to the results and cash flows of the Group during the year ended 31 December 2014 and 31 December 2013 prior to the disposal.

45. RETIREMENT BENEFITS SCHEME

The Group operates a Mandatory Provident Fund Scheme for all qualifying employees in Hong Kong. The assets of the scheme are held separately from those of the Group, in funds under the control of trustees. The Group contributes 5% of relevant payroll costs to the scheme subjecting to a maximum of HK$1,250 per month prior to 1 June 2014 and HK$1,500 per month from 1 June 2014, the contribution of which is matched by employees.

The employees in the PRC are members of respective state-managed defined contribution retirement benefits schemes operated by the local government. The employer and the employees are obliged to make contributions at a certain percentage of the basic payroll under rules of the schemes. The only obligation of the Group with respect to the retirement benefit schemes is to make the specified contributions.

The total cost charged to the consolidated statement of comprehensive income of approximately HK$3,605,000 (2013: HK$3,282,000) represents contributions payable to the above schemes by the Group during the year. No forfeited contribution is available to the Group to reduce the existing level of contribution.

46. CASH AND CASH EQUIVALENTS

Cash and cash equivalents at the end of the reporting period as shown in the consolidated statement of cash flows can be reconciled to the related items in the statement of financial position as follows:

	2014 **HK$'000**	2013 HK$'000
Cash and bank balances	**1,078,558**	201,249
Cash and bank balances included in a disposal group classified as held for sale (note 33)	**4,958**	–
Total	**1,083,516**	201,249

47. OPERATING LEASES

The Group as lessee

	2014 **HK$'000**	2013 HK$'000
Minimum lease payments paid under operating leases in respect of properties during the year	**42,959**	39,357

During the year ended 31 December 2014, the total rental expenses incurred by the Group amounted to HK$55,247,000 (2013: HK$50,807,000).

47. OPERATING LEASES *(Continued)*

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2014 HK$'000	2013 HK$'000
Within one year	**42,156**	31,349
In the second to fifth year inclusive	**34,684**	18,012
Over five years	**–**	2,157
	76,840	51,518

Operating lease payments represent rentals payable by the Group for certain of its clinics and office premises. Leases are negotiated and rentals are fixed for a term ranging from two to five years.

The Group as lessor

During the year ended 31 December 2014, the Group had property rental income of approximately HK$21,186,000 (2013: HK$30,090,000).

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases with fixed rents in respect of premises which would fall due as follows:

	2014 HK$'000	2013 HK$'000
Within one year	**14,337**	20,905
In the second to fifth year inclusive	**10,525**	13,704
	24,862	34,609

All of the properties held have committed tenants for the coming one to two years.

48. PLEDGE OF ASSETS

As at 31 December 2014, certain property, plant and equipment and investment properties of the Group with carrying value of approximately HK$126,972,000 and HK$256,985,000, respectively, were pledged to secure general banking facilities granted to the Group.

As at 31 December 2013, certain property, plant and equipment, investment properties and assets classified as held for sale of the Group with carrying value of approximately HK$68,951,000, HK$420,405,000 and HK$117,000,000, respectively, and bank deposits and held for trading investments of HK$17,794,000 and HK$68,978,000 were pledged to secure general banking facilities granted to the Group, respectively. The pledge of assets classified as held for sale was released upon the completion date of disposal in 2014.

49. RELATED PARTY TRANSACTIONS AND BALANCES

During the year, the Group entered into the following significant transactions with related parties:

Name of related party	Nature of transactions	2014 HK$'000	2013 HK$'000
Advance Bond Limited	Rental income	**941**	900
Hong Kong Bariatric and Metabolic Institute Limited	Management services fee income	**405**	370
	Rental income	**86**	129
Hong Kong Traumatology and Orthopaedics Institute Limited	Management services fee income	**3,488**	2,500
	Management services fee expense	**176**	131
	Rental income	**345**	398

The above related parties are the associates of the Group during the years ended 31 December 2014 and 2013.

Details of balances with related parties as at the end of the reporting period are set out in the consolidated statement of financial position and in notes 28, 29, 30 and 35.

