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
2015

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

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

Non-executive Directors

Dr. Choi Chee Ming, *GBS, JP (Deputy Chairman)*
Ms. Fang Haiyan *(Deputy Chairperson) (Note 1)*
Mr. Tsai Ming-hsing *(Deputy Chairman) (Note 2)*
Mr. Chen Jinhao *(Note 1)*

Independent Non-executive Directors

Mr. Ho Kwok Wah, George, *MH*
Mr. Wong Tat Tung, *MH, JP*
Mr. Yu Xuezhong *(Note 1)*
Ms. Li Mingqin *(Note 1)*
Mr. Wang John Hong-chiun *(Note 2)*

BOARD COMMITTEES

Audit Committee

Mr. Ho Kwok Wah, George, *MH (Chairman)*
Mr. Wong Tat Tung, *MH, JP*
Mr. Yu Xuezhong *(Note 1)*
Ms. Li Mingqin *(Note 1)*
Mr. Wang John Hong-chiun *(Note 2)*

Remuneration Committee

Mr. Ho Kwok Wah, George, *MH*
(Chairman) (Note 3)
Mr. Wong Tat Tung, *MH, JP*
Mr. Yu Xuezhong *(Note 1)*
Ms. Li Mingqin *(Note 1)*
Mr. Lee Chik Yuet

Nomination Committee

Mr. Wong Tat Tung, *MH, JP (Chairman)*
Mr. Ho Kwok Wah, George, *MH*
Ms. Li Mingqin *(Note 1)*
Mr. Lee Chik Yuet

Notes:

1. Appointed on 1 June 2015.
2. Appointed on 2 September 2015.
3. On 2 September 2015, Mr. Ho Kwok Wah, George, *MH* was appointed as the Chairman of the Remuneration Committee.

COMPANY SECRETARY

Mr. Wong Seung Ming, *CPA, FCCA*

AUDITOR

Deloitte Touche Tohmatsu
Certified Public Accountants

REGISTERED OFFICE

Canon's Court
22 Victoria Street
Hamilton HM12
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 BANKERS

Bank of Communications Co., Ltd.
Dah Sing Bank, Limited
Hang Seng Bank Limited

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Appleby Management (Bermuda) Ltd.
Canon's Court
22 Victoria Street
Hamilton HM12
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

Dear Shareholders,

On behalf of Town Health International Medical Group Limited ("Company", together with its subsidiaries, or the "Group"), I am pleased to present this annual report for the year ended 31 December 2015 ("Year") to our shareholders.

Over the past two years of rapid development, the Group has become the leader in Hong Kong's healthcare industry. The Group has also ushered in strong strategic shareholders, to enrich its scope of healthcare services and consolidate the Group's core competitive edges. In order to enhance the Group's leading position in the Hong Kong healthcare industry and cope with global economic uncertainties, the Group will continue to optimise its operations and further improve its efficiency.

According to the "Health China 2020 Strategy Research Report", the National Health and Family Planning Commission of the People's Republic of China ("PRC") stated that by 2020, China's total healthcare expenditure will reach 6.5%-7.0% of the total GDP and China's health consumer market will reach a scale of RMB6.2-6.7 trillion. The demand for healthcare services will be huge. The Group will proactively explore and capture business opportunities in the PRC healthcare market.

The Group appointed senior executives of China Life Insurance (Group) Company ("China Life Group") and Fubon Financial Holding Co., Ltd as the Group's board members during the Year. The Group expects the new shareholders and new board members will further strengthen the Group's management and help seize more market opportunities in the future. Besides, the Group has completed the acquisitions of Bonjour Beauty International Limited and Huayao Medical Group Limited (together with its subsidiaries, "Renji Group") in the Year to diversify its business scope.

In respect of the healthcare services of the Group in Hong Kong, the Group's medical and dental business has been developing steadily, and the scope of its specialty medical services has been further broadened. The business of Dr. Vio & Partners Limited ("Dr. Vio") has been growing with solid momentum. Through effective market expansion and resources integration, the results of Dr. Vio's business were satisfying. The Group has worked with China Life Group and China Parenting Network Holdings Limited on developing the PRC – Hong Kong medical tourism business to promote its Hong Kong premium medical services to the PRC customers. The current PRC – Hong Kong medical tourism is still in its infancy development stage and the Group believes that this business will become the growth driver of the Group's Hong Kong medical platform in the future. Furthermore, the Group has successfully launched an online to offline (O2O) healthcare and lifestyle platform – "One Pass" which integrates the various business units of the Group to offer better shopping experience and more efficient services to our customers.

CHAIRPERSON'S STATEMENT

To capture the opportunities provided by the rapid development of the PRC healthcare market, the Group has entered into the investment and cooperation agreement with Nanyang Xiangrui Hospital Management Advisory Co. Ltd.（南陽祥瑞管理諮詢有限公司）, which manages, among other, a 1,000 bed Class A Tertiary Hospital in Henan Province. This acquisition will be an important milestone of the Group's development. The Group will introduce high value-added healthcare services and Hong Kong style medical practice on areas such as advanced cosmetic medicine, high-end dental, obstetrics and gynaecology and health check services to its acquired hospitals in the PRC, including the Shengkang Hospital in Zhejiang Province and the Nanshi Hospital in Henan Province. Meanwhile, the Group intends to develop an O2O platform for Nanshi Hospital of Nanyang so as to integrate the customer resources of China Life Group in Henan Province with Nanshi Hospital of Nanyang. The Group will continue to explore other potential hospital investment opportunities to drive the growth of its PRC healthcare platform.

In addition, the Group has commenced the renovation work of Renji Group in Hanzhou for enhancing its service quality and hardware facilities. Besides the successful acquisition of chain dental clinics in Shanghai, the Group is now establishing a flagship dental training and services center in Hangzhou which is expected to commence operation soon. The Group will continue to proactively develop its high-end dental business in the PRC to capture the market share of both Invisalign and other high-end dental businesses in the PRC.

Lastly, on behalf of the Group, I would like to thank all the staff for their contribution to deliver this significant business growth of the Group both in Hong Kong and the PRC in the past year. Further, I would like to take this opportunity to thank our shareholders and business partners for their support. The Group looks forward to further cooperation with various shareholders and business partners. The Group will continue to expand its healthcare business in Hong Kong and the PRC, and with the strong support from all parties, to provide the best healthcare services to our customers.

Choi Ka Yee, Crystal
Chairperson

Hong Kong, 23 March 2016

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

The Company is pleased to report the results of the Group for the year ended 31 December 2015.

During the year under review, revenue increased by 127.05% to approximately HK$1,122,933,000 (2014: approximately HK$494,579,000), and the Group recorded a profit of approximately HK$260,866,000 (2014: approximately HK$80,889,000).

The increase in profit was mainly attributable to (i) profit generated following the Group's acquisition of Dr. Vio & Partners Limited ("Dr. Vio") and Bonjour Beauty International Limited ("Bonjour Beauty"); (ii) share of profit of Huayao Medical Group Limited (together with its subsidiaries, "Renji Group") which has become a joint venture of the Company since March 2015; (iii) the increase in gain from the Group's strategic investment and disposal of associates; and (iv) the increase in interest income generated from the effective treasury management of the Group. The profit was then slightly offset by the increase in administrative expenses.

Additional profit contributions from acquisitions

The Group has been actively diversifying and expanding its medical businesses in Hong Kong and the PRC. It has commenced the managed care business and the beauty and cosmetic medicine business following its mergers with, and acquisitions of, Dr. Vio and Bonjour Beauty in September 2014 and January 2015 respectively, thereby broadening its revenue sources and increasing its profit. As to provision of healthcare services, following the Group's acquisition of 49% interest in Renji Group in March 2015, the Group shared profit of Renji Group during the year under review.

Increase in gain from the Group's strategic investment and disposal of associates and effective treasury management

Results from the Group's investments in securities and properties and treasury management for the year ended 31 December 2015 amounted to approximately HK$327,765,000 (2014: approximately HK$51,077,000), including gain on fair value changes on held for trading investments and disposal of associates and interest income of approximately HK$344,556,000.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is a healthcare service operator offering comprehensive healthcare services through its healthcare platform across Hong Kong and the PRC. With 26 years of healthcare operation experience and solid development of Dr. Vio in the past 68 years, the Group has established a leading position in the market and offers extensive healthcare services covering primary and specialty medical care, dental and auxiliary services to Hong Kong citizens with a strong healthcare network comprising self-operated healthcare centres and affiliated healthcare service providers.

Healthcare service network of the Group

The Group has around 500 points of healthcare services, including 120 self-operated medical centres, in Hong Kong. Among the Group's medical centres, the Group has 484 service points providing healthcare services covering multiple disciplines, which include 311 general practices service points, 60 specialties service points and 41 dental service points. As at 31 December 2015, a total of 719 medical doctors, dentists and auxiliary service providers, comprising 491 general practitioners, 169 specialists and 59 dentists, offer healthcare services through the network of self-operated and affiliated centres under the Group.

A breakdown of the healthcare service network of the Group is as follows:

	As at 31 December 2015
Medical services	**371**
General medical services	311
Specialist medical services	60
Dental services	**41**
Auxiliary services	**72**
Physiotherapy services	28
Medical imaging and laboratory services	25
Hearing health services	1
Occupational therapy – Child and youth mental health services	1
Chinese medicine services	17
Total:	**484**

A breakdown of the Group's self-operated healthcare service centres is as follows:

	As at 31 December 2015
Medical services	**89**
General medical services	52
Specialist medical services	37
Dental services	**10**
Auxiliary services	**21**
Physiotherapy services	5
Medical imaging and laboratory services	14
Hearing health services	1
Occupational therapy – Child and youth mental health services	1
Total:	**120**

The Group recorded a significant business growth during the year under review. For the year ended 31 December 2015, the Group's revenue amounted to approximately HK$1,122,933,000, representing an increase of approximately 127.05% over its revenue for the corresponding period last year.

Introduction of important strategic investor – China Life Group

During the year under review, China Life Insurance (Group) Company ("China Life Group") completed its investment in the Group in May 2015 and became the largest shareholder holding approximately 23.0% of the Company's entire issued share capital as at the date hereof.

The equity investment of China Life Group was of strategic significance to the Group's long-term development and core competitiveness. First of all, leveraging on China Life Group's market strength, the Group would be well-positioned to capture opportunities constantly arising in the PRC healthcare market. The Group will further develop the healthcare platform in the PRC by expanding healthcare network, community healthcare services and hospital management businesses. The Group explores possibility to apply managed care operational system in the PRC market by leveraging on Dr. Vio's professional operating system and the Group's experience, with a focus on China Life Group's healthcare development strategy, which would enhance the value and sustainability of medical insurance business in the PRC in the future.

In addition, China Life Group and the Group have commenced a medical tourism project between the PRC and Hong Kong which principally offers medical services in Hong Kong to the clientele and staff of China Life Group. Such medical tourisms may encompass high-end dental services, specialty medical services, advanced health check, professional cosmetic medicine services, which will reinforce the Group's leading position and become the growth momentum for its healthcare platform in Hong Kong.

MANAGEMENT DISCUSSION AND ANALYSIS

Joining of the Board by management members of China Life Group and Fubon Financial

During the year under review, the Group appointed several senior staff of China Life Group and Fubon Financial Holding Co., Ltd. ("Fubon Financial") as members of the board ("Board") of directors ("Directors") of the Company.

In respect of China Life Group, Ms. Fang Haiyan, the general manager of the Business Department of China Life Group, was appointed as the Deputy Chairperson of the Board and a non-executive Director, while Mr. Chen Jinhao, an associate director of China Life Group, was appointed as a non-executive Director. Furthermore, to facilitate the co-operation and the PRC medical business development between the Group and China Life Group and its associated company, the Group appointed Ms. Wang Qin, a senior officer of China Life Insurance Company Limited, as the head of PRC business development so as to closely coordinate the co-operation between the two parties and effectively implement all collaboration projects.

With respect to Fubon Financial, one of the largest listed financial groups in Taiwan, the Group appointed Mr. Tsai Ming-hsing ("Mr. Tsai") as a non-executive Director and a Deputy Chairman and Mr. Wang John Hong-chiun ("Mr. Wang") as an independent non-executive Director during the year under review. Mr. Tsai is the vice chairman of Fubon Financial and has managed a number of subsidiaries of the Fubon group. He is familiar with the Asia-Pacific financial market and has abundant experience in corporate development. Mr. Wang had been the senior management of several international financial institutions. Both of them possess a lot of experience and keen business acumen, which are conducive to the Group in its business expansion and presence in the healthcare market as well as its transformation into a leading healthcare enterprise in Hong Kong, the PRC and the Asia-Pacific region.

Mr. Yu Xuezhong, an assistant to the medical superintendent, a professor in emergency medicine and a supervisor of the emergency medicine division of Peking Union Medical College Hospital, and Ms. Li Mingqin, an executive director and the vice president of Sino Biopharmaceutical Limited (a company listed on the Main Board of The Stock Exchange of Hong Kong Limited ("Stock Exchange") (Stock Code: 1177)), were also appointed as independent non-executive Directors to further strengthen the Group's management, and enrich its expertise, in the PRC medical market.

It is expected that benefited from the diversified backgrounds, business exposures and strategic insights of its resourceful new board members, the Group will be able to further strengthen its corporate governance and competitiveness.

Active diversification of healthcare business in Hong Kong and the PRC

The Group is committed to a diversified healthcare business development strategy. During the year under review, the Group has completed two acquisitions: Bonjour Beauty, which is principally engaged in beauty and cosmetic medicine business, and Renji Group, which principally operates a rehabilitation hospital and two clinics in the PRC, to facilitate the Group's long-term strategic development.

Steady growth of self-operated healthcare and dental services business in Hong Kong

The Group is a healthcare service operator offering comprehensive medical services, including primary and specialty medical care, health check and dental services. During the year under review, the Group opened a total of 9 new medical centres. At present, the Group operates a total of 89 medical centres, 10 dental clinics, 14 medical check-up centres and laboratories and 7 other anxiliary services centres, across Hong Kong. The Group continues to look for prime locations to open new medical centres and keeps recruiting doctors and dentists with professional qualifications and experience to join its team in order to establish a comprehensive and high quality healthcare service network. Healthcare and dental service business of the Group contributed approximately HK$447,868,000 (2014: HK$387,522,000) to the Group's revenue for the year under review, which constituted approximately 39.88% (2014: 78.35%) of the total revenue of the Group for the year under review.

Continual expansion of specialty medical centres

The Group further enhanced its specialty medical services during the year. The Group currently has a diversified medical service platform comprising of 37 specialty medical centres offering orthopaedic, endocrinology, nephrology, plastic surgery, beauty and cosmetic medicine, cardiology, ophthalmology, reproductive medicine, otorhinolaryngology, general surgery and other specialty services. During the year under review, two cardiology centres, an orthopaedic centre, an urological centre and an ophthalmology centre were opened and had started operation in Hong Kong. To facilitate the development of its specialty medical business, the Group had recruited various seasoned specialists for its team during the year under review. At the same time, the Group fostered further integration and created synergies between these 37 specialty medical centres and Dr. Vio's healthcare network through effective resource integration and patient referral during the year under review in order to accelerate the development of the specialty medical services and enhance the value of Dr. Vio's services while providing convenient and diversified specialty medical services to the customers of Dr. Vio.

Managed care business

The Group extended its healthcare platform in Hong Kong to the managed care business after the acquisition of Dr. Vio in 2014. During the year under review, the Group proactively incorporated Dr. Vio's resources into its own network so as to create synergies, enlist more corporate clients and strengthen its business development. For instance, the Group integrated its points of healthcare services with Dr. Vio's to enable Dr. Vio to provide more points of healthcare services. Dr. Vio's customers can also search for and make an appointment through the Group's One Pass O2O platform since October 2015. It will not only bring a better shopping experience to Dr. Vio's customers, but also enhance the market value of Dr. Vio. In addition, during the year under review, the Group solicited a number of new clients to appoint Dr. Vio as the administrator of their corporate medical services, thereby enlarging Dr. Vio's market share.

Meanwhile, China Life Insurance (Overseas) Company Limited ("China Life Overseas") has appointed Dr. Vio as its corporate medical service administrator to design and manage the employee medical benefit scheme offering comprehensive medical services. In addition, the Group and China Life Group have also been exploring the possibility of replicating Dr. Vio's operation model based on the PRC healthcare system, market structure and social environment to enhance the cost control and improve the operation efficiency of the PRC healthcare market.

Beauty and cosmetic medicine business

During the year under review, the Group acquired Bonjour Beauty for developing cosmetic medicine business. In the meantime, the Group's Novus Plastic and Aesthetic Centre in Causeway Bay, which is equipped with state-of-the-art devices and technologies, has started operation, offering safe and effective plastic surgical services to customers.

Development of comprehensive One Pass O2O platform

During the year under review, the Group launched "One Pass", an online to offline (O2O) health and lifestyle platform in October 2015, with an aim to enlarge the customer base and offer a wider range of comprehensive healthcare-related services to its customers. One Pass links all the business units of the Group and enables the customers to make appointments with all the Group's primary and specialty medical care, dental, health check, beauty and cosmetic medicine services through this mobile application. One Pass features a distinguished health management function, which allows users to record their own health figures, monitor their physical condition and receive health alert according to their health data. It is also connected with a hotline center to check on customers' health and provide users with a personalised health advices and referral services. The Group will effectively integrate customer resources, enhance operational efficiency and provide cross-selling opportunities through One Pass. The Group will proactively explore more business partners to join One Pass so as to provide better services to the customers.

The Group continues to improve its services on the One Pass O2O platform and introduce more quality products and services to fulfill the needs of different customers. During the year under review, One Pass collaborated with China Life Overseas such that customers may obtain the latest information and promotions of insurance products offered by China Life Overseas through One Pass O2O platform. China Life Overseas invented four different financial planning tools especially for One Pass such that customers may recognise their own financial needs with just a few simple steps and may make appointments with financial consultants for insurance products and relevant information.

Medical tourism between the PRC and Hong Kong

Benefited from the constant growth of the consumption power and demand for premium healthcare services in the PRC, the Group is proactively developing the PRC-HK medical tourism business. After becoming the largest shareholder of the Company, China Life Group started to discuss with the Company on the development of such medical tourism. The Group has established and developed marketing channels with focus on the medical tourism of China Life Group, organised two introductory campaigns called "魅力有約之港醫美麗行" and 10 beauty and cosmetic medicine and vaccine seminars for the Shenzhen branch of China Life Group. During these activities, the Group introduced its high-end healthcare services and equipment as well as information about Hong Kong's medical sector to the senior sales team of China Life Group in Shenzhen. The Group also organised seminars for China Life Group's customers in Shanghai and Zhejiang, respectively, to further promote medical services of the Group in Hong Kong. Furthermore, the Group continued to diversify its marketing channels targeting customers of China Life Group. This included the launch of a website, mobile application and hotline, which are linked to the WeChat account of China Life Group. In addition, the Group worked with the Shenzhen, Hangzhou and Zhejiang branches of China Life Group to explore opportunities for further cooperation, jointly develop insurance products related to medical tourism services, and co-organise medical tourism services.

MANAGEMENT DISCUSSION AND ANALYSIS

During the year under review, the Group worked with China Parenting Network Holdings Limited ("China Parenting Net") on a medical tourism cooperation under which the Group would promote medical tourism by introducing its professional healthcare services and the strength of Hong Kong's medical sector to the users of China Parenting Net through their online platform and mobile application. Following the relaxation of the One-Child Policy in the PRC, the Group will work closely with China Parenting Net to explore more cooperation opportunities to expand its healthcare service coverage.

Hospital management services in the PRC

Investment in Nanyang Xiangrui and Nanshi Hospital of Nanyang

With the rapid development of the PRC healthcare market, the Group further expands its PRC healthcare platform. During the year under review, the Group entered into the investment and cooperation agreement with 南陽祥瑞管理諮詢有限公司 (Nanyang Xiangrui Hospital Management Advisory Co. Ltd.) ("Nanyang Xiangrui") to provide hospital management services to 南陽南石醫院 (Nanshi Hospital of Nanyang), 南陽南石醫院油田分院 (Nanshi Hospital Youtian Branch), 南陽二膠醫院 (Erjiao Branch of Nanshi Hospital) and 南陽市卧龍區武侯第二社區衛生服務中心 (Nanyang City Wulong District Wuhou Second Community Health Service Centre). Nanshi Hospital of Nanyang is a Class A Tertiary Hospital with 1,000 beds, while Nanshi Hospital Youtian Branch and Erjiao Branch of Nanshi Hospital are hospitals with 50 beds each, and the health service centre has 10 beds.

With a total floor areas of approximately 60,000 square metres and approximately 1,250 personnel, which include over 300 doctors, around 200 medical technicians (such as physiotherapists and anaesthetists) and around 500 nurses, as at 30 September 2015, these four medical institutions offer services to approximately 40,000 inpatients and 400,000 outpatients per annum. Nanshi Hospital of Nanyang has a number of specialist departments, namely burn and plastic surgery, neurosurgery and neurological medicine, cardiology, intensive care and emergency and general medicine and rehabilitation departments, among which the burn and plastic surgery department has been accredited as the key national hospital for specialised clinical burn and plastic surgery.

Nanyang Xiangrui has entered into an exclusive management agreement with (i) Nanshi Hospital of Nanyang, (ii) Nanshi Hospital Youtian Branch, (iii) Erjiao Branch of Nanshi Hospital and (iv) Nanyang City Wulong District Wuhou Second Community Health Service Centre for a term of 50 years, under which brand support, capital support, management support, medical resources sharing, integrated information technology support and supply chain service support will be provided to the four medical institutions and management fees will be charged by Nanyang Xiangrui. The Group proactively provided a number of support to create synergies and enhance service standard of Nanshi Hospital of Nanyang with its professional management system, operating experience and advanced equipment from Hong Kong, in the area of brand, capital, management, medical resources sharing, integrated information technology and supply chain management service. Such moves will bring positive effects to the PRC hospital business development of the Group in the future.

Acquisition of Renji Group

To optimise the healthcare business coverage in the PRC, the Group completed the acquisition of 49% interest in Renji Group during the year under review. Renji Group operates a rehabilitation hospital and two outpatient medical clinics in Hangzhou which provide traditional Chinese medical care, Western medicine healthcare and dental services to the locals. Making use of its healthcare management and operation expertise and experience, the Group optimised Renji Group's supply chain and corporate management in order to enhance its operational efficiency. In respect of the supply chain, the Group established a centralised procurement system during the year under review. This system assists every department to search for suitable supplies and suppliers, to get quotations, to conduct analysis, comparison and bargaining, to prepare procurement contracts, and to update the catalogue of medical products, their prices and the information of suppliers in order to minimise procurement costs. The Group has also developed a hospital information system during the year under review to standardise and regulate hospital operation while reinforcing human resources and financial management, which laid a solid foundation for long-term development in the future.

