Annual Report 2017

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)

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Miss Choi Ka Yee, Crystal *(Chairperson)*
Dr. Hui Ka Wah, Ronnie, *JP*
(Chief Executive Officer)
Mr. Lee Chik Yuet
Mr. Wong Seung Ming, *CPA, FCCA*
(Chief Financial Officer)

Non-executive Directors

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

Independent Non-executive Directors

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

BOARD COMMITTEES

Audit Committee

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

Remuneration Committee

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

Nomination Committee

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

COMPANY SECRETARY

Mr. Wong Seung Ming, *CPA, FCCA*

AUDITORS

Moore Stephens CPA Limited
Certified Public Accountants

REGISTERED OFFICE

Canon's Court
22 Victoria Street
Hamilton HM12
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

PRINCIPAL BANKERS

Bank of Communications Co., Ltd.
Dah Sing Bank, Limited
Fubon Bank (Hong Kong) Limited
Hang Seng Bank Limited

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Estera Management (Bermuda) Limited
Canon's Court
22 Victoria Street
Hamilton HM12
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

WEBSITE

www.townhealth.com

Note: On 6 March 2018, Dr. Cho was re-designated from an executive Director to a non-executive Director and ceased to act as the Executive Deputy Chairman of the Company.

CHAIRPERSON'S STATEMENT

Dear Shareholders,

On behalf of Town Health, I am pleased to present this annual report for the Year to our shareholders.

2017 was a year full of challenges as well as opportunities. The Group has further consolidated its businesses and is dedicated to focusing on core healthcare business. The Group has also quickened its pace of expansion into the healthcare market in the Mainland China.

During the Year, the Group's healthcare business has maintained a steady growth. The systematic and efficient operation management system of Vio has helped the Group's third-party managed care business to achieve steady revenue growth with outstanding double-digit net profit margin ratio. The Group has also established a flexible incentive scheme which successfully attracted talented specialist doctors to join and enriched its professional medical team. Leveraging on its advantages of integrating the whole industry chain, the Group has been continuing its efforts to create synergies between upstream and downstream healthcare businesses.

With the growing demand for quality healthcare services in the Mainland China, the Group has further strengthened the cooperation with its strategic partners and proactively developed chain health management centres in the Mainland China and Hong Kong, to provide high-end one-stop healthcare services to the public. The Group will collaborate with the branches of China Life Group in the Mainland China to bring in Hong Kong-style health management systems in various cities, and deepen the integration between the insurance industry and the healthcare industry so as to achieve a win-win outcome.

During the Year, the Group has completed the acquisition of additional 30% share capital of Auspicious Idea, which is principally engaged in the provision of beauty and cosmetic medicine services under the brand of "The Beauty Medical" in Hong Kong and the PRC. The Beauty Medical has officially been integrated into the Group's cosmetic and medical beauty business segment to create synergy. The Group will establish its first wholly-owned medical beauty and cosmetic clinic in the Futian District, Shenzhen, by the end of the Year, which will mark the milestone of the Group in entering the PRC medical beauty and cosmetic industry.

The Group has continued to put resources in the Mainland China healthcare market. The Group has embarked on a series of renovation projects for Nanshi Hospital, including upgrading the hospital's facilities (including hospital blocks) and equipment as well as renovation of service system. The Group will strengthen the communication and academic exchanges between experts in the Mainland China and Hong Kong to continuously uplift healthcare service standards of Nanshi Hospital with a Hong Kong-style management approach which is people-oriented. The Group is dedicated to making Nanshi Hospital the leading healthcare institution in Nanyang City.

In respect of the high-end dental services, in 2016, the Group has established its first Invisalign orthodontic training and service centre in Hangzhou to develop the high-end dental market. The Group will strive to further develop its PRC dental services business, with the aim of becoming the leader of Invisalign orthodontic training and services industry in the Mainland China market.

CHAIRPERSON'S STATEMENT

The Group has gone through various challenges and experienced difficult times. However, with the Group's concerted efforts and commitment, we have been able to overcome the challenges. Leveraging on our existing strengths to explore business opportunities, we will make further strides in our business so as to create new value and returns for shareholders.

Last but not least, on behalf of the Board, I would like to express my sincere gratitude to all shareholders, business partners and clients for their trust and support of the Group, and to the management and all the staff for their hard work and contribution in the past years.

Choi Ka Yee, Crystal
Chairperson

Hong Kong, 26 April 2018

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, 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 outpatients clinics, impairment loss of approximately HK$203.7 million was recognised to the Wise Lead Promissory Note.

Having considered the preliminary results of the preliminary 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.

Details of the disposals of Wise Lead and New Ray and respective promissory notes are set out in notes 23, 24, 26 and 42 to the consolidated financial statements.

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). Details of the Group's interest in a joint venture are set out in note 24 to the consolidated financial statements.

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. Further details of the Group's investment properties are set out in note 18 to the consolidated financial statements.

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" below and notes 15 and 42 to the consolidated financial statements. 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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: approximately HK$1,011,549,000), representing an increase of approximately 9.61% as compared to last year.

MANAGEMENT DISCUSSION AND ANALYSIS

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 a 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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 of this annual report, 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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.

PRINCIPAL RISKS AND UNCERTAINTIES

The operations and business of the Group may be affected by major risks and uncertainties which are set out below:

- The reliance on the Group's professional team: The Group depends on its professional team to provide medical services to its customers who look for quality healthcare services and stable doctor-patient relationship. The employment contracts of the Group's professional team with the Group may be terminated after the parties giving the required notice. The business may be adversely affected if the Group is not able to recruit or retain members of its professional team to support the services of its network of medical centres. The supply of registered doctors and dentists is limited and the Group has to compete with healthcare service providers in both the public and private sectors for these registered medical and dental practitioners. The professional team is one of the Group's valuable assets and the Group attracts quality new members to join the professional team through the Group's reputation, competitive compensation package, supportive working environment and attractive career development.

- The recognition of the Group's brand and reputation: The Group's image may be adversely affected by negative publicity as doctors and dentists working in the Group may from time to time be subject to complaints, allegations or legal actions regarding the adequacy of patient care, treatment outcome and medical services provided, which may harm the business, results of operations, financial condition, brand and reputation of the Group. The Group has developed a set of standard operation procedures at each of the medical centres and conducted sharing sessions among doctors and dentists from time to time so as to minimise the chance of medical negligence.

Details about the Group's financial risk management are set out in note 48 to the consolidated financial statements.

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 35 to the consolidated financial statements.

MANAGEMENT DISCUSSION AND ANALYSIS

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 AND TRAINING SCHEME

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.

Training is valued as essential to the personal growth of employees, which also ensures and improves the Group's customer services. Apart from the strict code of conduct that all employees shall follow, employees are also provided with customised trainings and handbooks with respect to their specialities. Details of the Group's training programmes are set out in the paragraph headed "Development and Training" in the Environmental, Social and Governance Report of this annual report.

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 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 and note 15 to the consolidated financial statements. The Group has 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 and note 23 to the consolidated financial statements. 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.

PROFIT GUARANTEE

On 15 August 2016, Natural Glory acquired from Stand Forever 20% of the issued share capital of Auspicious Idea at the initial consideration of HK$28,000,000, which was settled as to HK$22,000,000 by Natural Glory in cash and as to HK$6,000,000 by transfer of the entire issued share capital of Global Excel Limited, a then subsidiary of the Company.

Pursuant to the sale and purchase agreement of the 20% acquisition (as amended and supplemented by a supplemental agreement), Stand Forever has unconditionally and irrevocably represented and warranted to and undertaken with Natural Glory that (a) for the financial year ended 31 December 2015, the Consolidated Net Profit (as defined below) shall not be less than HK$15,000,000; (b) for the financial year ended 31 December 2016, the Consolidated Net Profit shall not be less than HK$20,000,000; and (c) for the financial year ended 31 December 2017, the Consolidated Net Profit shall not be less than HK$25,000,000.

"Consolidated Net Profit" means the consolidated net profit after tax of Auspicious Idea and it shall exclude: (i) profit or loss under any joint venture between Auspicious Idea and the Company and all their respective subsidiaries and associates; (ii) costs and expenses in seeking a listing of the shares of Auspicious Idea on the Main Board of the Stock Exchange or such other recognised stock exchange in any jurisdiction; (iii) any one-off non-operating income and expenses which include but not limited to investment; (iv) income and expenses in conducting business other than the principal business of Auspicious Idea and its subsidiaries; (v) income and expenses arising from the acquisition or merger of business in the same or similar nature of the principal business of Auspicious Idea and its subsidiaries, as may from time to time be agreed by the parties to the sale and purchase agreement; and (vi) extraordinary items of Auspicious Idea and its subsidiaries.

MANAGEMENT DISCUSSION AND ANALYSIS

In the event that the aggregate of the Consolidated Net Profits for the financial years ended 31 December 2015, 31 December 2016 and 31 December 2017 (by simple arithmetic summation) is less than HK$60,000,000, the consideration of the 20% acquisition shall be adjusted downwards for the amount calculated in accordance with the formula below:

(HK$60,000,000 – aggregate of the Consolidated Net Profits for the financial years ended 31 December 2015, 31 December 2016 and 31 December 2017 (by simple arithmetic summation)) ÷ HK$60,000,000 × HK$28,000,000

Pursuant to the audited consolidated financial statements of Auspicious Idea, the aggregate of the Consolidated Net Profits for the financial years ended 31 December 2015, 31 December 2016 and 31 December 2017 is approximately HK$55,807,000. As such, the consideration of the 20% acquisition of Auspicious Idea shall be adjusted downwards by approximately HK$1,957,000. Pursuant to the sale and purchase agreement of the 20% acquisition (as amended and supplemented by a supplemental agreement), Stand Forever shall pay the adjustment amount to Natural Glory within 60 days after the issuance of the audited consolidated financial report of Auspicious Idea for the year ended 31 December 2017 (i.e. 25 June 2018). As at the date of this annual report, the adjustment amount is yet to be paid by Stand Forever to Natural Glory.

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. Details of capital commitment of the Group are set out in note 45 to the consolidated financial statements.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Miss Choi Ka Yee, Crystal ("Miss Choi"), aged 37, has been an executive Director and the Chairperson of the Company since May 2006 and October 2006 respectively. Miss Choi graduated from Boston College in the United States of America with a bachelor degree of science in Accountancy and Management Information System. She also holds a master degree in Corporate Finance from The Hong Kong Polytechnic University. Miss Choi has extensive knowledge in accounting and corporate finance. Miss Choi is a member of Shenzhen Committee and a member of Jieyang Committee of the Chinese People's Political Consultative Conference, a member of the board of directors of The Hong Kong Polytechnic University Development Foundation, the vice president of Hong Kong CPPCC Youth Association, the chairperson of United We Stand Foundation Limited and a director of Health Check Charity Funds Limited. She is also a vice chairperson of Early Light International (Holdings) Limited and E. Lite Property Management Limited. Miss Choi joined the Company in April 2005 as the director of the corporate finance department. She is the daughter of Dr. Choi Chee Ming, *GBS, JP*, a non-executive Director and a Deputy Chairman of the Company.

Dr. Hui Ka Wah, Ronnie ("Dr. Hui"), *JP*, aged 54, has been an executive Director since June 2014. Dr. Hui had been the Co-Chief Executive Officer of the Company and has become the Chief Executive Officer of the Company since July 2014. Dr. Hui is responsible for execution of the development strategies of the Board and managing various business segments of the Group. Dr. Hui is also a director of a number of subsidiaries of the Company. Dr. Hui graduated from The University of Hong Kong with a bachelor of medicine degree and a bachelor of surgery degree. Dr. Hui is a specialist in Paediatrics. He is also a chartered financial analyst (CFA Charter Holder) and holds a degree in master of business administration conferred by Universitas 21 Global. Dr. Hui was a member of the Small and Medium Enterprises Committee of the Government of Hong Kong. Dr. Hui was also a member of the Energy Advisory Committee and a non-official member of the Women's Commission of the Government of Hong Kong. Dr. Hui had been an executive director of Convoy, whose shares are listed on the Main Board (Stock Code: 1019), from 13 June 2014 to 26 March 2015.

Mr. Lee Chik Yuet ("Mr. Lee"), aged 63, has been an executive Director since October 2009. Mr. Lee is currently a director and the legal representative and general manager of a subsidiary of the Company in the PRC. Mr. Lee is also a director of a number of other subsidiaries of the Company. Mr. Lee graduated from The Chinese University of Hong Kong with a bachelor degree in Social Science. He also holds a bachelor degree and a master degree in Laws from The University of Hong Kong. Prior to joining the Group, Mr. Lee had been a practising solicitor for more than 13 years in Hong Kong specialised in commercial, corporate finance and investment laws and practice in Hong Kong and the PRC. He had been an executive director of New Ray, whose shares are listed on the Main Board (Stock Code: 6108), from 14 September 2012 to 20 June 2017. Mr. Lee is also a member of the Nomination Committee and Remuneration Committee.

