Town Health International Medical Group Limited
康健國際醫療集團有限公司

(Incorporated in the Cayman Islands and continued in Bermuda with limited liability)

(Stock Code: 3886)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2017

FINANCIAL HIGHLIGHTS

For the year ended 31 December 2017:

– The Group recorded revenue from continuing operations of approximately HK$1,108,724,000 (2016: approximately HK$1,011,549,000).

– The Group recorded a loss for the year of approximately HK$75,679,000 (2016: profit of approximately HK$78,139,000).

As at 31 December 2017:

– The Group held bank balances and cash of approximately HK$1,391,559,000 (2016: approximately HK$1,447,756,000).

– The Group had a current ratio (defined as total current assets divided by total current liabilities) of 6.12 (2016: 4.96) and a gearing ratio (defined as total bank borrowings divided by equity attributable to owners of the Company) of 0.49% (2016: 0.48%).

The Board does not recommend the payment of a final dividend for the year ended 31 December 2017 (2016: HK0.28 cent per share for the year ended 31 December 2016).

FINAL RESULTS

The Board of Town Health International Medical Group Limited is pleased to announce the audited consolidated results of the Company and its subsidiaries for the year ended 31 December 2017, together with the comparative figures for the previous year, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	NOTES	**2017** ***HK$'000***	2016 *HK$'000* (Restated)
Continuing operations			
Revenue	3	**1,108,724**	1,011,549
Cost of sales		**(746,755)**	(714,438)
Gross profit		**361,969**	297,111
Other income	5	**80,527**	52,772
Administrative expenses		**(331,583)**	(297,704)
Other gains and losses, net	6	**(179,397)**	49,894
Finance costs	7	**(722)**	(4,732)
Share of results of associates		**17,851**	21,174
Share of results of joint ventures		**(20,020)**	(6,396)
(Loss) profit before tax		**(71,375)**	112,119
Income tax expenses	8	**(25,985)**	(18,777)
(Loss) profit for the year from continuing operations	9	**(97,360)**	93,342
Discontinued operations			
Profit (loss) for the year from discontinued operations	10	**21,681**	(15,203)
(Loss) profit for the year		**(75,679)**	78,139

	2017	2016
	HK$'000	*HK$'000*
		(Restated)
Other comprehensive income (expense) for the year		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences arising on the translation of foreign operations	**54,893**	(36,003)
Share of other comprehensive income of associates and joint ventures	**1,837**	1,357
Reclassification of translation reserve to profit or loss arising from discontinued operations	**601**	–
Fair value gain (loss) on available-for-sale investments	**31,625**	(8,239)
Reclassification of translation reserve and investment revaluation reserve to profit or loss upon dilution and disposal of interest in an associate	**–**	(2,680)
Reclassification of translation reserve to profit or loss upon disposal of subsidiaries	**–**	5,483
	88,956	(40,082)
Total comprehensive income for the year	**13,277**	38,057
(Loss) profit for the year attributable to:		
Owners of the Company		
– from continuing operations	**(129,426)**	78,700
– from discontinued operations	**21,681**	(15,203)
Non-controlling interests	**32,066**	14,642
	(75,679)	78,139

	NOTE	2017 HK$'000	2016 HK$'000 (Restated)
Total comprehensive income attributable to:			
Owners of the Company		**(33,795)**	29,439
Non-controlling interests		**47,072**	8,618
		13,277	38,057
(Loss) earnings per share (HK cent(s))	12		
For continuing and discontinued operations			
– Basic		**(1.41)**	0.81
– Diluted		**(1.41)**	0.81
For continuing operations			
– Basic		**(1.69)**	1.00
– Diluted		**(1.69)**	1.00

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	NOTE	2017 HK$'000	2016 HK$'000 (Restated)
NON-CURRENT ASSETS			
Investment properties		**597,601**	652,123
Property, plant and equipment		**343,166**	246,724
Loans receivable		**5,998**	6,913
Goodwill		**502,127**	479,912
Intangible assets		**368,134**	372,931
Interests in associates		**268,675**	175,756
Interests in joint ventures		**17,594**	37,614
Available-for-sale investments		**286,329**	192,082
Financial asset at fair value through profit or loss		**37,840**	–
Promissory notes		**330,000**	298,705
Deposits made for acquisition of investment properties and property, plant and equipment		**8,165**	18,429
		2,765,629	2,481,189
CURRENT ASSETS			
Inventories		**24,585**	22,969
Trade and other receivables	13	**241,325**	230,563
Available-for-sale investments		**–**	150,000
Held for trading investments		**16,726**	69,969
Loans receivable		**163,594**	92,597
Amounts due from associates		**6,730**	9,286
Amount due from an investee		**–**	14,556
Amounts due from non-controlling interests		**64**	–
Tax recoverable		**867**	2,732
Fixed bank deposit		**64,358**	–
Bank balances and cash		**1,391,559**	1,447,756
		1,909,808	2,040,428
Assets classified as held for sale		**–**	687,970
		1,909,808	2,728,398

	NOTES	2017 HK$'000	2016 HK$'000 (Restated)
CURRENT LIABILITIES			
Trade and other payables	14	**222,140**	193,130
Amounts due to associates		**–**	12
Amount due to an investee		**308**	311
Amounts due to non-controlling interests		**47,101**	31,182
Bank borrowings	15	**19,777**	20,835
Tax payable		**22,552**	24,752
		311,878	270,222
Liabilities associated with assets classified as held for sale		**–**	280,234
		311,878	550,456
NET CURRENT ASSETS		**1,597,930**	2,177,942
TOTAL ASSETS LESS CURRENT LIABILITIES		**4,363,559**	4,659,131
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**49,079**	48,477
		4,314,480	4,610,654
CAPITAL AND RESERVES			
Share capital – ordinary shares	16	**75,261**	77,613
Reserves		**3,962,142**	4,301,113
Equity attributable to owners of the Company		**4,037,403**	4,378,726
Non-controlling interests		**277,077**	231,928
Total equity		**4,314,480**	4,610,654

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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.

The address of the registered office of the Company is Canon's Court, 22 Victoria Street, Hamilton HM12, Bermuda. The address of the principal place of business of the Company is 6th Floor, Town Health Technology Centre, 10–12 Yuen Shun Circuit, Siu Lek Yuen, Shatin, New Territories, Hong Kong.

The consolidated financial statements are presented in HK$, which is the same as the functional currency of the Company.

2. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs

Amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the following amendments to HKFRSs issued by the HKICPA for the first time in the current year:

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to HKFRS 12	As part of the Annual Improvements to HKFRSs 2014–2016 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/or on the disclosures set out in these consolidated financial statements.

Amendments to HKAS 7 *Disclosure Initiative*

The Group has applied these amendments for the first time in the current year. The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes. In addition, the amendments also require disclosures on changes in financial assets if cash flows from those financial assets were, or future cash flows will be, included in cash flows from financing activities.

Specifically, the amendments require the following to be disclosed: (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

A reconciliation between the opening and closing balances of these items is provided in the consolidated financial statements. Consistent with the transition provisions of the amendments, the Group has not disclosed comparative information for the prior year. Apart from the additional disclosure, the application of these amendments has had no impact on the Group's consolidated financial statements.

New and revised HKFRSs in issue but not yet effective

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 and the related Amendments[1]
HKFRS 16	Leases[2]
HKFRS 17	Insurance Contracts[4]
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration[1]
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments[2]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contract[1]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venure[3]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[2]
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014–2016 Cycle[1]
Amendments to HKAS 40	Transfers of Investment Property[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015–2017 Cycle[2]

1 Effective for annual periods beginning on or after 1 January 2018.
2 Effective for annual periods beginning on or after 1 January 2019.
3 Effective for annual periods beginning on or after a date to be determined.
4 Effective for annual periods beginning on or after 1 January 2021.

HKFRS 9 Financial instruments

HKFRS 9 introduces new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets.

Key requirements of HKFRS 9 that are relevant to the Group are:

- all recognised financial assets that are within the scope of HKFRS 9 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 fair value through other comprehensive income ("**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.

- 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 "Financial instruments: Recognition and measurement". 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.

Based on the Group's financial instruments and risk management policies as at 31 December 2017, the Directors anticipate the following potential impact on initial application of HKFRS 9:

Classification and measurement:

- Listed equity securities classified as available-for-sale investments carried at fair value: these securities qualified for designation as measured at FVTOCI under HKFRS 9, however, under HKFRS 9, the fair value gains or losses accumulated in the investments revaluation reserve amounting to HK$23,386,000 as at 1 January 2018 will no longer be subsequently reclassified to profit or loss upon impairment or disposal of the investment, which is different from the current treatment. This will affect the amounts recognised in the Group's profit or loss and other comprehensive income but will not affect total comprehensive income. Upon initial application of HKFRS 9, investments revaluation reserve of HK$23,386,000 related to these available-for-sale investments will be transferred to retained profits at 1 January 2018.