In addition, the Group expedited the development of outpatient business in the PRC during the year under review. Apart from the outpatient clinics of Renji Group, the Group has also completed the acquisition of one clinic in Hangzhou in order to accelerate the development of its outpatient business in the PRC.

Establishing dental clinic network in the PRC

The market demand for high-end dental services in the PRC will be supported by the increasing income levels and consumption power of Chinese citizens as well as the accelerated urbanisation. Thus, the Group has been proactively developing dental business in the PRC since 2014. During the year under review, the Group established a dental training and service flagship centre in Hangzhou and also set up three entities engaging in dental materials procurement, provision of dental software service and high-end Invisalign dental training businesses over the whole dental service value chain so as to achieve the strategic coverage of the Group. The Group also acquired a dental clinic network in Shanghai during the year under review. This network currently has two dental clinics in Pudong and one in Changning, which would speed up the dental business development of the Group in the PRC.

Steadily growing pharmaceutical distribution business in the PRC

During the year under review, New Ray Medicine International Holding Limited ("New Ray Medicine") (a company listed on the Main Board of the Stock Exchange (Stock Code: 6108)), an associate of the Company, has successfully migrated its listing to the Main Board from the Growth Enterprise Market of the Stock Exchange. This migration represented further market recognition of New Ray Medicine's business growth. As at 31 December 2015, New Ray Medicine had 41 pharmaceutical products, of which 36 pharmaceutical products were included in the Medical Insurance Drugs Catalogs. In regard to the distribution network, as of 31 December 2015, New Ray Medicine procured pharmaceutical products throughout the PRC from 31 suppliers and the Group sold the pharmaceutical products through a network of 179 distributor customers, with 62 distributor customers covering Zhejiang Province, and the remaining 117 distributor customers spreading over 22 regions in the PRC, including Shanghai, Chongqing, Anhui Province, Sichuan Province, Hebei Province and Guangdong Province. New Ray Medicine successfully promoted its products to over 800 hospitals through the last tendering process in Zhejiang Province. In addition to pharmaceutical distribution, New Ray Medicine has also diversified its business by engaging in the business of distribution of medical devices using its well-established distribution network.

Strategic investments and treasury management

The Group prudently and carefully selects promising Hong Kong-listed healthcare related companies operating in the PRC and Hong Kong as its investment targets, which will be duly assessed and analysed by the professional medical team and financial teams of the Group. These strategic investments have paved the way for further expansion of the Group's healthcare business through in-depth collaborations with the Group's strategic partners during the year under review on the viability of joint development of healthcare-related business.

Following the capital injection by China Life Group and Fubon Financial, the Group's cash flow has been strengthened further. As at 31 December 2015, net cash held by the Group amounted to approximately HK$1,826,679,000 as compared with approximately HK$1,078,558,000 as at 31 December 2014. Adopting a prudent treasury management policy, the Group invested such cash in term deposits, bonds and loans receivable during the year under review. The Group also reviews its capital liquidity regularly in order to maintain a sound capital structure and sufficient cash flow to prepare for potential acquisitions arising from time to time.

During the year under review, results from the Group's investments in securities and properties and treasury management increased to approximately HK$327,765,000, as compared to approximately HK$51,077,000 for the year ended 31 December 2014.

OUTLOOK

In Hong Kong

For 2016, the Group aims to strengthen its leading position in the industry, enhance its strategic value and further diversify its healthcare business. For the healthcare and dental services business, the Group will continue to develop its medical network by identifying suitable locations for its new outpatient and dental clinics and enrich its healthcare services by recruiting experienced general and specialised medical and dental practitioners.

In terms of specialty medical services, the Group will strive to enhance its competitiveness in the market by acquiring specialty medical business with strong potential and expanding its specialist team. The Group plans to enrich specialty medical services including obstetrics and gynaecology, orthopaedics and ophthalmology and open an integrated specialty medical centre in Sheung Shui to meet the medical needs of the residents in the North District of Hong Kong. The Group's specialty centres are equipped with advanced instruments and surgical equipment which meet international standards, and are able to carry out day surgeries according to patients' conditions. On the other hand, the Group will push forward its medical tourism business to promote its quality specialist medical services to the PRC clients, so as to expand its customer base and strengthen its leading position in the Hong Kong healthcare market.

In relation to managed care business, the Group will continue to enlarge the operational scale of Dr. Vio. The Group will further expand Dr. Vio's team and improve its self-operated clinics to be more responsive to future development. The Group is currently identifying potential acquisition targets for its managed care business to effectively enlarge market share and expand the network coverage. In addition to cooperating with China Life Overseas, the Group will extend the managed care services to China Life Overseas' clients and proactively explore opportunities to develop medical insurance products. Furthermore, the Group will upgrade Dr. Vio's information technology system and optimise its management system by developing new platforms and systems to meet different needs, including (i) electronic identification for medical scheme members; (ii) electronic payment and claim system for service providers; and (iii) integrated payment and claim management system for clients. These new systems are expected to enhance Dr. Vio's core competitiveness and operational efficiency.

As for the beauty and cosmetic medicine business, the Group will continue to develop cosmetic medicine business steadily and provide every customer with the most effective and professional plastic surgery and cosmetic medicine services.

PRC-HK medical tourism is another focus of the Group's future development. In view of the rapid growth of the Chinese economy in recent years, mainland consumers, especially those from the emerging middle class, are increasingly looking for medical services outside the PRC, for example, cancer treatments in Europe and the United States, health check in Japan, cosmetic medicine in Korea and anti-aging treatments in Switzerland. With international accreditation, strong medical background and professional management team, the Group strives to take its business beyond geographical boundaries by providing specialty medical services, second opinion, advanced health check and cosmetic medicine to the PRC customers. Leveraging on the extensive network of China Life Group, the Group will introduce its PRC-HK medical tourism service to the domestic and overseas clients of China Life Group through conference, seminars and introductory campaigns, so as to further penetrate and increase awareness of the Group's brand in the PRC healthcare market. The Group will also further develop more marketing channels, work with more strategic partners and spend more efforts on promotion of Hong Kong quality medical services in the PRC high-end healthcare market.

In respect of its O2O platform, the Group strives to develop One Pass as one of the leading online healthcare platforms. The Group will further optimise One Pass and develop wearable health device and data collection systems to record the users' exercise, sleeping and other health data. The Group will also transform One Pass into a health "identity card" that stores health records such as health data, health check reports, medication records for access by the users and authorised doctors of the Group such that the doctors may diagnose more accurately with more comprehensive medical data. One Pass will also feature smart notifications, such as reminders of appointments, vaccinations and periodic health check. The Group will develop a communication platform for China Life Overseas which will facilitate its sales team to deliver the latest information on insurance products and proposals, to make appointment and enhance interactions with their customers. Furthermore, the Group will introduce selected products and services to enrich One Pass. Benefit from the "Internet Plus" trend in the PRC, the Group plans to extend its One Pass platform to the PRC healthcare market and to develop One Pass into one of the leading healthcare O2O platforms in the Greater China.

MANAGEMENT DISCUSSION AND ANALYSIS

In the PRC

Due to the approval of the "Thirteenth Five-year Plan" by the Fifth Plenary Session of the Eighteenth Central Committee of the PRC government, the One-Child Policy, which had been implemented for over 30 years, has now been replaced by the Two-Child Policy. Coupled with the continuous execution and implementation of the healthcare services enhancement plan, such policies have demonstrated a high degree of importance placed by the PRC government and the people on the healthcare industry. As such, the Group expects that the domestic healthcare industry will enjoy enormous room for development and will actively diversify its healthcare services in the PRC.

Following the Fifth Plenary Session of the Eighteenth Central Committee of the PRC government, the market witnessed a large number of economic stimulations centering on healthcare reform. In addition, the PRC government is rigorously reforming public hospitals, allowing doctors to practice at multiple sites, advocating private healthcare enterprises and stimulating private investment in healthcare services, all of which will improve the operating environment of the healthcare industry. The Group will actively participate in and promote healthcare reform and the development of the private healthcare industry in the PRC as well as capturing the opportunities to strengthen the PRC healthcare platform through self-establishment, merger and acquisition so as to fully capitalise on the future growth of the industry.

The Group works with China Life Group and the Shenzhen municipal government in an integrated medical project based on its professional management model in Hong Kong to provide comprehensive specialty healthcare services in Futian District. The Group aims at offering primary and specialty medical care (including cardiology, orthopaedic, surgery, otorhinolaryngology and gastroenterology), advanced health check, high-end dental (including dental implantation and Invisalign services), cosmetic medicine (including plastic surgery and micro-plastic surgery) services with renowned specialists from Hong Kong and the PRC equipped with advanced medical diagnostic and health check devices. The Group will set up day care surgical centre and strive to implement Dr. Vio's operation model under which renowned doctors from the PRC and Hong Kong may sit in and provide high-end professional healthcare services to the residents of Shenzhen. In addition, the Group is also working with the Zhejiang branch of China Life Group to set up a healthcare service centre at its new headquarters to offer high-end healthcare, health check, distanced medical diagnosis and healthcare management services.

As for the dental business in the PRC, the Group's first dental training and service flagship centre will start operation in Hangzhou in the first half of 2016 and the Group has completed the acquisition of the chain dental clinic in Shanghai. The Group currently has four dental service centres in the PRC and expects to expand 13 dental clinics in Hangzhou and Shanghai in the next three years.

On the other hand, the Group is considering establishing flagship Invisalign dental training and service centres in the first-tier cities in the PRC, such as Beijing, Shanghai, Chengdu and Shenzhen based on the development strategy of the Group on Invisalign. The Group will expedite the development of high-end Invisalign services and further expand its coverage over the PRC Invisalign market in the future.

Given the current development of the Group's healthcare platform in the PRC, the Group will speed up the development of Nanyang Xiangrui. Firstly, the Group will optimise the management and operational efficiency of (i) Nanshi Hospital of Nanyang, (ii) Nanshi Hospital Youtian Branch, (iii) Erjiao Branch of Nanshi Hospital and (iv) Nanyang City Wulong District Wuhou Second Community Health Service Centre through provision of brand support, capital support, management support, medical resources sharing, integrated information technology support and supply chain service management support. In addition, the Group will introduce Hong Kong style medical practice to improve their service standards. Moreover, the Group will enlarge their service scope and the number of hospital beds, and introduce the Group's high-end cosmetic medicine, ophthalmology, obstetrics and gynaecology, reproductive medicine, high-end dental, and health check services. The Group plans to establish an integrated medical centre in Nanyang which will offer high-end health check, dental, specialty medical care, cosmetic medicine and other services. The Group also intends to develop an O2O platform for Nanshi Hospital of Nanyang to facilitate online and offline services and integrate the customer resources of Nanshi Hospital of Nanyang and the Nanyang branch of China Life Group. Furthermore, the Group is actively identifying potential target hospitals in Henan Province for acquisition so as to expand its hospital network through merger and acquisition. The Group will also further refine and optimise Renji Group's standardised management system and aims to apply such management system on other acquired hospitals in Henan Province.

The Group is looking for suitable locations to establish distanced diagnostic centres in order to offer second opinion and professional diagnosis services to patients in the PRC. Through distanced video communication, doctors from Hong Kong and other locations such as Beijing, Shanghai and Shenzhen may conduct distanced conjoint medical consultations and provide professional diagnosis and analysis to the patients.

As to treasury management, the Group will continue to closely monitor its cash position. It will manage and make good use of its cash flow as well as optimise its asset portfolio in a flexible and prudent manner. It will strive to maintain sound and sufficient capital to support a sustainable growth strategy and secure sufficient fund for business development or merger and acquisition.

The Group has completed the acquisition of several healthcare operations in recent years which fortified the Group's strong presence in the PRC healthcare market. The Group has reached an important milestone in its development in 2015. China Life Group becoming the Group's largest shareholder, the successful launch of One Pass and the entering into of the investment and cooperation agreement with Nanyang Xiangrui in relation to the acquisition of Nanyang Xiangrui which provides management services to, among others, a class A tertiary hospital in the PRC, all marked a big step forward of the Group into next stage of growth. The Group will continue to demonstrate the strengths of its professional healthcare services and efficient management systems to accelerate the development of healthcare platforms in the PRC and Hong Kong. The Group will also make efforts to integrate its clientele, online and offline platform, healthcare resources and management systems in order to further strengthen its leading position in the Hong Kong healthcare industry. The Group will continue to expand the healthcare service network, diversify its service and optimise the coverage in the PRC, to lay down the solid foundation for sustainable growth and facilitate the Group to become the most influential healthcare enterprise in the Greater China.

PRINCIPAL RISKS AND UNCERTAINTY

The principal risk related to the business of the Group is its reliance on its professional team. The Group depends on its professional team to provide medical services to its customers who look for quality healthcare services and stable doctor-patient relationship. The employment contracts of the Group's professional team with the Group may be terminated after the parties giving the required notice. The business may be adversely affected if the Group is not able to recruit or retain members of its professional team to support the services of its network of medical centers. The supply of registered doctors and dentists is limited and the Group has to compete with healthcare service providers in both the public and private sectors for these registered medical and dental practitioners.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2015, the Group held cash and bank balances of approximately HK$1,826,679,000 (2014: HK$1,078,558,000). The Group had bank borrowings of approximately HK$21,887,000 (2014: HK$62,913,000) of which approximately HK$1,056,000 (2014: HK$41,030,000) are repayable within one year. As at 31 December 2015, the Group's net current assets amounted to approximately HK$2,054,216,000 (2014: HK$1,244,086,000) and the Group had a current ratio (defined as total current assets divided by total current liabilities) of 4.23 (2014: 4.54). As at 31 December 2015, the Group's gearing ratio (defined as total bank borrowings divided by equity attributable to owners of the Company) was 0.48% (2014: 2.97%). 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 was stable throughout the year ended 31 December 2015, the Group considers that the potential foreign exchange exposure of the Group is limited.

CAPITAL STRUCTURE

As at 31 December 2015, the Group had equity attributable to owners of the Company of approximately HK$4,530,792,000 (2014: HK$2,115,466,000).

HUMAN RESOURCES

As at 31 December 2015, the Group employed 1,402 staff (2014: 905 staff). Total employee costs for the year ended 31 December 2015, including directors' emoluments, amounted to approximately HK$650,177,000 (2014: HK$287,999,000). The salary and benefit levels of the employees of the Group are competitive and individual performance is rewarded through the Group's salary, bonus system and share option schemes. Remuneration packages are reviewed annually.

CONTINGENT LIABILITIES

As at 31 December 2015, the Group had no significant contingent liabilities.

PLEDGE OF ASSETS

As at 31 December 2015, certain property, plant and equipment and investment properties of the Group with carrying values of approximately HK$114,093,000 and HK$146,000,000, respectively, were pledged to secure general banking facilities granted to the Group.

CAPITAL COMMITMENTS

As at 31 December 2015, the Group had capital expenditure contracted for but not provided in the financial statements in respect of the acquisition of investment properties and property, plant and equipment of approximately HK$204,328,000 (2014: HK$nil) and the acquisition of a subsidiary at maximum consideration commitment of approximately HK$1,380,835,000 (2014: HK$nil).

EXECUTIVE DIRECTORS

Miss Choi Ka Yee, Crystal ("Miss Choi"), aged 35, 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 and Management Information System. 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 Shenzhen Committee and 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 CPPCC Youth Association, the chairperson of United We Stand Foundation Limited and a director of Health Check Charity Funds Limited. She is also a vice chairperson of Early Light International (Holdings) Limited and E. Lite Property Management Limited. Miss Choi joined the Company in April 2005 as the director of the corporate finance department. She is the daughter of Dr. Choi Chee Ming, *GBS*, *JP*, a non-executive Director and a Deputy Chairman of the Company.

Dr. Cho Kwai Chee ("Dr. Cho"), aged 52, is the founder of the Group as well as an executive Director and the Executive Deputy 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 36th term board of directors of Yan Oi Tong, the President of the Lions Club of Tsuen Wan (2015-2016), the director of Po Leung Kuk board of directors (2015-2016), 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 a 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 was interested in the shares and underlying shares of the Company as at the date of this annual report, which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO.

EXECUTIVE DIRECTORS *(Continued)*

Dr. Hui Ka Wah, Ronnie ("Dr. Hui"), *JP*, aged 52, 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 a bachelor of medicine degree and a bachelor of surgery degree. 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), whose shares are listed on the Main Board of the Stock Exchange (Stock Code: 1019), from 13 June 2014 to 26 March 2015. Dr. Hui had been the chief financial officer prior to 3 August 2011, an 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"), whose shares are listed on the Main Board of the Stock Exchange (Stock Code: 566). He has also been the senior vice president of Hanergy since 4 March 2013. Dr. Hui had also been an independent non-executive director of Suncorp Technologies Limited, whose shares are listed on the Main Board of the Stock Exchange (Stock Code: 1063), from 22 November 2007 to 4 May 2012.

Dr. Ip Chun Heng, Wilson ("Dr. Ip"), aged 58, 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 38 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, whose shares are listed on the Main Board of the Stock Exchange (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. Since 2008, Dr. Ip has been 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 were interested in the shares of the Company as at the date of this annual report, which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO. In addition, as at the date of this annual report, Dr. Ip was a director of each of Deco City Limited (which held 100% interest in Promised Return Limited) and Promised Return Limited (which held 37.79% interest in Bonjour Holdings Limited).

EXECUTIVE DIRECTORS *(Continued)*

Mr. Lee Chik Yuet ("Mr. Lee"), aged 61, 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 specialised 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 other subsidiaries of the Company. He is also an executive director of New Ray Medicine International Holding Limited ("New Ray Medicine"), whose shares are listed on the Main Board of the Stock Exchange (Stock Code: 6108). The Company was interested in 17.26% of the issued shares in New Ray Medicine through an indirect wholly owned subsidiary as at the date of this annual report. Mr. Lee is also a member of the nomination committee and remuneration committee of the Board.

Mr. Wong Seung Ming ("Mr. Wong"), aged 44, 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 director of a number of subsidiaries of the Company.

NON-EXECUTIVE DIRECTORS

Dr. Choi Chee Ming ("Dr. Choi"), *GBS*, *JP*, aged 70, has been a non-executive Director and a Deputy 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, whose shares are listed on the Main Board of the Stock Exchange (Stock Code: 78). Dr. Choi is a director of Broad Idea International Limited, a company which was interested in the shares and underlying shares of the Company as at the date of this annual report, which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO. Dr. Choi is the father of Miss Choi, the Chairperson of the Company.

NON-EXECUTIVE DIRECTORS *(Continued)*

Ms. Fang Haiyan ("Ms. Fang"), aged 49, has been appointed as a non-executive Director and the Deputy Chairperson of the Company since June 2015. Ms. Fang obtained a master degree in economics at Renmin University of China (中國人民大學) in 1993 and a doctoral degree in economics at the same university in 1998.

Ms. Fang joined China Life Insurance Company Limited (中國人壽保險股份有限公司), whose shares are listed on the Main Board of the Stock Exchange (Stock Code: 2628), in 1998. Since May 2013, Ms. Fang has been serving as the general manager of the Business Department of China Life Insurance (Group) Company (中國人壽保險(集團)公司), where she is responsible for the management and development of the group's business and the development and quality control of the insurance services provided by subsidiaries of the group.

Mr. Tsai Ming-hsing ("Mr. Tsai"), aged 58, has been appointed as a non-executive Director and a Deputy Chairman of the Company since September 2015. Mr. Tsai obtained his Bachelor of Business Administration degree from the School of Law of National Taiwan University in 1979 and his Master of Business Administration degree from the Graduate School of Business Administration of New York University in 1981. From October 2012 to October 2014, Mr. Tsai was the chairman of the Taiwan Telecommunication Industry Development Association. Since June 2014, Mr. Tsai has been appointed as the vice chairman of the Chinese Taipei Basketball Association for a term of four years. Mr. Tsai is also a member of the China Finance 40 Forum Executive Council and a member of the China Finance 40 Forum Council.

Since July 2004, Mr. Tsai has been appointed as the vice chairman of Fubon Financial Holding Co., Ltd. ("Fubon Holding", together with its subsidiaries, the "Fubon Group"), one of the largest listed financial holding companies in Taiwan. Mr. Tsai has been appointed as a director and the chairman of Fubon Bank (Hong Kong) Limited since February 2004. Mr. Tsai was the chairman of Fubon Securities Co., Ltd. from September 1988 to May 1992 and the chairman of Fubon Life Insurance Co., Ltd. from July 1993 to June 2011.

Mr. Tsai has been with the Fubon Group since 1983. During the past 32 years, Mr. Tsai has been managing a wide range of financial and insurance businesses of the Fubon Group.

Mr. Tsai is currently the chairman of Taiwan Fixed Network Co., Ltd. and he has also been the chairman of Taiwan Mobile Co., Ltd. since June 2014. Both companies are telecommunications service providers in Taiwan.

In 2011, Mr. Tsai was awarded the "Asia Innovator of the Year Award" of the 10th CNBC Asia Business Leaders Awards to cite his achievement and he was the sole awardee from Taiwan in that year.

NON-EXECUTIVE DIRECTORS *(Continued)*

Mr. Chen Jinhao ("Mr. Chen"), aged 35, has been appointed as a non-executive Director since June 2015. Mr. Chen graduated from the Sun Yat-Sen University（中山大學）with a bachelor of Science degree in Mathematics in June 2001 and obtained a MBA degree from the University of Wales, Cardiff (now known as Cardiff University) in 2003.

Mr. Chen has over eight years of experience in equity investment and management. Mr. Chen worked as an executive director of the investment department of BOCGI Zheshang Investment Fund Management Co., Ltd.（中銀投資浙商產業基金管理有限公司）from 2010 to 2013. He has been an associate director at China Life Investment Holding Company Limited（國壽投資控股有限公司）since 2014.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Ho Kwok Wah, George ("Mr. Ho"), *MH*, aged 57, 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, whose shares are listed on the Main Board of the Stock Exchange (Stock Code: 1880), Rykadan Capital Limited, whose shares are listed on the Main Board of the Stock Exchange (Stock Code: 2288) and PuraPharm Corporation Limited, whose shares are listed on the Main Board of the Stock Exchange (Stock Code: 1498). Mr. Ho is also the Chairman of the audit committee and the remuneration committee of the Board and a member of the nomination committee of the Board.