Mr. Wong Seung Ming ("Mr. Wong"), aged 46, has been an executive Director and the Chief Financial Officer of the Company since July 2014. He has been working as the Company Secretary since 2007. Mr. Wong is also a director of a number of subsidiaries of the Company. Mr. Wong graduated from the City University of Hong Kong with a bachelor degree in Accountancy. He is a fellow member of the Association of Chartered Certified Accountants and a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants. Mr. Wong worked in various auditing firms and the finance department of several companies including companies listed on the Main Board. Mr. Wong has extensive experience in accounting, auditing and financial management.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

NON-EXECUTIVE DIRECTORS

Dr. Choi Chee Ming ("Dr. Choi"), *GBS, JP*, aged 72, has been a non-executive Director and a Deputy Chairman of the Company since February 2006. Dr. Choi holds a master degree in Business Administration from Newport University in the United States of America. He also holds a PhD in Business Management from Harbin Institute of Technology, the PRC and an Honorary Degree of Doctor of Business Administration from The Hong Kong Polytechnic University. Dr. Choi is the chairman of Early Light International (Holdings) Limited and E. Lite (Choi's) Holdings Limited and has extensive business interests in the manufacturing industry and the property sector. He is the honorary president of the Toys Manufacturer's Association of Hong Kong, honorary president of the Hong Kong Young Industrialists Council and a court member of The Hong Kong Polytechnic University. He is currently a non-executive director and vice-chairman of Regal Hotels International Holdings Limited, whose shares are listed on the Main Board (Stock Code: 78). Dr. Choi is a director of Broad Idea, a company which was interested in the shares of the Company as at the date of this annual report, which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO. Dr. Choi is the father of Miss Choi, the Chairperson of the Company.

Ms. Fang Haiyan ("Ms. Fang"), aged 51, has been appointed as a non-executive Director and the Deputy Chairperson of the Company since June 2015. Ms. Fang obtained a master degree in economics at Renmin University of China (中國人民大學) in 1993 and a doctoral degree in economics at the same university in 1998.

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

Mr. Tsai Ming-hsing ("Mr. Tsai"), aged 60, has been appointed as a non-executive Director and a Deputy Chairman of the Company since September 2015. Mr. Tsai obtained his Bachelor of Business Administration degree from the School of Law of National Taiwan University in 1979 and his Master of Business Administration degree from the Graduate School of Business Administration of New York University in 1981. From October 2012 to October 2014, Mr. Tsai was the chairman of the Taiwan Telecommunication Industry Development Association. Since June 2014, Mr. Tsai has been appointed as the vice chairman of the Chinese Taipei Basketball Association for a term of four years. Mr. Tsai is also a member of the China Finance 40 Forum Executive Council and a member of the China Finance 40 Forum Council.

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

NON-EXECUTIVE DIRECTORS *(Continued)*

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

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

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

Mr. Chen Jinhao ("Mr. Chen"), aged 37, has been appointed as a non-executive Director since June 2015. Mr. Chen graduated from the Sun Yat-Sen University（中山大學）with a bachelor of Science degree in Mathematics in June 2001 and obtained a MBA degree from the University of Wales, Cardiff (now known as Cardiff University) in 2003.

Mr. Chen has over eight years of experience in equity investment and management. Mr. Chen worked as an executive director of the investment department of BOCGI Zheshang Investment Fund Management Co., Ltd.（中銀投資浙商產業基金管理有限公司）from 2010 to 2013. He worked as an associate director at China Life Investment Holding Company Limited（國壽投資控股有限公司）from 2014 to 2016. He has been a managing director at China Life Private Equity Investment Company Limited（國壽股權投資有限公司）since October 2016.

Dr. Cho Kwai Chee ("Dr. Cho"), aged 54, is the founder of the Group and was appointed as an executive Director and the Executive Deputy Chairman of the Company before being re-designated as a non-executive Director on 6 March 2018. Dr. Cho founded the Group in December 1989 and was responsible for formulating, overseeing and managing the business and development strategies of the Group. During the Year, he was also a director of a number of subsidiaries of the Company. Dr. Cho graduated from The University of Hong Kong and holds the qualifications of MBBS (HK), FHKCFP, FRACGP, DCH (London), DCH (RCP&SI), DCH (Glasgow) and DPD (Cardiff). He is also a member of the Standing Committee of the 13th Guangzhou Committee of the Chinese People's Political Consultative Conference, the 4th Vice Chairperson of the Board of Directors of Yan Oi Tong for the year 2017–2018 and a Director of Po Leung Kuk Board of Directors (2017–2018). Dr. Cho has been appointed as an executive director of Convoy, whose shares are listed on the Main Board (Stock Code: 1019), since 9 March 2017. Dr. Cho is a director of Broad Idea, a company which was interested in the shares of the Company as at the date of this annual report, which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Ho Kwok Wah, George ("Mr. Ho"), *MH*, aged 60, has been an independent non-executive Director since September 2004. Mr. Ho is a Practising Certified Public Accountant in Hong Kong. He is the proprietor of George K. W. Ho & Co., Certified Public Accountants and possesses over 20 years' professional experience in accounting, auditing, tax planning and business advisory. Mr. Ho is a director of Hong Kong Shatin Industries and Commerce Association Limited and Hong Kong Commerce and Industry Associations Limited. He is also an independent non-executive director of Rykadan Capital Limited, whose shares are listed on the Main Board (Stock Code: 2288) and PuraPharm Corporation Limited, whose shares are listed on the Main Board (Stock Code: 1498). He had been an independent non-executive director of Belle International Holdings Limited, whose shares are delisted on the Main Board (Stock Code: 1880) since 27 July 2017, Mr. Ho is also the Chairman of the Audit Committee and the Remuneration Committee and a member of the Nomination Committee.

Mr. Wong Tat Tung ("Mr. Wong"), *MH, JP*, aged 48, has been an independent non-executive Director since December 2014. Mr. Wong has over 18 years' business experience in the field of asset management and investment. He has served as a Vice President of Credit Suisse Privilege Limited in Hong Kong. Currently, he is the managing director of Channel 8 Wealth Management Limited. Further, Mr. Wong is a committee member of the city of Tianjin Chinese People's Political Consultative Conference. In addition, Mr. Wong was the Chairman of Yan Oi Tong for the year 2012–2013 and at the same time offered by Wuyi University as a board member of their school. From 19 March 2012 to 20 June 2014, Mr. Wong was an independent non-executive director of Larry Jewelry International Company Limited (formerly known as Eternite International Company Limited), whose shares are listed on GEM (Stock Code: 8351). Mr. Wong is also the Chairman of the Nomination Committee and a member of the Audit Committee and the Remuneration Committee.

Mr. Yu Xuezhong ("Mr. Yu"), aged 60, has been appointed as an independent non-executive Director since June 2015. Mr. Yu graduated from The Fourth Military Medical University（第四軍醫大學）in 1984.

He obtained a master degree in medicine from 中國協和醫科大學 (in English for identification purpose only, China Union Medical University) (now known as Peking Union Medical College（北京協和醫學院）) in 1991.

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

INDEPENDENT NON-EXECUTIVE DIRECTORS *(Continued)*

Ms. Li Mingqin ("Ms. Li"), aged 59, has been appointed an independent non-executive Director since June 2015. Ms. Li graduated from 北京中醫學院 (in English for identification purpose only, Beijing College of Traditional Chinese Medicine) (now known as Beijing University of Chinese Medicine（北京中醫藥大學）) with a Bachelor Degree in 1982. She obtained the lecturer qualifications from 北京中醫學院 (in English for identification purpose only, Beijing College of Traditional Chinese Medicine) (now known as Beijing University of Chinese Medicine（北京中醫藥大學）) in 1988.

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

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

Mr. Wang John Hong-chiun ("Mr. Wang"), aged 52, has been appointed as an independent non-executive Director since September 2015. Mr. Wang graduated from the University of California at Berkeley in 1988 with a Bachelor of Arts degree with a major in Economics. In 1996, Mr. Wang obtained his Master of Management degree from the J.L. Kellogg Graduate School of Management at Northwestern University.

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

Since March 2012, Mr. Wang has been a director of W.T.T. Investment Limited. Mr. Wang has been the president of 忠興開發股份有限公司 (in English for identification purpose only, Zhongxing Kaifa Co., Ltd.), which is an affiliate of the Tsai's family of Fubon Financial from March 2015 to May 2016. He is also the president of 儒記投資股份有限公司 (in English for identification purpose only, Ru Chi Investment Corporation Limited. He had been a non-executive director of Convoy, whose shares are listed on the Main Board (Stock Code: 1019), from 5 October 2016 to 25 January 2018. He is a member of the Audit Committee.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

Dr. Chan Wing Lok, Brian, aged 53, graduated from The University of Hong Kong and holds the qualifications of MBBS (HK), DCH (RCP&SI) and DPD (Cardiff). He is the district vice president of Yau Tsim District of Scout Association of Hong Kong. He joined the Group in 1991. He had been an executive Director from 18 July 2011 to 2 September 2015. He is currently the chairman of Town Health Medical & Dental Services Limited, a subsidiary of the Company, and is responsible for the Group's clinic operational management and business development, and the enhancement and maintenance of the Group's service quality. He is also a director of a number of subsidiaries of the Company. He is also a medical practitioner of the Group delivering medical consultation services to the patients of the Group.

Dr. Nelson C. K. WONG, aged 64, is the Chief Executive of Vio, a non-wholly owned subsidiary of the Company. He received his medical education at the University of London on a British Council Scholarship. In 1981, he passed his Diploma of Membership of the Royal Colleges of Physicians of the United Kingdom (MRCP (UK)). He subsequently embarked on a self-study course in insurance operations and was awarded the Fellowship Diploma of the Life Management Institute (FLMI) with Distinction in 1987. He was formerly a part-time Consultant of several major insurers.

He is a serial entrepreneur, having built and sold 3 successful medical firms to listed companies. In 1982, he co-founded Allied Medical Practices Guild with an innovative structure and a disruptive business model. He pioneered a unique intranet Point-of-Sale system to facilitate front-line eligibility checking and back-office Electronic Data Interchange in 1998, before e-commerce became fashionable. He tried to retire in 2003, only to be lured out of retirement in 2005 to take the helm at Vio.

He was the invited author of a book chapter on Managed Care in The University of Hong Kong published book on Hong Kong's Health System in 2006. He served on the Working Group on Primary Care under the HKSAR Government's Health and Medical Development Advisory Committee from 2008–2016. He is a Vice-Chairman of the Business and Professionals Federation of Hong Kong. His recent innovation is effective Pharmacy Benefit Management.

Dr. Yau Yi Kwong, aged 55, graduated from The University of Hong Kong and holds the qualifications of BDS (HK) and DGDP (UK). He is currently responsible for the Group's dental clinic management and is the Group's organiser of continuous dental education and is committed to enhancing the overall standard of our dental services. He joined the Group in November 2000.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

PREPARATION BASIS AND SCOPE

As a company based and serve in Hong Kong, Town Health is fully committed to environmental protection, socially responsible and equipped with the strictest corporate governance. In pursuance of the requirement of the *ESG Reporting Guide* contained in Appendix 27 to the Listing Rules, the Company has prepared this ESG report, covering business segments in which the Group was principally engaged, including: (i) provision of healthcare and dental services; (ii) managed care business (under Vio); (iii) investments in securities and properties and treasury management; (iv) hospital management and consulting services business; and (v) others.

The scope of this report will cover the Group's initiatives on introducing the concept of ESG to its internal and external stakeholders, putting them into practices to its daily operations and disclosing results as a year-end summary over the Year. It is also the intention of the management to provide an overview of the Group's direction in managing ESG related issues, driving for ESG initiatives throughout the Group, and communicating its ESG performance result with its stakeholders.

REPORTING BOUNDARY AND PERIOD

The reporting boundary of this report shall cover the operation activities throughout the Group, including the medical business in Hong Kong and as well as the hospital management operation of Nanyang Xiangrui.

The reporting period of this report shall cover the date from 1 January 2017 to 31 December 2017.

STAKEHOLDERS' FEEDBACK

The Group welcomes stakeholders' feedback on its ESG approach and performance. For any suggestion or opinion, please kindly send it to the Group through its communication channels.

TOWN HEALTH'S CORPORATE SOCIAL RESPONSIBILITY POLICY

The Group recognises its impact on the society and environment, therefore, in addition to the compliance with laws and regulations, it adheres to the highest standards of corporate social responsibility in its business. Aligned with its mission and vision on sustainability, the Group is committed to protecting the environment, caring for staff and serving the community.

Protecting the Environment

The Group understands its business operation contributes to significant consumption of natural resources and its waste releases will pose risk to the public health and the environment if not well managed. It strives to protect the environment, reduce carbon emission and establish a green office by implementing various energy saving, water saving and waste reduction initiatives.

Caring for Staff

The Group takes its responsibility seriously to promote harmonious relationships and environment at workplace. It treasures staff as its valuable assets, encourages team work and places staff's personal growth at high priority.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Serving the Community

The Group recognises the importance to serve the underprivileged community and nurture our next generation. It pledges to support local charity organisations through partnership with local charity organisations, donations and active participation in voluntary services. It also focuses on supporting organisations that enhance personal development and growth of youth to nurture young leaders for future generation.

Details of the Group's corporate, social and environmental initiatives will be discussed in subsequent sections.