- Equity securities classified as available-for-sale investments carried at cost less impairment: these securities qualified for designation as measured at FVTOCI under HKFRS 9 and the Group will measure these securities at fair value at the end of subsequent reporting periods with fair value gains or losses to be recognised as other comprehensive income and accumulated in the investments revaluation reserve. Detailed impact will be disclosed the consolidated financial statements for the year ending 31 December 2018.

- All other financial assets and financial liabilities will continue to be measured on the same basis as are currently measured under HKAS 39.

Impairment

In general, the Directors anticipate that the application of the expected credit loss model of HKFRS 9 will result in earlier provision of credit losses which are not yet incurred in relation to the Group's financial assets measured at amortised costs and other items that are subject to the impairment provisions upon application of HKFRS 9 by the Group.

Based on the assessment by the Directors, if the expected credit loss model were to be applied by the Group, the accumulated amount of impairment loss to be recognised by the Group as at 1 January 2018 would be significantly increased as compared to the accumulated amount recognised under HKAS 39 mainly attributable to expected credit losses provision on trade receivables and loans receivable. Such further impairment recognised under expected credit loss model would reduce the opening retained profits and increase the deferred tax assets at 1 January 2018.

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.

In 2016, the HKICPA issued clarifications to HKFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

The Directors anticipate that the application of HKFRS 15 in the future may result in more disclosures, however, the Directors do not anticipate that the application of HKFRS 15 will have a material impact on the timing and amounts of revenue recognised in the respective reporting periods.

HKFRS 16 Leases

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 "Leases" and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents upfront prepaid lease payments as investing cash flows in relation to leasehold lands for owned use and those classified as investment properties while other operating lease payments are presented as operating cash flows. Upon application of HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows.

Under HKAS 17, the Group has already recognised an asset and a related finance lease liability for finance lease arrangement and prepaid lease payments for leasehold lands where the Group is a lessee. The application of HKFRS 16 may result in potential changes in classification of these assets depending on whether the Group presents right-of-use assets separately or within the same line item at which the corresponding underlying assets would be presented if they were owned.

In contrast to lessee accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 December 2017, the Group as lessee had non-cancellable operating lease commitments of HK$113,460,000 (31 December 2016: HK$50,824,000). A preliminary assessment indicates that these arrangements will meet the definition of a lease. Upon the application of HKFRS 16, the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases. In addition, the application of new requirements may result changes in measurement, presentation and disclosure as indicated above. However, it is not practicable to provide a reasonable estimate of the financial effect until the Directors have completed a detailed review.

Adjustments to provisional values for business combination in 2016

Pursuant to HKFRS 3 "Business Combination", if the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group shall report in its consolidated financial statements provisional amounts for the items for which the accounting is incomplete. The Group acquired 43.71% of equity interest in Nanyang Xiangrui in August 2016 and made further capital injection into Nanyang Xiangrui during the year ended 31 December 2016, following which the Group owns 60% equity interest in Nanyang Xiangrui (the "**Nanyang Acquisition**"). The Group recognised in its consolidated financial statements for the year ended 31 December 2016 provisional amounts of fair value of identifiable assets acquired and liabilities assumed and goodwill. During the year (i.e. within the measurement period), the Group retrospectively adjusted the provisional amounts of Nanyang Xiangrui recognised at the date of the Nanyang Acquisition and recognised additional assets including consulting services contracts to reflect new information obtained about facts and circumstance that existed as of the date of the Nanyang Acquisition which have affected the measurement of the amounts recognised as of that date. The Group retrospectively adjusted the 2016 comparative information on the consolidated statement of financial position as 31 December 2016 as follows:

	As previously reported	**Adjustments**	**Restated**
	HK$'000	*HK$'000*	*HK$'000*
Goodwill	505,635	(25,723)	479,912
Intangible assets	300,440	72,491	372,931
Deferred tax liabilities	(30,404)	(18,073)	(48,477)
		28,695	
Equity attributable to owners of the Company	4,371,576	7,150	4,378,726
Non-controlling interests	210,383	21,545	231,928
		28,695	

3. 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 from continuing operations for the year is as follows:

Continuing operations

	2017	2016
	HK$'000	*HK$'000*
Provision of healthcare and dental services	**487,787**	460,468
Managed care business	**439,784**	444,703
Property rental income	**17,434**	17,845
Hospital management service income	**33,770**	6,207
Consulting services income	**38,647**	16,709
Miscellaneous services income	**91,302**	65,617
	1,108,724	1,011,549

4. SEGMENT INFORMATION

Information reported to the chief operating decision maker, the 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. As identified by the CEO, certain subsidiaries of the Company which engaged in provision of other miscellaneous services have been aggregated as 'Others' segment in arriving at the reportable segments of the Group. Accordingly, the Group's operating and reportable segments under HKFRS 8 are as follows:

- Provision of healthcare and dental services – Operations of the medical and dental practices and trading of healthcare products
- Managed care business – Operations of managed care centres and networks
- Investments in securities and properties and treasury management – Trading of listed securities and leasing of properties
- Hospital management and consulting services business – Provision of hospital management services to Nanshi Hospital at an annual fee and provision of consulting services in relation to the supply chain for the supply of pharmaceuticals and medical consumables to Nanshi Hospital
- Others – Provision of miscellaneous services

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

Segment revenues and results

For the year ended 31 December 2017

Continuing operations

	Provision of healthcare and dental services *HK$'000*	Managed care business *HK$'000*	Investments in securities and properties and treasury management *HK$'000*	Hospital management and consulting services business *HK$'000*	Others *HK$'000*	Elimination *HK$'000*	Total *HK$'000*
Revenue							
External sales	**487,787**	**439,784**	**17,434**	**72,417**	**91,302**	**–**	**1,108,724**
Inter-segment sales	**24,211**	**–**	**6,868**	**–**	**–**	**(31,079)**	**–**
	511,998	**439,784**	**24,302**	**72,417**	**91,302**	**(31,079)**	**1,108,724**
Segment results	**36,966**	**48,195**	**(149,985)**	**33,469**	**(12,972)**	**–**	**(44,327)**
Other income							**14,380**
Finance costs							**(722)**
Share of results of associates							**(1,677)**
Share of results of joint ventures							**(20,020)**
Other gains and losses							**29,311**
Unallocated corporate expenses							**(48,320)**
Loss before tax (continuing operations)							**(71,375)**

For the year ended 31 December 2016

Continuing operations

	Provision of healthcare and dental services *HK$'000*	Managed care business *HK$'000*	Investments in securities and properties and treasury management *HK$'000*	Hospital management and consulting services business *HK$'000*	Others *HK$'000*	Elimination *HK$'000*	Total *HK$'000*
Revenue							
External sales	460,468	444,703	17,845	22,916	65,617	–	1,011,549
Inter-segment sales	21,209	–	5,846	–	–	(27,055)	–
	481,677	444,703	23,691	22,916	65,617	(27,055)	1,011,549
Segment results	22,269	41,553	43,648	710	9,378	–	117,558
Other income							7,712
Finance costs							(4,732)
Share of results of associates							4,435
Share of results of joint ventures							(3,598)
Other gains and losses							37,591
Unallocated corporate expenses							(46,847)
Profit before tax (continuing operations)							112,119

Segment results represents the profit earned or generated by each segment without allocation of central administration costs, directors' salaries, certain share of results of associates and joint ventures, other income, certain items of other gains and losses and finance costs. This is the measure reported to the CEO for the purposes of resources allocation and performance assessment.

Revenue from provision of miscellaneous services

Provision of miscellaneous services mainly refers to provision of body check services and other clinical services. No analysis of revenue from provision of miscellaneous services is presented as the management of the Group considers the cost to develop it would be excessive.

Other segment information

For the year ended 31 December 2017

	Provision of healthcare and dental services *HK$'000*	Managed care business *HK$'000*	Investments in securities and properties and treasury management *HK$'000*	Hospital management and consulting services business *HK$'000*	Others *HK$'000*	Total for segments *HK$'000*	Unallocated *HK$'000*	Total *HK$'000*
Continuing operations								
Amounts included in the measure of segment profit:								
Interest income	–	–	(58,898)	–	–	(58,898)	–	(58,898)
Dividend income	(2,450)	–	(4,799)	–	–	(7,249)	–	(7,249)
Impairment loss recognised in other receivables	–	–	2,258	–	–	2,258	–	2,258
Impairment loss recognised in available-for-sale investments	–	–	13,919	–	–	13,919	–	13,919
Increase in fair value of investment properties	–	–	(76,129)	–	–	(76,129)	–	(76,129)
Loss on fair value changes on held for trading investments	–	–	53,243	–	–	53,243	–	53,243
Impairment loss on promissory notes	–	–	233,705	–	–	233,705	–	233,705
Share results of associates	(19,528)	–	–	–	–	(19,528)	1,677	(17,851)
Depreciation of property, plant and equipment	16,095	2,168	14,780	664	14,560	48,267	230	48,497
Amortisation of intangible assets	–	7,252	–	3,274	–	10,526	–	10,526
Impairment loss recognised on trade receivables	4,103	–	–	–	–	4,103	–	4,103
Loss on disposal of property, plant and equipment	261	–	–	–	–	261	–	261
Amounts included in the information regularly provided to the CEO:								
Additions to property, plant and equipment	39,453	6,219	2,716	2,575	40,537	91,500	758	92,258