Mr. Wong Tat Tung ("Mr. Wong"), *MH, JP*, aged 46, 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 Limited. Further, Mr. Wong is 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 Wuyi University as a board member 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), whose shares are listed on the Growth Enterprise Market of the Stock Exchange (Stock Code: 8351). Mr. Wong 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.

INDEPENDENT NON-EXECUTIVE DIRECTORS *(Continued)*

Mr. Yu Xuezhong ("Mr. Yu"), aged 58, has been appointed as an independent non-executive Director since June 2015. Mr. Yu graduated from The Fourth Military Medical University（第四軍醫大學）in 1984. He obtained a master degree in medicine from 中國協和醫科大學 (in English for identification only, China Union Medical University) (now known as Peking Union Medical College（北京協和醫學院）) in 1991.

Mr. Yu is currently an assistant to the medical superintendent, a professor in emergency medicine and a supervisor of the emergency medicine division of Peking Union Medical College Hospital（北京協和醫院）. He is also the chairman of 中國醫師協會急診醫學分會 (in English for identification only, The Society of Emergency Medicine of Chinese Medical Doctor Association) and the chairman of 中華醫學會急診醫學分會 (in English for identification only, The Society of Emergency Medicine of Chinese Medical Association). Mr. Yu has profound knowledge and extensive experience in teaching, scientific research and clinical experience in emergency medicine. Mr. Yu is also a member of the audit committee and the remuneration committee of the Board.

Ms. Li Mingqin ("Ms. Li"), aged 57, has been appointed an independent non-executive Director since June 2015. Ms. Li graduated from 北京中醫學院 (in English for identification only, Beijing College of Traditional Chinese Medicine) (now known as Beijing University of Chinese Medicine（北京中醫藥大學）) with a Bachelor Degree in 1982. She obtained the lecturer qualifications from 北京中醫學院 (in English for identification only, Beijing College of Traditional Chinese Medicine) (now known as Beijing University of Chinese Medicine（北京中醫藥大學）) in 1988.

Ms. Li has worked at the China-Japan Friendship Hospital（中日友好醫院）and 北京中醫學院 (in English for identification only, Beijing College of Traditional Chinese Medicine) (now known as Beijing University of Chinese Medicine（北京中醫藥大學）), where she was engaged in the teaching of medicines, R&D of new medicines and medicines management.

Ms. Li is currently a director of Beijing Tide Pharmaceutical Co., Ltd.（北京泰德製藥股份有限公司 and 正大邵陽骨傷科醫院 (in English for identification only, Chia Tai Shaoyang Orthopedic Hospital). She has been appointed as an executive director of Sino Biopharmaceutical Limited（中國生物製藥有限公司）("SBL"), whose shares are listed on the Main Board of the Stock Exchange (Stock Code: 1177), since 20 April 2015. She is also the vice president of SBL and has joined SBL and its subsidiaries since 1997. She is principally responsible for the investment affairs of SBL and its subsidiaries. She has over 33 years of experience in the pharmaceutical industry. She is also a member of the audit committee, the nomination committee and the remuneration committee of the Board.

INDEPENDENT NON-EXECUTIVE DIRECTORS *(Continued)*

Mr. Wang John Hong-chiun ("Mr. Wang"), aged 50, has been appointed as an independent non-executive Director since September 2015. Mr. Wang graduated from the University of California at Berkeley in 1988 with a Bachelor of Arts degree with a major in Economics. In 1996, Mr. Wang obtained his Master of Management degree from the J.L. Kellogg Graduate School of Management at Northwestern University.

Mr. Wang had been an executive director in the Investment Management Division of Goldman Sachs (Asia) L.L.C. in Hong Kong and was employed by such company and one of its affiliates from August 1996 to December 2010. Mr. Wang worked at Citi Private Bank of Citigroup Inc. from December 2010 to February 2012, during which he held the positions of managing director and global market manager.

Since March 2012, Mr. Wang has been a director of W.T.T. Investment Limited. Mr. Wang is also the president of 忠興開發股份有限公司 (in English for identification only, Zhongxing Kaifa Co., Ltd.), which is an affiliate of the Tsai's family of Fubon Holding. He is a member of the audit committee of the Board.

SENIOR MANAGEMENT

Dr. Chan Wing Lok, Brian, aged 51, 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. He joined the Group in 1991. He had been an executive Director from 18 July 2011 to 2 September 2015. He is currently the chairman of Town Health Medical & Dental Services Limited, a subsidiary of the Company, and is 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. He is also a director of a number of subsidiaries of the Company.

Dr. Nelson C. K. WONG, aged 62, is the Chief Executive of Dr. Vio & Partners Limited ("Vio"), a non-wholly owned subsidiary of the Company. He received his medical education at the University of London on a British Council Scholarship. After passing his Diploma of Membership of the Royal Colleges of Physicians of the United Kingdom (MRCP (UK)), he embarked on a self-study course in insurance operations and was awarded the Fellowship Diploma of the Life Management Institute (FLMI) with Distinction in 1987. He was formerly a part-time Consultant of several major insurers.

He co-founded Allied Medical Practices Guild, the first Independent Practice Association in Hong Kong in 1982, with an innovative structure and a disruptive business model, which he sold to a listed company in 1999. He pioneered a unique intranet Point-of-Sale system to facilitate front-line eligibility checking and back-office Electronic Data Interchange in 1998, before e-commerce became fashionable. He tried to retire in 2003, only to be lured out of retirement in 2005 to take the helm at Vio.

SENIOR MANAGEMENT *(Continued)*

He was the invited author of a book chapter on Managed Care in The University of Hong Kong position book on Hong Kong's Health System in 2006. He had served on the Working Group on Primary Care under the HKSAR Government's Health and Medical Development Advisory Committee (2008-2016). He is an Executive Committee member of the Business and Professionals Federation of Hong Kong (2015-2016). His latest innovation is effective pharmacy benefit management.

Dr. So Chi Kin, aged 48, graduated from The University of Hong Kong and holds the qualification of BDS (HK) and MSC (Implant Dent) (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.

Ms. Wang Qin, aged 53, graduated from Shandong Medical University（山東醫科大學）(now known as Shandong University School of Medicine（山東大學醫學院）) with a Bachelor degree and a Master degree in Medicine. She is responsible for managing the development of the Group's medical business in Mainland China. Before joining the Group in December 2015, Ms. Wang worked for China Life Insurance Company Limited.

Dr. Yau Yi Kwong, aged 53, 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 organiser 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 present their annual report and the audited consolidated financial statements of the Company and the Group for the year ended 31 December 2015.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The Company acts as an investment holding company. The activities of the Company's principal subsidiaries, associates and a joint venture are set out in notes 53, 24 and 25 to the consolidated financial statements respectively.

Further discussion and analysis of these activities (including a discussion of the principal risks and uncertainty faced by the Group and an indication of likely future developments in the Group's business) and a review of the performance of the Group for the year ended 31 December 2015 can be found in the section headed "Management Discussion and Analysis" of this annual report. These discussions form part of this report of the Directors.

Key relationships

Employees

Given that human resources is one of the greatest assets of the Group, the Group ensures all staff are reasonably remunerated, and continues to improve, regularly review and update its policies on remuneration and benefits, training, and occupational health and safety, so as to maintain a good relationship with its staff.

Customers

The Group's extensive healthcare service network allows the Group to offer its customers quality healthcare services. During the year under review, the Group continued to expand its service network to cover speciality medical services, beauty and cosmetic medicine services and dental services. To obtain a better understanding of the needs of its clients, so that the Group can anticipate and address their health issues much quicker and more effectively, the Group launched "One Pass", an online to offline (O2O) health and lifestyle platform in October 2015. During the year under review, various campaigns and seminars were also organised to promote the PRC-HK medical tourism business of the Group and its medical services.

Suppliers

The Group sustains its healthcare business operations and development through sound supply chain management. The Group sources its pharmaceutical drugs from reputable and reliable suppliers. The Group is highly attentive as to whether the standards of its suppliers and business partners comply with local and international standards in relation to pharmaceutical drugs. The Group obtains certifications and qualifications from its suppliers before it makes procurement to further ensure the quality and safety of its pharmaceutical drugs. During the year ended 31 December 2015 and up to the date of this annual report, the Group maintained good relationship with its suppliers and business partners.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW *(Continued)*

Environmental policies

The Group is committed to building an environmentally-friendly corporate environment that pays close attention to conserving natural resources. The Group strives to minimise its impact on the environment by reducing its electricity consumption and encouraging recycle of office supplies and other materials.

Compliance with laws and regulations

The Group's operations are mainly carried out in Hong Kong and the PRC while the Company itself is listed on the Stock Exchange. The Group's establishment and operations accordingly shall comply with all PRC and Hong Kong laws and applicable laws in the jurisdictions where it has operations. During the year ended 31 December 2015 and up to the date of this annual report, the Group has complied with all relevant laws and regulations in the PRC and Hong Kong in all material respects.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2015 are set out in the consolidated statement of profit or loss and other comprehensive income on pages 56 and 57 of this annual report.

DIVIDEND

Subsequent to the end of the reporting period, the Board recommended the payment of a final dividend ("Final Dividend") of HK0.98 cent per ordinary share for the year ended 31 December 2015 (2014: HK0.33 cent 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 Friday, 17 June 2016 ("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 Thursday, 21 July 2016 to the shareholders of the Company whose names appear on the register of members of the Company on Thursday, 30 June 2016.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining the entitlement to the proposed Final Dividend for the year ended 31 December 2015, the register of members of the Company will be closed from Monday, 27 June 2016 to Thursday, 30 June 2016, both dates inclusive, during which no transfer of shares of the Company will be effected. In order to qualify for entitlement to the proposed Final Dividend, all transfers of shares of the Company 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 Friday, 24 June 2016.

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 166 of this annual report.

DONATIONS

Charitable donations made by the Group during the year under review amounted to HK$1,727,000.

SUBSIDIARIES

Details of acquisition and disposal of subsidiaries during the year under review are set out in notes 43, 44 and 45 to the consolidated financial statements respectively.

INVESTMENT PROPERTIES

The Group has revalued all of its investment properties it held as at 31 December 2015 using the fair value of the investment properties at 31 December 2015. 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$4,669,000.

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 165 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

Issue of subscription shares and convertible preference shares

Pursuant to the perpetual non-voting redeemable convertible preference shares subscription agreement and ordinary shares subscription agreement, both dated 31 October 2014 and entered into among the Company, Fubon Life Insurance Co., Ltd., Fubon Insurance Co., Ltd. and Broad Idea International Limited, on 29 December 2014, the Company allotted and issued (i) 459,183,673 ordinary shares of the Company at HK$0.98 per share ("Ordinary Shares Subscription"); and (ii) 374,999,999 perpetual non-voting redeemable convertible preference shares ("Convertible Preference Shares") of HK$0.01 each in the share capital of the Company at HK$1.2 per share ("CPS Subscription"). Each of the net proceeds from the Ordinary Shares Subscription and the net proceeds from the CPS Subscription amounted to approximately HK$440 million. The aggregate net proceeds from the Ordinary Shares Subscription and the CPS Subscription of approximately HK$880 million are intended to be used as to (i) approximately HK$650 million for acquisition, investment and development of hospitals and medical institutions in the PRC, and medical or healthcare related business in Hong Kong; (ii) approximately HK$150 million for investment and development of several medical specialty centres in Hong Kong and one dental chain in the PRC; and (iii) approximately HK$80 million for developing a "one-stop, IT O2O platform" to integrate the Group's growing variety of healthcare and well-being business segments.

Issue of consideration shares to Bonjour Group Limited

Pursuant to the sale and purchase agreement dated 20 August 2014 and entered into between the Company and Bonjour Group Limited ("Bonjour Agreement"), on 1 January 2015, the Company allotted and issued 365,327,586 ordinary shares of the Company at HK$1.16 per share ("Consideration Shares") in consideration of the acquisition of Bonjour Beauty. The Group believed that by integrating its then planned cosmetic dermatology medical center with the cosmetic beauty chain network of Bonjour Beauty, synergy could be created for both parties.

SHARE CAPITAL *(Continued)*

Issue of consideration shares to Bonjour Group Limited *(Continued)*

Issue of the Consideration Shares was conditional upon the following:

(a) the sale and purchase of the 1,000 shares of Bonjour Beauty (representing 100% of its issued share capital) ("Sale Shares"), the allotment and issue of the Consideration Shares and other transactions contemplated under the Bonjour Agreement having been approved by the independent shareholders of the Company at the special general meeting;

(b) the Stock Exchange having granted the listing of, and permission to deal in, the Consideration Shares;

(c) the Company being reasonably satisfied with the results of the due diligence exercise (whether on legal, accounting, financial, operational, properties or other aspects that the Company may consider necessary) on Bonjour Beauty and its subsidiaries and their assets, liabilities, activities, operations, prospects and other status which the Company, its agents or professional advisers think reasonably necessary and appropriate to conduct;

(d) (if applicable) the receipt from Bonjour Group Limited of all such waivers, consents or other documents as the Company may require in relation to the completion of the transactions contemplated under the Bonjour Agreement;

(e) there is no material adverse change or prospective material adverse change in the business, operations, financial conditions or prospects of Bonjour Beauty and its subsidiaries taken as a whole since the date of the Bonjour Agreement;

(f) the Company being satisfied that, from the date of the Bonjour Agreement and at any time before completion, that the warranties given by Bonjour Group Limited remain true, accurate and not misleading and that no events have occurred that would result in any breach of any of such warranties or other provisions of the Bonjour Agreement by Bonjour Group Limited;

(g) there is no material adverse change or prospective material adverse change in the Group's business, operations, financial conditions or prospects taken as a whole since the date of the Bonjour Agreement;

(h) Bonjour Group Limited being satisfied that, from the date of the Bonjour Agreement and at any time before completion, that the warranties given by the Company under the Bonjour Agreement remain true, accurate and not misleading and that no events have occurred that would result in any breach of any of such warranties or other provisions of the Bonjour Agreement by the Company;

SHARE CAPITAL *(Continued)*

Issue of consideration shares to Bonjour Group Limited *(Continued)*

(i) (if applicable) the sale and purchase of the interest in Bonjour Beauty and other transactions contemplated under the Bonjour Agreement having been approved by the shareholders of Bonjour Holdings Limited (who are not required to abstain from voting in such respect under the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules") or otherwise) and have fulfilled any requirements under the Listing Rules;

(j) (if applicable) the receipt from the Company of all such waivers, consents or other documents as Bonjour Group Limited may require in relation to the completion of the transactions contemplated under the Bonjour Agreement;

(k) the delivery of the disclosure letter in the form and substance reasonably satisfactory to the Company by Bonjour Group Limited to the Company; and

(l) completion of (i) the further acquisition of 50% of the issued share capital of Bonjour Beauty Limited by Bonjour Beauty; (ii) the acquisition of the entire issued share capital of Bonjour Medical Science & Technology Beauty Centre Limited by Bonjour Beauty; and (iii) the transfer of the permit issued by the China Food and Drug Administration for the importation of special types of cosmetics into the PRC from 雅悦美容（上海）有限公司 (in English, for identification purpose, Ya Yue Cosmetics (Shanghai) Co., Ltd.) to Bonjour Group Limited or its subsidiaries.

Issue of shares to China Life Group

On 5 January 2015, the Group entered into an investment agreement with China Life Group, pursuant to which China Life Group has agreed to subscribe for 1,785,098,644 ordinary shares of the Company. Upon completion of the share subscription which has taken place on 29 May 2015, 1,785,098,644 ordinary shares of the Company were allotted and issued to China Life Group at HK$0.98 per share and China Life Group became the largest shareholder holding 23.9% of the total issued shares of the Company as at the date of allotment and issue of the subscription shares.

It was expected that the Group could forge a strong strategic partnership relationship with China Life Group, being the largest state-owned financial and insurance group in the PRC which puts the Group in an advantageous position in developing its medical and healthcare business in the PRC.

Issue of the subscription shares was conditional upon the following:

(a) the current listing of the shares of the Company on the Stock Exchange not having been withdrawn and the shares continuing to be traded on the Stock Exchange at all times (except for suspensions of trading required under the Listing Rules and which, in each occasion, does not last for more than three consecutive trading days) from the date of the investment agreement to the completion date;

SHARE CAPITAL *(Continued)*

Issue of shares to China Life Group *(Continued)*

(b) the listing of, and permission to deal in, all the subscription shares being granted by the Stock Exchange and such approval not having been revoked prior to the completion date;

(c) the passing by the requisite majority required under the Listing Rules of the shareholders of the Company at a general meeting (excluding any shareholder who is required to abstain from voting by reason of applicable provisions in the Listing Rules) of a resolution for the approval of the Company's entering into of the investment agreement and such other resolutions reasonably considered necessary or desirable in the context of applicable laws and regulations by any of the parties to the investment agreement for the implementation of the transactions contemplated thereunder, on terms reasonably satisfactory to China Life Group;

(d) the entering into of the put option deed by Broad Idea International Limited, Dr. Cho and Dr. Choi in favour of China Life Group in relation to grant of put option ("Put Option Deed");

(e) China Life Group being satisfied that neither it nor the parties acting in concert with it would be required to make any general offer to acquire any shares of the Company from other shareholders as a result of completion and the transactions contemplated under the investment agreement and any other documents in connection with the investment agreement designated as transaction documents by the Company and China Life Group ("Transaction Documents");

(f) (i) all approval, authorization, consent, license, permission, waiver, order or exemption, registration, filings, confirmations, clearances, rulings and decisions by any governments, courts, arbitral tribunals, governmental, regulatory or official authorities, departments or agencies of any governments, statutory or regulatory bodies, stock exchanges whether in Hong Kong or elsewhere including without limitation the Securities and Futures Commission and the Stock Exchange, or the bankers or creditors of the Company, or any other third party that are necessary or appropriate for or in connection with the transactions contemplated under the Transaction Documents having been obtained;

(ii) no notice, order, judgment, action or proceeding of any person having been served, issued, made or filed which restrains, prohibits or makes unlawful, or which seeks to restrain, prohibit or make unlawful, any transaction contemplated by the Transaction Documents or which is likely to materially and adversely affect the right of China Life Group either to own the legal and beneficial title to the subscription shares, free from encumbrances, or to exercise its rights under the Transaction Documents;

(iii) the warranties, representations and/or undertakings given or made by the Company under the investment agreement remaining true and accurate in all material respects and not misleading in any material respect;

SHARE CAPITAL *(Continued)*

Issue of shares to China Life Group *(Continued)*

(iv) no event, circumstance, occurrence, fact, condition, change or effect that is materially adverse to the business, operations, financial condition, management, properties, assets or liabilities of any member of the Group; or the ability of the Company to perform any of its obligations under the investment agreement or to consummate the transactions contemplated in the investment agreement has occurred or is likely to occur on or before the completion date; and

(v) China Life Group having received (a) a legal opinion, in form reasonably satisfactory to China Life Group, issued by the legal counsel to the Company on Bermuda law and Hong Kong law acceptable to China Life Group and addressed to China Life Group stating, among other things, that the investment agreement and any documents contemplated thereunder have been duly executed by, and are binding and enforceable against, the Company and (b) a legal opinion, in form reasonably satisfactory to China Life Group, issued by the legal counsel to the grantor under the Put Option Deed on British Virgin Islands law and Hong Kong law acceptable to China Life Group and addressed to China Life Group stating, among other things, that the Put Option Deed and any documents contemplated thereunder have been duly executed by, and are binding and enforceable against, such grantor.

The net proceeds from the issue of shares to China Life Group mentioned above of approximately HK$1,746 million are intended to be used (i) as to approximately HK$1,500 million for (1) developing a dental chain in the PRC and investing in or acquiring dental clinics and/or hospitals in the PRC; (2) developing or acquiring medical clinics in the PRC; (3) developing hospitals, investing in or acquiring public or private hospitals in the PRC; and (4) developing or acquiring rehabilitation hospitals and where appropriate in conjunction with nursing and/or aged care homes in the PRC; (ii) as to approximately HK$150 million for developing or acquiring business in provision of health check, laboratory testing and medical diagnostic services in the PRC; and (iii) as to approximately HK$96 million for developing managed care business in the PRC and crossborder healthcare platform for medical tourism business.

As at 31 December 2015, (i) approximately HK$244 million of the net proceeds from the Ordinary Shares Subscription, the CPS Subscription and the issue of shares to China Life Group mentioned above had been utilised for (1) the acquisition of 49% interest in Huayao Medical Group Limited at the consideration of approximately HK$189 million; and (2) the capital contribution to Huayao Medical Group Limited of approximately HK$55 million, details of which are set out in the announcement of the Company dated 17 March 2015; (ii) approximately HK$14 million of the net proceeds mentioned above had been utilised for developing One Pass, the "one-stop, IT O2O platform" of the Group; and (iii) approximately HK$62 million of the net proceeds mentioned above had been utilised as deposit for the investment by the Group in Nanyang Xiangrui Hospital Management Advisory Co. Ltd. by way of acquisition of the equity interests and/or capital injection; and (iv) other working capital.

Further details of other movements in the share capital of the Company during the year ended 31 December 2015 are set out in notes 40 and 41 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 in the reserves during the year ended 31 December 2015 and reserves available for distribution to the Company's shareholders of the Group and the Company are set out on pages 60 and 61 of this annual report and in note 52 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.

Pursuant to the 2008 Scheme, the Directors may grant share options to the eligible persons who fall within the definition prescribed in the 2008 Scheme (including directors, employees and consultants of each member of the Group and entity in which a member of the Group holds an equity interest), to subscribe for ordinary 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 may at their absolute discretion determine the period during which a share option may be exercised, and such period should expire no later than 10 years from the date of the adoption of the 2008 Scheme. The Directors may also impose restrictions on the exercise of a share option during the period in which a share option may be exercised.

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

The maximum number of ordinary 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 ordinary shares in issue from time to time.

SHARE OPTIONS *(Continued)*

The maximum number of ordinary 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 ordinary shares of HK$0.01 each (representing approximately 1.66% of the issued share capital of the Company as at the date this annual report). As at the date of this annual report, there were options carrying the rights to subscribe for 14,103,000 ordinary 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 ordinary shares of the Company (representing approximately 1.41% of the issued share capital of the Company as at the date this annual report) may be granted under the existing 2008 Scheme limit.

The total number of ordinary 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 ordinary shares in issue.

During the year ended 31 December 2015, the Company has received aggregate subscription money of approximately HK$26,672,000 and issued 125,500,000 ordinary shares, pursuant to the exercise of the options by the grantees under the 2008 Scheme. Particulars of the Company's share option schemes are set out in note 42 to the consolidated financial statements.