ENVIRONMENT

The Group aims to generate revenue for its shareholders and provide the best products and services to its clients, but not at the expenses of the environment. The Group's senior management puts environmental protection as one of the business priority items, and has established a set of *Environmental Policy*, emphasising on best managing the Group's impacts to the local environment according to different parts of its operations.

Due to the nature and the regional coverage of the Group's business, it is important for it to manage environmental impacts attributable to its local operational activities to minimise these impacts if possible. Identified environmental issues the Group has involved during the Year were mainly related to gasoline, electricity, water, paper and clinical waste. The Group's business does not involve in the production-related air, water, or land pollutions, which are regulated under Hong Kong laws and regulations, and thus is not exposed to any material impact in these aspects. In addition, The Group's internal environmental protection awareness programme consistently reminds and encourages its employees and clients to improve on environmental performance together.

Air Emission

The Group took the initiative to examine the issue of air emission across its operation, and as discussed, the result indicated no significant impact could be reported. Due to its business nature, the Group did not involve in any combustion process or industrial activities that could lead to direct air pollutant emission to the atmosphere. The Group thus concluded that its operation had no material impact through direct air emission, on the environment.

The Group will continue monitoring its operation activities and ensuring its air emission will be maintained at this level and to disclose further information as changes occur.

Carbon Emission

Besides its effort in monitoring air pollutant emission, the Group is also exploring measures to reduce its indirect carbon emission, particularly its overall carbon footprint. As the first step, the Group estimated its carbon footprint for the Year. Data such as electricity consumption, petroleum consumption and emission factor is acquired through invoices and references to third parties documents (electricity consumption and carbon intensity factor are available on the electricity bill and the sustainability report of the Group's electricity provider respectively). With such information available, the Group looks to further investigate and work with its employees and external stakeholders on enhancing the overall performance through carbon footprint reduction. Further information and progress will be disclosed in the subsequent ESG report of the Company.

As a summary, and based on its electricity consumption alone, the carbon footprint of the Group in the Year was 1,588tCO_2e.

Waste Management

As the Group offered both medical products and services, and as a socially responsible corporation, the Group is cautious about managing its generated waste, especially its clinical waste and expired medication products. The Group exerts additional attention to waste management procedure, ensuring the safety of its employees and to the compliance of all applicable laws and regulation. Details are provided as below:

Hazardous Waste – Expired Medication

Medication products will be checked for product expiration regularly by assigned senior nurses (average frequency ranging from 1–3 months) from storage sites in every medical centre. Expired products will be sent back to the headquarter for either returning to the governmental department or respective suppliers.

Hazardous Waste – Clinical Waste

Clinical waste contributes a significant portion of the Group's generated hazardous waste from its operation activities, and dedicated measures are in place to ensure the proper treatment to safeguard both the public and its employees. The employees are well trained to handle and segregate waste in all clinics and offices, and the appropriate treatments are categorised according to the following groups for further process:

- Group 1 – Used or contaminated sharp objects;
- Group 2 – Laboratory waste;
- Group 3 – Human and animal tissues;
- Group 4 – Infectious materials;
- Group 5 – Dressings; and
- Group 6 – Other wastes.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Handling procedures and guidelines are developed for different groups of waste, and will be disposed in specific containers, coloured accordingly, and sealed and tied separately before collected by licensed clinical waste collectors. Details of the specific procedure are provided and available to the Group's related employees and stakeholders.

During the Year, there was no major accident encountered in the Group's operation, and the Group had complied to the all applicable clinical waste related Hong Kong laws and regulations, including but not limited to the Waste Disposal Ordinance (Cap. 354 of the Laws of Hong Kong). The Group will continue monitoring closely and work diligently to ensure the proper treatment of its generated hazardous waste in the future.

Non-hazardous Waste
Waste reduction measures are promoted throughout the Group's operations, such as paper recycling by encouraging the appropriate use of recycled paper in the workplaces. In addition, the Group took the initiative further by driving for a "Green Office". Promoted waste reduction actions are the followings:

- Encourage computer-based administration procedures;
- Adopt electronic filing system;
- Use electronic communication channels for information sharing;
- Adopt double-sided printing and photocopying;
- Reuse paper that are used on one side for drafting, photocopying and fax deliveries;
- Utilise paper by adjusting document's margins, font size and printer settings;
- Reuse envelopes when delivering internal documents;
- Use pre-inked stamps instead of sticker or paper labels; and
- Avoid using paper cups.

The staff were provided with "Green Tips", encouraging an effective operation to reduce waste generation (for example the staff were encouraged to communicate on the e-platform, or to utilise handkerchief or hand dryers for the reduction on tissue or paper towel). The effort was well received and was supported by the staff.

As a summary, the Group has generated approximately 1,152kg of hazardous waste and approximately 585,000 pieces of paper during the Year.

Use of Resources
As an environmental-friendly corporation, the Group actively promotes the culture of "Green Office" to its staff, focusing primarily and particularly on energy or electricity and water consumption.

Initiatives such as adopting an energy conservation and efficiency policy and practices in offices and utilising green technologies, were successfully implemented throughout the Year. The Group's headquarter is equipped with solar cells to utilise the carbon-less renewable energy to lessen the carbon burden from electricity generation. In addition, the "Green Office" concept had been implemented in different parts of the Group's business as different actionable items.

Resources Conservation
The Group understands a fair amount of natural resources is consumed from its operation, leading to significant impacts to the environment. With this in mind, the Group is cautious about its consumption, especially on electricity and water use, and tries to conserve and minimise its consumption footprint.

Electricity
In line with its "Green Office" directive, the Group actively promoted the concept of smart usage of electricity in its premises. Initiatives were implemented in offices, such as automatic lighting system were installed to avoid unnecessary lighting use. Notices on energy saving were issued to raise the awareness of the staff on energy conservation. Other initiatives implemented on energy saving were:

- Adjusting air conditioners' temperature to 25.5°C;
- Switching off all electronic devices during lunch hours and when leaving office;
- Using stairs instead of lifts when possible; and
- Setting computers on energy saving modes.

Water
In addition to its effort on energy conservation, the Group was also working with its employees on water conservation measures. Notices were posted to remind the staff to:

- Clean only after containers' waste water is disposed;
- Control water flow at the tap to avoid over usage;
- Turn off tap when applying soap;
- Avoid unnecessary flush;
- Perform regular maintenance on water taps; and
- Avoid wasting water in upflow water dispenser.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Clinical Packaging

The Group's business involves clinic operation, providing medical services to patients that are in needs. After doctor provides consultation, medicine will be provided according to the prescriptions and medicine bottles, plastic bags and small boxes for medical cream will be distributed as part of the service. Working in line with its initiative on waste reduction, the Group's clinics are also reducing material consumption, particularly on lessening the plastic materials consumption. The Group will continue driving for efficient material use initiative, monitor and improve its performance in the future.

As a summary, and after a careful and diligent effort, the Group reported a total consumption of approximately 2,940,264kWh of electricity and approximately 7,186m^3 of water consumption during the Year. In addition, the Group's clinic had consumed the following amount of packaging materials during the operation:

Item	Total (Pieces in thousands)
Plastic bottle (1oz – 60ml)	8
Plastic bags	735
Ziplock bags	770
Medicine bottle (40cc – 500cc)	597
Medical cream boxes	57
Overall	2,167

SOCIAL

The business of the Group involves working with a large number of great professionals, and offering competitive compensation to its staff, while treating all of its staff equally and fairly. Complying to laws and regulations have always been one of our Group's guiding principles. The Group will monitor and improve in areas as needed, and continue to grow sustainably and in a socially responsible manner.

Employees

Employees are the Group's most precious asset, and providing a safe and equal-working environment is one of our top priorities. The Group understands the success and sustainable growth rely on the contributions and dedication from its employees, and thus instils a culture of unity and professionalism throughout its operation. The Group's remuneration policy stated clearly that employees will be compensated with a fair and equitable manner, and the opportunity to grow and excel with the Group through continuous learning at all levels. The Group's senior management continues to communicate with employees, and to ensure this culture can be implemented in all levels of the Group.

Employment

The Group rewards its employees with competitive remuneration (including performance bonus), along with promotional opportunities, compensation and benefits packages to attract and retains talents. Remuneration is determined with reference to the prevailing market condition as well as the competency, qualifications and experience of individual employee. Performance bonus will be paid to the employees as a recognition of their contributions to the Group. Employees are entitled to mandatory provident fund, medical insurance and body check program. Dental specialists, who are at higher risk of injury, are offered with specific insurance plans to enhance their protection. Employees are also entitled to statutory holidays and different types of paid leave including annual leave, sick leave, maternity leave, paternity leave, compensation leave, compassionate leave and injury leave.

The Group has been always concerned about the employees, encouraged colleagues to focus on a healthy work-life, and decided to optimise the welfare policy. Starting from 1 April 2016, the Company implemented the "Employees Free Anniversary Health Check" for all full-time employees that have worked for 2 years or above (not applicable to contract employees and part-time employees). In addition, a free health check service will be offered once per year as an extended gratitude to employees.

Policies on remuneration, benefits, training and occupational health and safety are regularly reviewed, and the Group employs an "Award and Penalty System", under which employees and clinic offices with outstanding customer services are recognised and encouraged through awards on an annual basis, while disciplinary action would be taken if an employee has committed an act of serious misconduct.

Remuneration Committee

To ensure the Group's remuneration scheme stay competitive, the Company had established the Remuneration Committee, with its role and function set out in specific written terms of reference in accordance with the provisions set out in the CG Code. The principal duties of the Remuneration Committee are to formulate the Company's remuneration policy and recommend specific remuneration packages of all Directors and senior management to the Board for approval. The Remuneration Committee adopted the approach under code provision B.1.2(c)(ii) to make recommendation to the Board on the remuneration packages of the Directors and senior management of the Company. The Remuneration Committee should also consider factors such as salaries paid by comparable companies, time commitment and responsibilities, and include those factors into the remuneration policy.

The Remuneration Committee will meet regularly to review the policy for the remuneration of the Company, assess the performance, and recommend remuneration packages of the Directors and senior management of the Group.

Emolument Policy

The Group's emolument policy was set aiming to provide a fair market remuneration to attract, retain and motivate high quality talent, having regard to the Group's and individual's performance and comparable market trends. At the same time, such awards must be aligned with the Shareholders' interests.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Retirement Benefit Scheme

The Group participates in Mandatory Provident Fund Scheme under the Hong Kong Mandatory Provident Fund Schemes Ordinance (Cap. 485 of the Laws of Hong Kong) (the "Pension Scheme") for all qualifying employees employed.

During the Year, total contributions paid or payable to the Pension Scheme by the Group amounted to approximately HK$7,030,000 (2016: approximately HK$9,493,000), which had been recognised as expenses and included in staff costs in the consolidated statement of comprehensive income.

Occupational Health and Safety

The Group's operation requires its employees handling different types of clinical products, equipment or the disposal of clinical waste. Thus, the Group strives to maintain a high occupational safety and health standard, ensuring a safe and comfortable working environment for its staff.

Clinical staff were provided with a clear *Occupational Safety Guideline* for daily operation practices, recommending the appropriate conduct or the use of safety equipment during operation (i.e. the correct posture for lifting heavy goods, the use of personal safety equipment, and the safe handling on after-used clinical waste or sharp objects). Notices were posted in the common areas as reminders for employees to arose awareness to minimise occupational related injury. Nurses, especially the new recruits, are arranged with 3 different training sessions (which includes the topics of safety), and with follow-up examinations to ensure a full understanding on the materials had been delivered.

In summary, during the Year, the Group had no material non-compliance breach with relevant standards, rules and regulations, and had no major accident encountered during operation. The Group has recorded a total of 512 days of sick leave taken by employees in 2017, and the breakdown of working time lost due to employees' injury can be concluded as below:

	2017	2016
Work related fatality	**0**	0
Work injury cases > 3 days	**3**	1
Work injury cases < 3 days	**13**	16
Lost days due to work injury	**16**	17.5

Equal Opportunities, Diversity and Anti-Discrimination

Equal opportunities are given to employees in respect of recruitment, promotion, training and development, job advancement, compensation and benefits and all other aspects of employment practices. The diversity of employees provides the Group with a valuable mix of perspectives, skills, experience and knowledge for addressing contemporary business issues. The employees are not discriminated against or deprived of such opportunities on the basis of gender, ethnic background, religion, colour, sexual orientation, age, marital status, family status, retirement, disability, pregnancy or any other discrimination prohibited by applicable laws. The Group appreciates the importance of cultural diversity in Town Health, and employs in a wide range of ages, genders, and ethnicities. During the Year, the Group complied with the relevant Hong Kong laws and regulations including but not limited to:

- The Sex Discrimination Ordinance (Cap. 480 of the Laws of Hong Kong);
- The Disability Discrimination Ordinance (Cap. 487 of the Laws of Hong Kong);
- The Family Status Discrimination Ordinance (Cap. 527 of the Laws of Hong Kong); and
- The Race Discrimination Ordinance (Cap. 602 of the Laws of Hong Kong).