Compensation of key management personnel

The remuneration of key management personnel which represent the directors of the Company during the year was as follows:

	2014 HK$'000	2013 HK$'000
Short-term benefits	**23,716**	22,795
Post-employment benefits	**94**	60
	23,810	22,855

The remuneration of key management personnel is determined by the remuneration committee having regard to the performance of individuals and market trends.

50. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2014 HK$'000	2013 HK$'000
ASSETS AND LIABILITIES		
Unlisted investments in subsidiaries	**28,529**	28,529
Amounts due from subsidiaries	**1,935,913**	1,267,637
Amount due from an associate	**500**	500
Loan receivable	**30,000**	–
Other receivables	**5,728**	1,756
Bank balances and cash	**181,989**	1,681
Other payables	**(740)**	–
Amounts due to subsidiaries	**–**	(83,766)
Loan notes	**(116,533)**	–
Total net assets	**2,065,386**	1,216,337
CAPITAL AND RESERVES		
Share capital – ordinary shares	**51,104**	9,169
Share capital – convertible preference shares	**3,750**	–
Reserves (Note)	**2,010,532**	1,207,168
	2,065,386	1,216,337

50. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(Continued)*

Note:

Reserves

	Share premium HK$'000	Capital redemption reserve HK$'000	Contributed surplus HK$'000	Distributable reserve HK$'000	Share options reserve HK$'000	Accumulated profits HK$'000	Total HK$'000
At 1 January 2013	508,096	9,020	28,180	62,677	210,497	484,950	1,303,420
Loss for the year	–	–	–	–	–	(110,107)	(110,107)
Exercise of share options	4,477	–	–	–	(498)	–	3,979
Recognition of equity-settled share based payment expenses	–	–	–	–	9,876	–	9,876
At 31 December 2013	512,573	9,020	28,180	62,677	219,875	374,843	1,207,168
Loss for the year	–	–	–	–	–	(11,863)	(11,863)
Issue of bonus share	–	–	–	–	–	(36,678)	(36,678)
Exercise of share options	42,162	–	–	–	(10,713)	–	31,449
Issue of shares upon share subscription							
– ordinary shares	445,408	–	–	–	–	–	445,408
– preference shares	446,250	–	–	–	–	–	446,250
Transaction cost attributable to issue of shares	(20,770)	–	–	–	–	–	(20,770)
Dividend paid	–	–	–	–	–	(50,432)	(50,432)
At 31 December 2014	1,425,623	9,020	28,180	62,677	209,162	275,870	2,010,532

Contributed surplus of the Company includes the difference between the nominal value of HK$350,000 of the ordinary shares issued by the Company and the net assets value of approximately HK$28,530,000 of Town Health BVI, a subsidiary acquired through an exchange of shares pursuant to the group reorganisation in April 2000.

51. PRINCIPAL SUBSIDIARIES

Particulars of the Company's principal subsidiaries at 31 December 2014 and 2013 are as follows:

Name of company	Place of incorporation/ form of legal entity	Class of shares held	Issued and fully paid share capital/ registered capital	Proportion of nominal value of issued capital/registered capital held by the Company				Proportion of voting power held by the Company				Principal activities
				31 December 2014		31 December 2013		**31 December 2014**		31 December 2013		
				Directly	**Indirectly**	Directly	Indirectly	**Directly**	**Indirectly**	Directly	Indirectly	
Town Health BVI	British Virgin Islands/ limited liability company	Ordinary	US$1,331,131	**100%**	**–**	100%	–	**100%**	**–**	100%	–	Investment holding
Audio Health (Note a)	Hong Kong/limited liability company	Ordinary	HK$1,000	**–**	**35.7%**	–	35.7%	**–**	**75%**	–	75%	Provision of audio diagnostic tests and sale of hearing-aid devices
Billion Advance Limited (Note b)	Hong Kong/limited liability company	Ordinary	HK$100	**–**	**42%**	–	51.5%	**–**	**100%**	–	100%	Property investment services
Chain Glory Limited	Hong Kong/limited liability company	Ordinary	HK$300,000	**–**	**51%**	–	51%	**–**	**50%**	–	50%	Provision of medical services
China Universal Limited (Note b)	Hong Kong/limited liability company	Ordinary	HK$1	**–**	**60%**	–	73.6%	**–**	**75%**	–	75%	Property investment services
Dr. Vio (Note c)	Hong Kong/limited liability company	Ordinary	HK$1,000	**–**	**94.3%**	–	–	**–**	**100%**	–	–	Provision of managed care services
Easy Result Limited	Hong Kong/limited liability company	Ordinary	HK$100	**–**	**51%**	–	51%	**–**	**67%**	–	67%	Provision of medical services
First Billion Investment Limited (Note b)	Hong Kong/limited liability company	Ordinary	HK$2	**–**	**60%**	–	73.6%	**–**	**75%**	–	100%	Property holding services
PHC Medical	Hong Kong/limited liability company	Ordinary	HK$2	**–**	**100%**	–	100%	**–**	**100%**	–	100%	Provision of medical and dental consultation services
Oriental Elite Limited (Note b)	Hong Kong/limited liability company	Ordinary	HK$100	**–**	**100%**	–	73.6%	**–**	**100%**	–	100%	Property investments services
Perfect Elite Investments Limited (Note b)	Hong Kong/limited liability company	Ordinary	HK$1	**–**	**60%**	–	73.6%	**–**	**100%**	–	100%	Property investments services