DIRECTORS

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

Executive Directors:

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

Non-executive Director:

Dr. Choi Chee Ming, *GBS, JP (Deputy Chairman)*
Ms. Fang Haiyan *(Deputy Chairperson)* (appointed on 1 June 2015)
Mr. Tsai Ming-hsing *(Deputy Chairman)* (appointed on 2 September 2015)
Mr. Chen Jinhao (appointed on 1 June 2015)

Independent non-executive Directors:

Mr. Ho Kwok Wah, George, *MH*
Mr. Wong Tat Tung, *MH, JP*
Mr. Yu Xuezhong (appointed on 1 June 2015)
Ms. Li Mingqin (appointed on 1 June 2015)
Mr. Wang John Hong-chiun (appointed on 2 September 2015)

DIRECTORS *(Continued)*

Mr. Chan Kam Chiu retired as an independent non-executive Director with effect from the conclusion of the annual general meeting of the Company held on 1 June 2015; and with effect from 2 September 2015. Dr. Chan Wing Lok, Brian resigned as an executive Director and Mr. Wai Kwok Hung, *SBS, JP* resigned as an independent non-executive Director.

In accordance with Bye-law 99 of the Bye-Laws and pursuant to the code provision A.4.2 of Appendix 14 to the Listing Rules, Miss Choi Ka Yee, Crystal, Dr. Cho Kwai Chee, Dr. Hui Ka Wah, Ronnie, *JP*, Dr. Choi Chee Ming, *GBS, JP* and Mr. Ho Kwok Wah, George, *MH* will retire by rotation at the forthcoming annual general meeting, and they are eligible and will offer themselves for re-election.

In accordance with bye-law 102(B) of the Bye-Laws, Mr. Tsai Ming-hsing and Mr. Wang John Hong-chiun, 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

Mr. Tsai Ming-hsing has been appointed as a non-executive Director for a term of 16 months commencing from 2 September 2015. Mr. Ho Kwok Wah, George, *MH* has been re-appointed as an independent non-executive Director for a term of 31 months commencing from 31 May 2014. Mr. Wang John Hong-chiun has been appointed as an independent non-executive Director for a term of 16 months commencing from 2 September 2015. Save as disclosed above, as at the date of this annual report, none of the Directors proposed for re-election at the forthcoming annual general meeting 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.

CHANGES IN DIRECTORS' INFORMATION

With effect from 1 January 2016, the monthly remuneration of Miss Choi Ka Yee, Crystal, Dr. Cho Kwai Chee, Dr. Hui Ka Wah, Ronnie, *JP*, Mr. Lee Chik Yuet and Mr. Wong Seung Ming was revised to approximately HK$65,000, HK$100,000, HK$380,000, HK$226,000 and HK$120,000, respectively.

Updated biographical details of the Directors are set out in the section headed "Biographical Details of Directors and Senior Management" of this annual report.

Save as disclosed above, there were no substantial changes to the Directors' information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

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, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2015, the interests and short positions of the directors ("Directors") and the chief executives of the Company 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 ("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 Listed Issuers ("Model Code"), were as follows:

Long positions in the shares and underlying shares of the Company

Name of Director	Capacity	Number of ordinary shares of the Company held	Number of underlying ordinary shares of the Company held	Total	Approximate % of shareholding of the Company (Note 1)
Dr. Cho Kwai Chee ("Dr. Cho")	Interest of a controlled corporation	1,418,576,764 (Note 2)	902,051,473 (Note 3)	2,320,628,237	31.07%
Dr. Choi Chee Ming, *GBS, JP* ("Dr. Choi")	Interest of a controlled corporation	1,418,576,764 (Note 2)	902,051,473 (Note 3)	2,320,628,237	31.07%
Dr. Ip Chun Heng, Wilson ("Dr. Ip")	Interest of controlled corporations	375,503,586 (Note 4)	–	375,503,586	5.03%

Notes:

1. The total number of ordinary shares of the Company ("Shares") as at 31 December 2015 (that was, 7,469,631,786 Shares) has 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 1,418,576,764 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. Dr. Cho and Dr. Choi are also directors of Broad Idea.

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 902,051,473 underlying Shares held by Broad Idea under Part XV of the SFO. These underlying Shares are the maximum number of option shares that may be sold by China Life Group to Broad Idea upon the exercise of the put option granted to China Life Group under the put option deed dated 5 January 2015 entered into by Broad Idea, Dr. Cho and Dr. Choi in favour of China Life Group in relation to grant of put option, details of which are set out in the circular of the Company dated 3 February 2015.

4. Such Shares were held as to (i) 365,327,586 Shares by Bonjour Group Limited; and (ii) 10,176,000 Shares by Promised Return Limited. Bonjour Group Limited is wholly-owned by Bonjour Holdings Limited. As at 31 December 2015, Bonjour Holdings Limited was owned as to 37.79% by Promised Return Limited. Promised Return Limited is wholly-owned by Deco City Limited, which is owned as to 50% by Dr. Ip and 50% by his spouse, Ms. Chung Pui Wan. As such, Dr. Ip was deemed to be interested in the aggregate of 375,503,586 Shares held by Bonjour Group Limited and Promised Return Limited under Part XV of the SFO.

Save as disclosed above, as at 31 December 2015, none of the Directors or chief executives of the Company 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).

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 2015, the following persons (other than the Directors or chief executives of the Company) had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO:

Name of Director	Capacity	Number of ordinary shares of the Company held	Number of underlying ordinary shares held	Total	Approximate % of shareholding of the Company (Note 1)
Broad Idea (Note 2)	Beneficial owner	1,418,576,764	902,051,473 (Note 3)	2,320,628,237	31.07%
China Life Insurance (Group) Company ("China Life Group")	Beneficial owner	1,785,098,644	–	1,785,098,644	23.90%
Fubon Financial Holding Co., Ltd. ("Fubon Financial")	Interest of controlled corporations	357,142,857 (Note 4)	291,666,666 (Note 5)	648,809,523	8.69%
Fubon Life Insurance Co., Ltd. ("Fubon Life")	Beneficial owner	259,740,260 (Note 4)	212,121,212 (Note 5)	471,861,472	6.32%

Notes:

1. The total number of Shares as at 31 December 2015 (that was, 7,469,631,786 Shares) has 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%.

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 902,051,473 underlying Shares held by Broad Idea under Part XV of the SFO. These underlying Shares are the maximum number of option shares that may be sold by China Life Group to Broad Idea upon the exercise of the put option granted to China Life Group under the put option deed dated 5 January 2015 entered into by Broad Idea, Dr. Cho and Dr. Choi in favour of China Life Group in relation to grant of put option, details of which are set out in the circular of the Company dated 3 February 2015.

4. Such 357,142,857 Shares were held as to (i) 259,740,260 Shares by Fubon Life; and (ii) 97,402,597 Shares by Fubon Insurance Co., Ltd. ("Fubon Insurance"). Each of Fubon Life and Fubon Insurance is a wholly-owned subsidiary of Fubon Financial. Accordingly, Fubon Financial was 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 291,666,666 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 was 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.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES *(Continued)*

Save as disclosed above, as at 31 December 2015, the Company has not been notified by any persons (other than the Directors or chief executives of the Company) who had interests or short positions in the shares or underlying shares of the Company as 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 2015, the percentages of turnover attributable to the Group's largest customer and the five largest customers were approximately 8% and 22% of the Group's total turnover respectively. The Group's largest supplier and five largest suppliers accounted for approximately 21% and 57% 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 or suppliers of the Group for the year ended 31 December 2015.

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 under review.

DIRECTORS' INTEREST IN CONTRACTS OF SIGNIFICANCE

Pursuant to the investment agreement dated 5 January 2015 ("Investment Agreement") entered into between the Company and China Life Group, 1,785,098,644 ordinary shares of the Company were allotted and issued to China Life Group at HK$0.98 per share on 29 May 2015. In connection with the Investment Agreement, a put option deed dated 5 January 2015 ("Put Option Deed") was executed by Broad Idea (a company beneficially owned by Dr. Cho as to 50.1% and Dr. Choi as to 49.9%), Dr. Cho and Dr. Choi in favour of China Life Group, pursuant to which Broad Idea granted in favour of China Life Group a put option, entitling China Life Group to require Broad Idea to purchase from China Life Group such ordinary shares of the Company that are held by China Life Group and are acquired by China Life Group through subscription pursuant to the Investment Agreement, which when aggregated with the then existing shareholding of Broad Idea in the Company immediately before the exercise of the put option will result in Broad Idea's shareholding interest in the Company being 29.90% of the total issued share capital of the Company with voting rights immediately after completion of the transfer of such option shares pursuant to the exercise of the put option, at the price of HK$1.20 per share (subject to adjustment), during a period of 15 business days beginning on the day which is the first anniversary of the date of completion of the Investment Agreement. The gross proceeds from the issue of shares to China Life Group pursuant to the Investment Agreement were approximately HK$1,749,397,000. Details of the Investment Agreement and the Put Option Deed are set out in the Company's announcement dated 5 January 2015 and the Company's circular dated 3 February 2015.

DIRECTORS' INTEREST IN CONTRACTS OF SIGNIFICANCE *(Continued)*

No Director had a material interest, whether directly or indirectly, in any contract of significance subsisting during or at the end of the year under review, save for the interests of Dr. Cho, an executive Director and Dr. Choi, a non-executive Director under the Investment Agreement and the Put Option Deed mentioned above.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed above, at no time during the year under review was the Company, its subsidiaries, its fellow subsidiaries or its holding companies, a party to any arrangement to enable the Directors or chief executives of the Company or their respective 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.

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 under review.

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 listed securities during the year under review.

CORPORATE GOVERNANCE

Principal corporate governance practices adopted by the Company are set out in the Corporate Governance Report on pages 45 to 53 of this annual report.

RELATED PARTY TRANSACTIONS AND CONNECTED TRANSACTIONS

On 1 January 2015, certain subsidiaries of Bonjour Holdings Limited ("Bonjour Holdings") as licensors, and certain subsidiaries of Bonjour Beauty International Limited ("Bonjour Beauty"), a wholly-owned subsidiary of the Company, as licensees, entered into (i) a licence agreement in relation to the grant by Bonjour Cosmetic Wholesale Center Limited as the licensor to Bonjour Beauty Limited as the licensee of the exclusive right to use, enjoy and occupy certain premises situated in Hong Kong ("Existing HK Licence Agreement"); (ii) a licence agreement in relation to the grant by Apex Frame Limited as the licensor to Bonjour Beauty Limited as the licensee of the exclusive right to use, enjoy and occupy certain premises situated in Hong Kong ("New HK Licence Agreement"); and (iii) a licence agreement in relation to the grant by Full Gain Developments Limited as the licensor to Speedwell Group Limited as the licensee of the exclusive right to use, enjoy and occupy certain premises situated in Macau ("Macau Licence Agreement"), brief details of which are set out below:

(i) Existing HK Licence Agreement

Licensor	Licensee	Premises	Term of licence	Monthly licence fee
Bonjour Cosmetic Wholesale Center Limited	Bonjour Beauty Limited	Shop B on the Ground Floor and Offices on the First and Second Floors of Anho House, Nos. 22, 24, 26 and 28 Nullah Road, Kowloon, Hong Kong	From 1 January 2015 to 31 December 2017	(a) From 1 January 2015 to 20 March 2015: HK$519,985 (inclusive of government rent, rates and management fees); and (b) from 21 March 2015 to 31 December 2017: HK$598,385 (inclusive of government rent, rates and management fees)
		First Floor, Nos. 50 and 50A Tung Choi Street, Mongkok, Kowloon, Hong Kong	From 1 January 2015 to 31 December 2017	(a) From 1 January 2015 to 31 March 2015: HK$15,860 (inclusive of government rent, rates and management fees); and (b) from 1 April 2015 to 31 December 2017: HK$38,620 (inclusive of government rent, rates and management fees)
		Part of Ground Floors of Nos. 40, 42, 44, 46, 48 & 50, Tung Choi Street, Mongkok, Kowloon, Hong Kong	From 1 January 2015 to 31 December 2017	(a) From 1 January 2015 to 31 March 2015: HK$659,967.50 (inclusive of government rent, rates and management fees); and (b) from 1 April 2015 to 31 December 2017: HK$759,967.50 (inclusive of government rent, rates and management fees)
		Portions on Basement of Mirador Mansion, No. 58, Nathan Road, Tsimshatsui, Kowloon, Hong Kong	From 1 January 2015 to 31 July 2017	HK$558,140 (inclusive of government rent, rates and management fees)
		Fifth and Eleventh Floors, No. 3 Yuk Yak Street, Tokwawan, Kowloon, Hong Kong	From 1 January 2015 to 30 June 2015	HK$150,000 (inclusive of government rent, rates and management fees

(ii) New HK Licence Agreement

Licensor	Licensee	Premises	Term of licence	Monthly licence fee
Apex Frame Limited	Bonjour Beauty Limited	11th Floor, Harrington Building, Nos. 36-50 Wang Wo Tsai Street, Tsuen Wan, New Territories, Hong Kong	From 1 July 2015 to 30 June 2017	HK$193,474.40 (inclusive of government rent, rates and management fees)

(iii) Macau Licence Agreement

Licensor	Licensee	Premises	Term of licence	Monthly licence fee
Full Gain Developments Limited	Speedwell Group Limited	The First Floor, the Second Floor and part of the Fifth Floor of the building erected on 7 Domingos Road, Macau	From 1 January 2015 to 30 September 2017	HK$414,300 (inclusive of government rent, rates and management fees)

Further details of the above transactions (collectively known as the "Bonjour Licensing Arrangement") (including other terms and the reasons for the transactions) are set out in the announcement of the Company dated 1 January 2015 and the circular of the Company dated 3 February 2015 which have been posted on the websites of the Stock Exchange and the Company. During the year under review, more than 30% of the issued share capital of Bonjour Holdings was owned by Dr. Ip, a connected person of the Company by virtue of him being an executive Director upon completion of the Group's acquisition of Bonjour Beauty, each of Bonjour Holdings and its subsidiaries was a connected person of the Company under the Listing Rules. Accordingly, the transactions contemplated under the Bonjour Licensing Arrangement constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

The respective annual caps of the above transactions for the three years ending 31 December 2017 are set out below:

	For the year ended 31 December 2015	For the year ending 31 December 2016	For the year ending 31 December 2017
Annual Cap amounts	HK$30,000,000	HK$30,800,000	HK$25,600,000

Pursuant to the Listing Rules, the independent non-executive Directors had reviewed the above continuing connected transactions and confirmed that the transactions were entered into (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms or better; (iii) in accordance with each of the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole; and (iv) have not exceeded the relevant maximum amount capped as mentioned above.

Deloitte Touche Tohmatsu, the auditors of the Company, were engaged to report on the above continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised)"Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants and reported their findings to the Board that (i) nothing has come to their attention that causes them to believe that the continuing connected transactions have not been approved by the Board; (ii) nothing has come to their attention that causes them to believe that the transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions; and (iii) with respect to the aggregate amount of each of the continuing connected transactions, nothing has come to their attention that causes them to believe that the continuing connected transactions have exceeded the annual cap as mentioned above. The auditor has issued its unqualified letter containing its findings and conclusions in respect of the continuing connected transactions.

As at the date of the Investment Agreement and the Put Option Deed, details of which are set out in the paragraph headed "Directors' Interest in Contracts of Significance" of this annual report, Broad Idea, which was owned as to 50.1% by Dr. Cho and 49.9% by Dr. Choi, was interested in 1,335,243,431 Shares, representing approximately 24.38% of the then total issued Shares, and 83,333,333 Convertible Preference Shares, and was therefore a connected person of the Company under the Listing Rules. The transactions contemplated under the Investment Agreement and the Put Option Deed constitute connected transactions for the Company under Chapter 14A of the Listing Rules.

Details of significant related party transactions undertaken by the Group during the year under review in the ordinary course of business are set out in note 51 to the consolidated financial statements. Save for (i) those transactions contemplated under the Bonjour Licensing Arrangement; and (ii) the related party transactions in respect of the purchase of cosmetic medicine from Bonjour Cosmetic Wholesale Centre Limited by the Group ("Purchase Transaction"), which constitute fully exempted continuing connected transactions for the Company under Rule 14A.76(1) of the Listing Rules, none of the significant related party transactions set out in note 51 to the consolidated financial statements fall under the definition of "connected transaction" or "continuing connected transaction" under Chapter 14A of the Listing Rules. In addition, save for the Investment Agreement, the Put Option Deed, the Bonjour Licensing Arrangement and the Purchase Transaction, 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 under review. The Directors confirm that the Company has complied with the disclosure requirements (if any) in accordance with Chapter 14A of the Listing Rules.

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 Directors' 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 42 to the consolidated financial statements.

PERMITTED INDEMNITY PROVISION

A permitted indemnity provision for the benefit of the Directors is currently in force and was in force throughout the year under review. The Company has arranged for appropriate insurance cover for Directors' and officers' liabilities in respect of legal actions against its Directors and senior management arising out of corporate activities.

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 annual report.

AUDITORS

A resolution will be submitted to the forthcoming annual general meeting to re-appoint Messrs. Deloitte Touche Tohmatsu as auditors 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 2015 have been reviewed by the Audit Committee of the Board.

On behalf of the Board

Choi Ka Yee, Crystal
Chairperson

Hong Kong, 23 March 2016

CORPORATE GOVERNANCE REPORT

The Board is committed to maintaining a good corporate governance standard. The Board believes that a good corporate governance standard will provide a framework for 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 ("CG Code").

During the year ended 31 December 2015, 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 ("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 under review.

Board of Directors

As at the date of this annual report, the Board comprises fifteen members, six 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 Deputy Chairman of the Company, Dr. Hui Ka Wah, Ronnie, *JP* who is the Chief Executive Officer of the Company, Dr. Ip Chun Heng, Wilson, Mr. Lee Chik Yuet and Mr. Wong Seung Ming who is the Chief Financial Officer of the Company. Four other members are non-executive Directors, namely Dr. Choi Chee Ming, *GBS, JP* who is a Deputy Chairman of the Company, Ms. Fang Haiyan who is a Deputy Chairperson of the Company, Mr. Tsai Ming-hsing who is a Deputy Chairman of the Company and Mr. Chen Jinhao. Five other members are independent non-executive Directors, namely Mr. Ho Kwok Wah, George, *MH,* Mr. Wong Tat Tung, *MH, JP*, Mr. Yu Xuezhong, Ms. Li Mingqin and Mr. Wang John Hong-chiun. The biographical details of the Directors and the relationships between them (if any) are set out in the section headed "Biographical Details of Directors and Senior Management" 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 as amended from time to time and the requirements of the Listing Rules.

The Board held seven meetings during the year under review. 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 under review, 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 the gender, age, cultural and educational background, and professional experience of the board members. The appointment of Directors will be based on the Group's own business model and specific needs, having due regard to the benefits of diversity of the Board.

Directors' continuous professional development

The Directors, namely, Miss Choi Ka Yee, Crystal, Dr. Cho Kwai Chee, Dr. Hui Ka Wah, Ronnie, *JP*, Dr. Ip Chun Heng, Wilson, Mr. Lee Chik Yuet, Mr. Wong Seung Ming, Dr. Choi Chee Ming, *GBS*, *JP*, Ms. Fang Haiyan, Mr. Tsai Ming-hsing, Mr. Chen Jinhao, Mr. Ho Kwok Wah, George, *MH*, Mr. Wong Tat Tung, *MH, JP*, Mr. Yu Xuezhong, Ms. Li Mingqin and Mr. Wang John Hong-chiun had confirmed that they had complied with the code provision A.6.5 of the CG Code during the year ended 31 December 2015 by participating in continuous professional development. The Company had arranged seminars to develop and refresh the Directors' knowledge and skills.

Chairperson and Chief Executive Officer

Throughout the year and as at the date of this annual report, Miss Choi Ka Yee, Crystal was the Chairperson of the Company and 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 five independent non-executive Directors, one of whom 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

Mr. Ho Kwok Wah, George, *MH*, an independent non-executive Director, has been re-appointed for a term of 31 months commencing from 31 May 2014. Mr. Wong Tat Tung, *MH, JP,* 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. Ms. Fang Haiyan and Mr. Chen Jinhao, each a non-executive Director and Mr. Yu Xuezhong and Ms. Li Mingqin, each an independent non-executive Director, have been appointed for a term of 19 months from 1 June 2015 to 31 December 2016. Mr. Tsai Ming-hsing, a non-executive Director, and Mr. Wang John Hong-chiun, an independent non-executive Director, have been appointed for a term of 16 months from 2 September 2015 to 31 December 2016.

Remuneration Committee

The Board has established a remuneration committee ("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 have been 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 2015 to 31 May 2015, the Remuneration Committee comprised four independent non-executive Directors, namely Mr. Chan Kam Chiu, Mr. Ho Kwok Wah, George, *MH*, Mr. Wai Kwok Hung, *SBS, JP* and Mr. Wong Tat Tung, *MH, JP* and one executive Director, namely Mr. Wong Seung Ming. From 1 June 2015 to 1 September 2015, the Remuneration Committee comprised five independent non-executive Directors, namely Mr. Ho Kwok Wah, George, *MH*, Mr. Wai Kwok Hung, *SBS, JP*, Mr. Wong Tat Tung, *MH, JP*, Mr. Yu Xuezhong and Ms. Li Mingqin and one executive Director, namely Mr. Lee Chik Yuet. From 2 September 2015 to 31 December 2015 and as at the date of this annual report, the Remuneration Committee comprised four independent non-executive Directors, namely Mr. Ho Kwok Wah, George, *MH*, Mr. Wong Tat Tung, *MH, JP*, Mr. Yu Xuezhong and Ms. Li Mingqin, and one executive Director, namely Mr. Lee Chik Yuet. On 2 September 2015, Mr. Ho Kwok Wah, George, *MH* was appointed as, while Mr. Wai Kwok Hung, *SBS, JP* resigned as, the chairman of the Remuneration Committee. As at the date of this annual report, Mr. Ho Kwok Wah, George, *MH*, was the chairman of the Remuneration Committee.

The Remuneration Committee held two meetings during the year under review. 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 appointment of each of Ms. Fang Haiyan, Mr. Chen Jinhao, Mr. Yu Xuezhong, Ms. Li Mingqin, Mr. Tsai Ming-hsing and Mr. Wang John Hong-chiun and the terms thereof were also reviewed and approved by the Remuneration Committee during the year under review.