The Group has zero tolerance over any sexual harassment and discrimination behaviour, and employees found to be misconduct are subject to internal disciplinary action with no exception.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

A summary of the Group's workforce diversity distribution can be found as below:

Employees in Hong Kong by gender (as of 31 December 2017)*:

	No. of Employee	Male	Female	Full-time	Part-time
Management	18	15	3	18	–
Doctor	168	112	56	135	33
Nurse	480	11	469	412	68
General staff	475	169	306	461	14
Overall	1,141	307	834	1,026	115

Employees in Hong Kong by age (as of 31 December 2017)*:

	Aged <25	Aged 26–35	Aged 36–45	Aged 46–55	Aged >55	Total
Management	–	–	2	8	8	18
Doctor	5	29	82	35	17	168
Nurse	139	206	73	46	16	480
General staff	40	186	134	84	31	475
Overall	184	421	291	173	72	1,141

* The difference between the above number of employees disclosed (1,141) and the total number of employees of the Group (1,245) of 104 represents the number of visiting doctors of the Group, personal data of whom were not collected.

Labour Standards

The Group's human resources department strictly abides by the labour laws of Hong Kong and the Group's recruitment guidelines throughout the recruitment process. The Group stipulates in explicit terms within the labour contract and attendance system about working hours, rest and leave entitlement, labour protection and working conditions. During the Year, employees who practised medicine and surgery have registered with the Medical Council of Hong Kong in accordance with the provisions of the Medical Registration Ordinance, (Cap. 161 of the Laws of Hong Kong), while employees who practised dental treatment were registered with the Dental Council under the Dentists Registration Ordinance, (Cap. 156 of the Laws of Hong Kong). The Human Resources Department verified candidates' identity by checking their identity cards and relevant certificates. During the Year, no child nor forced labour presented in the Group's operations, and the Group complied with all applicable labour standards related Hong Kong laws and regulations including but not limited to the Employment Ordinance (Cap. 57 of the Laws of Hong Kong).

Development and Training

Training and development forms an important part of the Group's human capital management strategy. It is valued as essential to the personal growth of employees, ensuring and improving the Group's customer services.

The Group's training programmes are tailored to suit business needs and help employees to improve their knowledge and skill. The Group offers comprehensive professional capability trainings, where sharing sessions or seminars are also organised for professional doctors (a 2-hours sharing seminar was organised for a total of 9 doctors in 2017). Employees are provided with customised trainings and guidance and handbooks, with respect to their specialities. Training courses include:

334 New Joiner Training (3+3+4 Weeks)

New employees are required to join the "334 New Joiner Training Programme" to familiarise themselves with necessary knowledge, technical skills and procedures. The training lasts for 10 weeks. Employees will be examined after training to ensure that they have acquired necessary knowledge and have met the professional standards. Existing employees are also provided with reinforcement trainings to enhance operational efficiency.

The breakdown of 334 New Joiner Training Programme for nurses of the Group are as follows:

New Joiner Training (Nurse)	No. of headcount	No. of hours	Total hours
1st lesson	61	4	244
2nd lesson	51	3	153
3rd lesson	47	3	141
Exam	42	1.5	63
	201	11.5	601

Basic Customer Service of Health Care Assistants

The training enables health care assistants ("HCA") to understand reasons for delivering quality customer services, and ways to upgrade the Group's customer services in aspects of HCA's physical and oral manners, attitudes, diplomacy, and sensitivity. Apart from delivering relevant knowledge and skills, cases are also discussed, serving as ready references to HCAs when they encounter similar circumstances in the future.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Customer Service

The Group has set up a comprehensive *Complaint Handling Policy*, where a "compliant case alert" in its system will be flagged when new case arises. Relevant department will perform follow up action through investigation, and result shall be reported to the customer service team for further actions.

Share Customer Service Cases with Doctors and Discussion

The Group conducts occasional sharing sessions among doctors, during which doctors shared cases of complaint or cases requiring attention, to allow doctors to be aware of professional attitudes and good manners which they should maintain when facing patients. During the Year, 9 doctors joined the sharing session on "How to Establish Good Relationship with Customers".

Employees, Customers, Suppliers and Other Stakeholders

The Group values relationship with its customers and suppliers, and treat it as an important aspect of its business. The Group maintains an open engagement channel with its customers through complaint revision meetings, as it brings insight to its operation performance. It was proven to be effective in understanding the latest performance and to better its services. The Group is also dedicated to build a close working relationship with its suppliers, and conducted regular performance revision and appraisal to build a closer working relationship with its clients.

The Group also believes effective communication should include a timely and accurate information disclosure. Not only does it bring confidence to the Shareholders and investors, which are beneficial for investor relations, but also invites constructive feedback for perfecting the Group's operation.

The Group will continue the success of its open communication, and the interactions will be sustained for a successful working relationship with its stakeholders in the future.

Supply Chain Management

The Group is highly attentive to the reputation and reliability of pharmaceutical drugs suppliers. It ensures suppliers and its business partners comply with local and international standards on pharmaceutical drugs. Quality and safety of the drugs are ensured through certifications and qualifications from its suppliers.

To accurately and efficiently manage pharmaceutical purchasing and medication inventory in both warehouse and clinic offices, the Group developed a customised real-time registration system for its operations. Purchased pharmaceuticals are registered with traceable suppliers and their distribution information are shown clearly in this registration system. Stock inventory review is also carried out by senior nurses in every medical centres regularly (ranging from every 1–3 months depending on individual medical centres) to further confirm and countercheck the data. In addition, the Group uses an internal e-procurement platform to facilitate electronic supply chain management. This enhances greater operational efficiency and reduces adverse environmental impacts by cutting down paper usage for internal order of stationaries.

Product Responsibility

(i) *Pharmaceuticals Handling*

Pharmaceuticals are handled with special precautions. The Group has specific standards for pharmaceuticals storage, and the labelling of package and storage compartments. Topical medications and dangerous drugs are stored separately from general medications. Dangerous drugs were handled in accordance to the Dangerous Drugs Ordinance (Cap. 134 of the Laws of Hong Kong) with clear traceable records during the Year.

In addition, labels of pharmaceuticals must show name of patients, date of dispensing, name and address of pharmacy or medical practitioner, trade name or common name of the medicine, dosage per unit, method and dosage of administration and precaution where applicable. Information on labels of pharmaceuticals and information of patients are double verified before distribution. Conspicuous reminders and instructions are also posted in pharmacies for staff's reference. Employees who violate serious pharmaceutical handling and safety procedures may be dismissed according to their employment contracts.

(ii) *Medical Advertisement*

During the Year, the Group complied with the Undesirable Medical Advertisements Ordinance (Cap. 231 of the Laws of Hong Kong) to protect public health without publication of advertisements for medicine, surgical appliance or treatment that may induce the seeking of improper management of certain health conditions.

(iii) *Safety and Hygiene*

Employees exercise strict disinfection procedures to ensure machines and equipment to be used are uncontaminated. Blood, especially blood with infectious diseases, is handled with special precautions. The Group hired a cleaning contractor to maintain cleanliness and hygiene of all medical centres. All cleaning procedures, guidelines and quality requirements are therefore standardised across the Group. The environment is kept clean and tidy constantly to avoid unnecessary accidents.

(iv) *Customer Service*

The Group makes every effort to maintain high standard of customer service and continuously improves its service to enhance business competitiveness. Frontline staff are provided with customer service trainings and relevant guidelines to strengthen their awareness and service skills. Quality services are monitored and evaluated through monthly inspections by management staff. The Group also has systematic channels for enquiries and complaints. The Group puts customers' opinion at a high priority. Complaints are dealt with in accordance to the Group's guidelines on proper procedures with special attention and patience.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

In 2015, the Group proudly introduced a One Pass platform to look after patients' daily needs. One Pass is an online to offline (O2O) healthcare and lifestyle platform which integrates the Group's healthcare business segments. The One Pass mobile application:

- Enables patients to book online for the health services;
- Serves as an information hub to keep patients updated with new events and advice from experts;
- Engages patients with their friends by building kinship circle;
- Tracks patients' health to boost their healthy lifestyle; and
- Provides exclusive offers, promotions and deals to patients.

(v) Data Protection and Privacy

The Group has security measures in place to provide adequate protection and confidentiality of all corporate data and information. It protects and maintains information confidentiality in its operation. During the Year, the Personal Data (Privacy) Ordinance (Cap. 486 of the Laws of Hong Kong) was fully complied with to protect the rights of employees, patients, and business partners.

Anti-Corruption

The Group commits to managing all business without undue influence and has regarded honesty, integrity and fairness as its core values. All directors and employees are required to strictly follow the Code of Conduct and Staff Regulations to prevent potential bribery, extortion, fraud and money laundering. The Group's Code of Conduct states clearly that:

- All directors and employees should avoid conflicts of personal interest and their professional duties;
- Employees should not exercise authority, make influenced decisions and actions or gain access to the Group's assets and information through their employment in the Group to achieve private and personal gain; and
- Employees are required to declare any conflict of interest by completing the required form as instructed by the Group's Human Resource Department.

During the Year, the Group was unaware of any action of non-compliance to legal regulation relating to corruption, bribery, extortion, fraud and money laundering.

COMMUNITY

The Group understands the importance of its business is to both generate and bring profit to our Shareholders, and being socially responsible to care, serve and give back to our community wherever it is needed at the same time. The senior management consistently seeks opportunities to support social initiatives, and details of the Group's activities can be found in the following section.

Community Investment

For the past few years, the Group has been providing funds to various local organisations, sponsoring numerous charity events and showing its supports to the community. The Group's donations reached and supported different organisations in different aspects, especially in healthcare, and some of its sponsoring organisations were the followings:

- Egive For You Charity Foundation
- Hong Kong Museum of Medical Sciences Society
- Po Leung Kuk
- Shatin Livelihood Concerns Association
- Town Health Charity Foundation Ltd.

During the Year, the Group contributed a total of approximately HK$1,229,000 (2016: approximately HK$133,000) in supporting charity organisations for social benefits events. The Group will continue its effort in supporting the communities and giving back to those that are in needs.

REPORT OF THE DIRECTORS

The Directors present the annual report and the audited consolidated financial statements of the Company and the Group for the Year.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The Company acts as an investment holding company. The activities of the Company's principal subsidiaries, associates and joint ventures are set out in notes 52, 23 and 24 to the consolidated financial statements respectively.

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

Key relationships

Employees

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

Customers

Customers comprise individual customers (including patients and customers from beauty and cosmetic medicine business) and corporate customers (including insurance companies and corporations).

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

Suppliers

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

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW *(Continued)*

Environmental policies and performance

The Group is committed to building an environmentally-friendly corporate environment that pays close attention to conserving natural resources. The Group strives to minimise its impact on the environment by reducing its electricity consumption and encouraging recycle of office supplies and other materials. Further discussion on the environmental performance of the Group during the Year are set out in the Environmental, Social and Governance Report on pages 26 to 40 of this annual report.

Compliance with laws and regulations

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

(i) Medical Registration Ordinance and Dentists Registration Ordinance

All practicing medical practitioners and dental practitioners in Hong Kong are required to be registered with the Medical Council and Dental Council which were established under Medical Registration Ordinance (Cap. 161 of the Laws of Hong Kong) and Dentists Registration Ordinance (Cap. 156 of the Laws of Hong Kong) respectively.

Both practicing medical practitioners and dental practitioners registered with the Medical Council and Dental Council will be issued with a practicing certificate each year and they are required to renew their practicing certificates each year. The Group maintains an up-to-date record of the practicing certificates of its doctors and dentists and the Group has ensured compliance with both the Medical Registration Ordinance and Dentists Registration Ordinance during the Year and up to the date of this annual report.

(ii) Waste Disposal Ordinance

The Waste Disposal Ordinance (Cap. 354 of the Laws of Hong Kong) provides for the control and regulation of the production, storage, collection and disposal of clinical waste. Any unauthorised disposal of clinical waste is prohibited.

The medical and dental treatments provided at the medical centres of the Group may produce used or contaminated sharps such as needles, laboratory waste and infectious materials etc. During the Year, the Group had not been subject to any proceedings brought under, or received any complaints or warnings in relation to, the Waste Disposal Ordinance.

(iii) Undesirable Medical Advertisements Ordinance

The Undesirable Medical Advertisements Ordinance (Cap. 231 of the Law of Hong Kong) protects public health through prohibiting or restricting the publication of advertisements for medicine, surgical appliance or treatment that may induce the seeking of improper management of certain health conditions.

During the Year, no practice promotion and advertisement had been published by the Group in newspaper, magazines, journals or in any mass media.

Further discussion on the Group's compliance with laws and regulations during the Year are set out in the Environmental, Social and Governance Report on pages 26 to 40 of this annual report.

REPORT OF THE DIRECTORS

RESULTS AND APPROPRIATIONS

The results of the Group for the Year are set out in the consolidated statement of profit or loss and other comprehensive income on pages 74 and 75 of this annual report.

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.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the published results, assets and liabilities of the Group for the last five financial years is set out on page 200 of this annual report.

DONATIONS

Charitable donations made by the Group during the Year amounted to approximately HK$1,229,000.