51. PRINCIPAL SUBSIDIARIES *(Continued)*

Name of company	Place of incorporation/ form of legal entity	Class of shares held	Issued and fully paid share capital/ registered capital	Proportion of nominal value of issued capital/registered capital held by the Company				Proportion of voting power held by the Company				Principal activities
				31 December 2014		31 December 2013		31 December 2014		31 December 2013		
				Directly	Indirectly	Directly	Indirectly	Directly	Indirectly	Directly	Indirectly	
Profit Sources Limited (Note b)	Hong Kong/limited liability company	Ordinary	HK$100	–	100%	–	73.6%	–	100%	–	100%	Property investments services
Asset Management (Note b)	British Virgin Islands/ limited liability company	Ordinary	HK$917	–	60%	–	73.6%	–	75%	–	75%	Property investments services
Town Health Corporate Advisory and Investments Limited	Hong Kong/limited liability company	Ordinary	HK$100	–	100%	–	100%	–	100%	–	100%	Trading of listed securities
Town Health Corporate Management and Investment Limited	British Virgin Islands/ limited liability company	Ordinary	US$1	–	100%	–	100%	–	100%	–	100%	Investment holding
Town Health Dental	Hong Kong/limited liability company	Ordinary	HK$2	–	100%	–	100%	–	100%	–	100%	Provision of dental consultation services
Town Health Management and Services Limited	Hong Kong/limited liability company	Ordinary	HK$2	–	100%	–	100%	–	100%	–	100%	Provision of management and administrative services
Town Health M & D	Hong Kong/limited liability company	Ordinary	HK$2	–	100%	–	100%	–	100%	–	100%	Provision of medical services
Town Health Para-medical Services Limited	Hong Kong/limited liability company	Ordinary	HK$2	–	100%	–	100%	–	100%	–	100%	Investment holding
Ultimate Achieve Limited (Note b)	Hong Kong/limited liability company	Ordinary	HK$1	–	60%	–	73.6%	–	60%	–	100%	Trading of listed securities
Yikang	PRC/sino foreign equity joint venture	–	RMB 199,750,000	–	80%	–	80%	–	*75%	–	75%	Provision of medical services

51. PRINCIPAL SUBSIDIARIES *(Continued)*

Notes:

(a) The Group held this subsidiary indirectly through a 70% owned subsidiary in the year. 51% equity interest of this subsidiary is owned by its parent company, in which 70% equity interest of its parent company is owned by a wholly-owned subsidiary of the Company.

(b) 208 new shares of Asset Management were allotted and issued to non-controlling interest. The Group's equity interest was diluted by 13.6%, from 73.6% to 60%.

(c) The Group further acquired 40% equity interests in Yikang which becomes 80% owned subsidiary of the Company.

The above table lists the subsidiaries of the Group which, in the opinion of the directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, results in particulars of excessive length.

None of the subsidiaries had issued any debt securities at the end of the year.