Nomination Committee

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

From 1 January 2015 to 31 May 2015, the Nomination Committee comprised four independent non-executive Directors, namely Mr. Chan Kam Chiu, Mr. Ho Kwok Wah, George, *MH*, Mr. Wai Kwok Hung, *SBS, JP* and Mr. Wong Tat Tung, *MH, JP*. From 1 June 2015 to 1 September 2015, the Nomination Committee comprised four independent non-executive Directors, namely Mr. Ho Kwok Wah, George, *MH*, Mr. Wai Kwok Hung, *SBS, JP*, Mr. Wong Tat Tung, *MH, JP* and Ms. Li Mingqin and one executive Director namely Mr. Lee Chik Yuet. From 2 September 2015 to 31 December 2015, the Nomination Committee comprised three independent non-executive Directors, namely Mr. Ho Kwok Wah, George, *MH*, Mr. Wong Tat Tung, *MH, JP* and Ms. Li Mingqin and one executive Director namely Mr. Lee Chik Yuet, and as at the date of this annual report, the Nomination Committee comprised three independent non-executive Directors, namely Mr. Ho Kwok Wah, George, *MH*, Mr. Wong Tat Tung, *MH, JP* and Ms. Li Mingqin and one executive Director, namely Mr. Lee Chik Yuet. On 1 June 2015, Mr. Wong Tat Tung, *MH, JP* was appointed as, while Mr. Ho Kwok Wah, George, *MH* resigned as, the chairman of the Nomination Committee. As at the date of this annual report, Mr. Wong Tat Tung, *MH, JP* 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 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 to 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 forthcoming 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 two meetings during the year under review 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 ("Audit Committee") with written terms of reference in accordance with the provisions set out in the CG Code, which have been 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, risk management and internal control procedures.

From 1 January 2015 to 31 May 2015, the Audit Committee comprised four independent non-executive Directors, namely Mr. Chan Kam Chiu, Mr. Ho Kwok Wah, George, *MH*, Mr. Wai Kwok Hung, *SBS, JP* and Mr. Wong Tat Tung, *MH, JP*. From 1 June 2015 to 1 September 2015, the Audit Committee comprised five independent non-executive Directors, namely Mr. Ho Kwok Wah, George, *MH*, Mr. Wai Kwok Hung, *SBS, JP*, Mr. Wong Tat Tung, *MH, JP*, Mr. Yu Xuezhong and Ms. Li Mingqin. From 2 September 2015 to 31 December 2015, the Audit Committee comprised five independent non-executive Directors, namely Mr. Ho Kwok Wah, George, *MH*, Mr. Wong Tat Tung, *MH, JP*, Mr. Yu Xuezhong, Ms. Li Mingqin and Mr. Wang John Hong-chiun. As at the date of this annual report, the Audit Committee comprised five independent non-executive Directors, namely Mr. Ho Kwok Wah, George, *MH*, Mr. Wong Tat Tung, *MH, JP*, Mr. Yu Xuezhong, Ms. Li Mingqin and Mr. Wang John Hong-chiun. On 1 June 2015, Mr. Ho Kwok Wah, George, *MH* was appointed as, while Mr. Chan Kam Chiu resigned as, the chairman of the Audit Committee. As at the date of this annual report, Mr. Ho Kwok Wah, George, *MH* was the chairman of the Audit Committee.

The Audit Committee held three meetings during the year under review 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 under review 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 under review 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	2/3	7/7	N/A	N/A	N/A
Dr. Cho Kwai Chee	3/3	7/7	N/A	N/A	N/A
Dr. Hui Ka Wah, Ronnie, *JP*	3/3	6/7	N/A	N/A	N/A
Dr. Ip Chun Heng, Wilson	2/3	7/7	N/A	N/A	N/A
Mr. Lee Chik Yuet (Note 1)	1/3	7/7	N/A	1/1	1/1
Dr. Chan Wing Lok, Brian (Note 2)	3/3	6/6	N/A	N/A	N/A
Mr. Wong Seung Ming (Note 3)	3/3	6/7	N/A	1/1	N/A
Non-executive Directors					
Dr. Choi Chee Ming, *GBS, JP*	1/3	7/7	N/A	N/A	N/A
Ms. Fang Haiyan (Note 4)	N/A	4/4	N/A	N/A	N/A
Mr. Tsai Ming-hsing (Note 5)	N/A	0/1	N/A	N/A	N/A
Mr. Chen Jinhao (Note 4)	N/A	4/4	N/A	N/A	N/A
Independent non-executive Directors					
Mr. Chan Kam Chiu (Note 6)	1/3	2/3	1/1	1/1	1/1
Mr. Ho Kwok Wah, George, *MH*	3/3	7/7	3/3	2/2	2/2
Mr. Wai Kwok Hung, *SBS, JP* (Note 7)	3/3	6/6	2/2	2/2	2/2
Mr. Wong Tat Tung, *MH, JP* (Note 4)	3/3	7/7	3/3	2/2	2/2
Mr. Yu Xuezhong (Note 8)	N/A	4/4	2/2	1/1	N/A
Ms. Li Mingqin (Note 8)	N/A	4/4	2/2	1/1	1/1
Mr. Wang John Hong-chiun (Note 9)	N/A	1/1	1/1	N/A	N/A

Notes:

1. Mr. Lee Chik Yuet was appointed as a member of the Remuneration Committee and the Nomination Committee on 1 June 2015.

2. Dr. Chan Wing Lok, Brian resigned as an executive Director on 2 September 2015.

3. Mr. Wong Seung Ming resigned as a member of the Remuneration Committee on 1 June 2015.

4. Both Ms. Fang Haiyan and Mr. Chen Jinhao were appointed as non-executive Directors on 1 June 2015.

5. Mr. Tsai Ming-hsing was appointed as a non-executive Director on 2 September 2015.

6. Mr. Chan Kam Chiu retired as an independent non-executive Director on 1 June 2015.

7. Mr. Wai Kwok Hung, *SBS, JP* resigned as an independent non-executive Director on 2 September 2015.

8. Both Mr. Yu Xuezhong and Ms. Li Mingqin were appointed as independent non-executive Directors on 1 June 2015.

9. Mr. Wang John Hong-chiun was appointed as an independent non-executive Director on 2 September 2015.

Accountability and audit

The Directors acknowledge their responsibility of 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 2015. 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 auditors of the Company, Deloitte Touche Tohmatsu, regarding their reporting responsibilities is set out in the section headed "Independent Auditor's Report" on pages 54 to 55 of this annual report.

Internal controls

The Board has the overall responsibility of 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 to 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 auditors, Deloitte Touche Tohmatsu, provided both statutory audit and non-audit services to the Group. For the year ended 31 December 2015, fee for statutory audit for the Group amounts to approximately HK$3,413,000. 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$139,000.

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 or the company secretary ("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 convened 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 6th Floor, 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
(Registered in Bermuda with limited liability)

We have audited the consolidated financial statements of Town Health International Medical Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 56 to 164, which comprise the consolidated statement of financial position as at 31 December 2015, 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.

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 financial position of the Group as at 31 December 2015, and of its financial performance 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
23 March 2016

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2015

	NOTES	2015 HK$'000	2014 HK$'000
Revenue	7	**1,122,933**	494,579
Cost of sales		**(643,118)**	(334,005)
Gross profit		**479,815**	160,574
Other income	9	**101,883**	37,768
Administrative expenses		**(520,413)**	(235,987)
Other gains and losses	10	**186,392**	20,032
Finance costs	11	**(10,555)**	(7,586)
Share of results of associates		**20,683**	44,259
Share of result of a joint venture		**16,462**	–
Profit before tax		**274,267**	19,060
Income tax (expenses) credit	14	**(13,401)**	61,829
Profit for the year	15	**260,866**	80,889
Other comprehensive expense for the year			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on the translation of foreign operations		**(6,703)**	(823)
Share of other comprehensive expenses of associates and a joint venture		**(4,570)**	(882)
Reclassification of translation reserve and investment revaluation reserve to profit or loss upon dilution of interest(s) in an associate/associates		**(1,636)**	(741)
		(12,909)	(2,446)
Total comprehensive income for the year		**247,957**	78,443

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2015

	NOTES	**2015** **HK$'000**	2014 HK$'000
Profit for the year attributable to:			
Owners of the Company		**254,803**	84,612
Non-controlling interests		**6,063**	(3,723)
		260,866	80,889
Total comprehensive income attributable to:			
Owners of the Company		**243,094**	82,318
Non-controlling interests		**4,863**	(3,875)
		247,957	78,443
Earnings per share (HK cents)	17		
– Basic		**3.81**	1.84
– Diluted		**3.63**	1.83

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2015

	NOTES	2015 HK$'000	2014 HK$'000
NON-CURRENT ASSETS			
Investment properties	18	**457,760**	285,085
Property, plant and equipment	19	**233,317**	193,533
Loans receivable	20	**9,902**	11,924
Loan to a related party	21	**138,000**	–
Goodwill	22	**375,891**	200,202
Intangible assets	23	**492,428**	236,099
Interests in associates	24	**140,487**	251,580
Interests in a joint venture	25	**257,110**	–
Available-for-sale investments	26	**318,861**	43,596
Deposits made on acquisition of investment properties, and property, plant and equipment		**68,820**	6,555
Deposit made on acquisition of a subsidiary		**59,666**	–
Deferred tax assets	39	**724**	–
		2,552,966	1,228,574
CURRENT ASSETS			
Inventories	27	**20,600**	16,298
Trade and other receivables	28	**210,642**	147,608
Available-for-sale investments	26	**30,000**	–
Held for trading investments	29	**522,459**	278,027
Loans receivable	20	**7,989**	39,853
Amounts due from associates	30	**38,060**	8,904
Amount due from a related party	31	**20**	–
Amount(s) due from an investee/investees	32	**13,300**	1,348
Amounts due from non-controlling interests	33	**1,107**	–
Tax recoverable		**6,216**	873
Restricted bank deposit		**13,460**	–
Bank balances and cash	34	**1,826,679**	1,078,558
		2,690,532	1,571,469
Assets classified as held for sale	35	**–**	24,368
		2,690,532	1,595,837
CURRENT LIABILITIES			
Trade and other payables	36	**437,444**	125,224
Amount due to a related party	31	**–**	6
Amounts due to associates	30	**28**	73
Amount due to an investee	32	**313**	–
Amounts due to non-controlling interests	33	**30,514**	22,361
Bank borrowings	37	**21,887**	62,913
Loan notes	38	**121,919**	116,533
Tax payable		**24,211**	17,082
		636,316	344,192
Liabilities directly associated with assets classified as held for sale	35	**–**	7,559
		636,316	351,751
NET CURRENT ASSETS		**2,054,216**	1,244,086
TOTAL ASSETS LESS CURRENT LIABILITIES		**4,607,182**	2,472,660

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2015

	NOTES	2015 HK$'000	2014 HK$'000
NON-CURRENT LIABILITIES			
Deferred tax liabilities	39	**14,300**	12,542
		4,592,882	2,460,118
CAPITAL AND RESERVES			
Share capital – ordinary shares	40	**74,696**	51,104
Share capital – convertible preference shares	41	**2,917**	3,750
Reserves		**4,453,179**	2,060,612
Equity attributable to owners of the Company		**4,530,792**	2,115,466
Non-controlling interests		**62,090**	344,652
Total equity		**4,592,882**	2,460,118

The consolidated financial statements on pages 56 to 164 were approved and authorised for issue by the Board of Directors on 23 March 2016 and are signed on its behalf by:

Dr. Hui Ka Wah, Ronnie
DIRECTOR

Mr. Lee Chik Yuet
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2015

	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$'000 (Note iv)	Property revaluation reserve HK$'000	Investment 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 2014	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 44)	–	–	–	–	–	–	–	–	–	–	–	–	–	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
Profit for the year	–	–	–	–	–	–	–	–	–	–	–	254,803	254,803	6,063	260,866
Other comprehensive income (expense) for the year	–	–	–	–	–	–	–	–	3,720	(15,429)	–	–	(11,709)	(1,200)	(12,909)
Total comprehensive income (expense) for the year	–	–	–	–	–	–	–	–	3,720	(15,429)	–	254,803	243,094	4,863	247,957
Exercise of share options	1,255	–	30,310	–	–	–	–	–	–	–	(209,162)	204,269	26,672	–	26,672
Issue of ordinary shares upon share subscription	17,851	–	1,731,546	–	–	–	–	–	–	–	–	–	1,749,397	–	1,749,397
Transaction costs attributable to issue of ordinary shares	–	–	(1,347)	–	–	–	–	–	–	–	–	–	(1,347)	–	(1,347)
Conversion of convertible preference shares	833	(833)	–	–	–	–	–	–	–	–	–	–	–	–	–
Acquisition of subsidiaries (note 44)	3,653	–	442,047	–	–	–	–	–	–	–	–	–	445,700	2,612	448,312
Disposal of subsidiaries	–	–	–	–	–	–	22,547	–	–	–	–	(22,547)	–	(288,112)	(288,112)
Dividend paid	–	–	–	–	–	–	–	–	–	–	–	(48,190)	(48,190)	(1,925)	(50,115)
At 31 December 2015	74,696	2,917	3,628,179	9,020	10,033	62,677	–	33,609	3,720	(12,661)	–	718,602	4,530,792	62,090	4,592,882

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2015

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 31 December 2014 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;

(b) the difference between fair value of 17 shares of Asset Management International 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; and

(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.

During the year ended 31 December 2015, the amount was transferred to accumulated profit due to the disposal of the entire equity interest in Asset Management and Million Worldwide Group.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2015

	2015 HK$'000	2014 HK$'000
OPERATING ACTIVITIES		
Profit before tax	**274,267**	19,060
Adjustments for:		
Interest income	**(70,764)**	(19,143)
Dividend income from unlisted investments classified as available-for-sale investments	**(7,699)**	(2,332)
Gain on dilution of interest(s) in an associate/associates	**(51)**	(2,363)
Translation reserve and investment revaluation reserve reclassified to profit or loss upon dilution of interest(s) in an associate/associates	**(1,636)**	(741)
Amortisation of intangible assets	**8,322**	3,500
Depreciation of property, plant and equipment	**45,499**	47,460
Unrealised gain on fair value changes on held for trading investments	**(98,455)**	(71,558)
Loss on fair value change upon transfer of held for trading investments to interest in an associate	**–**	41,693
Impairment loss on goodwill	**40,000**	2,511
Impairment loss (reversal of impairment loss) recognised on loans receivable, net	**27,000**	(27,000)
Impairment loss recognised on trade receivables	**3,174**	2,699
Impairment loss (reversal of impairment loss) recognised on other receivables	**5,109**	(22,835)
Impairment loss recognised on available-for-sale investments	**9,239**	4,782
Impairment loss (reversal of impairment loss) recognised on amounts due from investees and associates	**1,664**	(2,109)
Impairment loss on interests in associates	**–**	65,798
Loss on disposal of property, plant and equipment	**183**	39
Increase in fair value of investment properties	**(4,669)**	(4,605)
Share of results of associates	**(20,683)**	(44,259)
Share of result of a joint venture	**(16,462)**	–
Finance costs	**10,555**	7,586
Gain on disposal of available-for-sale investments	**(1,741)**	(14,826)
Loss (gain) on disposal of subsidiaries	**5,588**	(230)
Gain on disposal of associates	**(180,132)**	–
Increase (decrease) in fair value of loan notes	**3,723**	(1,220)
Operating cash inflow (outflow) before movements in working capital	**32,031**	(18,093)
(Increase) decrease in inventories	**(4,237)**	603
Increase in trade and other receivables	**(267,582)**	(18,688)
Increase in amount due from a related party	**(20)**	–
Decrease in amount due to a related party	**(6)**	(8)
(Increase) decrease in held for trading investments	**(145,977)**	247,523
(Decrease) increase in trade and other payables	**(1,092)**	164,097
Cash (used in) generated from operations	**(386,883)**	375,434
Income tax paid	**(19,895)**	(4,204)
NET CASH (USED IN) FROM OPERATING ACTIVITIES	**(406,778)**	371,230

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2015

	NOTES	2015 HK$'000	2014 HK$'000
INVESTING ACTIVITIES			
Repayment of loans receivable		**1,498,353**	256,671
Placement of restricted bank deposits		**(13,460)**	–
Proceeds from disposal of investment properties		**–**	117,000
Proceeds from disposal of available-for-sale investments		**5,360**	37,088
Interest received		**70,764**	19,143
Release of pledged bank deposits		**–**	17,794
Dividend received from associates		**6,932**	13,202
Proceeds from disposal of property, plant and equipment		**503**	7,139
Net cash (outflow) inflow arising from disposal of subsidiaries	45	**(2,236)**	5,879
Proceeds from disposal of associates		**330,440**	–
Dividend received from unlisted investments classified as available-for-sale investments		**7,699**	2,332
(Advance to) repayment from associates		**(29,201)**	2,153
(Advance to) repayment from investees		**(13,303)**	436
Acquisition of assets through acquisition of subsidiaries	43	**(40,457)**	–
Acquisition of subsidiaries	44	**79,231**	(406,479)
Investment in a joint venture		**(244,470)**	–
Investments in associates		**(3,000)**	(2,947)
Advances of loans receivable		**(1,491,467)**	(145,780)
Purchase of property, plant and equipment		**(57,584)**	(83,171)
Purchase of available-for-sale investments		**(322,580)**	(11,973)
Purchase of investment properties		**(191,026)**	–
Deposits made on acquisition of property, plant and equipment		**(55,710)**	(6,555)
Deposit made on acquisition of a subsidiary		**(59,666)**	–
Acquisition of medical practices		**(4,044)**	–
NET CASH USED IN INVESTING ACTIVITIES		**(528,922)**	(178,068)
FINANCING ACTIVITIES			
New bank borrowings raised		**410,000**	11,503,779
Proceeds from issue of ordinary shares		**1,749,397**	450,000
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
Proceeds from exercise of share options		**26,672**	32,114
Repayment from non-controlling interests		**7,046**	16,827
Capital injections from non-controlling interests of subsidiaries		**–**	8,480
Repayment of bank borrowings		**(451,026)**	(11,804,683)
Dividend paid		**(50,115)**	(139,372)
Payment for transaction costs attributable to issue of new shares		**(1,347)**	(20,770)
Interest paid		**(8,892)**	(4,739)
NET CASH FROM FINANCING ACTIVITIES		**1,681,735**	689,636
NET INCREASE IN CASH AND CASH EQUIVALENTS		**746,035**	882,798
CASH AND CASH EQUIVALENTS AT 1 JANUARY		**1,083,516**	201,249
EFFECT OF FOREIGN EXCHANGE RATES CHANGES		**(2,872)**	(531)
CASH AND CASH EQUIVALENTS AT 31 DECEMBER, representing bank balances and cash	47	**1,826,679**	1,083,516

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.

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, associates and a joint venture are set out in notes 53, 24 and 25 respectively.

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

Application of new and revised HKFRSs

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

Amendments to HKAS 19	Defined benefit plans: Employee contributions
Amendments to HKFRSs	Annual improvements to HKFRSs 2010 – 2012 cycle
Amendments to HKFRSs	Annual improvements to HKFRSs 2011 – 2013 cycle

Except as described below, the application of the amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and on the disclosures set out in these 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 or 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 judgments 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 2011 – 2013 cycle *(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[1]
Amendments to HKFRS 11	Accounting for acquisitions of interests in joint operations[2]
Amendments to HKAS 1	Disclosure initiative[2]
Amendments to HKAS 16 and HKAS 38	Clarification of acceptable methods of depreciation and amortisation[2]
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer plants[2]
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture[2]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment entities: Applying the consolidation exception[2]
Amendments to HKFRSs	Annual improvements to HKFRSs 2012-2014 cycle[2]

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 2016, with earlier application permitted.

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 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.

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

HKFRS 9 Financial instruments *(Continued)*

Key requirements of HKFRS 9:

- all recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement are required to be 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 that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally 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 attributable to a financial liability's 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 is presented in profit or loss.

- 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.

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

HKFRS 9 Financial instruments *(Continued)*

- the new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in HKAS 39. Under HKFRS 9, 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 retrospective quantitative effectiveness test has been removed. 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

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

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.

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

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

The amendments to "HKAS 16 Property, plant and equipment" prohibit entities from using a revenue-based depreciation method for items of property, plant and equipment. The amendments to HKAS 38 Intangible Assets 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.

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

The amendments to HKFRS 10 "Consolidated financial statements" and HKAS 28 "Investments in associates and joint ventures" deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of 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, 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 of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value 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 amendments should be applied prospectively to transactions occurring in annual periods beginning on or after 1 January 2016. The directors of the Company do not anticipate that the application of these amendments to HKFRS 10 and HKAS 28 will have an impact on the Group's consolidated financial statements in future periods should such transactions arise.

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 a disposal group) from held for sale to held for distribution to owners (or vice versa). The amendments clarify that such a change should be considered as a continuation of the original plan of disposal and hence requirements set out in HKFRS 5 regarding the change of sale plan do not apply. The amendments also clarify the guidance for when held-for-distribution accounting is discontinued.

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.

The amendments to HKAS 19 clarify that the rate used to discount post-employment benefit obligations should be determined by reference to market yields at the end of the reporting period on high quality corporate bonds. The assessment of the depth of a market for high qualify corporate bonds should be at the currency level (i.e. the same currency as the benefits are to be paid). For currencies for which there is no deep market in such high quality corporate bonds, the market yields at the end of the reporting period on government bonds denominated in that currency should be used instead.

The directors of the Company do not anticipate that the application of these amendments will have a material effect on the amounts recognised in 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 ("CO").

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Statement of compliance *(Continued)*

The provisions of the new Hong Kong Companies Ordinance (Cap. 622) regarding preparation of accounts and directors' reports and audits became effective for the Company for the financial year ended 31 December 2015. Further, the disclosure requirements set out in the Listing Rules regarding annual accounts have been amended with reference to the new CO and to streamline with HKFRSs. Accordingly the presentation and disclosure of information in the consolidated financial statements for the financial year ended 31 December 2015 have been changed to comply with these new requirements. Comparative information in respect of the financial year ended 31 December 2014 are presented or disclosed in the consolidated financial statements based on the new requirements. Information previously required to be disclosed under the predecessor CO or Listing Rules but not under the new CO or amended Listing Rules are not disclosed in these consolidated financial statements.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Basis of preparation *(Continued)*

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.

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Basis of consolidation *(Continued)*

- 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.

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 or a joint venture.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combinations *(Continued)*

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.

Acquisition of subsidiaries which are not business

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 when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that reporting period. 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 and a joint venture is described below.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments in associates and a joint venture

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.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates and joint ventures are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, an investment in an associate or a joint venture 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 or joint venture. When the Group's share of losses of an associate or a joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), 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 the associate or joint venture.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, 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 or a joint venture. 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 of disposal) 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments in associates and a joint venture *(Continued)*

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate or a joint venture, or when the investment (or a portion thereof) is classified as held for sale. When the Group retains an interest in the former associate or joint venture 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 or joint venture 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 or joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture 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 or a joint venture 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 or joint venture of the Group, profits and losses resulting from the transactions with the associate or joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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.