For the year ended 31 December 2016

	Provision of healthcare and dental services *HK$'000*	Managed care business *HK$'000*	Investments in securities and properties and treasury management *HK$'000*	Hospital management and consulting services business *HK$'000*	Others *HK$'000*	Total for segments *HK$'000*	Unallocated *HK$'000*	Total *HK$'000*
Continuing operations								
Amounts included in the measure of segment profit:								
Interest income	–	–	(33,816)	–	–	(33,816)	–	(33,816)
Dividend income	(3,150)	–	(4,573)	–	–	(7,723)	–	(7,723)
Reversal of impairment loss recognised in other receivables	–	–	(998)	–	–	(998)	–	(998)
Impairment loss recognised in available-for-sale investments	–	–	704	–	–	704	–	704
Decrease in fair value of investment properties	–	–	20,098	–	–	20,098	–	20,098
Gain on fair value changes on held for trading investments	–	–	(8,700)	–	–	(8,700)	–	(8,700)
Share results of associates	(16,739)	–	–	–	–	(16,739)	(4,435)	(21,174)
Depreciation of property, plant and equipment	14,185	1,764	11,274	31	11,773	39,027	100	39,127
Amortisation of intangible assets	–	7,251	–	4,979	–	12,230	–	12,230
Impairment loss recognised on trade receivables	3,895	55	–	–	–	3,950	–	3,950
Loss on disposal of property, plant and equipment	10	–	–	–	–	10	–	10
Amounts included in the information regularly provided to the CEO:								
Additions to property, plant and equipment	14,162	1,558	61,714	789	26	78,249	140	78,389

Geographical information

Majority of the Group's operations are located in Hong Kong. Majority of provision of healthcare and dental services and managed care business are carried out in Hong Kong. The provision of hospital management and consulting services and certain miscellaneous services are carried out in other regions of the PRC.

(i) The Group's revenue from external customers in its continuing operations are detailed below:

	2017	2016
	HK$'000	*HK$'000*
Other regions of the PRC	**161,916**	86,635
Hong Kong	**946,808**	924,914
	1,108,724	1,011,549

(ii) Information about the Group's non-current assets by geographical location of the assets are detailed below:

	Carrying amount of non-current assets	
	2017	2016
	HK$'000	*HK$'000*
		(Restated)
Other regions of the PRC	**495,698**	488,006
Hong Kong	**1,601,599**	1,477,054
Non-current assets *(Note)*	**2,097,297**	1,965,060

Note: Non-current assets exclude loans receivable, available-for-sale investments, financial assets at fair value through profit or loss, promissory notes and deposits made for acquisition of investment properties, and property, plant and equipment.

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

5. OTHER INCOME

	2017	2016
	HK$'000	*HK$'000*
Continuing operations		
Interest income	**58,898**	33,816
Dividend income from investments classified as available-for-sale investments	**7,249**	7,723
Rental income	**4,706**	3,171
Sundry income	**9,674**	8,062
	80,527	52,772

6. OTHER GAINS AND LOSSES, NET

	2017	2016
	HK$'000	*HK$'000*
Continuing operations		
(Loss) gain on fair value changes on held for trading investments	**(53,243)**	8,700
Gain on disposal of associates	**3,440**	40,294
Net gain on disposal of subsidiaries	**22,020**	634
Fair value changes on investment properties	**76,129**	(20,098)
Exchange gain	**6,891**	–
Loss on dilution of interest in an associate	**–**	(10,459)
Gain on disposal of available-for-sale investments *(Note)*	**–**	5,952
Fair value changes on loan notes	**–**	17,703
Fair value changes on financial asset at fair value through profit or loss	**18,980**	–
Loss on early redemption of loan notes	**–**	(12,335)
Translation reserve and investment revaluation reserve reclassified to profit or loss upon dilution of and disposal of interest in an associate	**–**	2,680
(Impairment loss) reversal of impairment loss recognised in respect of:		
– goodwill	**–**	(500)
– interests in associates	**–**	(2,900)
– available-for-sale investments	**(13,919)**	(704)
– promissory notes	**(233,705)**	–
– trade receivables	**(4,103)**	(3,950)
– other receivables	**(2,258)**	998
– loans receivable	**–**	30,000
– amounts due from associates	**121**	(6,121)
– amounts due from investees	**250**	–
	(179,397)	49,894

Note: During the year ended 31 December 2016, the Group disposed of available-for-sale investments with an aggregate carrying amount of approximately HK$103,269,000 which were measured at cost less impairment basis. Gain of approximately HK$5,952,000 on disposal was recognised in consolidated profit or loss.

7. FINANCE COSTS

	2017	2016
	HK$'000	*HK$'000*
Continuing operations		
Interest on bank borrowings	**722**	639
Effective interest expense on loan notes	**–**	4,093
	722	4,732

8. INCOME TAX EXPENSES

	2017	2016
	HK$'000	*HK$'000*
Continuing operations		
Tax charge comprises:		
Current tax		
– Hong Kong Profits Tax	**16,222**	15,660
– PRC Enterprise Income Tax	**16,833**	5,184
	33,055	20,844
(Over) underprovision in prior years		
– (Over) underprovision of Hong Kong Profits Tax in prior years	**(2,589)**	374
– Overprovision of PRC Enterprises Income Tax in prior years	**(2,179)**	–
	(4,768)	374
	28,287	21,218
Deferred tax		
– Current year	**(2,302)**	(2,441)
	25,985	18,777

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

Under the EIT Law and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for both years.

9. (LOSS) PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS

	2017	2016
	HK$'000	*HK$'000*
(Loss) profit for the year from continuing operations has been arrived at after charging:		
Staff costs		
– Directors' remuneration	**11,936**	11,667
– Other staff's salaries, bonus and other benefits	**598,132**	589,677
– Other staff's retirement benefits scheme contributions	**6,054**	5,679
	616,122	607,023
Auditors' remuneration	**3,483**	3,743
Cost of inventories recognised as expenses	**135,662**	123,800
Depreciation of property, plant and equipment recognised in administrative expenses	**38,642**	29,412
Depreciation of property, plant and equipment recognised in cost of sales	**9,855**	9,715
Total depreciation of property, plant and equipment	**48,497**	39,127
Loss on disposal of property, plant and equipment	**261**	10
Amortisation of intangible assets (included in administrative expenses)	**10,526**	12,230
and after crediting:		
Gross rental income from investment properties	**17,434**	17,845
Less: Direct operating expenses of properties that generated rental income	**(3,202)**	(3,694)
Net rental income from investment properties	**14,232**	14,151

10. DISCONTINUED OPERATIONS/DISPOSAL GROUP HELD FOR SALE

(i) Description

On 30 December 2016, the Group entered into a sale and purchase agreement with a related party to dispose of the entire issued share capital of Bonjour Beauty International Limited at a consideration of HK$430,000,000, which was settled by cash consideration of HK$100,000,000 and a promissory note issued by the purchaser, with a face value of HK$330,000,000. The assets and liabilities of the Bonjour Beauty Group was consequently presented as held for sale in the consolidated statement of financial position as at 31 December 2016. As at the date of the sale and purchase agreement, the purchaser was a company controlled by a then Director, who resigned as a Director on the same date.

The disposal of the Bonjour Beauty Group was completed on 13 April 2017. The financial performance of the Bonjour Beauty Group are presented as discontinued operations in the consolidated statement of profit or loss and other comprehensive income. Financial information relating to the discontinued operations for the period to the date of disposal is set out below.

(ii) Financial performance and cash flow information

The profit (loss) for the period/year from the Bonjour Beauty Group is set out below.

	1 January 2017 to 13 April 2017 *HK$'000*	2016 *HK$'000*
Revenue	**48,759**	236,648
Cost of sales	**(16,041)**	(59,738)
Gross profit	**32,718**	176,910
Other income	**1,761**	4,197
Administrative expenses	**(50,624)**	(195,606)
Other gains and losses	**–**	118
Loss before tax	**(16,145)**	(14,381)
Income tax expenses	**(400)**	(822)
Loss after income tax of discontinued operation	**(16,545)**	(15,203)
Gain on disposal of subsidiaries	**38,226**	–
Profit (loss) from discontinued operations	**21,681**	(15,203)
Exchange differences on translation of discontinued operations	**601**	–
Other comprehensive income from discontinued operations	**601**	–

(iii) Details of the disposal of the subsidiaries

Profit (loss) for the year from discontinued operations includes the following:

	2017 *HK$'000*	2016 *HK$'000*
Auditors' remuneration	**–**	572
Amortisation of intangible assets (included in administrative expenses)	**268**	1,071
Cost of inventories recognised as expense	**3,809**	19,000
Depreciation of property, plant and equipment	**3,603**	13,363
Interest income	**1,725**	4,142
Operating lease payments in respect of rented premises	**17,271**	69,673
Staff costs	**31,063**	110,878

11. DIVIDENDS

	2017	2016
	HK$'000	*HK$'000*
Dividends recognised as distribution during the year		
– Final dividend of HK0.28 cent per ordinary share for the year ended 31 December 2016 (2016: 2015 final dividend – HK0.98 cent)	**21,074**	76,061
– Preference shares dividend of HK0.33 cent per preference share for the year ended 31 December 2016	**–**	975
	21,074	77,036

The Board does not recommend the payment of a final dividend for the year ended 31 December 2017 (2016: HK0.28 cent per share for the year ended 31 December 2016).