At the end of the reporting period, the Company has other subsidiaries that are not material to the Group. The majority of these subsidiaries operate in Hong Kong. The principal activities of these subsidiaries are summarised as follows:

Principal activities	Principal place of business	Number of subsidiaries 2014	2013
Provision of healthcare and dental services	Hong Kong	**86**	47
Provision of health check and laboratory services	Hong Kong	**3**	3
	PRC	**2**	2
		5	5
Managed care business	Hong Kong	**1**	–
Investments in securities and properties	Hong Kong	**14**	19

Details of non-wholly owned subsidiary that have material non-controlling interests

The table below shows details of non-wholly owned subsidiary of the Group that have material non-controlling interests:

Name of subsidiary	Place of incorporation and principal place of business	Proportion of voting rights held by non-controlling interests 31.12.2014	31.12.2013	Proportion of ownership interests held by non-controlling interests 31.12.2014	31.12.2013	(Loss) profit allocated to non-controlling interests 31.12.2014 HK$'000	31.12.2013 HK$'000	Accumulated non-controlling interests 31.12.2014 HK$'000	31.12.2013 HK$'000
Asset Management	British Virgin Islands/ Hong Kong	**40%**	25%	**40%**	26.4%	**(11,844)**	27,118	**286,306**	261,221
Individually immaterial subsidiaries with non- controlling interests								**58,346**	23,090
								344,652	284,311

51. PRINCIPAL SUBSIDIARIES *(Continued)*

Details of non-wholly owned subsidiary that have material non-controlling interests *(Continued)*

Summarised financial information in respect of each of the Group's subsidiaries that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

Asset Management

	2014 HK$'000	2013 HK$'000
Current assets	**601,468**	617,602
Non-current assets	**165,029**	761,871
Current liabilities	**(44,806)**	(383,317)
Non-current liabilities	**(1,434)**	(2,040)
Equity attributable to owners of the Company	**433,951**	732,895
Non-controlling interests	**286,306**	261,221
Revenue	**15,389**	35,722
Increase in fair value of investment properties	**850**	64,196
Other income	**118,611**	67,350
Expenses	**(229,818)**	(59,762)
Income tax expense	**(1,337)**	(2,201)
(Loss) profit for the year	**(96,305)**	105,305
(Loss) profit attributable to owners of the Company	**(84,461)**	78,187
(Loss) profit attributable to the non-controlling interests	**(11,844)**	27,118
(Loss) profit for the year	**(96,305)**	105,305

51. PRINCIPAL SUBSIDIARIES *(Continued)*

Details of non-wholly owned subsidiary that have material non-controlling interests *(Continued)*

Asset Management (Continued)

	2014 HK$'000	2013 HK$'000
Other comprehensive income attributable to owners of the Company	**70,497**	52,892
Other comprehensive income attributable to the non-controlling interests	**–**	10,185
Other comprehensive income for the year	**70,497**	63,077
Total comprehensive (expense) income attributable to owners of the Company	**(13,964)**	131,079
Total comprehensive (expense) income attributable to the non-controlling interests	**(11,844)**	37,303
Total comprehensive (expense) income for the year	**(25,808)**	168,382
Net cash outflow from operating activities	**(97,749)**	(468,762)
Net cash inflow from investing activities	**346,160**	223,059
Net cash (outflow) inflow from financing activities	**(327,708)**	331,241
Net cash (outflow) inflow	**(79,297)**	85,538

Change in ownership interest in a subsidiary

During the year ended 31 December 2014, Asset Management, a non-wholly owned subsidiary of the Group, allotted and issued 208 (2013: 17) new shares to its non-controlling interests, for a total consideration of HK$83,000,000 (2013: HK$17,000,000). The Group's equity interests of Asset Management is diluted from 73.6% to 60% (2013: diluted from 75% to 73.6%). An amount of HK$119,930,000 (2013: HK$17,431,000) (being the proportionate share of the carrying amount of the net assets of Asset Management) has been transferred to non-controlling interests. The difference of HK$36,930,000 (2013: HK$431,000) between the increase in the non-controlling interests and the consideration received has been debited (2013: credited) to other reserves.

52. EVENTS AFTER THE REPORTING PERIOD

Subsequent to the end of reporting period, the Group has the following events:

(a) On 1 January 2015, the Company issued 365,327,586 shares to Bonjour Group Limited for acquisition of 100% equity interest in Bonjour Beauty International Limited ("Bonjour Beauty"), a company incorporated in the British Virgin Islands with limited liability. Bonjour Beauty and its subsidiaries are engaged in the operation of beauty and health salons. Details of the transaction are disclosed in announcements of the Company dated 20 August 2014 and 1 January 2015 and a circular of the Company dated 19 November 2014.