Beauty and cosmetic medicine services income is recognised on a systematic basis in accordance with service usage period. Beauty treatment packages are recorded as liabilities when sold. Packages surrendered in exchange for services during the year are recognised as service income in profit or loss. The remaining value of packages is classified as deferred revenue under current liabilities at the end of the reporting period. Upon expiry of prepaid packages, the corresponding deferred revenue is fully recognised.

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

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 income 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment

Property, plant and equipment including leasehold land (classified as finance leases) 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.

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 their fair values. All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are classified and 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 properties are included in profit or loss for the period in which they arise.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investment properties *(Continued)*

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 and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the property (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 any 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.

Borrowing costs

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

Impairment 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. When 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment on tangible and intangible assets other than goodwill *(Continued)*

Intangible assets with indefinite useful lives are tested for impairment at least annually, and whenever there is an indication that they 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.

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 in profit or loss on a straight-line basis over the term of the respective lease.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leasing *(Continued)*

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.

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 recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currencies *(Continued)*

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 of income or expense that are taxable or deductible in other years and 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 differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of 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 the 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 each 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 are recognised in profit or loss, except when they relate 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 or 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 ("AFS") 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 debt instrument 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 and points 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 debt instrument, 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 are classified as at FVTPL when the financial asset is (i) contingent consideration that may be paid by an acquirer as part of a business combination to which HKFRS 3 applies, (ii) held for trading, or (iii) it is designated as at FVTPL.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets (Continued)

Financial assets at FVTPL *(Continued)*

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 a portfolio of identified 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.

Financial assets at FVTPL are stated 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.

AFS financial assets

AFS financial assets are non-derivatives that are either designated as available-for-sale or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at FVTPL.

Equity and debt securities held by the Group that are classified as AFS financial assets 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 AFS monetary financial assets relating to interest income calculated using the effective interest method and dividends on AFS equity investments are recognised in profit or loss. Other changes in the carrying amount of AFS financial assets are recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss (see the accounting policy in respect of impairment loss on financial assets below).

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

AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments are measured at cost less any identified impairment losses at the end of each reporting period (see the accounting policy in respect of impairment loss on financial assets below).

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets (Continued)

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, loan to a related party, trade and other receivables, amount(s) due from associates/a related party/investees/non-controlling interests, restricted bank deposit and bank balances and cash) are carried at amortised cost using the effective interest method, less any impairment (see accounting policy on impairment loss on financial assets below).

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when 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.

For AFS equity investments, a significant or prolonged declined in the fair value of the security 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets (Continued)

Impairment of financial assets *(Continued)*

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods (see the accounting policy below).

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 AFS 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.

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

In respect of AFS equity investments, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated under the heading of investment revaluation reserve.

Financial liabilities and equity instruments

Debt 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 and the definitions of a financial liability and an equity instrument.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity instruments (Continued)

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds 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 and points 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.

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 recognises its retained interest in the asset and an associated liability for amounts it may have to pay. 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Derecognition (Continued)

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 have expired. 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 42.

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.

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.

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.

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

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 2015, the carrying amount of associates net of accumulated impairment loss of HK$nil, amounted to HK$140,487,000 (2014: carrying amount of associates net of accumulated impairment loss of HK$35,096,000, amounted to HK$251,580,000).

Impairment of a joint venture

Management regularly reviews the recoverable amount of the joint venture (including its goodwill). Determining whether impairment is required involves the estimation of the value in use and fair value of the joint venture to which exceed the carrying amount of the joint venture. 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 a fixed 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 2015, the carrying amount of interest in a joint venture amounted to HK$257,110,000 and no impairment loss recognised on interest in a joint venture.

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 2015, the carrying amount of goodwill and intangible assets are HK$375,891,000 and HK$492,428,000 (net of accumulated impairment loss of goodwill and intangible assets amounting to HK$247,108,000 and HK$nil) (2014: 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).

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 2015, the carrying amount of loans receivable net of accumulated impairment loss of HK$33,559,000, amounted to HK$17,891,000 (2014: carrying amount of loans receivable net of accumulated impairment loss of HK$6,559,000, amounted to HK$51,777,000).

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 2015, the carrying amount of trade receivables net of allowance for doubtful debts HK$2,708,000, amounted to HK$133,865,000 (2014: carrying amount of trade receivables net of allowance for doubtful debts HK$2,197,000, amounted to HK$65,912,000).

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 2015 was approximately HK$9,239,000 (2014: HK$4,782,000) 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

	2015 **HK$'000**	2014 HK$'000
Financial assets		
Held for trading investments	**522,459**	278,027
Available-for-sale investments	**348,861**	43,596
Loans and receivables (including cash and cash equivalents)	**2,200,764**	1,252,953
Financial liabilities		
Amortised cost	**282,603**	270,700

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.

6. FINANCIAL INSTRUMENTS *(Continued)*

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

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 37 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 (2014: 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 (2014: 50 basis points) higher/lower and all other variables were held constant, the Group's post-tax profit for the year ended 31 December 2015 would decrease/increase by HK$91,000 (2014: decrease/increase by HK$263,000). 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% (2014: 10%) higher/lower, post-tax profit for the year ended 31 December 2015 would increase/decrease by approximately HK$52,246,000 (2014: increase/decrease by approximately HK$27,803,000). This is mainly due to changes in fair value of held for trading investment.

Credit risk management

As at 31 December 2015, 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.

The Group's concentration of credit risk related to trade receivables by geographical locations is mainly in Hong Kong as at 31 December 2015 and 2014.

6. FINANCIAL INSTRUMENTS *(Continued)*

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

Credit risk management (Continued)

The Group has concentration of credit risk by customer as 46% (2014: 44%) and 15% (2014: 14%) 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 2015, the Group also has concentration of credit risk on aggregate loans receivable due from three individuals amounting to HK$120,024,000 and one employee amounting to HK$2,787,000, and a loan to a related party amounting to HK$138,000,000 (2014: aggregate loans receivable due from four individuals amounting to HK$45,039,000 and one employee amounting to HK$2,846,000). The Group's four (2014: five) largest loans receivable due from the individuals and employees and a loan to a related party 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 2015, the Group has concentration risk by investment in Convoy Financial Holdings Limited (2014: Finsoft Finance Investment Holdings Limited), as it represents 53% (2014: 43%) 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.

6. FINANCIAL INSTRUMENTS *(Continued)*

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

Liquidity risk management (Continued)

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.

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 31.12.2015 HK$'000
31 December 2015								
Non-derivative financial liabilities								
Trade and other payables	–	–	107,942	–	–	–	107,942	107,942
Amounts due to non-controlling interests	–	30,514	–	–	–	–	30,514	30,514
Amounts due to associates	–	28	–	–	–	–	28	28
Amounts due to investees	–	313	–	–	–	–	313	313
Variable rate bank borrowings	2.45%	21,887	–	–	–	–	21,887	21,887
Loan notes	10%	–	–	8,050	32,200	123,050	163,300	121,919
		52,742	107,942	8,050	32,200	123,050	323,984	282,603

	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 and interest risk tables (Continued)

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 2015, the aggregate undiscounted principal amounts of these bank borrowings amounted to HK$21,887,000 (2014: HK$62,913,000). 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 17 years (2014: within 3 months to 18 years) 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$26,798,000 (2014: HK$68,475,000).

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).

		Fair value as at		Fair value	Valuation technique
	Financial assets	31 December 2015	31 December 2014	hierarchy	and key input
1.	Held for trading investments	Listed equity securities in Hong Kong – HK$522,459,000	Listed equity securities in Hong Kong – HK$278,027,000	Level 1	Quoted bid prices in an active market.
2.	Unlisted fund classified as available-for-sale investments	Unlisted equity fund in Hong Kong – HK$8,489,000	Unlisted equity fund in Hong Kong – HK$8,479,000	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:

	2015	2014
	HK$'000	HK$'000
Provision of healthcare and dental services	**447,868**	387,522
Managed care business	**363,702**	87,874
Beauty and cosmetic medicine business	**294,024**	–
Property rental income	**17,339**	19,183
	1,122,933	494,579

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 medical centres, and trading of healthcare products
- Managed care business – Operations of managed care centres and networks
- Beauty and cosmetic medicine business – Operations of beauty and cosmetic medicine centres
- Investments in securities and properties and treasury management – Trading of listed securities and leasing of properties

8. SEGMENT INFORMATION *(Continued)*

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

Segment revenues and results

For the year ended 31 December 2015

	Provision of healthcare and dental services HK$'000	Managed care business HK$'000	Beauty and cosmetic medicine business HK$'000	Investments in securities and properties and treasury management HK$'000	Elimination HK$'000	Total HK$'000
Revenue						
External sales	447,868	363,702	294,024	17,339	–	1,122,933
Inter-segment sales	12,318	–	–	5,659	(17,977)	–
	460,186	363,702	294,024	22,998	(17,977)	1,122,933
Segment results	39,465	33,290	15,378	327,765	–	415,898
Other income						18,595
Finance costs						(10,555)
Share of results of associates						10,609
Other gains and losses						(75,809)
Unallocated corporate expenses						(84,471)
Profit before tax						274,267

8. SEGMENT INFORMATION *(Continued)*

Segment revenues and results *(Continued)*

For the year ended 31 December 2014

	Provision of healthcare and dental services HK$'000	Managed care business HK$'000	Investments in securities and properties and treasury management HK$'000	Elimination HK$'000	Total HK$'000
Revenue					
External sales	387,522	87,874	19,183	–	494,579
Inter-segment sales	1,446	–	6,028	(7,474)	–
	388,968	87,874	25,211	(7,474)	494,579
Segment results	44,059	9,920	51,077	–	105,056
Other income					10,308
Finance costs					(7,586)
Share of results of associates					39,257
Other gains and losses					(36,917)
Unallocated corporate expenses					(91,058)
Profit before tax					19,060

The accounting policies of the reporting segments are the same as the Group's accounting policies described in note 3. Segment profit represents the profit 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 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 2015

	Provision of healthcare and dental services HK$'000	Managed care business HK$'000	Beauty and cosmetic medicine business HK$'000	Investments in securities and properties and treasury management HK$'000	Total for segments HK$'000	Unallocated HK$'000	Total HK$'000
Amounts included in the measure of segment profit:							
Depreciation of property, plant and equipment	21,176	1,427	10,451	10,685	43,739	1,760	45,499
Amortisation of intangible assets	–	7,251	1,071	–	8,322	–	8,322
Impairment loss recognised on loans receivable	–	–	–	–	–	27,000	27,000
Impairment loss recognised on trade receivables	3,137	37	–	–	3,174	–	3,174
Impairment loss recognised on other receivables	–	–	–	–	–	5,109	5,109
Increase in fair value of investment properties	–	–	–	4,669	4,669	–	4,669
Loss on disposal of property, plant and equipment	7	5	–	–	12	171	183
Amounts included in the information regularly provided to the CEO:							
Additions to property, plant and equipment	30,294	2,717	30,715	530	64,256	10,449	74,705

8. SEGMENT INFORMATION *(Continued)*

Other segment information *(Continued)*

For the year ended 31 December 2014

	Provision of healthcare and dental services HK$'000	Managed care business HK$'000	Investments in securities and properties and treasury management HK$'000	Total for segments HK$'000	Unallocated HK$'000	Total HK$'000
Amounts included in the measure of segment profit:						
Depreciation of property, plant and equipment	22,201	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
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	18,496	2,482	62,801	83,779	1,117	84,896

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, one of the Group's associates and the Group's joint venture, are all located in Hong Kong. The location of operations of an associate and a joint venture with carrying amount of HK$82,451,000 (2014: HK$78,830,000) and HK$257,110,000 (2014: HK$nil) respectively as at the end of the reporting period 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

	2015 **HK$'000**	2014 HK$'000
Interest income	**70,764**	19,143
Dividend income from listed investments classified as held for trading investments	**4,825**	5,985
Dividend income from unlisted investments classified as available-for-sale investments	**7,699**	2,332
Rental income	**3,265**	2,003
Sundry income	**15,330**	8,305
	101,883	37,768

10. OTHER GAINS AND LOSSES

	2015 HK$'000	2014 HK$'000
Gain on fair value changes on held for trading investments and disposal of associates (Note)	**273,792**	19,893
(Loss) gain on disposal of a subsidiary/subsidiaries (note 45)	**(5,588)**	230
Gain on dilution of interest(s) in an associate/associates (note 24)	**51**	2,363
Gain on disposal of available-for-sale investments	**1,741**	14,826
Fair value changes on investment properties (note 18)	**4,669**	4,605
Fair value changes on loan notes (note 38)	**(3,723)**	1,220
Translation reserve reclassified to profit or loss upon dilution of interest(s) in an associate/associates	**1,636**	741
(Impairment loss) reversal of impairment loss recognised in respect of:		
– goodwill (note 22)	**(40,000)**	(2,511)
– trade receivables	**(3,174)**	(2,699)
– other receivables	**(5,109)**	22,835
– loans receivable	**(27,000)**	27,000
– available-for-sale investments (note 26)	**(9,239)**	(4,782)
– amounts due from associates	**–**	768
– amounts due from investees	**(1,664)**	1,341
– interests in associates (note 24)	**–**	(65,798)
	186,392	20,032

Note: It consists of net unrealised gain on fair value changes of HK$98,455,000 (2014: net unrealised gain on fair value changes of HK$71,558,000) and net realised loss on fair value changes of HK$4,795,000 (2014: net realised loss on fair value changes of HK$9,972,000) and loss on fair value change upon transfer of held for trading investments in an associate of HK$nil (2014: HK$41,693,000).

The net unrealised gain and net realised loss are mainly contributed by the investment in equity shares of Convoy Financial Holdings Limited (a company with its shares listed on the Stock Exchange) of HK$19,597,000 and investment in equity shares of Pa Shun Pharmaceutical International Holdings Limited (a company with its shares listed on the Stock Exchange) of HK$7,602,000, respectively (2014: Finsoft Financial Investment Holdings Limited (a company with its shares listed on the Stock Exchange) with net unrealised gain and net realised loss of HK$100,534,000 and HK$43,575,000, respectively).

11. FINANCE COSTS

	2015 HK$'000	2014 HK$'000
Interest on bank borrowings		
– wholly repayable within five years	**286**	4,738
– not wholly repayable within five years	**556**	94
Effective interest expense on loan notes	**9,713**	2,754
	10,555	7,586

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 2015

	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	–	754	63	–	18	835
Dr. Cho Kwai Chee	–	15,600	1,300	–	18	16,918
Dr. Hui Ka Wah, Ronnie, *JP*	–	4,517	367	–	18	4,902
Mr. Lee Chik Yuet	–	2,580	151	–	18	2,749
Dr. Ip Chun Heng, Wilson (appointed on 1 January 2015)	120	–	–	–	–	120
Mr. Wong Seung Ming	–	1,369	114	–	18	1,501
Dr. Chan Wing Lok, Brian (resigned on 2 September 2015)	–	416	138	–	12	566
	120	25,236	2,133	–	102	27,591
Non-executive directors						
Dr. Choi Chee Ming, *GBS, JP*	–	–	–	–	–	–
Ms. Fang Haiyan (appointed on 1 June 2015)	–	–	–	–	–	–
Mr. Tsai Ming-hsing (appointed on 2 September 2015)	–	–	–	–	–	–
Mr. Chen Jinhao (appointed on 1 June 2015)	–	–	–	–	–	–
	–	–	–	–	–	–
Independent non-executive directors						
Mr. Ho Kwok Wah, George, *MH*	120	–	–	–	–	120
Mr. Wong Tat Tung, *MH, JP*	120	–	–	–	–	120
Mr. Yu Xuezhong (appointed on 1 June 2015)	70	–	–	–	–	70
Ms. Li Mingqin (appointed on 1 June 2015)	70	–	–	–	–	70
Mr. Wang John Hong – chiun (appointed on 2 September 2015)	40	–	–	–	–	40
Mr. Chan Kam Chiu (retired on 1 June 2015)	40	–	–	–	–	40
Mr. Wai Kwok Hung, *SBS, JP* (resigned on 2 September 2015)	81	–	–	–	–	81
	541	–	–	–	–	541
Total	661	25,236	2,133	–	102	28,132

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

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, *MH*	110	–	–	–	–	110
Mr. Wong Tat Tung, *MH, JP* (appointed on 30 December 2014)	–	–	–	–	–	–
	290	–	–	–	–	290
Total	290	19,323	4,103	–	94	23,810

The performance related incentive payment is determined with reference to the Group's and the relevant director'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, two (2014: one) of them are executive directors of the Company whose emolument is included in note 12 above. The emoluments of the remaining three (2014: four) individuals were as follows:

	2015 HK$'000	2014 HK$'000
Salaries and other allowances	**5,188**	12,580
Performance bonus (Note)	**6,825**	3,645
Retirement benefits scheme contributions	**54**	64
	12,067	16,289

Their emoluments were within the following band:

	2015 Number of employees	2014 Number of employees
HK$2,500,001 – HK$3,000,000	**–**	1
HK$3,000,001 – HK$3,500,000	**1**	–
HK$3,500,001 – HK$4,000,000	**–**	1
HK$4,000,001 – HK$4,500,000	**1**	1
HK$4,500,001 – HK$5,000,000	**1**	–
HK$5,000,001 – HK$5,500,000	**–**	1
	3	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 EXPENSES (CREDIT)

	2015 HK$'000	2014 HK$'000
Tax charge comprises:		
Current tax		
– Hong Kong Profits Tax	**17,357**	8,967
– Overprovision in prior years (Note)	**(2,792)**	(69,104)
	14,565	(60,137)
Deferred tax (note 39)		
– Current year	**(1,164)**	(1,692)
	13,401	(61,829)

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

Note: During the year ended 31 December 2014, 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$69,079,000 (2015: HK$nil) 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:

	2015 HK$'000	2014 HK$'000
Profit before tax	**274,267**	19,060
Tax at the domestic income tax rate of 16.5% (2014: 16.5%)	**45,254**	3,145
Tax effect of expenses not deductible for tax purpose	**25,459**	38,159
Tax effect of income not taxable for tax purpose	**(51,440)**	(46,314)
Tax effect of tax losses not recognised	**10,281**	23,639
Tax effect of share of results of associates	**(3,413)**	(7,303)
Tax effect of share of result of a joint venture	**(2,716)**	–
Utilisation of tax losses previously not recognised	**(7,232)**	(4,050)
Overprovision in prior years	**(2,792)**	(69,105)
Income tax expenses (credit) for the year	**13,401**	(61,829)

15. PROFIT FOR THE YEAR

	2015 HK$'000	2014 HK$'000
Profit for the year has been arrived at after charging:		
Staff costs		
– Directors' remuneration (note 12)	**28,132**	23,810
– Other staff's salaries, bonus and other benefits	**611,146**	260,678
– Other staff's retirement benefits scheme contributions	**10,899**	3,511
	650,177	287,999
Auditor's remuneration	**3,413**	2,592
Cost of inventories recognised as expenses	**131,916**	97,761
Depreciation of property, plant and equipment	**45,499**	47,460
Loss on disposal of property, plant and equipment	**183**	39
Amortisation of intangible assets (included in administrative expenses)	**8,322**	3,500
Share of tax of associates (included in share of results of associates)	**3,445**	19,783
and after crediting:		
Gross rental income from investment properties	**17,339**	19,183
Less: Direct operating expenses that generated rental income	**(2,092)**	(2,279)
Net rental income from investment properties	**15,247**	16,904

16. DIVIDENDS

	2015	2014
	HK$'000	HK$'000
Dividend recognised as distribution during the year		
– Final dividend of HK0.33 cent per ordinary share in respect of year ended 31 December 2014 (2014: 2013 Final dividend – HK5.5 cents)	**24,650**	50,432
– Preference shares dividend of HK0.72 cent per preference share in respect of year ended 31 December 2015	**23,540**	–
	48,190	50,432

On 23 March 2016, the directors of the Company recommended to declare a final dividend of HK0.98 cent per ordinary share for the year ended 31 December 2015.

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:

	2015	2014
	HK$'000	HK$'000
Earnings for the purposes of basic and diluted earnings per share:		
Profit for the year attributable to owners of the Company	**254,803**	84,612

Number of shares

	2015	2014
Weighted average number of ordinary shares for the purpose of basic earnings per share	**6,684,669,870**	4,637,091,290
Effect of dilutive potential ordinary shares:		
Share options	**5,853,883**	22,472,045
Convertible preference shares	**323,858,447**	2,054,795
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**7,014,382,200**	4,661,618,130

18. INVESTMENT PROPERTIES

	HK$'000
FAIR VALUE	
At 1 January 2014	448,405
Disposal of subsidiaries (note 45)	(167,925)
Increase in fair value recognised in profit or loss	4,605
At 31 December 2014	285,085
Disposal of subsidiaries (note 45)	(50,900)
Increase in fair value recognised in profit or loss	4,669
Addition	191,026
Acquisition of assets through acquisition of subsidiaries (note 43)	41,400
Transfer to property, plant and equipment	(13,520)
At 31 December 2015	457,760

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 2015 and 31 December 2014 has been arrived at on the basis of a valuation carried out on the respective dates by Ascent Partners Valuation Services Limited, an independent qualified professional valuer not connected with the Group.

Ascent Partners Valuation Services Limited is a member of the Institute of Valuers of Hong Kong, and it has 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.

18. INVESTMENT PROPERTIES *(Continued)*

There has been no change to the valuation technique in 2015 and 2014. 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 2014 and 31 December 2015 are as follows:

	Level 2 HK$'000	**Level 3 HK$'000**	**Fair value as at 31.12.2015 HK$'000**
Property units located in Hong Kong	**240**	**457,520**	**457,760**

	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

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) & 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 individual factors such as age and location of the property, of HK$4,806 (2014: HK$4,656) 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 3.2% (2014: 3.4%)	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.

18. INVESTMENT PROPERTIES *(Continued)*

	Fair value hierarchy	Valuation technique(s) & key inputs	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Property 3 – Property in Mongkok	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 individual factors such as age and location of the property, of HK$244,628 (2014: HK$239,669) per square feet	A slight increase in the price per square feet will increase significantly the fair value.
Property 4 – 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 5.0% (2014: 5.3%)	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 5 – Property in Yau Ma Tei	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 individual factors such as age and location of the property, of HK$15,914 per square feet	A slight increase in the price per square feet will increase significantly the fair value.
Property 6 – Property in Yau Ma Tei	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 individual factors such as age and location of the property, of HK$16,045 per square feet	A slight increase in the price per square feet will increase significantly the fair value.
Property 7 – 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 individual factors such as shape of the property, of HK$33,333 (2014: HK$38,926) per square feet	A slight increase in the price per square feet will increase significantly the fair value.
Property 8 – Property in Tsim Sha Tsui	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 individual factors such as age and location of the property, of HK$17,615 per square feet	A slight increase in the price per square feet will increase significantly the fair value.