12. (LOSS) EARNINGS PER SHARE

For continuing operations

The calculation of the basic and diluted (loss) earnings per share from continuing operations attributable to ordinary Shareholders is based on the following data:

(Loss) earnings for the purpose of basic (loss) earnings per share

	2017	2016
	HK$'000	*HK$'000*
(Loss) profit for the year from continuing operations attributable to owners of the Company	**(129,426)**	78,700
Less: Preference share dividend distributed during the year *(Note 11)*	**–**	(975)
(Loss) profit for the year from continuing operations attributable to ordinary Shareholders	**(129,426)**	77,725

(Loss) earnings for the purposes of diluted (loss) earnings per share

	2017	2016
	HK$'000	*HK$'000*
(Loss) profit for the year from continuing operations attributable to owners of the Company	**(129,426)**	78,700

Number of shares

	2017	2016
Weighted average number of ordinary shares for the purpose of basic earnings per share	**7,619,647,526**	7,747,751,093
Effect of dilutive potential ordinary shares: Convertible Preference Shares	**–**	13,547,359
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**7,619,647,526**	7,761,298,452

For continuing and discontinued operations

The calculation of the basic and diluted (loss) earnings per share from continuing and discontinued operations attributable to ordinary Shareholders is based on the following data:

(Loss) earnings for the purposes of basic (loss) earnings per share

	2017	2016
	HK$'000	*HK$'000*
(Loss) profit for the year attributable to owners of the Company	**(107,745)**	63,497
Less: Preference share dividend distributed during the year *(Note 11)*	**–**	(975)
(Loss) profit for the year attributable to ordinary Shareholders	**(107,745)**	62,522

(Loss) earnings for the purpose of diluted (loss) earnings per share

	2017	2016
	HK$'000	*HK$'000*
(Loss) profit for the year from continuing and discontinued operations attributable to owners of the Company	**(107,745)**	63,497

The denominators used are the same as those detailed above for both basic and diluted (loss) earnings per share.

For discontinued operations

Basic earnings per share for the discontinued operations is HK0.28 cent per share (2016: basic loss per share of HK0.19 cent per share) and diluted earnings per share for the discontinued operations is HK0.28 cent per share (2016: diluted loss per share of HK0.19 cent per share), based on the profit for the year ended 31 December 2017 from the discontinued operations of approximately HK$21,681,000 (2016: loss for the year ended 31 December 2016 of approximately HK$15,203,000) and the denominators used are same as those detailed above for both basic and diluted earnings (loss) per share.

13. TRADE AND OTHER RECEIVABLES

	2017	2016
	HK$'000	*HK$'000*
Trade receivables	**162,900**	146,754
Less: Allowance for doubtful debts	**(5,289)**	(4,889)
Total trade receivables, net of allowance	**157,611**	141,865
Deposits	**47,060**	39,588
Other receivables	**29,582**	44,075
Prepayments	**7,072**	5,035
	241,325	230,563

Most of the patients of the medical and dental practices settle in cash. Payments arising from the use of medical cards by patients 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. 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:

	2017	2016
	HK$'000	*HK$'000*
0–60 days	**120,953**	130,220
61–120 days	**24,096**	8,017
121–180 days	**12,143**	3,467
181–240 days	**419**	161
	157,611	141,865

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.

As at 31 December 2017, no trade receivables are past due for which the Group has not provided for impairment loss.

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

Movement in the allowance for doubtful debts:

	2017	2016
	HK$'000	*HK$'000*
Balance at the beginning of the year	**4,889**	2,708
Impairment losses recognised	**4,103**	3,950
Amounts written off as uncollectible	**(3,703)**	(1,769)
Balance at the end of the year	**5,289**	4,889

The impairment losses recognised represent 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.

14. TRADE AND OTHER PAYABLES

	2017	2016
	HK$'000	*HK$'000*
Trade payables	**56,691**	53,166
Other payables	**80,079**	60,812
Deposits received	**9,243**	5,115
Deferred income	**2,935**	5,747
Accruals	**73,192**	68,290
	222,140	193,130

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

	2017	2016
	HK$'000	*HK$'000*
0–60 days	**39,746**	40,826
61–120 days	**5,305**	5,252
Over 121 days	**11,640**	7,088
	56,691	53,166

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

15. BANK BORROWINGS

	2017	2016
	HK$'000	*HK$'000*
Secured:		
Mortgage loan	**19,777**	20,835

The bank borrowings are repayable as follows:

On demand and within one year	**1,109**	1,082
In more than one year but not more than two years	**1,137**	1,109
In more than two years but not more than three years	**1,165**	1,137
In more than three years but not more than four years	**1,194**	1,165
In more than four years but not more than five years	**1,224**	1,194
Over five years	**13,948**	15,148
	19,777	20,835
Less: Amounts due within one year shown under current liabilities	**(1,109)**	(1,082)
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)	**(18,668)**	(19,753)
	–	–

As at 31 December 2017, the bank borrowings of the Group carry variable interest rate at HIBOR+2.25% per annum (2016: variable interest rate at 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 provided by non-controlling interests of the Company's non-wholly owned subsidiary which will be released upon repayment of the mortgage.

16. SHARE CAPITAL – ORDINARY SHARES

	Number of shares	**Amount**
		HK$'000
Ordinary shares of HK$0.01 each		
Authorised:		
At 1 January 2016, 31 December 2016 and 2017	30,000,000,000	300,000
Issued and fully paid:		
At 1 January 2016	7,469,631,786	74,696
Conversion of Convertible Preference Shares	291,666,666	2,917
At 31 December 2016	7,761,298,452	77,613
Shares repurchased and cancelled *(Note)*	(235,164,000)	(2,352)
At 31 December 2017	7,526,134,452	75,261

Note:

During the year ended 31 December 2017, the Company repurchased its own ordinary shares through the Stock Exchange as follows:

Month of repurchase	No. of ordinary shares	Price per share Highest	Lowest	Aggregate consideration paid (after expenses)
		HK$	*HK$*	*HK$'000*
May 2017	235,164,000	1.24	1.09	288,892

The above ordinary shares were cancelled upon repurchase.

None of the Company's subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2017.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

The Company is pleased to report the results of the Group for the Year.

During the Year, the Group's revenue increased by approximately 9.61% to approximately HK$1,108,724,000 (2016: approximately HK$1,011,549,000) and the Group recorded a loss of approximately HK$75,679,000 (2016: profit of approximately HK$78,139,000).

The loss was mainly attributable to (i) a loss on fair value changes on held for trading investments; (ii) impairment loss recognised on available-for-sale investments; (iii) impairment loss recognised on promissory notes; and (iv) share of loss of a joint venture. The loss was partially set off by (i) a fair value gain on investment properties; and (ii) a gain on disposal of subsidiaries. Loss attributable to owners of the Company for the Year was approximately HK$107,745,000 (2016: profit of approximately HK$63,497,000). The Group's gross profit margin for the Year was approximately 32.65% (2016: approximately 29.37%).

Loss on fair value changes on held for trading investments

The Group recorded a fair value loss of approximately HK$53.2 million for the Year in respect of the Group's investment in the securities of China Parenting Network Holdings Limited, whose shares are listed on GEM (Stock code: 8361), which is classified as held for trading investments in the accounts of the Company (a fair value gain of approximately HK$3.6 million was recorded for the year ended 31 December 2016).

Impairment loss recognised on available-for-sale investments

The Group recorded an impairment loss of approximately HK$13.9 million for the Year in respect of the Group's investment in NSD Capital, a fund which, to the best of the Directors' knowledge, information and belief having made all reasonable enquiry, invests in the securities of MediNet Group Limited, whose shares are listed on GEM (Stock code: 8161), which is classified as available-for-sale investments in the accounts of the Company (impairment loss of approximately HK$0.7 million was recognised for the year ended 31 December 2016).

Impairment losses recognised on promissory notes

The Group recorded impairment losses on (i) the promissory note in the principal amount of approximately HK$203.7 million issued by a third party individual ("**Wise Lead Purchaser**") in favour of the Group in relation to the disposal of the entire issued share capital of Wise Lead by the Group ("**Wise Lead Promissory Note**"); and (ii) the promissory note in the principal amount of HK$30 million issued by a corporation which is a third party independent of the Company and its connected persons (as defined in the Listing Rules) ("**New Ray Purchaser**") in favour of the Group for partial settlement of consideration of disposal of shares of New Ray Medicine International Holding Limited, whose shares are listed on the Main Board (Stock code: 6108), by the Group ("**New Ray Promissory Note**").