SUBSIDIARIES

Details of acquisition and disposal of subsidiaries during the Year are set out in notes 41 and 42 to the consolidated financial statements respectively.

INVESTMENT PROPERTIES

The Group has revalued all of its investment properties it held as at 31 December 2017 using the fair value of the investment properties as at 31 December 2016. The net increase in fair value of investment properties, which was debited to the consolidated statement of profit or loss and other comprehensive income, amounted to approximately HK$76,129,000.

Details of movements in the investment properties of the Group are set out in note 18 to the consolidated financial statements. Further details of the Group's major properties are set out on page 199 of this annual report.

PROPERTY, PLANT AND EQUIPMENT

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

SHARE CAPITAL

Issue of subscription shares and convertible preference shares

Pursuant to the CPS Subscription Agreement and ordinary shares subscription agreement, both dated 31 October 2014 and entered into among the Company, Fubon Life, Fubon Insurance and Broad Idea, on 29 December 2014, the Company allotted and issued (i) 459,183,673 Shares at HK$0.98 per share; and (ii) 374,999,999 Convertible Preference Shares at HK$1.2 per share. Each of the net proceeds from the Ordinary Shares Subscription and the net proceeds from the CPS Subscription amounted to approximately HK$440 million. The aggregate net proceeds from the Ordinary Shares Subscription and the CPS Subscription of approximately HK$880 million are intended to be used as to (i) approximately HK$650 million for acquisition, investment and development of hospitals and medical institutions in the PRC, and medical or healthcare related business in Hong Kong; (ii) approximately HK$150 million for investment and development of several medical specialty centres in Hong Kong and one dental chain in the PRC; and (iii) approximately HK$80 million for developing a"one-stop, IT O2O platform" to integrate the Group's growing variety of healthcare and well-being business segments. With the funding provided by the subscribers pursuant to the Ordinary Shares Subscription and the CPS Subscription, the Group would be able to keep up with its pace of development. In addition, the subscriptions would provide prudent means to finance the Group's long term growth which will not only strengthen the Company's capital base but also enhance its financial position without increasing finance costs.

Issue of shares to China Life Group

On 5 January 2015, the Group entered into an investment agreement with China Life Group, pursuant to which China Life Group has agreed to subscribe for 1,785,098,644 ordinary shares of the Company. Upon completion of the share subscription which has taken place on 29 May 2015, 1,785,098,644 ordinary shares of the Company were allotted and issued to China Life Group at HK$0.98 per share. The net proceeds from the issue of shares to China Life Group of approximately HK$1,746 million are intended to be used (i) as to approximately HK$1,500 million for (1) developing a dental chain in the PRC and investing in or acquiring dental clinics and/or hospitals in the PRC; (2) developing or acquiring medical clinics in the PRC; (3) developing hospitals, investing in or acquiring public or private hospitals in the PRC; and (4) developing or acquiring rehabilitation hospitals and where appropriate in conjunction with nursing and/or aged care homes in the PRC; (ii) as to approximately HK$150 million for developing or acquiring business in provision of health check, laboratory testing and medical diagnostic services in the PRC; and (iii) as to approximately HK$96 million for developing managed care business in the PRC and cross border healthcare platform for medical tourism business.

REPORT OF THE DIRECTORS

SHARE CAPITAL *(Continued)*

As at 31 December 2017, (i) approximately HK$244 million of the net proceeds from the Ordinary Shares Subscription, the CPS Subscription and the issue of shares to China Life Group mentioned above had been utilised for (1) the acquisition of 49% interest in Huayao, at the consideration of approximately HK$189 million; and (2) the capital contribution to Huayao, of approximately HK$55 million, details of which are set out in the announcement of the Company dated 17 March 2015 (On 4 November 2016, the Group disposed of its entire interest in its then indirectly owned subsidiary, Wise Lead, which owned 49% of Huayao, details of which are set out in the announcement of the Company dated 4 November 2016); (ii) approximately HK$18 million of the net proceeds mentioned above had been utilised for developing One Pass, the "one-stop, IT O2O platform" of the Group; (iii) approximately HK$638 million of the net proceeds mentioned above had been utilised as the investment by the Group in Nanyang Xiangrui by way of acquisition of the equity interests and/or capital injection; and (iv) other working capital.

Further details of other movements in the share capital of the Company during the Year are set out in notes 38 and 39 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

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

RESERVES AND DISTRIBUTABLE RESERVES

Details of movements in the reserves during the Year and reserves available for distribution to the Company's shareholders of the Group and the Company are set out on pages 78 and 79 of this annual report and in note 51 to the consolidated financial statements.

The Company's reserves available for distribution to shareholders as at 31 December 2017, comprised share premium, capital redemption reserve, contributed surplus, distributable reserve and accumulated profits of approximately HK$3,901,256,000 (2016: approximately HK$4,139,759,000).

SHARE OPTIONS

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

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

SHARE OPTIONS *(Continued)*

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

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

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

The maximum number of ordinary shares of the Company which may be issued upon exercise of all options that may be granted under the existing 2008 Scheme limit is 91,119,471 ordinary shares of HK$0.01 each (representing approximately 1.21% of the issued share capital of the Company as at the date this annual report). As at the date of this annual report, options carrying the rights to subscribe for 14,103,000 ordinary shares of the Company had been granted and exercised under the existing 2008 Scheme limit (excluding those options granted and lapsed in accordance with the terms of the 2008 Scheme) and options carrying the rights to subscribe for 77,016,471 ordinary shares of the Company (representing approximately 1.02% of the issued share capital of the Company as at the date this annual report) may be granted under the existing 2008 Scheme limit.

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

There were no share options outstanding under the 2008 Scheme as at 1 January 2017 and no share options were granted by the Company under the 2008 Scheme during the Year. Particulars of the Company's share option schemes are set out in note 40 to the consolidated financial statements.

REPORT OF THE DIRECTORS

DIRECTORS

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

Executive Directors:

Miss Choi Ka Yee, Crystal *(Chairperson)*
Dr. Hui Ka Wah, Ronnie, *JP (Chief Executive Officer)*
Mr. Lee Chik Yuet
Mr. Wong Seung Ming *(Chief Financial Officer)*

Non-executive Directors:

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

Independent non-executive Directors:

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

Note: On 6 March 2018, Dr. Cho was re-designated from an executive Director to a non-executive Director and ceased to act as the Executive Deputy Chairman of the Company.

DIRECTORS' SERVICES CONTRACTS

Each of the Directors, save for Dr. Cho, has been re-appointed for a term of 2 years commenced from 1 January 2017. A letter of appointment was entered into between Dr. Cho and the Company to appoint him as a non-executive Director for a term commencing from 6 March 2018 to 31 December 2019. As at 31 December 2017, no service contract or appointment letter entered into between a Director and the Group is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

CHANGES IN DIRECTORS' INFORMATION

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

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

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

As at 31 December 2017, the interests and short positions of the Directors and the chief executives of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

Long positions in the Shares

Name of Director	Capacity	Number of Shares held	Total	Approximate % of shareholding of the Company (Note 1)
Dr. Choi	Interest of a controlled corporation	1,418,576,764 (Note 2)	1,420,776,764	18.88%
	Beneficial Owner	2,200,000		
Dr. Cho	Interest of a controlled corporation	1,418,576,764 (Note 2)	1,418,576,764	18.85%

Notes:

1. The total number of Shares as at 31 December 2017 (that was, 7,526,134,452 Shares) has been used for the calculation of the approximate percentage.

2. Such Shares were held by Broad Idea. Dr. Cho and Dr. Choi were deemed to be interested in the 1,418,576,764 Shares held by Broad Idea under Part XV of the SFO given that they are beneficially interested in 50.1% and 49.9% of the issued share capital of Broad Idea respectively. Dr. Cho and Dr. Choi are also directors of Broad Idea.

Save as disclosed above, as at 31 December 2017, none of the Directors or chief executives of the Company had any interests or short positions in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO).

REPORT OF THE DIRECTORS

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

As at 31 December 2017, the following persons (other than the Directors or chief executives of the Company) had interests or short positions in the Shares or underlying Shares as recorded in the register required to be kept by the Company under Section 336 of the SFO:

Long positions in the Shares

Name of Shareholder	Capacity	Number of Shares held	Approximate % of shareholding of the Company (Note 1)
China Life Group	Beneficial owner	1,785,098,644	23.72%
Broad Idea (Note 2)	Beneficial owner	1,418,576,764	18.85%
Classictime	Beneficial owner	674,762,000 (Note 3)	8.97%
Jun Yang	Interest of a controlled corporation	674,762,000 (Note 3)	8.97%
Fubon Financial	Interest of controlled corporations	648,809,523 (Note 4)	8.62%
Fubon Life	Beneficial owner	471,861,472 (Note 4)	6.27%

Notes:

1. The total number of Shares as at 31 December 2017 (that was, 7,526,134,452 Shares) has been used for the calculation of the approximate percentage.

2. Broad Idea is beneficially owned by Dr. Cho as to 50.1% and Dr. Choi as to 49.9%.

3. Such 674,762,000 Shares were held by Classictime, a wholly-owned subsidiary of Jun Yang. Accordingly, Jun Yang is deemed to be interested in the 674,762,000 Shares held by Classictime under Part XV of the SFO.

4. Such 648,809,523 Shares were held as to (i) 471,861,472 Shares by Fubon Life; and (ii) 176,948,051 Shares by Fubon Insurance. Each of Fubon Life and Fubon Insurance is a wholly-owned subsidiary of Fubon Financial. Accordingly, Fubon Financial was deemed to be interested in the aggregate of 648,809,523 Shares held by Fubon Life and Fubon Insurance under Part XV of the SFO.

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

Save as disclosed above, as at 31 December 2017, the Company has not been notified by any persons (other than the Directors or chief executives of the Company) who had interests or short positions in the Shares or underlying Shares as recorded in the register required to be kept by the Company under Section 336 of the SFO.

MAJOR CUSTOMERS AND SUPPLIERS

During the Year, the percentages of turnover attributable to the Group's largest customer and the five largest customers were approximately 9% and 25% of the Group's total turnover respectively. The Group's largest supplier and five largest suppliers accounted for approximately 15% and 35% of the Group's total purchases respectively.

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

DIRECTOR'S INTEREST IN COMPETING BUSINESS

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

DIRECTORS' INTEREST IN CONTRACTS OF SIGNIFICANCE

Save as disclosed in the paragraph headed "Related Party Transactions and Connected Transactions" below, no Director had a material interest, whether directly or indirectly, in any contract of significance subsisting during or at the end of the Year.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the Year was the Company, its subsidiaries, its fellow subsidiaries or its holding companies, a party to any arrangement to enable the Directors or chief executives of the Company or their respective spouse or children under 18 years of age to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

MANAGEMENT CONTRACTS

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

REPORT OF THE DIRECTORS

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 HK$	Lowest HK$	Aggregate consideration (before expenses) 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.

CORPORATE GOVERNANCE

Principal corporate governance practices adopted by the Company are set out in the Corporate Governance Report on pages 57 to 66 of this annual report.

RELATED PARTY TRANSACTIONS AND CONNECTED TRANSACTIONS

On 1 January 2015, certain subsidiaries of Bonjour Holdings as licensors, and certain subsidiaries of Bonjour Beauty, a wholly-owned subsidiary of the Company during the Year (until 13 April 2017), as licensees, entered into (i) a licence agreement in relation to the grant by Bonjour Cosmetic Wholesale Centre Limited as the licensor to Bonjour Beauty Limited as the licensee of the exclusive right to use, enjoy and occupy certain premises situated in Hong Kong ("Existing HK Licence Agreement"); (ii) a licence agreement in relation to the grant by Apex Frame Limited as the licensor to Bonjour Beauty Limited as the licensee of the exclusive right to use, enjoy and occupy certain premises situated in Hong Kong ("New HK Licence Agreement"); and (iii) a licence agreement in relation to the grant by Full Gain Developments Limited as the licensor to Speedwell Group Limited as the licensee of the exclusive right to use, enjoy and occupy certain premises situated in Macau ("Macau Licence Agreement"), brief details of which are set out below:

(i) Existing HK Licence Agreement

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

REPORT OF THE DIRECTORS

RELATED PARTY TRANSACTIONS AND CONNECTED TRANSACTIONS *(Continued)*

(ii) New HK Licence Agreement

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

(iii) Macau Licence Agreement

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

Further details of the above transactions (collectively known as the "Bonjour Licensing Arrangement") (including other terms and the reasons for the transactions) are set out in the announcement of the Company dated 1 January 2015 and the circular of the Company dated 3 February 2015 which have been posted on the websites of the Stock Exchange and the Company. During the Year, more than 30% of the issued share capital of Bonjour Holdings was owned by Dr. Ip, a connected person of the Company by virtue of him being an executive Director (resigned on 30 December 2016) upon completion of the Group's acquisition of Bonjour Beauty, each of Bonjour Holdings and its subsidiaries was a connected person of the Company under the Listing Rules. Accordingly, the transactions contemplated under the Bonjour Licensing Arrangement constituted continuing connected transactions for the Company under Chapter 14A of the Listing Rules for the Year (until 13 April 2017).