During the year ended 31 December 2015, there is a property situated in Mongkok transferred into Level 3 from Level 2, the fair value of the property as at 31 December 2015 amounting to HK$29,600,000 (2014: HK$29,000,000). There is no transfer into or out of Level 3 during the year ended 31 December 2014.

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 2014	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 44)	–	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 subsidiaries (note 45)	–	–	–	(1,439)	(4)	(1,443)
Reclassified as assets classified as held for sale (note 35)	–	(1,666)	(292)	(280)	(11,329)	(13,567)
At 31 December 2014	148,449	117,372	6,115	4,737	62,911	339,584
Additions	–	20,373	926	940	28,790	51,029
Acquisition of assets through acquisition of subsidiaries (note 43)	–	6	–	–	–	6
Acquisition of subsidiaries (note 44)	–	4,529	65	–	19,076	23,670
Exchange realignment	–	(639)	(142)	(38)	(2,693)	(3,512)
Transfer from investment property	13,520	–	–	–	–	13,520
Disposals	–	(735)	(125)	(1,164)	(4,640)	(6,664)
Disposal of a subsidiary (note 45)	–	(10)	–	–	–	(10)
At 31 December 2015	**161,969**	**140,896**	**6,839**	**4,475**	**103,444**	**417,623**
ACCUMULATED DEPRECIATION						
At 1 January 2014	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 45)	–	–	–	(1,151)	(2)	(1,153)
Reclassified as assets classified as held for sale (note 35)	–	(1,528)	(284)	(144)	(3,690)	(5,646)
At 31 December 2014	21,477	105,948	4,315	2,390	11,921	146,051
Charge for the year	7,095	12,191	1,313	943	23,957	45,499
Exchange realignment	–	(364)	(111)	(23)	(766)	(1,264)
Eliminated on disposals	–	(718)	(121)	(640)	(4,499)	(5,978)
Eliminated on disposal of a subsidiary (note 45)	–	(2)	–	–	–	(2)
At 31 December 2015	**28,572**	**117,055**	**5,396**	**2,670**	**30,613**	**184,306**
CARRYING VALUES						
At 31 December 2015	**133,397**	**23,841**	**1,443**	**1,805**	**72,831**	**233,317**
At 31 December 2014	126,972	11,424	1,800	2,347	50,990	193,533

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 – 33¹/₃%

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

20. LOANS RECEIVABLE

	2015	2014
	HK$'000	HK$'000
Fixed-rate loans receivable (unsecured)	**17,891**	51,777
Analysed for reporting purposes as:		
Non-current portion	**9,902**	11,924
Current portion	**7,989**	39,853
	17,891	51,777

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 24% (2014: 1% to 20%) 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.

20. LOANS RECEIVABLE *(Continued)*

The loans receivable at the end of the reporting date have good credit quality, except loans receivable amounting to HK$33,559,000 (2014: HK$6,559,000) which was past due and considered not recoverable. During the year ended 31 December 2015, loans receivable amounting to HK$3,000,000 (2014: HK$30,000,000) was recovered. Accordingly, net impairment loss of HK$27,000,000 (2014: net reversal of impairment loss of HK$27,000,000) 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. LOAN TO A RELATED PARTY

	2015	2014
	HK$'000	HK$'000
Bonjour Group Limited (Note)	**138,000**	–

Note: Bonjour Group Limited is a direct wholly-owned subsidiary of Bonjour Holdings Limited, of which Dr. Ip Chun Heng, Wilson ("Dr. Ip") is the chairman and shareholder. Dr. Ip is also an executive director of the Company.

The balance is unsecured, unguaranteed and bearing interest at 3% per annum, and will be due after 1 year from 31 December 2015. Bonjour Group Limited may at any time repay all or part of the loan before the due date of the loan.

22. GOODWILL

	HK$'000
COST	
At 1 January 2014	222,416
Acquisition of a subsidiary (note 44)	195,536
Disposal of a subsidiary (note 45)	(187)
Transfer to assets held for sales (note 35)	(10,455)
At 31 December 2014	407,310
Acquisition of medical practices	4,044
Acquisition of a subsidiary (note 44)	211,645
At 31 December 2015	**622,999**
IMPAIRMENT	
At 1 January 2014	207,295
Impairment	2,511
Disposal of a subsidiary (note 45)	(187)
Transfer to assets held for sales (note 35)	(2,511)
At 31 December 2014	207,108
Impairment	**40,000**
At 31 December 2015	**247,108**
CARRYING VALUES	
At 31 December 2015	**375,891**
At 31 December 2014	200,202

22. GOODWILL *(Continued)*

For the purposes of impairment testing, goodwill have been allocated to groups of individual CGUs in 4 (2014: 4) divisions of the Group, namely, healthcare and dental services, trading and retailing of healthcare and pharmaceutical products in Hong Kong, managed care business and beauty and cosmetic medicine business. The carrying amounts of goodwill (net of accumulated impairment losses) as at 31 December 2015 and 31 December 2014 allocated to these units are as follows:

	2015	2014
	HK$'000	HK$'000
Healthcare and dental services ("Division A"):		
Town Health Medical & Dental Services Limited ("Town Health M&D")	**5,166**	4,666
Hong Kong Traumatology and Orthopaedics Institute Limited ("Hong Kong T&O")	**3,544**	–
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	**–**	–
	8,710	4,666
Trading and retailing of healthcare and pharmaceutical products in Hong Kong ("Division B"):		
Audio Health Hearing Care (Shatin) Limited ("Audio Health")	**–**	–
Managed care business ("Division C"):		
Dr. Vio & Partners Limited ("Dr. Vio")	**195,536**	195,536
Beauty and cosmetic medicine business ("Division D"):		
Bonjour Beauty International Limited ("Bonjour Beauty")	**171,645**	–
	375,891	200,202

22. 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:

	2015		2014	
	HK	**PRC**	HK	PRC
Growth rate	**0%-8%**	**up to 25%**	0%-12%	up to 25%
Discount rate	**14.85%**	**14.82%**	15%	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.

22. GOODWILL *(Continued)*

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 14.85% (2014: 15%). 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.

Division C

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

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 17.08% (2014: 16.59%). Cash flows after the five-year period were extrapolated using 8% (2014: 8%) growth rate in considering the economic condition of the market.

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 beauty and cosmetic medicine 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 16.72%. Cash flows after the five-year period were extrapolated using 6% growth rate in considering the economic condition of the market.

During the year ended 31 December 2015, the Group recognised an impairment loss of HK$40,000,000 on the goodwill due to severe market competition and unstable economic condition, which led to the previous expectation on expected revenue growth and market development of the beauty and cosmetic medicine business could not be met.

23. INTANGIBLE ASSETS

	Customer relationship HK$'000	Trade name HK$'000	Total HK$'000
COST			
Acquired on acquisition of a subsidiary	72,512	167,087	239,599
At 31 December 2014	72,512	167,087	239,599
Acquired on acquisition of a subsidiary	10,708	253,943	264,651
At 31 December 2015	**83,220**	**421,030**	**504,250**
AMORTISATION			
Charge for the year	**3,500**	–	**3,500**
At 31 December 2014	**3,500**	–	**3,500**
Charge for the year	**8,322**	–	**8,322**
At 31 December 2015	**11,822**	–	**11,822**
CARRYING VALUES			
At 31 December 2015	**71,398**	**421,030**	**492,428**
At 31 December 2014	69,012	167,087	236,099

The intangible assets were purchased as part of the acquisition of Bonjour Beauty (2014: Dr. Vio) and are recognised at their fair value at the date of acquisition, details of which are set out in note 44.

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

23. INTANGIBLE ASSETS *(Continued)*

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.

24. INTERESTS IN ASSOCIATES

	2015 **HK$'000**	2014 HK$'000
Cost of unlisted investments in associates	**141,246**	272,230
Share of post-acquisition (losses) gain, net of dividend received	**(1,364)**	11,918
Share of reserves	**605**	2,528
Less: Accumulated impairment loss	**–**	(35,096)
	140,487	251,580

Included in the cost of investments in associates was goodwill of HK$23,116,000 (2014: HK$21,178,000) arising on acquisition of associates. During the year ended 31 December 2015, the Group has acquired associates at total consideration of HK$19,339,000 (2014: HK$168,182,000) and goodwill of HK$2,900,000 (2014: HK$18,649,000) was recognised.

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.

24. INTERESTS IN ASSOCIATES *(Continued)*

During the year ended 31 December 2014, placements of new shares of New Ray Medicine International Holding Limited ("New Ray") and Convoy took place. 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 investment 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.

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 Harvest Limited ("Ever Full") at a consideration of HK$11,882,000 which will be settled by the allotment and issue of shares in Luck Key to the Group. Such shares to be issued to the Group 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 disposal was completed during the year ended 31 December 2015. The Group has significant influence over Luck Key upon the completion. The Group's previously held interest of 7% in Luck Key, classified as available-for-sale investment, was transferred to interests in associates.

During the year ended 31 December 2015, the interests in Convoy previously held by the Group was disposed at a consideration of HK$315,726,000 and gain on disposal of HK$177,259,000 was recognised in the profit or loss.

24. INTERESTS IN ASSOCIATES *(Continued)*

During the year ended 31 December 2015, placements of new shares of New Ray took place. Equity interests of New Ray held by the Group were diluted from 26% to 17.26%. The differences in share of net assets in New Ray after the dilution and reclassification of translation reserve and investment revaluation reserve, amounted to HK$51,000 and HK$1,636,000 respectively, have been recognised accordingly.

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
					2015	2014	**2015**	2014	
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	**17.26%***	26%*	**25%**	25%	Investment holding and its subsidiaries engaged in trading of healthcare products in the PRC
Luck Key	Incorporated	British Virgin Islands	Hong Kong	Ordinary	**35%**	–	**20%**	–	Investment holding and its subsidiaries engaged in provision of medical diagnostic and health care services in Hong Kong

* Following the placing of shares of New Ray during the year ended 31 December 2015, the equity interests held by the Group was then diluted from 26% to 17.26% (2014: 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.

24. 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

	2015 **HK$'000**	2014 HK$'000
Current assets	**245,217**	294,486
Non-current assets	**271,355**	35,248
Current liabilities	**(32,191)**	(21,559)
Non-current liabilities	**(6,718)**	(4,984)
Revenue	**252,985**	206,928
Profit for the year	**14,804**	29,681
Other comprehensive expense for the year	**(6,535)**	(4,542)
Total comprehensive income for the year	**8,269**	25,139

24. 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:

	2015	2014
	HK$'000	HK$'000
Net assets of New Ray	**477,663**	303,191
Proportion of the Group's ownership interest in New Ray	**17.26%**	26.00%
Carrying amount of the Group's interest in New Ray	**82,445**	78,830

(b) Extrad Assets

	2015	2014
	HK$'000	HK$'000
Current assets	**104**	104
Non-current assets	**17,664**	15,376
Current liabilities	**(12)**	(12)
Revenue	**–**	–
Profit and total comprehensive income for the year	**8,289**	4,641
Dividend received from the associate during the year	**3,000**	2,000

24. INTERESTS IN ASSOCIATES *(Continued)*

Summarised financial information of material associates *(Continued)*

(b) Extrad Assets (Continued)

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

	2015 HK$'000	2014 HK$'000
Net assets of Extrad Assets	**17,756**	15,468
Proportion of the Group's ownership interest in Extrad Assets	**50%**	50%
Net assets of the Group's interest in Extrad Assets	**8,878**	7,734
Goodwill	**32,932**	32,932
Impairment loss	**(15,000)**	(15,000)
Carrying amount of the Group's interest in Extrad Assets	**26,810**	25,666

(c) Luck Key

	2015 HK$'000
Current assets	**61,239**
Non-current assets	**31,386**
Current liabilities	**31,971**

24. INTERESTS IN ASSOCIATES *(Continued)*

Summarised financial information of material associates *(Continued)*

(c) Luck Key (Continued)

	28.2.2015 to 31.12.2015 HK$'000
Revenue	2,517
Profit and total comprehensive income for the period	9,918

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

	2015 HK$'000
Net assets of Luck Key	60,654
Non-controlling interests	243
	60,897
	35%
Carrying amount of the Group's interest in Luck Key	21,314

24. INTERESTS IN ASSOCIATES *(Continued)*

Aggregate information of associates that are not individually material

	2015 HK$'000	2014 HK$'000
The Group's share of profit and other comprehensive income	**2,517**	5,002
Aggregate carrying amount of the Group's interests in these associates	**9,918**	12,443

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:

	2015 HK$'000	2014 HK$'000
Unrecognised share of losses of associates for the year	**–**	–
Accumulated unrecognised share of losses of associates	**(13,257)**	(13,257)

25. INTERESTS IN A JOINT VENTURE

On 20 March 2015, the Group acquired 49% equity interests in Huayao Medical Group Limited ("Huayao Medical"), at a consideration of RMB151,280,000, or equivalent to HK$189,100,000. Details of the Group's acquisition of 49% equity interests in Huayao Medical are set out in the announcement of the Company dated 17 March 2015. Goodwill of HK$163,175,000 was recognised. Pursuant to the acquisition agreement, the Group appoints two directors and the other two shareholders appoint three directors to form the board of directors of Huayao Medical. Directors are of the opinion that the Group and the other shareholders have joint control on Huayao Medical because decisions on operating activities cannot be made without three parties agreeing. Subsequent to the initial investment in Huayao Medical, the Group further injected HK$24,500,000 and HK$30,870,000 in Huayao Medical during the year ended 31 December 2015.

Pursuant to the acquisition agreement, the vendor of 49% equity interests in Huayao Medical ("Vendor") has undertaken that the targeted profit of Huayao Medical for the years ended 31 December 2015, 2016 and 2017 shall not be less than RMB30,000,000, RMB36,000,000 and RMB42,000,000, or equivalent to HK$37,200,000, HK$44,640,000 and HK$52,080,000 respectively. The Vendor will pay the Group 49% of difference between the targeted profit and the profit for the relevant year of Huayao Medical. For the year ended 31 December 2015, shortfall of profit of HK$5,080,000 is noted and HK$2,489,000 receivable from the Vendor is recognised in profit or loss.

Details of the Group's investment in a joint venture as follows:

	2015 HK$'000
Cost of unlisted investments in Huayao Medical	**244,470**
Share of post-acquisition gain	**16,462**
Share of translation reserve	**(3,822)**
	257,110

Details of joint venture at the end of the reporting period 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 2015	2014	Proportion of voting power held by the Company 2015	2014	Principal activities
Huayao Medical	Incorporated	British Virgin Islands	PRC	Ordinary	**49%**	–	**40%**	–	Investment holding and its subsidiaries engaged in provision of medical service in the PRC

25. INTERESTS IN A JOINT VENTURE *(Continued)*

The joint venture is accounted for using the equity method in financial statements:

	2015 HK$'000
Current assets	140,087
Non-current assets	70,612
Current liabilities	(18,994)

	20.3.2015 to 31.12.2015 HK$'000
Revenue	130,877
Profit for the period	33,597

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

	2015 HK$'000
Net assets of Huayao Medical	191,705
Proportion of the Group's ownership interest in Huayao Medical	49%
Net assets of the Group's interest in Huayao Medical	93,935
Goodwill	163,175
Carrying amount of the Group's interest in Huayao Medical	257,110

26. AVAILABLE-FOR-SALE INVESTMENTS

Available-for-sale investments comprise:

	2015 HK$'000	2014 HK$'000
At fair value:		
– Unlisted equity fund	**8,489**	8,479
At cost:		
– Unlisted equity securities (Note i)	**160,372**	35,117
– Loan notes (Note ii)	**180,000**	–
	348,861	43,596
Less: Loan note shown under current asset	**(30,000)**	–
Total	**318,861**	43,596

Notes:

i. 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 2015, the two major unlisted investees accounted for 70% (2014: 79%) of total unlisted equity securities, which are engaged in the provision of finance lease and investment holding, respectively. During the year ended 31 December 2015, impairment loss of HK$9,239,000 (2014: HK$4,782,000) was recognised in profit or loss (note 10).

ii. Loan notes are issued by listed companies in the Stock Exchange, which are measured at cost less impairment losses. The loan notes bear interest at 9% per annum and will be matured within one and after one year.

27. INVENTORIES

	2015 HK$'000	2014 HK$'000
Pharmaceutical supplies	**18,161**	14,131
Healthcare equipment	**1,253**	1,302
Dental materials and supplies	**1,186**	865
	20,600	16,298

28. TRADE AND OTHER RECEIVABLES

	2015 HK$'000	2014 HK$'000
Trade receivables	**136,573**	68,109
Less: Allowance for doubtful debts	**(2,708)**	(2,197)
Total trade receivables, net of allowance	**133,865**	65,912
Deposits	**54,952**	31,915
Other receivables	**18,382**	46,454
Prepayments	**3,443**	3,327
	210,642	147,608

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 whilst settlement by corporate customers for the Group's managed care operation is from 60 to 180 days. Most of the customers from beauty and cosmetic medicine business settle via credit cards. Trade receivables under credit card sales are due within 150 days from the date of billings. The Group allows an average credit period of 60 to 240 days to its trade customers under other business activities.

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

	2015 HK$'000	2014 HK$'000
0 – 60 days	**116,877**	56,312
61 – 120 days	**6,330**	6,114
121 – 180 days	**10,612**	3,444
181 – 240 days	**46**	42
	133,865	65,912

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.

28. TRADE AND OTHER RECEIVABLES *(Continued)*

Movement in the allowance for doubtful debts:

	2015 **HK$'000**	2014 HK$'000
Balance at the beginning of the year	**2,197**	2,071
Impairment losses recognised	**3,174**	2,699
Amounts written off as uncollectible	**(2,663)**	(2,573)
Balance at the end of the year	**2,708**	2,197

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.

29. HELD FOR TRADING INVESTMENTS

	2015 **HK$'000**	2014 HK$'000
Listed equity securities in Hong Kong	**522,459**	278,027

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

30. AMOUNTS DUE FROM (TO) ASSOCIATES

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

At 31 December 2015, the balance of amounts due from associates includes accumulated allowances of HK$4,557,000 (2014: HK$4,557,000).

31. AMOUNT DUE FROM (TO) A RELATED PARTY

	2015 HK$'000	2014 HK$'000
Kowloon Hearing Services Limited (Note)	**20**	(6)

Notes: 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$19,720 (2014: HK$16,620).

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

32. AMOUNTS DUE FROM (TO) INVESTEES

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

At 31 December 2015, the balance of amounts due from investees includes accumulated allowances of HK$1,664,000 (2014: HK$nil).

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

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

34. 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% to 0.25% (2014: 0.01% to 0.25%) per annum and have original maturity of three months or less.

35. 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

The disposal of Ever Full was completed on 27 February 2015. Please refer to note 45 for details.

36. TRADE AND OTHER PAYABLES

	2015	2014
	HK$'000	HK$'000
Trade payables	**47,712**	29,044
Other payables	**53,403**	31,554
Deposits received	**6,827**	3,910
Deferred income	**250,969**	4,306
Accruals	**78,533**	56,410
	437,444	125,224

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

	2015	2014
	HK$'000	HK$'000
0 – 60 days	**41,290**	28,975
61 – 120 days	**2,784**	69
Over 120 days	**3,638**	–
	47,712	29,044

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

37. BANK BORROWINGS

	2015 HK$'000	2014 HK$'000
Secured:		
Revolving loans	–	40,000
Mortgage loan	**21,887**	22,913
	21,887	62,913
The bank borrowings are repayable as follows:		
On demand and within one year	**1,056**	41,030
In more than one year but not more than two years	**1,082**	1,057
In more than two years but not more than three years	**1,109**	1,082
In more than three years but not more than four years	**1,137**	1,109
In more than four years but not more than five years	**1,165**	1,137
Over five years	**16,338**	17,498
	21,887	62,913
Less: Amounts due within one year shown under current liabilities	**(1,056)**	(41,030)
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)	**(20,831)**	(21,883)
	–	–

As at 31 December 2015, the bank borrowings of the Group carry variable interest rate from HIBOR+2% to HIBOR+2.25% per annum (2014: variable interest rate from HIBOR+2.1% to HIBOR+2.25% 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.

38. 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 of 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 six-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 both years ended 31 December 2014 and 2015 are 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
Interest charged	9,713
Interest payment	(8,050)
Changes in fair value	3,723
At 31 December 2015	**121,919**

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

39. DEFERRED TAX (ASSETS) 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 2014	3,361	(33)	(265)	3,063
Credit to profit or loss	(1,692)	–	–	(1,692)
Acquisition of a subsidiary (note 44)	11,964	–	–	11,964
Disposal of a subsidiary (note 45)	(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
Credit to profit or loss	(1,164)	–	–	(1,164)
Acquisition of assets through acquisition of subsidiaries (note 43)	438	–	–	438
Acquisition of subsidiaries (note 44)	2,620	(724)	–	1,896
Disposal of a subsidiary (note 45)	(136)	–	–	(136)
At 31 December 2015	14,598	(757)	(265)	13,576

At 31 December 2015, the Group has unused tax losses of HK$1,094,831,000 (2014: HK$1,056,450,000) available for offset against future profits. A deferred tax asset has been recognised in respect of HK$4,588,000 (2014: HK$200,000) of such losses.

No deferred tax asset has been recognised in respect of the remaining tax losses of HK$1,090,243,000 (2014: HK$1,056,250,000) due to the unpredictability of future profit streams. Such losses may be carried forward indefinitely.

At 31 December 2015, the Group has deductible temporary differences associated with specific provision on trade receivables of HK$1,606,000 (2014: HK$1,606,000). A deferred tax asset of HK$265,000 (2014: HK$265,000) has been recognised in respect of such deductible temporary differences.