The Wise Lead Promissory Note is secured by a share mortgage dated 4 November 2016 executed by the Wise Lead Purchaser in favour of the Group, pursuant to which the Wise Lead Purchaser has mortgaged the entire issued share capital of Wise Lead to the Group. Wise Lead owns 49% interest in Huayao, and the major assets of Huayao are a rehabilitation-oriented hospital situated in Hangzhou and certain outpatient medical clinics situated in Hangzhou. It has come to the attention of the management of the Company, upon preliminary inspection conducted by the staff members of the Company, that the operation of the hospital and the outpatient medical clinics in Hangzhou of Huayao have ceased. As a result, the Group has engaged an independent expert to conduct a credit assessment on the Wise Lead Purchaser. Having considered the preliminary results of credit assessment on the Wise Lead Purchaser and the confirmed ceasing of business of the hospital and at least one of the outpatient clinics, impairment loss of approximately HK$203.7 million was recognised to the Wise Lead Promissory Note.

Having considered the preliminary results of the credit assessment on the sole shareholder of the New Ray Purchaser conducted by the Group currently available to the Company, impairment loss of HK$30 million was recognised to the New Ray Promissory Note.

Share of loss of a joint venture

As at 31 December 2017, the Group held 51% interest in Sky View, which is an investment company holding approximately 22% interest in Rolaner. Rolaner, through an operating company in the PRC, operates a mobile application named "Mei Li Shen Qi (美麗神器)", one of the largest online communities and e-commerce platforms with millions of users for medical beauty industry in the PRC, in which the Directors considered to have great market potentials. During the Year, loss of the joint venture shared by the Group in relation to Sky View amounted to approximately HK$20,020,000 (2016: approximately HK$3,598,000).

Fair value gain on investment properties

The Group recorded a fair value gain on investment properties of approximately HK$76,129,000 for the Year (a fair value loss of approximately HK$20,098,000 was recorded for the year ended 31 December 2016). The fair value gain was mainly contributed by the Group's property in Shatin as the property, being an industrial building, was approved with conditions for commercial uses for a period expiring on 30 June 2047.

Gain on disposal of subsidiaries

The Group recorded a gain on disposal of subsidiaries of approximately HK$60,246,000 for the Year. On 13 April 2017, the Group completed the disposal of the Bonjour Beauty Group, details of which are set out in the paragraph headed "Material Acquisition and Disposal" in this announcement. On 13 July 2017, the Group conditionally agreed to dispose of its 100% interest in Faithful Sun Limited, which was then principally engaged in properties investment, at a consideration of HK$149,464,000. The disposal was completed on 14 August 2017.

BUSINESS REVIEW

2017 was a year in which opportunities co-exist with challenges for the Group. During the Year, the Group actively integrated its non-core business and other investments; steadily promoted business integration; and further concentrated its resources on the development of core healthcare services. The Group's healthcare services and clinics chain business in Hong Kong were developed with a stable growth. In the meantime, the Group strengthened cooperation with its strategic partners to found chain health management centres in Hong Kong and first tier cities in the Mainland China to introduce the concept of "preventive healthcare" and "holistic healthcare", to combine health check with post-examination healthcare services, so as to integrate disease prevention into disease treatment. The Group has also committed to developing professional, comprehensive and people-oriented one-stop health management and healthcare services. The Group also exerted its resources and rich experience in medical operation to further upgrade the hardware and software of the managed hospital – Nanshi Hospital, a Class A tertiary hospital in the Mainland China, introduced professional and efficient Hong Kong-style healthcare services into the Mainland China to establish a hierarchical medical system, and developed an information technology system to collect important data to establish health related historical database of the local population for medical study. Focusing on the future, the Group will continue to focus on the healthcare and healthcare-related business investments, while continue to consolidate its leading position in Hong Kong's healthcare industry. In the meantime, the Group will also proactively expand its healthcare business in the Mainland China.

Healthcare Service Network of the Group

As at 31 December 2017, the Group had 502 multi-disciplinary healthcare service points, including 298 general practices service points, 87 specialist service points, 36 dental service points and 81 auxiliary service points. As at 31 December 2017, the Group had 729 medical doctors, dentists and auxiliary service providers (including 431 general practitioners, 243 specialists and 55 dentists) through a network of self-operated and affiliated medical centres of the Group.

Details of the Group's medical service network are as follows:

	As at 31 December 2017
Medical services	**385**
General practices services	298
Specialist medical services	87
Dental services	**36**
Auxiliary services	**81**
Physiotherapy services	35
Medical imaging and laboratory services	29
Chinese medicine services	14
Health management services	2
Hearing health services	1
Total:	**502**

Details of the self-operated medical service centres of the Group are as follows:

	As at 31 December 2017
Medical services	**96**
General practices services	53
Specialist medical services	43
Dental services	**13**
Auxiliary services	**25**
Medical imaging and laboratory services	15
Physiotherapy services	7
Health management services	2
Hearing health services	1
Total:	**134**

During the Year, the Group's overall business recorded steady growth. For the Year, the Group's revenue was approximately HK$1,108,724,000 (2016: HK$1,011,549,000), representing an increase of approximately 9.61% as compared to last year.

Business in Hong Kong

Third-Party Administrator Business – Vio

The third-party administrator business of the Group maintained a steady growth with the double-digit percentage of profit margin which is the top ranking in the industry. High operational management efficiency mainly relied on the rich experience of medical service management and the core information technology system. Through the guidance and data in the central database, the Group can automatically calculate and approve the medical claims, so that it could provide quality and comprehensive medical services to insurance company customers and corporate employees, and meanwhile to achieve accurate medical budget controlling. Simultaneously, through the analysis of pharmaceutical database, the Group accomplished central pharmacy management, optimised drug procurement, generated economies of scale and improved profitability. On the other hand, Vio's self-operated integrated medical centres in various regions of Hong Kong offered numerous of specialists and physicians to provide quality medical services directly to end-customers and thus increased market share steadily.

Self-operated Medical Service and Dental Service Business

The Group's self-operated medical service and dental service business remained stable and specialist business recorded rapid growth. The Group has established a flexible incentive mechanism to attract more outstanding specialists to join the Group. Through centralised administration, the Group supports the doctors and encourages them to focus on professional medical services. Through years of provision of services, the doctors' brand effect has been gradually established which leads to the accumulation of a stable customer base and results in sustained and rapid growth. In the meantime, the Group continued to exert its advantages in its medical service industry chain to incorporate many of its self-operated medical service centres into Vio's network of third-party medical service management to create synergies between upstream and downstream of the Group. During the Year, the Group's revenue from medical and dental services was approximately HK$487,787,000 (2016: approximately HK$460,468,000), representing approximately 44% of the Group's total revenue for the Year (2016: approximately 45.52%).

Network of Health Management Centres

During the Year, the Group has closely communicated with its strategic partner, China Life Group, and set up chain health management centres in Hong Kong and the PRC. The health management centres are located at the towers of China Life Group in Wan Chai and Tsim Sha Tsui and have started operating during the Year. The health management centres introduced the concept of "preventive healthcare" and "holistic healthcare", combination of health check and post-examination healthcare services and the integration of disease prevention and disease treatment. Simultaneously, the Group has developed a mobile phone program to create electronic personal health records for patients, covering the patients' medical history, lifestyle, psychological assessment, physical examination and medical imaging diagnostic reports. Patients can track their health status conveniently and in real time through the mobile phone application. The health management consultants can also conduct comprehensive tracking and provide health management advice to the patients through disease prevention and chronic disease management so as to fully help them maintain and enhance their healthcare. Relying on the health management centres, clients of China Life Group in Hong Kong and the PRC can enjoy exclusive high-end healthcare services. The Group has also set up telemedicine video room in the health management centres. Through video conferencing, customers can seek medical treatment abroad for pre-consultation and a second medical opinion such that customers from the PRC can access a wider range of professional medical services.

Beauty and Cosmetic Medicine Business

Following the acquisition of 20% interest in Auspicious Idea in August 2016, during the Year, the Group has completed the acquisition of an additional 30% interest in Auspicious Idea, details of which are set out in the paragraph headed "Material Acquisition and Disposal" below. Its beauty and medical beauty brand "The Beauty Medical" in Hong Kong and the PRC has a total of 21 stores. After the completion of the acquisition, The Beauty Medical officially integrated into the Group's medical beauty business segment. With the Group's healthcare service management experience and a wealth of specialist networks, combined with the resources of customers and sales experience of The Beauty Medical accumulated in years, business of both parties will further integrate and complement. During the Year, The Beauty Medical was assigned to the newest health management centre in Tsim Sha Tsui to provide one-stop comprehensive medical and cosmopolitan beauty services to customers so as to enhance synergies. At the same time, the first wholly-owned medical and beauty clinic in the PRC held by The Beauty Medical opened in the Futian District, Shenzhen, at the end of the Year. This was an important milestone for the Group to enter into the domestic medical and cosmetic industry.