(b) On 5 January 2015, the Company entered into conditional investment agreement with China Life Insurance (Group) Company ("China Life") of issuing 1,785,098,644 shares for HK$1,749,396,671 in cash at the subscription price of HK$0.98 per share. The major shareholder of the Company has also granted China Life the put option entitling China Life to require the major shareholder of the Company to repurchase the acquired shares from China Life, at put option price of HK$1.2 per share. Details of the transaction are disclosed in an announcement of the Company dated 5 January 2015 and a circular of the Company dated 3 February 2015.

(c) On 17 March 2015, Wise Lead Holdings Limited, a wholly-owned subsidiary of the Company, entered into a sale and purchase agreement to acquire 49% interest in Huayao Medical Group Limited, a company incorporated in the British Virgin Islands and engaged in operating (i) a rehabilitation oriented hospital in Hangzhou which mainly provides services relating to rehabilitation care, traditional Chinese orthopaedics and Western medial orthopaedics; and (ii) an outpatient medical clinic in Hangzhou which provides traditional Chinese medical care, Western internal medicine health care and quality dental care services, from an independent third party, at a consideration of RMB151,280,000 (equivalent to approximately HK$187,587,200).

All rights and obligations under the sale and purchase agreement shall cease and terminate if the conditions stated have not been fulfilled on or before 31 March 2015. Details of the transaction are disclosed in an announcement of the Company dated 17 March 2015.

(d) On 20 March 2015, the Company entered into a sale and purchase agreement with an independent third party to sell its entire 60% equity interest in Asset Management, a company incorporated in the British Virgin Islands and engaged in property investment, at a consideration of HK$432,726,000. Details of the transaction are disclosed in an announcement of the Company dated 20 March 2015.

Major Properties Information

The Group's property portfolio summary – major properties held for investment:

	Location	Existing use	Tenure	Group's interest (%) 2014	2013
1.	Whole block of nos. 10-12 Yuen Shun Circuit, Sha Tin Town Lot No. 282, New Territories	Office	Medium term lease	**100%**	73.6%
2.	Shop nos. G28 and G29 on Ground Floor, Commercial Podium, Sincere House, No. 83 Argyle Street, Kowloon	Shops	Medium term lease	**60%**	73.6%
3.	Ground Floor, Ultragrace Commercial Building, No. 5 Jordan Road, Kowloon	Shops	Medium term lease	**60%**	73.6%
4.	Shop C2 on Ground Floor, Carson Mansion, Nos. 4-6 Dung Fat Street, Nos. 46-50 Lo Tak Court, Nos. 3-5 On Wing Street, Tsuen Wan, New Territories	Shops	Medium term lease	**60%**	73.6%

Financial Summary

RESULTS

	2014 HK$'000	2013 HK$'000	2012 HK$'000	2011 HK$'000	2010 HK$'000
Revenue	**494,579**	354,553	341,768	339,321	307,447
Profit (loss) for the year from continuing operations	**80,889**	79,318	(430,664)	66,011	132,715
Loss for the year from discontinued operation	**–**	–	–	–	(22,549)
Profit (loss) for the year	**80,889**	79,318	(430,664)	66,011	110,166
Attributable to:					
Owners of the Company	**84,612**	49,633	(434,952)	64,221	100,269
Non-controlling interests	**(3,723)**	29,685	4,288	1,790	9,897
	80,889	79,318	(430,664)	66,011	110,166

ASSETS AND LIABILITIES

	2014 HK$'000	2013 HK$'000	2012 HK$'000	2011 HK$'000	2010 HK$'000
Total assets	**2,824,411**	2,012,517	1,672,548	1,797,212	1,770,087
Total liabilities	**(364,293)**	(519,040)	(335,199)	(244,415)	(204,810)
	2,460,118	1,493,477	1,337,349	1,552,797	1,565,277
Assets attributable to:					
Owners of the Company	**2,115,466**	1,209,166	1,127,631	1,546,815	1,559,244
Non-controlling interests	**344,652**	284,311	209,718	5,982	6,033
	2,460,118	1,493,477	1,337,349	1,552,797	1,565,277