RELATED PARTY TRANSACTIONS AND CONNECTED TRANSACTIONS *(Continued)*

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

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

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

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

REPORT OF THE DIRECTORS

RELATED PARTY TRANSACTIONS AND CONNECTED TRANSACTIONS *(Continued)*

Details of significant related party transactions undertaken by the Group during the Year in the ordinary course of business are set out in note 50 to the consolidated financial statements. Save for (i) the transactions contemplated under the Bonjour Licensing Arrangement; and (ii) the related party transactions in respect of the purchase of cosmetic medicine from Bonjour Cosmetic Wholesale Centre Limited by the Group ("Purchase Transaction"), which constituted fully exempted continuing connected transactions for the Company under Rule 14A.76(1) of the Listing Rules, none of the significant related party transactions set out in note 50 to the consolidated financial statements fall under the definition of "connected transaction" or "continuing connected transaction" under Chapter 14A of the Listing Rules during the Year. In addition, save for the Bonjour Licensing Arrangement and the Purchase Transaction, there were no other transactions which constituted connected transaction(s) or continuing connected transaction(s) for the Company under Chapter 14A of the Listing Rules during the Year. The Directors confirm that the Company has complied with the disclosure requirements (if any) in accordance with Chapter 14A of the Listing Rules.

On 30 December 2016, (i) Oasis Beauty Limited, a wholly-owned subsidiary of the Company, as vendor, (ii) Profit Castle Holdings Limited, a company owned as to 50% by Dr. Ip (who resigned as an executive 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 Limited has conditionally agreed to sell, and Profit Castle Holdings Limited has conditionally agreed to acquire, 100% of the issued share capital of Bonjour Beauty 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. Such disposal was approved by the independent Shareholders on 17 March 2017. Following completion of the disposal on 13 April 2017, the Bonjour Licencing Arrangement between Bonjour Beauty Group and Bonjour Holdings and its subsidiaries has ceased to be continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

EMOLUMENT POLICIES

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

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

The Company has adopted a share option scheme (i.e. 2008 Scheme), of which share options may be granted to eligible persons. Details of the 2008 Scheme are set out in note 40 to the consolidated financial statements.

PERMITTED INDEMNITY PROVISION

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

SUFFICIENCY OF PUBLIC FLOAT

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

AUDITORS

Moore Stephens CPA Limited was appointed as the new 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 Company for the Year have been reviewed by the Audit Committee.

On behalf of the Board

Choi Ka Yee, Crystal
Chairperson

Hong Kong, 26 April 2018

CORPORATE GOVERNANCE REPORT

The Board is committed to maintaining a good corporate governance standard. The Board believes that a good corporate governance standard will provide a framework for the Group to formulate the business strategies and policies, and manage the associated risks through effective internal control procedures. It will also enhance the transparency of the Group and strengthen the accountability to the shareholders and creditors.

CORPORATE GOVERNANCE PRACTICES

The Company has adopted its own code of corporate governance based on the principles and code provisions as set out in the CG Code.

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

Directors' securities transactions

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.

Board of Directors

As at the date of this annual report, the Board comprises fourteen members, four of which are executive Directors, namely Miss Choi Ka Yee, Crystal who is the Chairperson of the Company, Dr. Hui Ka Wah, Ronnie, *JP* who is the Chief Executive Officer of the Company, Mr. Lee Chik Yuet and Mr. Wong Seung Ming who is the Chief Financial Officer of the Company. Five other members are non-executive Directors, namely Dr. Choi who is a Deputy Chairman of the Company, Ms. Fang Haiyan who is a Deputy Chairperson of the Company, Mr. Tsai Ming-hsing who is a Deputy Chairman of the Company, Mr. Chen Jinhao and Dr. Cho. Five other members are independent non-executive Directors, namely Mr. Ho Kwok Wah, George, *MH*, Mr. Wong Tat Tung, *MH, JP*, Mr. Yu Xuezhong, Ms. Li Mingqin and Mr. Wang John Hong-chiun. The biographical details of the Directors and the relationships between them (if any) are set out in the section headed "Biographical Details of Directors and Senior Management" of this annual report.

Throughout the Year, Dr. Cho was an executive Director and the Executive Deputy Chairman of the Company.

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

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

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

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

Board diversity policy

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

Directors' continuous professional development

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

Chairperson and Chief Executive Officer

Throughout the year and as at the date of this annual report, Miss Choi Ka Yee, Crystal was the Chairperson of the Company and Dr. Hui Ka Wah, Ronnie, *JP* was the Chief Executive Officer of the Company. The Chairperson and the Chief Executive Officer of the Company have segregated and clearly defined roles. The Chairperson provides leadership for the Board. The Chief Executive Officer has responsibility for the Group's overall business and development strategies, and daily management generally.

Independent non-executive Directors

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

CORPORATE GOVERNANCE REPORT

Term of appointment of non-executive Directors

Dr. Choi, Ms. Fang Haiyan, Mr. Tsai Ming-hsing and Mr. Chen Jinhao, each a non-executive Director, have been re-appointed for a term of two years commenced from 1 January 2017.

Following the re-designation of Dr. Cho from an executive Director to a non-executive Director on 6 March 2018, the original letter of appointment and the original employment contract of Dr. Cho were terminated and a new letter of appointment was entered into between Dr. Cho and the Company to appoint him as a non-executive Director for a term commencing from 6 March 2018 to 31 December 2019.

Mr. Ho Kwok Wah, George, *MH*, Mr. Wong Tat Tung, *MH*, *JP*, Mr. Yu Xuezhong, Ms. Li Mingqin and Mr. Wang John Hong-chiun, each an independent non-executive Director, have been re-appointed for a term of two years commenced from 1 January 2017.

Remuneration Committee

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

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

During the Year and as at the date of this annual report, the Remuneration Committee comprised four independent non-executive Directors, namely Mr. Ho Kwok Wah, George, *MH* , Mr. Wong Tat Tung, *MH*, *JP*, Mr. Yu Xuezhong and Ms. Li Mingqin, and one executive Director, namely Mr. Lee Chik Yuet. As at the date of this annual report, Mr. Ho Kwok Wah, George, *MH*, was the chairman of the Remuneration Committee.

The Remuneration Committee held one meeting during the Year. The Remuneration Committee reviewed the remuneration policy of the Company, assessed the performance of the executive Directors and senior management and recommended specific remuneration packages of the Directors and senior management to the Board. The employment contract of each of Miss Choi Ka Yee, Crystal, Dr. Cho, Dr. Hui Ka Wah, Ronnie, *JP*, Mr. Lee Chik Yuet and Mr. Wong Seung Ming and the letter of re-appointment of each of Miss Choi Ka Yee, Crystal, Dr. Cho, Dr. Hui Ka Wah, Ronnie, *JP*, Mr. Lee Chik Yuet, Mr. Wong Seung Ming, Dr. Choi, Ms. Fang Haiyan, Mr. Tsai Ming-hsing, Mr. Chen Jinhao, Mr. Ho Kwok Wah, George, *MH*, Mr. Wong Tat Tung, *MH*, *JP*, Mr. Yu Xuezhong, Ms. Li Mingqin and Mr. Wang John Hong-chiun and the terms thereof were also reviewed and approved by the Remuneration Committee during the Year.

Nomination Committee

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

During the Year and as at the date of this annual report, the Nomination Committee comprised three independent non-executive Directors, namely Mr. Ho Kwok Wah, George, *MH* , Mr. Wong Tat Tung, *MH, JP* and Ms. Li Mingqin and one executive Director, namely Mr. Lee Chik Yuet. As at the date of this annual report, Mr. Wong Tat Tung, *MH*, *JP* was the chairman of the Nomination Committee.

The Group adopted a board diversity policy, a summary of which is set out in the paragraph headed "Board diversity policy" in this report.

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

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

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

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

CORPORATE GOVERNANCE REPORT

Audit Committee

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

During the Year and as at the date of this annual report, the Audit Committee comprised five independent non-executive Directors, namely Mr. Ho Kwok Wah, George, *MH*, Mr. Wong Tat Tung, *MH*, *JP*, Mr. Yu Xuezhong, Ms. Li Mingqin and Mr. Wang John Hong-chiun. As at the date of this annual report, Mr. Ho Kwok Wah, George, *MH* was the chairman of the Audit Committee.

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

Corporate governance functions

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

Attendance of Directors at meetings

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

	Number of meetings attended/held				
Directors	General meetings	Board meetings	Audit Committee meetings	Remuneration Committee meetings	Nomination Committee meetings
Executive Directors					
Miss Choi Ka Yee, Crystal	2/2	9/9	N/A	N/A	N/A
Dr. Cho Kwai Chee (Note)	2/2	9/9	N/A	N/A	N/A
Dr. Hui Ka Wah, Ronnie, *JP*	2/2	9/9	N/A	N/A	N/A
Mr. Lee Chik Yuet	2/2	9/9	N/A	1/1	2/2
Mr. Wong Seung Ming	2/2	9/9	N/A	N/A	N/A
Non-executive Directors					
Dr. Choi Chee Ming, *GBS, JP*	2/2	8/9	N/A	N/A	N/A
Ms. Fang Haiyan	2/2	9/9	N/A	N/A	N/A
Mr. Tsai Ming-hsing	0	0	N/A	N/A	N/A
Mr. Chen Jinhao	2/2	9/9	N/A	N/A	N/A
Independent non-executive Directors					
Mr. Ho Kwok Wah, George, *MH*	2/2	9/9	4/4	1/1	2/2
Mr. Wong Tat Tung, *MH, JP*	2/2	7/9	4/4	1/1	2/2
Mr. Yu Xuezhong	2/2	9/9	4/4	1/1	N/A
Ms. Li Mingqin	2/2	9/9	4/4	1/1	2/2
Mr. Wang John Hong-chiun	2/2	8/9	4/4	N/A	N/A

Note: On 6 March 2018, Dr. Cho was re-designated from an executive Director to a non-executive Director.

CORPORATE GOVERNANCE REPORT

Accountability and audit

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

The statement issued by the auditors of the Company, Moore Stephens CPA Limited, regarding their reporting responsibilities is set out in the section headed "Independent Auditor's Report" on pages 67 to 73 of this annual report.

Risk management and internal controls

The Board has the overall responsibility of internal control of the Group, including reviewing its effectiveness, risk management, and setting appropriate policies having regard to the objectives of the Group. The risk management and internal control systems are designed to meet the particular needs of the Group, to mitigate the risks which it is exposed to and to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable but not absolute assurance against material misstatement or loss.

The Group's internal control and risk management systems have been developed by the Board with the following features and processes:

(1) the management, with the assistance of the front-line personnel, identifies risks that may potentially affect the Group's business and operations;

(2) the management assesses on the risks identified by considering the impacts of the risks on the business caused by the adverse events associated with the risks and the likelihood of occurrence of these adverse events;

(3) the management prioritises the risks based on their probability and the severity of impact on the business;

(4) the management reports regularly to the Board on the risks identified and their impact on the Group for the Board's formulation of the risk management strategies and internal control processes to prevent, avoid and mitigate the risks;

(5) the management performs ongoing and periodic monitoring of the risks to ensure that appropriate internal control processes are in place and material internal control defects can be resolved and reports its findings and results to the Board regularly; and

(6) the Board, with the assistance of the Audit Committee and the management, reviews the risk management strategies and internal control processes on a regularly basis.

The Company will perform ongoing assessment to update all material risk factors on a regular basis. In any case, review on risk management and internal controls will be conducted annually.

Internal audit

The Company does not have an internal audit department. The Company had engaged an external service provider to conduct an annual review of the effectiveness of the risk management and internal control systems of the Group for the Year. Based on the procedures performed and understanding of normal industrial practice, it was reported that no significant deficiencies were identified and recommendations were suggested to Audit Committee and the management for their consideration for the purpose of improvement on risk management and control systems. Having considered the reports of the external service provider, the Audit Committee and the Board considered that the Group's systems of risk management, financial and non-financial controls (including operational and compliance controls) are effective and adequate.

During the Year, the Board and the Audit Committee had conducted an annual review on the need of setting up an internal audit function. The Audit Committee was of the view that the Company should set up an internal audit function in the future, using its own manpower and resources, in order to perform review and control on an ongoing basis. In view of the opinion and recommendation of the Audit Committee, the Company would proactively explore on the setting up of an internal audit function.

Inside information

In relation to the management of inside information, the Company has formulated a policy on disclosure of inside information to ensure that inside information is handled and disseminated properly and in accordance with the applicable laws and regulations. The finance team and the department heads within the Group are responsible for monitoring the changes and developments in their respective areas of operation and report any potential or suspected inside information events to the Board. Based on these information obtained through internal reporting, the Board assesses whether any of the information constitutes inside information which needs to be released to the public with the advice of internal legal team. Should public disclosure be required, the Board will determine the scope of information to be disclosed and the timing of disclosure. If and when appropriate, the Board may seek independent professional advice to ensure that the Company complies with the disclosure requirements. The Company discloses information to the public generally and non-exclusively through channels including websites of its own and the Stock Exchange, with an aim to achieve fair and timely disclosure of information.