During the Year, The Beauty Medical has recruited a total of 5 full-time or part-time doctors, among them, 1 is an orthopedic specialist. Its medical network in Hong Kong, Shenzhen and Shanghai increased to 12, 6 and 3 centres respectively. During the Year, the revenue of The Beauty Medical was approximately HK$247,482,000 (2016: approximately HK$241,995,000).

Business in the PRC

Hospital Management and Consulting Services Business in the PRC

During the Year, the Group's hospital management business in the PRC developed rapidly with impressive growth performance. Under the Group's management and operation, the business of Nanshi Hospital has achieved double-digit growth and its EBITA (earnings before interest, taxes and amortisation) has maintained at a high double-digit percentage level, proving the high levels of efficient operational management of Nanshi Hospital. During the Year, the Group has continued to upgrade the hardware and software of Nanshi Hospital. The Group has refurbished and renovated the lobby, waiting areas and various departments including medical, surgical, burn and plastic surgery, ophthalmology, dentistry, pediatrics, neurology and health check centres of the hospital block of general outpatient. The Group has introduced Hong Kong-style and high-standard professional clinic model to Nanshi Hospital. Inpatient area has also been renovated so as to provide the patients with a cleaner and cozier hospital environment. Meanwhile, the hospital has purchased the high-end ophthalmic surgical equipment "femtosecond", set up a laser vision centre, hired pediatric experts from Hong Kong, and launched the pediatric endocrine and growth department, becoming the first Class A tertiary hospital equipped with these specialist departments in the region. In addition to the new and fresh look of the hospital environment, the Group has also boosted the remuneration of the medical staff by substantial margin and offered performance-based bonus. During the Year, the hospital has invited pediatricians from Hong Kong for a grand visit. Through academic exchanges and discussions, the hospital has improved process of diagnosis and treatment, and introduced medical guidance of international standard. In the future, the Group will further promote this service model to strengthen the communication between experts in Hong Kong and the PRC, further optimise and upgrade the healthcare services standards, and consolidate its leading position as a benchmark in the region.

Backed by the support of Nanshi Hospital, the Group has developed a grading diagnosis and treatment system in Nanyang City. During the Year, the Group has assisted Nanshi Hospital to set up two community outpatient clinics in the Wolong and the Yulong Districts, which are located in the heart of the central business area of Nanyang City. The clinics have expanded the network of community healthcare services by providing comprehensive and professional outpatient care, family medicine and other healthcare services to local citizens. The Group has also proposed the construction of a large-scale, high-end general clinic in the core business complex of Nanyang City with a total floor area of 3,000 square metres. The general clinic will be equipped with high-end dental and Invisalign orthodontic centre, ophthalmic femtosecond as well as beauty and cosmetic pharmaceuticals departments. The Group also plans to establish a general outpatient clinic and rehabilitation hospital in other downtown area to admit patients who would be transferred from Nanshi Hospital with chronic diseases or for postoperative rehabilitation for post-rehabilitation treatment and health maintenance. As a result, patients can recuperate in a more comfortable environment, which also helps ease overcrowding at the inpatient department of Nanshi Hospital.

To create more all-rounded healthcare services, the Group has set up a brand new health management system to cater millions of home users in the community. The system establishes health files to manage personal healthcare records and daily health indicators. The Group is also expected to establish a database on child growth and adult cardiovascular diseases for medical research, so as to develop community preventive medicine and community primary healthcare services.

In line with the long-term operations of Nanshi Hospital, the construction of its new hospital block has been progressing apace. The Group has invited world renowned architects to participate in the design and planning in accordance with the standards set for international medical institutions. During the Year, the blueprint of the new hospital block has been finalised. The hospital has also granted construction contract to a selected contractor to start with the construction, which is expected to be completed in 2019. By then, the total floor area of the new hospital block and the existing integrated outpatient building will be more than 150,000 square metres with over 2,000 beds. The new block will also introduce surgery centres, intensive care units and high-end obstetrics and gynecology wards of international standard as well as VIP inpatient wards and other high-end medical equipment, in order to transform Nanshi Hospital into the most advanced hospital in the region.

High-end Health Check Business

During the Year, Yikang, a subsidiary of the Company which operates a high-end imaging diagnostic centre in the PRC in collaboration with the Sixth Hospital, has purchased the latest medical imaging diagnostic equipment to enhance service quality and has recorded stable economic performance to date.

High-end Dental Services

During the Year, the business operation of Yamei in Hangzhou has been expanding steadily. In addition to providing general dental services and high-end orthodontic services, Yamei is also a training centre for Invisalign across the PRC which has offered professional training for Invisalign orthodontic treatments and dental surgeries to more than 100 dentists during the Year. It is expected that the Group will continue to strengthen its dental training business in the future. With Hangzhou as the base, the business of Yamei will be expanded to Nanshi Hospital and other newly established health management centres. Local dentists will be trained to provide Invisalign orthodontic services, setting the Group's sights on keeping its Invisalign orthodontic training business on top in the industry.

Chain Health Management Centres

The Group has collaborated with the Shandong Branch of China Life Group to jointly set up a health management centre in the new Jinan office building of China Life Group. During the Year, the centre's preliminary design has been completed and the Group is now applying for a license to establish the first ever PRC health management centre. This was also an important milestone for the Group and China Life Group on the development of chain health management centres. The combination of health management services and China Life Group's insurance business will create a robust synergy. Through encouraging China Life Group's clients to participate in health management services and apply the concept of preventive healthcare into their daily lives, on the one hand, has provided their clients with more value-added services, enhanced additional values to insurance products, and reduced payment costs of medical insurance. On the other hand, this enhanced clients' own health awareness as they also received similar custom made treatment from exclusive family doctors and reduced chances of future illnesses. The result was remarkable for those clients with chronic diseases and sub-health condition. Through electronic information system, the health management centres completed collecting and analysing clients' data and health track interventions, etc. to form a preventive health management model focusing on improving health standards. With the Group's abundant experience in professional healthcare services, whole industry chain in the healthcare market, and the support of back-end professional medical team, the health management centre will provide professional, all-rounded and one-stop health management services to the clients of China Life Group.

Chain Beauty and Cosmetic Medicine Centres

During the Year, the Group has entered into a cooperation agreement with Shanxi Taigang to jointly develop beauty and cosmetic medicine business in the Shanxi Province. Both parties were proactively exploring future cooperation models. The cooperation between Shanxi Taigang and the Group will integrate both Shanxi Taigang's resources for healthcare customers and the Group's advantages with medical techniques, advanced management models, together with Hong Kong-style, professional, safe and people-oriented beauty and cosmetic medicine services in order to jointly build a network of local chain beauty and cosmetic medicine centres.

Other investments

As at 31 December 2017, the Group had available-for-sale investments of approximately HK$286,329,000.

As at 31 December 2017, the Group held approximately 3.22% of Union, whose shares are listed on the Main Board (Stock Code: 2138), with an investment amount of approximately HK$96,789,000. As at 31 December 2017, the fair value of the Group's investment in Union was approximately HK$120,175,000. Union is principally engaged in the provision of medical, quasi-medical, health management and traditional beauty services, the sale of skincare, healthcare and beauty products in Hong Kong, Macau and the PRC. As disclosed in the interim report of Union for the six months ended 30 September 2017, it recorded a profit of approximately HK$126,341,000 (six months ended 30 September 2016: approximately HK$72,939,000). Based on the information published by Union, Union's commitment to uphold its position as the leader in aesthetic medical service industry in Hong Kong and strive for excellence and create value for shareholders growth can be achieved.

As at 31 December 2017, the Group held approximately 17.67% of HCMPS with an investment amount of approximately HK$86,585,000. HCMPS and its subsidiaries are principally engaged in the provision of contracted medical schemes for integrated medical and healthcare check-up services. Based on the latest unaudited combined financial information for the year ended 31 December 2017 of HCMPS, it recorded a profit of approximately HK$30 million. The Group is of the view that the ageing population and the increasing demand for corporate medical solutions services in Hong Kong are favourable to the continuing development of HCMPS's business.

During the Year, the Group entered into a subscription agreement to acquire 7,708.37 shares in Heemin Capital Global Enhanced Yield Bond Fund – Class A Shares at an aggregate subscription price of US$7,884,000 (equivalent to HK$61,103,000). Heemin Capital is principally engaged in global fund investment. As at 31 December 2017, the fair value of the Group's investment in Heemin Captial is approximately HK$63,180,000.

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

The above three investments constituted approximately 94% of the balance of the available-for-sale investments of the Group as at 31 December 2017.

SUSPENSION OF TRADING AND PROGRESS UPDATE ON RESUMPTION OF TRADING

Looking back over the past year, various business of the Group has been performing well with high future prospects ahead. Yet, the Group has encountered a great challenge at the end of the Year. The SFC issued a direction to suspend trading in the Shares on the Stock Exchange with effect from 9:00 a.m. on 27 November 2017.