40. SHARE CAPITAL – ORDINARY SHARES

	Number of shares	Amount
		HK$'000
Ordinary shares of HK$0.01 each		
Authorised:		
At 1 January 2014, 31 December 2014 and 2015	30,000,000,000	300,000
Issued and fully paid:		
At 1 January 2014	916,937,710	9,169
Issue of bonus shares (Note i)	3,667,750,840	36,678
Exercise of share options (Note ii)	66,500,000	665
Issue of shares upon share subscription (Note iii)	459,183,673	4,592
At 31 December 2014	5,110,372,223	51,104
Issue of consideration shares (Note iv)	365,327,586	3,653
Issue of shares upon share subscription (Note v)	1,785,098,644	17,851
Exercise of share options (Note vi)	125,500,000	1,255
Conversion of convertible preference shares	83,333,333	833
At 31 December 2015	7,469,631,786	74,696

Notes:

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

ii. 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 receipt of a total cash consideration of approximately HK$32,114,000.

iii. Pursuant to the share subscription agreement dated 31 October 2014, an aggregate of 459,183,673 shares were allotted and issued at HK$0.98 per share to Fubon Life Insurance Co., Ltd., Fubon Insurance Co., Ltd, and Broad Idea International Limited on 29 December 2014. The gross proceeds from the share subscription were approximately HK$450,000,000 which are intended to be used for expending business in the PRC and Hong Kong. For details of the share subscription, please refer to the Company's announcement dated 31 October 2014 and the Company's circular dated 28 November 2014.

iv. On 1 January 2015, the Company issued 365,327,586 ordinary shares to Bonjour Group Limited for acquisition of 100% equity interest in Bonjour Beauty. Details of the transaction are disclosed in the announcements of the Company dated 20 August 2014 and 1 January 2015 and the circular of the Company dated 19 November 2014.

40. SHARE CAPITAL – ORDINARY SHARES *(Continued)*

v. Pursuant to the investment agreement dated 5 January 2015, 1,785,098,644 ordinary shares were allotted and issued at HK$0.98 per share to China Life Insurance (Group) Company on 29 May 2015. The gross proceeds from the investment agreement were approximately HK$1,749,397,000 which are intended to be used for expanding business in the PRC. Details of the transaction are disclosed in the announcement of the Company dated 5 January 2015 and the circular of the Company dated 3 February 2015.

vi. During the year ended 31 December 2015, 120,500,000 and 5,000,000 share options were exercised at a subscription price of HK$0.2128 and HK$0.206 per share respectively, resulting in the issue of 125,500,000 ordinary shares of HK$0.01 each in the Company and receipt of a total cash consideration of approximately HK$26,672,000.

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

	Numbers of shares	Amount HK$'000
Preference Shares of HK$0.01 each		
Authorised:		
Approved by shareholders of the Company during the year ended 31 December 2014, at 31 December 2014 and 31 December 2015	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
Converted during the year (Note)	(83,333,333)	(833)
At 31 December 2015	291,666,666	2,917

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

Pursuant to the convertible preference shares subscription ("CPS Subscription") agreement dated 31 October 2014, 374,999,999 Preference Shares were allotted and issued at HK$1.2 per share to Fubon Life Insurance Co., Ltd., Fubon Insurance Co., Ltd. and Broad Idea International Limited on 29 December 2014. The proceeds from the CPS Subscription are 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 and the Company's circular dated 28 November 2014.

Note: On 22 May 2015, 83,333,333 Preference Shares were converted into ordinary shares.

42. 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 ordinary 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 ordinary shares on the date of grant; (ii) the average closing price of the Company's ordinary shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the ordinary share.

The maximum number of ordinary 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 ordinary shares in issue from time to time.

The total number of ordinary 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 ordinary shares in issue.

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

2008 Scheme *(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 2014	Adjustment on issue of bonus shares	Exercised during the year	Outstanding at 31 December 2014	Exercised during the year	Outstanding at 31 December 2015
Directors	18.6.2010	18.6.2010 to 17.6.2015	1.03	0.2060	1,000,000	4,000,000	–	5,000,000	(5,000,000)	–
Employees	28.6.2010	28.6.2010 to 27.6.2015	1.064	0.2128	28,400,000	113,600,000	(21,500,000)	120,500,000	(120,500,000)	–
Employees	14.01.2012	14.01.2012 to 13.01.2013	1.51	0.5020	–	–	–	–	–	–
Consultants	27.12.2012	27.12.2012 to 26.12.2013	0.49	0.0980	–	–	–	–	–	–
Consultant	22.11.2013	22.11.2013 to 21.11.2014	3.06	0.6180	9,000,000	36,000,000	(45,000,000)	–	–	–
					38,400,000	153,600,000	(66,500,000)	125,500,000	(125,500,000)	–
Exercisable at the end of the year					38,400,000			125,500,000		–
Weighted average exercise price (HK$)					1.53			0.2125		–

No share options have been granted during both years ended 31 December 2014 and 2015.

Options granted are fully vested at the date of grant.

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

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

2008 Scheme *(Continued)*

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.

43. ACQUISITION OF ASSETS THROUGH ACQUISITION OF SUBSIDIARIES

On 10 July 2015, the Group acquired entire equity interest in Achieved Success Company Limited ("Achieved Success") and its subsidiary ("Achieved Success Group"), from independent third parties at a consideration of HK$42,000,000. Achieved Success Group is engaged in properties investments in Hong Kong.

	Total HK$'000
Assets acquired and liabilities recognised at the date of acquisition are as follows:	
Property, plant and equipment	6
Investment properties	41,400
Trade and other receivables	39
Bank balances and cash	1,543
Trade and other payables	(473)
Shareholder loan	(38,091)
Tax payables	(77)
Deferred tax liabilities	(438)
Net assets	3,909

43. ACQUISITION OF ASSETS THROUGH ACQUISITION OF SUBSIDIARIES *(Continued)*

	HK$'000
Analysis of net outflow of cash and cash equivalents in connection with the acquisition of subsidiaries:	
Cash consideration paid	42,000
Bank balances and cash acquired	(1,543)
Net cash outflow in respect of the acquisition of subsidiaries	40,457

44. ACQUISITION OF SUBSIDIARIES

For the year ended 31 December 2015

(a) On 1 January 2015, the Group acquired entire equity interest in Bonjour Beauty and its subsidiary ("Bonjour Beauty Group"), from independent third parties at a consideration of HK$445,700,000. This acquisition has been accounted for using the purchase method. Bonjour Beauty Group is engaged in provision of beauty and cosmetic medicine services.

	Total HK$'000
Assets acquired and liabilities recognised at the date of acquisition are as follows:	
Property, plant and equipment	21,201
Intangible assets	264,651
Deferred tax assets	724
Trade and other receivables	44,949
Amounts due from ex-shareholder of Bonjour Beauty Group	138,000
Bank balances and cash	76,656
Trade and other payables	(303,003)
Tax payables	(6,503)
Deferred tax liabilities	(2,620)
Net assets	234,055
Consideration transferred	445,700
Consideration transferred	445,700
Add: Net assets recognised	(234,055)
Goodwill arising on acquisition	211,645

44. ACQUISITION OF SUBSIDIARIES *(Continued)*

For the year ended 31 December 2015 *(Continued)*

(a) *(Continued)*

Goodwill arose in the acquisition of Bonjour Beauty 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 Bonjour Beauty 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 inflow of cash and cash equivalents in connection with the acquisition of subsidiaries:	
Bank balances and cash acquired	76,656
Net cash inflow in respect of the acquisition of subsidiaries	76,656

For the expansion of the Group's business, the Group acquired Bonjour Beauty Group which is engaged in beauty and cosmetic medicine business.

The subsidiaries acquired during the year ended 31 December 2015 contributed approximately HK$294,024,000 to the Group's revenue and contributed profit approximately HK$16,917,000 to the Group's profit for the year.

44. ACQUISITION OF SUBSIDIARIES *(Continued)*

For the year ended 31 December 2015 *(Continued)*

(b) On 2 July 2015, the Group acquired additional 1% equity interest in Best Tree International Limited ("Best Tree") and its subsidiary ("Best Tree Group"), from independent third parties at a consideration of HK$188,000. This acquisition has been accounted for using the purchase method. Best Tree Group is engaged in provision of healthcare services.

	Total HK$'000
Assets acquired and liabilities recognised at the date of acquisition are as follows:	
Property, plant and equipment	2,469
Inventories	74
Trade and other receivables	4,332
Bank balances and cash	2,763
Trade and other payables	(3,769)
Tax payables	(537)
Net assets	5,332
Cash consideration paid	188
Consideration paid	188
Plus: Non-controlling interests (49% in Best Tree Group)	2,612
Fair value of previously held interest in associates (Note)	2,532
Less: Net assets acquired	(5,332)
Goodwill arising on acquisition	–

Note: The fair value of the previously held interest of 50% in Best Tree was determined by reference to the Best Tree Group's net assets value as at the acquisition date. The carrying amount of the previously held interest of 50% in Best Tree, classified as interest in associate, was HK$4,022,000. Accordingly, a loss on remeasurement of the previously held interest in as associate of HK$1,490,000 arose.

No goodwill arose in the acquisition of Best Tree Group.

44. ACQUISITION OF SUBSIDIARIES *(Continued)*

For the year ended 31 December 2015 *(Continued)*

(b) *(Continued)*

	HK$'000
Analysis of net inflow of cash and cash equivalents in connection with the acquisition of subsidiaries:	
Cash consideration paid	(188)
Bank balances and cash acquired	2,763
Net cash inflow in respect of the acquisition of subsidiaries	2,575

For the expansion of the Group's business, the Group acquired Best Tree Group which is engaged in provision of medical services.

The subsidiaries acquired during the year ended 31 December 2015 contributed approximately HK$20,494,000 to the Group's revenue and contributed profit approximately HK$2,841,000 to the Group's profit for the year.

Had the acquisition been completed on 1 January 2015, total group revenue for the year would have been approximately HK$1,136,413,000 and profit for the year would have been approximately HK$262,089,000. 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 2015, nor is it intended to be a projection of future results.

44. ACQUISITION OF SUBSIDIARIES *(Continued)*

For the year ended 31 December 2014

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

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.

44. ACQUISITION OF SUBSIDIARIES *(Continued)*

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

	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 services.

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.

45. DISPOSAL OF SUBSIDIARIES

On 27 February 2015, the Group completed the disposal of its entire equity interest in Ever Full to Luck Key at a consideration of HK$11,882,000, settled by allotment and issue of 4,720 shares by Luck Key. Please refer to notes 24 and 35 for details.

On 20 March 2015, the Group disposed of its entire equity interest in Asset Management to an independent third party at a total consideration of HK$432,726,000, settled by cash consideration of HK$3,600,000 and assignment of Vendor Debt, representing the debt in sum of HK$429,126,000 owing by Town Health (BVI), the immediate holding company of Asset Management, to Asset Management.

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.

45. DISPOSAL OF SUBSIDIARIES *(Continued)*

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.

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

	2015			2014			
	Ever Full at 27.02.2015 HK$'000	Asset Management at 20.03.2015 HK$'000	Total HK$'000	Wealthy Train at 21.02.2014 HK$'000	eSilk at 02.07.2014 HK$'000	Pherson at 04.11.2014 HK$'000	Total HK$'000
Net assets disposed of:							
Investment properties	–	50,900	50,900	164,302	–	3,623	167,925
Property, plant and equipment	7,427	8	7,435	–	2	288	290
Goodwill	7,944	–	7,944	–	–	–	–
Inventories	988	–	988	–	18	–	18
Trade and other receivables	3,457	241,004	244,461	–	–	182	182
Vendor Debt	–	429,126	429,126	–	–	–	–
Bank balances and cash	4,784	1,052	5,836	1,195	448	4	1,647
Trade and other payables	(7,502)	(744)	(8,246)	(162,175)	(480)	–	(162,655)
Deferred tax liabilities	–	(136)	(136)	–	–	(117)	(117)
Non-controlling interests	372	(288,484)	(288,112)	–	6	–	6
	17,470	432,726	450,196	3,322	(6)	3,980	7,296
(Loss) gain on disposal	(5,588)	–	(5,588)	–	230	–	230
	11,882	432,726	444,608	3,322	224	3,980	7,526
Satisfied by:							
Equity interest in an associate	11,882	–	11,882	–	–	–	–
Assignment of Vendor Debt	–	429,126	429,126	–	–	–	–
Cash	–	3,600	3,600	3,322	224	3,980	7,526
	11,882	432,726	444,608	3,322	224	3,980	7,526
Net cash (outflow) inflow arising on disposal:							
Cash consideration received	–	3,600	3,600	3,322	224	3,980	7,526
Bank balances and cash disposed of	(4,784)	(1,052)	(5,836)	(1,195)	(448)	(4)	(1,647)
	(4,784)	2,548	(2,236)	2,127	(224)	3,976	5,879

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 2015 and 31 December 2014 prior to the disposal.

46. 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$11,001,000 (2014: HK$3,605,000) represents contributions payable to the above schemes by the Group during the year.

47. 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:

	2015 **HK$'000**	2014 HK$'000
Cash and bank balances	**1,826,679**	1,078,558
Cash and bank balances included in a disposal group classified as held for sale (note 35)	**–**	4,958
Total	**1,826,679**	1,083,516

48. OPERATING LEASES

The Group as lessee

	2015 **HK$'000**	2014 HK$'000
Minimum lease payments paid under operating leases in respect of properties during the year	**128,961**	42,959

48. OPERATING LEASES *(Continued)*

The Group as lessee *(Continued)*

During the year ended 31 December 2015, the total rental expenses incurred by the Group amounted to HK$123,920,000 (2014: HK$55,247,000).

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:

	2015 **HK$'000**	2014 HK$'000
Within one year	**116,793**	42,156
In the second to fifth year inclusive	**110,280**	34,684
	227,073	76,840

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

During the year ended 31 December 2015, the Group had property rental income of approximately HK$20,604,000 (2014: HK$21,186,000).

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:

	2015 **HK$'000**	2014 HK$'000
Within one year	**14,432**	14,337
In the second to fifth year inclusive	**5,455**	10,525
	19,887	24,862

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

49. CAPITAL COMMITMENT

	2015 HK$'000	2014 HK$'000
Capital expenditure in respect of the acquisition of		
– investment properties and property, plant and equipment	**204,328**	–
– a subsidiary (Note)	**1,380,835**	–
	1,585,163	–

Note: On 4 December 2015, the Company entered into the investment and corporation agreement in relation to the acquisition of a subsidiary. Pursuant to the agreement, the maximum and minimum consideration for the acquisition amounted approximately RMB1,207,143,000 and RMB331,500,000 or equivalent HK$1,440,501,000 and HK$395,584,000 respectively. The Group's capital commitment is the maximum consideration on the acquisition, deducting any deposits paid in advance.

50. PLEDGE OF ASSETS

As at 31 December 2015, certain property, plant and equipment and investment properties of the Group with carrying value of approximately HK$114,093,000 (2014: HK$126,972,000 and HK$146,000,000 (2014: HK$256,985,000), respectively, were pledged to secure general banking facilities granted to the Group.

51. 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	2015 HK$'000	2014 HK$'000
Advance Bond Limited*	Rental income	**945**	941
Apex Frame Limited#	Licence fee expenses##	**1,161**	–
Bonjour Cosmetic Wholesale Center Limited#	Licence fee expenses##	**23,786**	–
	Purchase of cosmetic medicine	**2,100**	–
Bonjour Group Limited#	Interest income	**4,140**	–
Full Gain Developments Limited#	Licence fee expenses##	**4,972**	–
Hong Kong Bariatric and Metabolic Institute Limited*	Management services fee income	**394**	405
	Rental income	**155**	86

51. RELATED PARTY TRANSACTIONS AND BALANCES *(Continued)*

Name of related party	Nature of transactions	2015 HK$'000	2014 HK$'000
Hong Kong Optical Company Limited*	Management services fee expense	**302**	–
Hong Kong Traumatology and Orthopaedics Institute Limited* ("Hong Kong T&O") (Note)	Management services fee income	**2,111**	3,488
	Management services fee expense	**11**	176
	Rental income	**286**	345

Note: During the year ended 31 December 2015, the Group further increased its interest in Hong Kong T&O from 50% to 51% and has control over Hong Kong T&O. Hong Kong T&O is accounted for as subsidiary of the Group.

* The related parties are associates of the Group during the year ended 31 December 2015 and 2014.

\# The related pasties are companies in which a director of the Company has substantial equity interest in and power to exercise control over those companies.

\#\# The licence agreements were entered into for the licensing of properties situated in Hong Kong and Macau by the related parties to the Group. Such transactions constitute continuing connected transactions for the Company under the Listing Rules, details of which are set out in the Company's announcement dated 1 January 2015 and the Company's circular dated 3 February 2015.

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 21, 30, 31, 32 and 33.

Compensation of key management personnel

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

	2015 HK$'000	2014 HK$'000
Short-term benefits	**28,030**	23,716
Post-employment benefits	**102**	94
	28,132	23,810

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

52. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2015 HK$'000	2014 HK$'000
ASSETS AND LIABILITIES		
Unlisted investments in subsidiaries	**28,529**	28,529
Amounts due from subsidiaries	**4,189,056**	1,935,913
Amount due from an associate	**500**	500
Loan receivable	**–**	30,000
Other receivables	**7,824**	5,728
Bank balances and cash	**92,055**	181,989
Other payables	**(375)**	(740)
Loan notes	**(121,919)**	(116,533)
Total net assets	**4,195,670**	2,065,386
CAPITAL AND RESERVES		
Share capital – ordinary shares	**74,696**	51,104
Share capital – convertible preference shares	**2,917**	3,750
Reserves (Note)	**4,118,057**	2,010,532
	4,195,670	2,065,386

52. 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 2014	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
Loss for the year	–	–	–	–	–	(43,203)	(43,203)
Exercise of share options	30,310	–	–	–	(209,162)	205,524	26,672
Issue of shares upon share subscription							
– ordinary shares	2,173,593	–	–	–	–	–	2,173,593
Transaction cost attributable to issue of shares	(1,347)	–	–	–	–	–	(1,347)
Dividend paid	–	–	–	–	–	(48,190)	(48,190)
At 31 December 2015	3,628,179	9,020	28,180	62,677	–	390,001	4,118,057

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.

53. PRINCIPAL SUBSIDIARIES

Particulars of the Company's principal subsidiaries at 31 December 2015 and 2014 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 2015		31 December 2014		31 December 2015		31 December 2014		
				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
Billion Advance Limited	Hong Kong/limited liability company	Ordinary	HK$100	–	**70%**	–	42%	–	**100%**	–	100%	Property investment services
Bonjour Beauty Limited	Hong Kong/limited liability company	Ordinary	HK$2	–	**100%**	–	100%	–	**100%**	–	100%	Provision of beauty services
Dr. Vio	Hong Kong/limited liability company	Ordinary	HK$1,000	–	**94.3%**	–	94.3%	–	**100%**	–	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	Hong Kong/limited liability company	Ordinary	HK$2	–	**100%**	–	60%	–	**100%**	–	75%	Property investments services
Lucky Rising Limited	Hong Kong/ limited liability company	Ordinary	HK$1	–	**100%**	–	–	–	**100%**	–	–	Property investments services
Perfect Legend Investments Limited	Hong Kong/ limited liability company	Ordinary	HK$1	–	**100%**	–	–	–	**100%**	–	–	Property investments 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	Hong Kong/limited liability company	Ordinary	HK$100	–	**100%**	–	100%	–	**100%**	–	100%	Property investments services
Profit Sources Limited	Hong Kong/limited liability company	Ordinary	HK$100	–	**100%**	–	100%	–	100%	–	100%	Property investments services
Regal Luck International Limited	Hong Kong/limited liability company	Ordinary	HK$1	–	**100%**	–	–	–	100%	–	–	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
Yikang	PRC/sino foreign equity joint venture	–	RMB199,750,000	–	**80%**	–	80%	–	**75%**	–	75%	Provision of medical services

53. PRINCIPAL SUBSIDIARIES *(Continued)*

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. A 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 2015	Number of subsidiaries 2014
Provision of healthcare and dental services	Hong Kong	**106**	89
	PRC	**2**	2
		108	91
Managed care business	Hong Kong	**5**	1
Beauty and cosmetic medicine business	Hong Kong	**3**	–
Investments in securities and properties and treasury management	Hong Kong	**35**	14

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		Proportion of ownership interests held by non-controlling interests		(Loss) profit allocated to non-controlling interests		Accumulated non-controlling interests	
		31.12.2015	31.12.2014	**31.12.2015**	31.12.2014	**31.12.2015 HK$'000**	31.12.2014 HK$'000	**31.12.2015 HK$'000**	31.12.2014 HK$'000
Asset Management	British Virgin Islands/ Hong Kong	–	40%	–	40%	**2,474**	(11,844)	–	286,306
Individually immaterial subsidiaries with non-controlling interests								**62,090**	58,346
								62,090	344,652

53. PRINCIPAL SUBSIDIARIES *(Continued)*

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.

During the year ended 31 December 2015, the Group disposed of its entire equity interest in Asset Management. Please refer to note 45 for details.

MAJOR PROPERTIES INFORMATION

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

	Location	Existing use	Tenure	Group's interest (%) 2015	2014
1.	Whole block of nos. 10-12 Yuen Shun Circuit, Sha Tin Town Lot No. 282, New Territories	Office	Medium term lease	**100%**	100%
2.	Shop nos. G29 on Ground Floor, Commercial Podium, Sincere House, No. 83 Argyle Street, Kowloon	Shops	Medium term lease	**100%**	60%
3.	Ground Floor, Ultragrace Commercial Building, No. 5 Jordan Road, Kowloon	Shops	Medium term lease	**100%**	60%
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	**70%**	42%
5.	12/F, 13/F and 14/F, Kaiseng Commercial Centre, Nos. 4-6 Hankow Road, Kowloon	Office	Medium term lease	100%	–

FINANCIAL SUMMARY

RESULTS

	2015 HK$'000	2014 HK$'000	2013 HK$'000	2012 HK$'000	2011 HK$'000
Revenue	**1,122,933**	494,579	354,553	341,768	339,321
Profit (loss) for the year from continuing operations	**260,866**	80,889	79,318	(430,664)	66,011
Loss for the year from discontinued operation	**–**	–	–	–	–
Profit (loss) for the year	**260,866**	80,889	79,318	(430,664)	66,011
Attributable to:					
Owners of the Company	**254,803**	84,612	49,633	(434,952)	64,221
Non-controlling interests	**6,063**	(3,723)	29,685	4,288	1,790
	260,866	80,889	79,318	(430,664)	66,011

ASSETS AND LIABILITIES

	2015 HK$'000	2014 HK$'000	2013 HK$'000	2012 HK$'000	2011 HK$'000
Total assets	**5,243,498**	2,824,411	2,012,517	1,672,548	1,797,212
Total liabilities	**(650,616)**	(364,293)	(519,040)	(335,199)	(244,415)
	4,592,882	2,460,118	1,493,477	1,337,349	1,552,797
Assets attributable to:					
Owners of the Company	**4,530,792**	2,115,466	1,209,166	1,127,631	1,546,815
Non-controlling interests	**62,090**	344,652	284,311	209,718	5,982
	4,592,882	2,460,118	1,493,477	1,337,349	1,552,797