Directors', senior management's and employees' emoluments

The Group's remuneration policy aims to provide a fair market remuneration to attract, retain and motivate high quality talent, having regard to the Group's and individual's performance and comparable market trends. At the same time, such awards must be aligned with the Shareholders' interests.

Particulars of Directors' remuneration, five highest paid individuals' emoluments and staff costs are set out in notes 11 and 12 to the consolidated financial statements.

CORPORATE GOVERNANCE REPORT

The amount or value of fees (including bonus) of the senior management of the Group by bands for the Year is set out below:

Fees by bands	Number of individuals
Nil to HK$1,000,000	–
HK$1,000,001 to HK$2,000,000	1
HK$2,000,001 to HK$3,000,000	–
HK$3,000,001 to HK$4,000,000	1
HK$4,000,001 to HK$5,000,000	1

No Director waived any emolument during the Year.

Auditors' remuneration

For the Year, fee for statutory audit services provided by the auditors of the Group. Moore Stephens CPA Limited, to the Group amounts to approximately HK$3,500,000. No non-audit services was provided by the auditors to the Group during the Year.

COMMUNICATION WITH SHAREHOLDERS

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

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

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

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

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

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

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

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

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

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

Procedures for Shareholders sending enquiries to the Board

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

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

INDEPENDENT AUDITOR'S REPORT

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TO THE SHAREHOLDERS OF
TOWN HEALTH INTERNATIONAL MEDICAL GROUP LIMITED
康健國際醫療集團有限公司
(Registered in Bermuda with limited liability)

Opinion

We have audited the consolidated financial statements of Town Health International Medical Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 74 to 198, which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

TO THE SHAREHOLDERS OF
TOWN HEALTH INTERNATIONAL MEDICAL GROUP LIMITED *(Continued)*
康健國際醫療集團有限公司
(Registered in Bermuda with limited liability)

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of goodwill and intangible assets arising on acquisition of subsidiaries and medical practices	
We identified the impairment assessment of goodwill and intangible assets as a key audit matter as significant judgement was required to be exercised by the Group's management on the estimation of the recoverable amounts of the groups of cash-generating units ("CGUs") to which goodwill and intangible assets have been allocated. As disclosed in notes 5, 21 and 22 to the consolidated financial statements, the Group's goodwill and intangible assets as at 31 December 2017 were HK$502,127,000 and HK$368,134,000, respectively (2016: HK$497,912,000 and HK$372,931,000). Goodwill and intangible assets have been allocated to the respective CGUs. Impairment of goodwill and intangible assets were assessed by the management through comparing the recoverable amounts of the CGUs with the carrying amounts of the CGUs including the goodwill and intangible assets. The recoverable amount is the higher of value in use or fair value less costs of disposal. In determining the value in use, the management estimates based on discounted cash flows taking into account key assumptions including discount rate, future growth rate and expected gross margin.	Our procedures in relation to the impairment assessment of goodwill and intangible assets included: • Discussed with management how it performed the impairment assessment of goodwill and intangible assets, including the process of allocating goodwill and intangible assets to the appropriate CGUs, and determining the recoverable amounts of the CGUs; • Evaluated the appropriateness of the valuation model adopted by the management; • Evaluated the reasonableness of key assumptions used in the value in use calculation against historical performance and future business plan of the Group in respect of each CGU and checked its arithmetical accuracy; • Tested the key inputs used in the discounted cash flows against the relevant supporting evidences and approved budgets; and • Evaluated the sufficiency of the relevant disclosure of impairment assessment in the consolidated financial statements.

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF
TOWN HEALTH INTERNATIONAL MEDICAL GROUP LIMITED *(Continued)*
康健國際醫療集團有限公司
(Registered in Bermuda with limited liability)

Key Audit Matters *(Continued)*

Key audit matter	How our audit addressed the key audit matter
Valuation of investment properties	
We identified the valuation of investment properties as a key audit matter due to the significance of the balance to the consolidated financial statements as a whole, combined with the degree of significant judgements associated with determining the fair value. Management has estimated the fair value of the Group's investment properties was HK$597,601,000 as at 31 December 2017 (2016: HK$652,123,000), with a fair value gain for the year ended 31 December 2017 recorded in consolidated profit or loss of HK$76,129,000 (fair value loss for the year ended 31 December 2016: HK$20,098,000). In determining the fair value of investment properties, the management and independent professional valuer (the "Valuer") had taken into account key inputs including price per square feet, reversionary rate and monthly rent with certain unobservable inputs that require significant management judgement, including the adjustment of the building age, location, fair market rents and people flows to reflect different locations or conditions.	Our procedures in relation to the valuation of investment properties included: • Discussed with management and the Valuer how the Group determined the fair value of the investment properties, including the valuation techniques selected and key inputs adopted; • Assessed the qualification and experiences of the Valuer; • Evaluated the appropriateness of valuation techniques and the reasonableness of the key inputs and assumptions adopted by the management of the Group and the Valuer by tracing to entity-specific information and market data; and • Evaluated the sufficiency of the relevant disclosures of the investment properties in the consolidated financial statements.

TO THE SHAREHOLDERS OF
TOWN HEALTH INTERNATIONAL MEDICAL GROUP LIMITED *(Continued)*
康健國際醫療集團有限公司
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Key Audit Matters *(Continued)*

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of interests in associates	
We identified the impairment assessment of interests in associates as a key audit matter due to significant judgement was required to be exercised by the Group's management in assessing the impairment. As disclosed in notes 5 and 23 to the consolidated financial statements, the carrying amount of the interests in associates was HK$268,675,000 as at 31 December 2017 (2016: HK$175,756,000). In determining the recoverable amounts of associates, estimation of the value in use was required and the valuation was carried out by management and the Valuer engaged by the Group. In determining the value in use, management's estimates were based on cash flow forecast for the relevant business and required the adoption of certain assumptions such as budgeted sales, gross margin, other related expenses, discount rate and terminal growth rate. Management has concluded that there was no impairment in respect of the interests in associates as at 31 December 2017.	Our procedures in relation to the impairment assessment of interests in associates included: • Discussed with management and the Valuer how the Group estimated the recoverable amounts of associates, including the valuation model adopted, key assumption used; • Assessed the competence, capabilities and objectivity of the Valuer performing the valuation; and • Evaluated the reasonableness of the valuation methodology and key assumptions used in the value in use calculation against historical performance and future business plan of the associates and checking its arithmetical accuracy.

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF
TOWN HEALTH INTERNATIONAL MEDICAL GROUP LIMITED *(Continued)*
康健國際醫療集團有限公司
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Other Matters

The consolidated financial statements of the Group for the year ended 31 December 2016 were audited by another auditor who expressed an unmodified opinion on those statements on 29 March 2017.

Other Information

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors and Those Charged with Governance for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

TO THE SHAREHOLDERS OF
TOWN HEALTH INTERNATIONAL MEDICAL GROUP LIMITED *(Continued)*
康健國際醫療集團有限公司
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Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF
TOWN HEALTH INTERNATIONAL MEDICAL GROUP LIMITED *(Continued)*
康健國際醫療集團有限公司
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Auditor's Responsibilities for the Audit of the Consolidated Financial Statements *(Continued)*

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Moore Stephens CPA Limited
Certified Public Accountants

Cheung Sai Kit
Practising Certificate Number: P05544
Hong Kong, 26 April 2018

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2017

	NOTES	2017 HK$'000	2016 HK$'000 (Restated)
Continuing operations			
Revenue	6	**1,108,724**	1,011,549
Cost of sales		**(746,755)**	(714,438)
Gross profit		**361,969**	297,111
Other income	8	**80,527**	52,772
Administrative expenses		**(331,583)**	(297,704)
Other gains and losses, net	9	**(179,397)**	49,894
Finance costs	10	**(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	13	**(25,985)**	(18,777)
(Loss) profit for the year from continuing operations	14	**(97,360)**	93,342
Discontinued operations			
Profit (loss) for the year from discontinued operations	15	**21,681**	(15,203)
(Loss) profit for the year		**(75,679)**	78,139
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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2017

	NOTE	2017 HK$'000	2016 HK$'000 (Restated)
(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
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))	17		
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

At 31 December 2017

	NOTES	2017 HK$'000	2016 HK$'000 (Restated)
NON-CURRENT ASSETS			
Investment properties	18	**597,601**	652,123
Property, plant and equipment	19	**343,166**	246,724
Loans receivable	20	**5,998**	6,913
Goodwill	21	**502,127**	479,912
Intangible assets	22	**368,134**	372,931
Interests in associates	23	**268,675**	175,756
Interests in joint ventures	24	**17,594**	37,614
Available-for-sale investments	25	**286,329**	192,082
Financial asset at fair value through profit or loss	23	**37,840**	–
Promissory notes	26	**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	27	**24,585**	22,969
Trade and other receivables	28	**241,325**	230,563
Available-for-sale investments	25	**–**	150,000
Held for trading investments	29	**16,726**	69,969
Loans receivable	20	**163,594**	92,597
Amounts due from associates	30	**6,730**	9,286
Amount due from an investee	31	**–**	14,556
Amounts due from non-controlling interests	32	**64**	–
Tax recoverable		**867**	2,732
Fixed bank deposit	33	**64,358**	–
Bank balances and cash	33	**1,391,559**	1,447,756
		1,909,808	2,040,428
Assets classified as held for sale	15	**–**	687,970
		1,909,808	2,728,398

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2017

	NOTES	2017 HK$'000	2016 HK$'000 (Restated)
CURRENT LIABILITIES			
Trade and other payables	34	**222,140**	193,130
Amounts due to associates	30	**–**	12
Amount due to an investee	31	**308**	311
Amounts due to non-controlling interests	32	**47,101**	31,182
Bank borrowings	35	**19,777**	20,835
Tax payable		**22,552**	24,752
		311,878	270,222
Liabilities associated with assets classified as held for sale	15	**–**	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	37	**49,079**	48,477
		4,314,480	4,610,654
CAPITAL AND RESERVES			
Share capital – ordinary shares	38	**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

The consolidated financial statements on pages 74 to 198 were approved and authorised for issue by the board of directors of the Company on 26 April 2018 and are signed on its behalf by:

Dr. Hui Ka Wah, Ronnie
DIRECTOR

Mr. Lee Chik Yuet
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2017

	Attributable to owners of the Company													
	Share capital – ordinary shares HK$'000	Share capital – convertible preference shares HK$'000	Share premium HK$'000	Capital redemption reserve HK$'000 (Note i)	Capital reserve HK$'000 (Note ii)	Distributable reserve HK$'000 (Note iii)	Other reserves HK$'000 (Note iv)	Property revaluation reserve HK$'000	Investment revaluation reserves HK$'000	Translation reserve HK$'000	Accumulated profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 January 2016	74,696	2,917	3,628,179	9,020	10,033	62,677	–	33,609	3,720	(12,661)	718,602	4,530,792	62,090	4,592,882
Profit for the year	–	–	–	–	–	–	–	–	–	–	63,497	63,497	14,642	78,139
Other comprehensive (expense) income for the year (restated)	–	–	–	–	–	–	–	–	(11,959)	(22,099)	–	(34,058)	(6,024)	(40,082)
Total comprehensive (expense) income for the year	–	–	–	–	–	–	–	–	(11,959)	(22,099)	63,497	29,439	8,618	38,057
Conversion of convertible preference shares	2,917	(2,917)	–	–	–	–	–	–	–	–	–	–	–	–
Acquisition of subsidiary (restated) (note 41)	–	–	–	–	–	–	–	–	–	–	–	–	65,026	65,026
Acquisition of additional interest in a subsidiary (restated) (note 41)	–	–	–	–	–	–	(104,469)	–	–	–	–	(104,469)	104,469	–
Transfer of reserve	–	–	–	–	–	–	1,869	–	–	–	(1,869)	–	–	–
Dividend paid	–	–	–	–	–	–	–	–	–	–	(77,036)	(77,036)	(8,275)	(85,311)
At 31 December 2016 (restated)	77,613	–	3,628,179	9,020	10,033	62,677	(102,600)	33,609	(8,239)	(34,760)	703,194	4,378,726	231,928	4,610,654
Profit for the year	–	–	–	–	–	–	–	–	–	–	(107,745)	(107,745)	32,066	(75,679)
Other comprehensive income for the year	–	–	–	–	–	–	–	–	31,625	42,325	–	73,950	15,006	88,956
Total comprehensive (expense) income for the year	–	–	–	–	–	–	–	–	31,625	42,325	(107,745)	(33,795)	47,072	13,277
Shares repurchased and cancelled	(2,352)	–	(286,540)	–	–	–	–	–	–	–	–	(288,892)	–	(288,892)
Transfer of reserve	–	–	–	–	–	–	3,571	–	–	–	(3,571)	–	–	–
Dividend paid	–	–	–	–	–	–	–	–	–	–	(21,074)	(21,074)	(9,685)	(30,759)
Disposal of subsidiaries and partial disposal of subsidiaries (note 42)	–	–	–	–	–	–	2,438	–	–	–	–	2,438	7,762	10,200
At 31 December 2017	75,261	–	3,341,639	9,020	10,033	62,677	(96,591)	33,609	23,386	7,565	570,804	4,037,403	277,077	4,314,480

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2017

Notes:

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

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

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

(iv) The other reserves of the Group at 1 January 2017 mainly represented:

(a) the Group's further increase in its interests in Nanyang Xiangrui Hospital Management Advisory Co. Ltd. ("Nanyang Xiangrui") from 43.71% to 60% by capital injection in 2016. The increase in equity interest in Nanyang Xiangrui was an equity transaction without losing control over Nanyang Xiangrui. Difference of HK$104,469,000 for the proportion of ownership interests held by the non-controlling interests before and after the capital injection was debited to other reserves; and

(b) according to the relevant requirements in the articles of association of the Group's subsidiary in the People's Republic of China (the "PRC"), a portion of its profits after taxation shall be transferred to the PRC statutory reserve. The transfer must be made before the distribution of dividend to equity owners. The statutory reserve fund can be used to make up the prior year losses, if any. The statutory reserve fund is non-distributable other than upon liquidation. During the year ended 31 December 2016, HK$1,869,000 was transferred.