As disclosed in the Company's announcement dated 18 December 2017, the Board has established an independent board committee, comprising all the independent non-executive Directors, to conduct an independent investigation on the issues and matters arising from or relating to the trading suspension, to make recommendations to the Board on appropriate actions to be taken, and to work towards the goal of having the Shares resumed in trading on the Stock Exchange.

In February 2018, the independent board committee engaged an independent forensic accountant to, among other matters, conduct forensic investigation into the issues and matters arising from or relating to the trading suspension. The forensic investigation has been completed and reported to the independent board committee.

The Group is proactively seeking external legal advice with regard to the resumption of trading in the Shares on the Stock Exchange.

The Company will continue to make announcement(s) and keep the shareholders of the Company and potential investors informed of the progress of this matter as and when appropriate.

OUTLOOK

Going forward, the Group will further consolidate the healthcare service business in Hong Kong and simultaneously accelerate the expansion of the healthcare market in the PRC. As the PRC government deepens the reform of healthcare system and citizens' health awareness gradually improves, the Group is optimistic to the great expansion potential of the healthcare industry in the PRC. To meet with the needs of healthcare of the public in Hong Kong and the PRC, the Group will exert its healthcare operation management advantages and focus on the development of the healthcare service business so as to introduce the mature and efficient Hong Kong-style service processes and standards to the PRC and become the benchmark in healthcare industry.

Hong Kong

The Group will steadily develop Hong Kong's core chain healthcare service business and persistently expand its healthcare service network. Looking ahead, the Group will vigorously develop Invisalign and will not rule out the possibility of mergers and acquisitions to expand the business segment in Hong Kong. Centre upon Hong Kong, the Group will replicate the Hong Kong-style operation model to the PRC and further explore Invisalign opportunities in the PRC.

To cater the future development of the chain healthcare service business as well as the needs of the chain healthcare management centre's high-end health check business, which provides one-stop comprehensive healthcare services to clients, the Group will focus on the development of health check and medical imaging diagnostic services business. The Group will purchase more advanced medical imaging instruments, such as Computed Tomography (CT), Magnetic Resonance Imaging (MRI) and other high-end imaging equipment. Simultaneously, the Group will identify outstanding talents to join the medical team to provide professional and comprehensive healthcare services for its clients.

In terms of beauty and cosmetic medicine business of The Beauty Medical, the incorporation of dental services into the Group's existing healthcare business will create synergies for the overall business model and provide a one-stop service program for clients. In the coming future, the Group will focus on expanding its business in the PRC. The Class A tertiary hospitals operated by or cooperating with the Group as well as the healthcare management centres will serve as a base for the development of chain beauty and cosmetic medicine business, which will replicate the strict Hong Kong-style supervision and training model to provide professional, safe and superior beauty and cosmetic medicine services and become the benchmark of the beauty and cosmetic medicine service industry.

In addition, the Group will further strengthen its collaboration with China Life Group to jointly develop business segments such as high-end dental services, beauty and cosmetic medicine services and health management centres. The Group will penetrate into the target market of institutional or insurance customers to search for referral and expand its market shares.

The PRC

With the rapid growth in economic development and significant advancement in the standard of consumption across the PRC, demand for quality healthcare services will continue to expand. The Group is committed to opening up its healthcare service business in the PRC with a focus on high-end healthcare service sector.

The Group will continue to launch a series of reforms for Nanshi Hospital, including upgrades of hospital's hardware facilities (including hospital blocks) and equipment as well as renovation of service system. The Group expects to complete renovation and the rebuilding of various outpatient departments to create a modern environment for patients. The new hospital block is slated for completion by the end of 2019, and a professional committee has also been formed to effectively monitor the overall construction progress to ensure proper execution and quality of work. By then, the total floor area of the hospital will reach 150,000 square metres. The new hospital block will also be equipped with 2,000 beds, significantly boosting the hospital's overall operational capacity. At the same time, the Group will introduce Hong Kong-style holistic healthcare services through on-going exchange and training programs between Hong Kong and Nanshi Hospital. The Group is also establishing new high-end departments, such as a pediatric endocrinology department, and establishing professional guidelines and treatment protocols for the pediatric department with the assistance of the Group's Hong Kong medical expertise.

In the future, the Group will proactively develop community outpatient healthcare services and expand its business scope. The Group also plans to build a large-scale, high-end for-profit general clinic with floor area of more than 3,000 square metres in the downtown commercial district of Nanyang City, with the new addition of dental, ophthalmology, pediatrics, beauty and cosmetic medicine and other departments. In order to solve the shortage of hospital beds, facilitate patient treatment and improve efficiency of inpatient wards to achieve health maintenance in Nanshi Hospital, the Group will establish a rehabilitation hospital in the downtown community in Nanyang City. Patients with chronic illnesses from the medical, surgical, and burn departments will be transferred to the rehabilitation hospital for physiotherapy and other follow-up rehabilitation care.

To further expand its business scope, Nanyang Xiangrui will engage in the hospital management business and the sale of medical consumables. Nanyang Xiangrui will also consider applying for a supplier license for medical drugs. Nanyang Xiangrui hopes to reach trustee agreement with a number of hospitals, and is determined to become a quality hospital management company operating several hospitals.

At the same time, the Group will continue to strengthen its partnership with the China Life Group and its branches to develop chain-style integrated health management centres in various key regions throughout the PRC. The newly developed chain health management centre located in Jinan's office building, part of the Shandong Branch of China Life Group, will replicate Hong Kong-style health management systems and is expected to be completed in mid-2018. The centre will create a new collaborative business model between insurance and healthcare services. Focusing on preventive medicines and national healthcare, the chain health management centre will provide one-on-one and exclusive healthcare services to high-end customers of the China Life Group to enhance synergies. Target customers will be the majority sub-health population. The Group hopes to effectively improve their health conditions through regular long-term check-ups, professional healthcare and the use of various advanced detection equipment.

With respect to dental business operations in the PRC, the Group will continue to promote Invisalign orthodontic services to enhance brand awareness and expand market shares across the PRC. In the future, the Group hopes to replicate its operations and training model to the health management centres in other cities in the PRC, in order to expand the Group's reach in the Invisalign market.

As for the high-end health check business in the PRC, Yikang is going to face a series of challenges, including relocation and returning the operations license of the high-end imaging diagnostic centre to the Sixth Hospital. To this end, the Group will prudently examine the situation and make reasonable arrangements.

LIQUIDITY AND FINANCIAL RESOURCES

The Group adopts a prudent cash and financial management policy. As at 31 December 2017, the Group held bank balances and cash of approximately HK$1,391,559,000 (2016: HK$1,447,756,000). In order to achieve better cost control and minimise the costs of funds, the Group's treasury activities are centralised and substantial cash is generally deposited with banks in Hong Kong and denominated mostly in HK$. As at 31 December 2017, the Group had bank borrowings which represented a mortgage loan of approximately HK$19,777,000 (2016: HK$20,835,000) of which approximately HK$1,109,000 (2016: HK$1,082,000) are repayable within one year. As at 31 December 2017, the Group had no committed borrowing facilities. Details of bank borrowings of the Group are set out in note 15 to the consolidated financial statements.

As at 31 December 2017, the Group's net current assets amounted to approximately HK$1,597,930,000 (2016: HK$2,177,942,000) and the Group had a current ratio (defined as total current assets divided by total current liabilities) of 6.12 (2016: 4.96). As at 31 December 2017, the Group's gearing ratio (defined as total bank borrowings divided by equity attributable to owners of the Company) was 0.49% (2016: 0.48%). The Group considers the level of liabilities of a company reflects its financial health. The Group strives to keep the level of borrowings at minimum and to maintain ample internal resources to support its business operations, not only to reduce interest burden, but also to enable the Group to respond to changes and capture business opportunities in a timely manner when they arise. As such, both current ratio and gearing ratio are useful to assess the Group's financial positions. While higher current ratio reflects sufficiency of the Group's assets and the capability of the Group to meet its debt repayment obligations, lower gearing ratio represents lesser reliance on debt financing and greater financial stability of the Group. During the Year, the Group's liquidity position was well-managed and the Group's financial resources were sufficient to support its business operations. Where necessary, the Group may also consider other fund raising activities when opportunity arises under favourable market conditions.

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

During the Year, the Group did not use any financial instruments for hedging activities.

FUTURE PLANS FOR MATERIAL INVESTMENT AND CAPITAL ASSETS

The Group did not have any other plans for material investment and capital assets as at 31 December 2017.

CAPITAL STRUCTURE

As at 31 December 2017, the Group had equity attributable to owners of the Company of approximately HK$4,037,403,000 (2016: HK$4,378,726,000).

HUMAN RESOURCES

As at 31 December 2017, the Group employed 1,245 staff (2016: 1,567 staff). Total employee costs for the Year, including directors' emoluments, amounted to approximately HK$647,185,000 (2016: HK$717,901,000). 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.

MATERIAL ACQUISITION AND DISPOSAL

On 30 December 2016, (i) Oasis Beauty, a wholly-owned subsidiary of the Company, as vendor, (ii) Profit Castle, a company owned as to 50% by Dr. Ip (who ceased to be a Director on 30 December 2016) and 50% by his spouse as purchaser and (iii) Dr. Ip as guarantor entered into a sale and purchase agreement pursuant to which Oasis Beauty has conditionally agreed to sell, and Profit Castle has conditionally agreed to acquire, 100% of the issued share capital of Bonjour Beauty International Limited at the consideration of HK$430,000,000, further details of which are set out in the circular of the Company dated 23 February 2017. The Group completed the disposal of its entire interest in Bonjour Beauty Group on 13 April 2017.

Following the Group's acquisition of 20% interest in Auspicious Idea in August 2016, on 5 May 2017, Natural Glory, an indirect wholly-owned subsidiary of the Company, as purchaser, Stand Forever as vendor and Mr. Lau Sui Ching as guarantor, entered into a sale and purchase agreement pursuant to which Natural Glory has agreed to acquire, and Stand Forever has agreed to sell, an additional 30% of the issued share capital of Auspicious Idea at the initial consideration of HK$108,000,000, further details of which are set out in the announcement of the Company dated 5 May 2017. Completion of the acquisition of an additional 30% interest in Auspicious Idea took place immediately after the signing of the sale and purchase agreement, after which the Group owns 50% interest in Auspicious Idea.

CONTINGENT LIABILITIES

As at 31 December 2017, the Group had no significant contingent liabilities (2016: Nil).

PLEDGE OF ASSETS

As at 31 December 2017, certain property, plant and equipment and investment properties of the Group with carrying values of approximately HK$195,732,000 and HK$486,502,000, respectively, were pledged to secure general banking facilities granted to the Group.

CAPITAL COMMITMENTS

As at 31 December 2017, 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$13,649,000 (2016: approximately HK$50,921,000). The Group met those capital commitments through its internal resources.

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

During the Year, the Company repurchased a total of 235,164,000 ordinary shares of the Company on the Stock Exchange, with the aggregate consideration paid (before expenses) amounting to HK$287,525,860. All the shares repurchased were subsequently cancelled during the Year. As at 31 December 2017, the total number of Shares in issue was 7,526,134,452.

Particulars of the share repurchases are as follows:

	Number of ordinary shares repurchased	Price per share Highest	Price per share Lowest	Aggregate consideration (before expenses)
		HK$	*HK$*	*HK$*
May 2017	235,164,000	1.24	1.09	287,525,860

The repurchased shares were cancelled and an amount equivalent to the nominal value of these shares of HK$2,351,640 was charged to the share capital account. The premium of HK$285,174,220 paid on the repurchases shares and share repurchase expenses of HK$1,365,476 were charged against the share premium account.

The repurchase of the Company's shares during the Year was effected by the Directors, pursuant to the mandate granted by the Shareholders at the annual general meeting of the Company held on 17 June 2016. The Directors considered that the repurchases would increase the earnings per share of the Company.

Save as disclosed above, during the Year, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the listed shares of the Company.

DIVIDEND

The Board does not recommend the payment of a final dividend for the Year (2016: HK0.28 cent per ordinary share for the year ended 31 December 2016) to the Shareholders.

COMPLIANCE WITH THE CG CODE

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

During the Year, the Company has complied with the respective code provisions of the CG Code.

COMPLIANCE WITH THE MODEL CODE

The Company has adopted the Model Code 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.

AUDITORS

Moore Stephens CPA Limited was appointed as the auditors of the Group with effect from 15 February 2018 upon resignation of Deloitte Touche Tohmatsu and they will hold office until conclusion of the forthcoming annual general meeting of the Company. A resolution will be proposed at the forthcoming annual general meeting of the Company to re-appoint Moore Stephens CPA Limited 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 Group for the Year have been reviewed by the audit committee of the Board.

ACKNOWLEDGEMENT

The Company would like to thank the Board, the management and all of its staff for their hard work and dedication, as well as the shareholders and customers for their support to the Group.

By order of the Board
Town Health International Medical Group Limited
Lee Chik Yuet
Executive Director

Hong Kong, 26 April 2018

As at the date of this announcement, the executive Directors are Miss Choi Ka Yee, Crystal (Chairperson), Dr. Hui Ka Wah, Ronnie, JP (Chief Executive Officer), Mr. Lee Chik Yuet and Mr. Wong Seung Ming (Chief Financial Officer); the non-executive Directors are Dr. Choi Chee Ming, GBS, JP (Deputy Chairman), Ms. Fang Haiyan (Deputy Chairperson), Mr. Tsai Ming-hsing (Deputy Chairman), Mr. Chen Jinhao and Dr. Cho Kwai Chee; and the independent non-executive Directors are Mr. Ho Kwok Wah, George, MH, Mr. Wong Tat Tung, MH, JP, Mr. Yu Xuezhong, Ms. Li Mingqin and Mr. Wang John Hong-chiun.

GLOSSARY

"Auspicious Idea"	Auspicious Idea Corporate Development Limited
"Board"	the board of Directors
"Bonjour Beauty Group"	Bonjour Beauty International Limited and its subsidiaries
"Broad Idea"	Broad Idea International Limited
"CEO"	Chief Executive Officer of the Company
"CG Code"	Corporate Governance Code contained in Appendix 14 to the Listing Rules
"China Life Group"	China Life Insurance (Group) Company and its subsidiaries
"China" or "Mainland China" or "PRC"	the People's Republic of China excluding, for the purpose of this announcement only, Hong Kong, the Macao Special Administrative Region of the People's Republic of China and Taiwan
"Company"	Town Health International Medical Group Limited, a company incorporated in the Cayman Islands and continued in Bermuda with limited liability whose Shares are listed on the Main Board
"Convertible Preference Shares"	perpetual non-voting redeemable convertible preference shares of HK$0.01 each in the share capital of the Company subscribed by Fubon Life, Fubon Insurance and Broad Idea pursuant to the CPS Subscription Agreement
"CPS Subscription"	the subscription for 212,121,212 Convertible Preference Shares by Fubon Life, 79,545,454 Convertible Preference Shares by Fubon Insurance and 83,333,333 Convertible Preference Shares by Broad Idea, pursuant to the CPS Subscription Agreement
"CPS Subscription Agreement"	perpetual non-voting redeemable convertible preference shares subscription agreement dated 31 October 2014 and entered into between the Company, Fubon Life, Fubon Insurance and Broad Idea
"Director(s)"	the director(s) of the Company

“Dr. Ip”	Dr. Ip Chun Heng, Wilson, a former executive Director
“EIT Law”	the Law of the PRC on Enterprise Income Tax
“Fubon Insurance”	Fubon Insurance Co., Ltd.
“Fubon Life”	Fubon Life Insurance Co., Ltd.
“GEM”	GEM of the Stock Exchange
“Group”	the Company and its subsidiaries
“HCMPS”	HCMPS Healthcare Holdings Limited
“Heemin Capital”	Heemin Capital Enhanced Yield Bond Fund
“HIBOR”	Hong Kong Interbank Offered Rate
“HK$”	Hong Kong Dollars, the lawful currency of Hong Kong
“HKAS”	Hong Kong Accounting Standards
“HKFRS”	Hong Kong Financial Reporting Standards
“HKICPA”	Hong Kong Institute of Certified Public Accountants
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Huayao”	Huayao Medical Group Limited
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Main Board”	the Main Board of the Stock Exchange
“Model Code”	Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
“Nanshi Hospital”	南陽南石醫院 (in English for identification purpose only, Nanshi Hospital of Nanyang)
“Nanyang Xiangrui”	南陽祥瑞醫院管理諮詢有限公司 (in English for identification purpose only, Nanyang Xiangrui Hospital Management Advisory Co. Ltd.)
“Natural Glory”	Natural Glory International Limited

"Oasis Beauty"	Oasis Beauty Limited
"Profit Castle"	Profit Castle Holdings Limited
"RMB"	Renminbi, the lawful currency of the PRC
"Rolaner"	Rolaner International Limited
"SFC"	Securities and Futures Commission of Hong Kong
"Shanxi Taigang"	山西太鋼醫療有限公司 (in English for identification purpose only, Shanxi Taigang Medical Co. Ltd.)
"Share(s)"	ordinary share(s) of HK$0.01 each in the share capital of the Company
"Shareholders"	the shareholders of the Company
"Sixth Hospital"	中山大學附屬第六醫院 (in English, for identification purpose only, The Sixth Affiliated Hospital of Sun Yat-Sen University)
"Sky View"	Sky View Investment Limited
"Stand Forever"	Stand Forever Corporate Consulting Limited
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Union"	Union Medical Healthcare Limited
"US$"	United States Dollars, the lawful currency of the United States of America
"Vio"	Dr. Vio & Partners Limited
"Wise Lead"	Wise Lead Holdings Limited
"Yamei"	杭州康健雅美口腔門診部有限公司 (in English for identification purpose only, Hangzhou Town Health Yamei Dental Center Company Limited)
"Year"	year ended 31 December 2017
"Yikang"	廣州宜康醫療管理有限公司 (in English for identification purpose only, Guangzhou Yikang Medical Management Limited)