The other reserves of the Group at 31 December 2017 mainly represented:

(a) the Group disposed of 21% interests in TH Shanghai Medical Management Group Limited ("TH Shanghai Medical") for a consideration of HK$1,250,000 in 2017. The decrease in equity interest did not result in a loss of control over TH Shanghai Medical.

(b) the Group disposed of 25% interests in Premium Rich International Limited ("Premium Rich") for a consideration of HK$2,600,000 in 2017. The decrease in equity interest did not result in a loss of control over Premium Rich.

(c) the Group disposed of 30% interests in Silver Grade International Limited ("Silver Grade") for a consideration of HK$5,700,000 in 2017. The decrease in equity interest did not result in a loss of control over Silver Grade.

(d) according to the relevant requirements in the articles of association of the Group's subsidiary in the People's Republic of China (the "PRC"), a portion of its profits after taxation shall be transferred to the PRC statutory reserve. The transfer must be made before the distribution of dividend to equity owners. The statutory reserve fund can be used to make up the prior year losses, if any. The statutory reserve fund is non-distributable other than upon liquidation. During the year ended 31 December 2017, HK$3,571,000 was transferred.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2017

	NOTES	2017 HK$'000	2016 HK$'000
OPERATING ACTIVITIES			
(Loss) profit for the year		**(75,679)**	78,139
Adjustments for:			
Income tax		**26,385**	19,599
Interest income		**(58,898)**	(37,958)
Interest expense		**722**	4,732
Amortisation of intangible assets		**10,794**	13,301
Depreciation of property, plant and equipment		**52,100**	52,490
Dividend income from investments classified as available-for-sale investments		**(7,249)**	(7,723)
(Increase) decrease in fair value of investment properties		**(76,129)**	20,098
Unrealised loss on fair value changes on held for trading investments		**53,243**	40,339
Impairment loss recognised on available-for-sale investments	25	**13,919**	704
Impairment loss recognised on trade receivables		**4,103**	3,950
Impairment loss on goodwill		**–**	500
Impairment loss on interests in associates		**–**	2,900
Impairment loss on promissory notes		**233,705**	–
Impairment loss (reversal of) impairment loss recognised on other receivables, net		**2,258**	(998)
Reversal of impairment loss recognised on amounts due from investees		**(250)**	–
(Reversal of) impairment loss recognised on amounts due from associates		**(121)**	6,121
Reversal of impairment loss recognised on loans receivable		**–**	(30,000)
Loss on disposal of property, plant and equipment		**261**	10
Share of results of associates		**(17,851)**	(21,174)
Share of results of joint ventures		**20,020**	6,396
Gain on disposal of subsidiary included in discontinued operation	15	**(38,226)**	–
Gain on disposal of subsidiary	42	**(22,020)**	(634)
Gain on disposal of associates		**(3,440)**	(40,294)
Loss on dilution of interest in an associate		**–**	10,459
Translation reserve and investment revaluation reserve reclassified to profit or loss upon dilution of interest in an associate		**–**	(2,680)
Loss on early redemption of loan notes		**–**	12,335
Gain on disposal of available-for-sale investments		**–**	(5,952)
Decrease in fair value of derivative component of loan notes		**–**	(17,703)
Fair value changes on financial asset at fair value through profit or loss		**(18,980)**	–
Operating cash inflow before movements in working capital		**98,667**	106,957
Increase in inventories		**(1,506)**	(10,446)
Decrease (increase) in trade and other receivables		**7,260**	(60,625)
Decrease in amount due from a related party		**–**	20
Decrease in held for trading investments		**–**	412,151
Increase (decrease) in trade and other payables		**18,231**	(5,395)
Cash generated from operations		**122,652**	442,662
Income tax paid		**(28,622)**	(21,903)
NET CASH GENERATED FROM OPERATING ACTIVITIES		**94,030**	420,759

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2017

	NOTES	2017 HK$'000	2016 HK$'000
INVESTING ACTIVITIES			
Net proceeds from disposal of subsidiaries		**226,277**	(2,667)
Proceeds from disposal of available-for-sale investments		**150,000**	109,221
Repayment of loans receivable		**80,830**	481,551
Partial repayment of promissory notes	26	**65,000**	26,295
Interest received		**58,898**	37,958
Advance from non-controlling interests		**15,855**	1,775
Dividend received from associates		**12,804**	7,238
Dividend received from available-for-sale investments		**7,249**	7,723
Dividend received from joint ventures		**–**	28,910
Disposal of associates		**6,545**	20,255
Repayment from associates		**2,665**	22,637
Proceeds from disposal of property, plant and equipment		**272**	190
Investments in associates		**(108,000)**	(101,399)
Advances of loans receivable		**(150,000)**	(527,300)
Purchase of property, plant and equipment		**(73,829)**	(70,045)
Purchase of available-for-sale investments		**(61,107)**	(105,433)
Purchase of investment properties		**(43,849)**	(173,727)
Acquisition of subsidiaries and medical practice	41	**(2,441)**	(325,753)
Investments in joint ventures		**–**	(41,212)
Advance to investees		**–**	(1,258)
Repayment from investees		**(631)**	–
Increase in fixed bank deposit		**(64,358)**	–
Deposits made for acquisition of property, plant and equipment		**(8,165)**	(18,429)
Deposit made on acquisition of a subsidiary		**–**	(83,580)
Refund of deposit upon completion of acquisition of a subsidiary		**–**	143,246
NET CASH GENERATED FROM/(USED IN) INVESTING ACTIVITIES		**114,015**	(563,804)
FINANCING ACTIVITIES			
Partial disposal of subsidiaries		**3,150**	–
Repurchase of shares		**(288,892)**	–
Repayment of bank borrowings		**(1,058)**	(1,052)
Repayment of loan notes		**–**	(112,135)
Dividend paid		**(30,759)**	(85,311)
Interest paid		**(722)**	(9,148)
NET CASH USED IN FINANCING ACTIVITIES		**(318,281)**	(207,646)
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(110,236)**	(350,691)
CASH AND CASH EQUIVALENTS AT 1 JANUARY		**1,469,837**	1,826,679
EFFECT OF FOREIGN EXCHANGE RATES CHANGES		**31,958**	(6,151)
CASH AND CASH EQUIVALENTS AT 31 DECEMBER, representing bank balances and cash	33	**1,391,559**	1,469,837

1. GENERAL

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

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

The addresses of the registered office and the principal place of business of the Company are disclosed in the section headed "Corporate Information" of the annual report.

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

The Company is an investment holding company. The principal activities of its principal subsidiaries, associates and joint ventures are set out in notes 52, 23 and 24 respectively.

As stated in the announcement of the Company dated 27 November 2017, the Securities and Futures Commission ("SFC") has on 27 November 2017 issued a direction to suspend trading in the shares of the Company with effect from 27 November 2017 (the "Suspension") as it appears to the SFC that, inter alia, the Company's interim report for the six months ended 30 June 2016 published by the Company on 7 September 2016 and the Company's annual report for the year ended 31 December 2016 published by the Company on 27 April 2017 included materially false, incomplete or misleading information.

On 18 December 2017, the Company announced that in view of the Suspension, the board of directors of the Company has established an independent board committee ("IBC") comprising all the independent non-executive Directors, whose scope of the primary duties includes:

(i) conduct an independent investigation on the issues and matters arising from or relating to the Suspension;

(ii) make recommendations to the Board on appropriate action to be taken; and

(iii) working towards the goal of having the shares resumed in trading on The Stock Exchange of Hong Kong Limited.

As at the date of approval for issuance of the consolidated financial statements, the investigation by the independent forensic accountant engaged by the IBC to investigate the issues and matters arising from or relating to the direction issued by the SFC has been completed and reported to the IBC. After reviewing the findings and conclusion of the independent forensic accountant ("the Forensic Report"), the IBC had adopted the Forensic Report. With reference to the Forensic Report, the IBC accepts that the matters leading to the SFC's concerns on the materially false, incomplete or misleading information contained in the Company's interim report for the six months ended 30 June 2016 published by the Company on 7 September 2016 and the Company's annual report for the year ended 31 December 2016 published by the Company on 27 April 2017 are not substantiated. Hence, the board of directors of the Company has determined that no restatement of figures stated in the accounts contained in these previously issued annual and interim reports is necessary, and no disclosures contained in these accounts need to be amended. The consolidated financial statements of the Group for the year ended 31 December 2017 have therefore been prepared on the above basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2017

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

Amendments to HKFRSs that are mandatorily effective for the current year

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

Amendments to HKAS 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 note 49. Consistent with the transition provisions of the amendments, the Group has not disclosed comparative information for the prior year. Apart from the additional disclosure in note 49, the application of these amendments has had no impact on the Group's consolidated financial statements.

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

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

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

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.

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

HKFRS 9 Financial instruments *(Continued)*

Based on the Group's financial instruments and risk management policies as at 31 December 2017, the directors of the Company 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 as disclosed in note 25: 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 as disclosed in note 25: 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 in 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 bases as are currently measured under HKAS 39.

Impairment

In general, the directors of the Company 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 of the Company, if the expected credit loss model were to be applied by the Group, the accumulated amount of impairment loss to be recognised by 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

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

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 of the Company anticipate that the application of HKFRS 15 in the future may result in more disclosures, however, the directors of the Company 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.

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

HKFRS 16 Leases *(Continued)*

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) as disclosed in note 44. 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 of the Company complete a detailed review.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

3. 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. As further disclosed in note 41, the Group acquired 43.71% equity interest in Nanyang Xiangrui in August 2016 and made further capital injection 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 acquisition date and recognised additional assets including consulting services contracts to reflect new information obtained about facts and circumstance that existed as of acquisition date which have affected the identification and 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 at 31 December 2016 as follows:

	As previously reported HK$'000	Adjustments HK$'000	Restated 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	

Further details of the identifiable asset acquired and the liabilities assumed in relation to the Acquisition of Nanyang are set out in note 41(c) to the consolidated financial statements.

The adjustment to provisional values for business combination in 2016 made in the comparative figures and the reclassifications as disclosed in note 41 had no impact on the Group's consolidated statement of financial position as at 1 January 2016 and accordingly, the third consolidated statement of financial position as at 1 January 2016 is not presented.

4. SIGNIFICANT ACCOUNTING POLICIES

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

The consolidated financial statements have been prepared on the historical cost basis except for investment properties and certain financial instruments which are measured at fair values, as explained in accounting policies set out below.

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

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

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

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2017

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

The principal accounting policies are set out below.

Basis of consolidation

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

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

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

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

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

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

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

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries, including re-attribution of relevant reserves between the Group and the non-controlling interests according to the Group's and the non-controlling interests' proportionate interests.

Any difference between the amount by which the non-controlling interests are adjusted, and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Basis of consolidation *(Continued)*

Changes in the Group's ownership interests in existing subsidiaries (Continued)

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

Business combinations

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combinations *(Continued)*

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

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

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments made against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured to fair value at subsequent reporting dates, with the corresponding gain or loss being recognised in profit or loss.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), and additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Goodwill

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

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

A cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit (or group of cash-generating units).

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal (or any of the cash-generating unit within group of cash-generating units in which the Group monitors goodwill).

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

Investments in associates and joint ventures

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2017

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments in associates and joint ventures *(Continued)*

The results and assets and liabilities of associates and joint ventures are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, an investment in an associate or a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. Changes in net assets of the associate or joint venture other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in change in ownership interest held by the Group. When the Group's share of losses of an associate or a joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments in associates and joint ventures *(Continued)*

When the Group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognised in profit or loss. When the Group retains an interest in the former associate or joint venture and the retained interest is a financial asset within the scope of HKAS 39, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition. The difference between the carrying amount of the associate or joint venture and the fair value of any retained interest and any proceeds from disposing the relevant interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) upon disposal/partial disposal of the relevant associate or joint venture.

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2017

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Revenue is recognised when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the Group and when specific criteria have been met for each of the Group's activities, as described below.

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed.

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

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

Service income including management and administrative income service in healthcare services and hospital management service income is recognised when the related services are rendered and when it is probable that the economic benefits from the service rendered will flow to the Group and such benefit could be reliably measured.

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment

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

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

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

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

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Non-current assets held for sale

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

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

When the Group is committed to a sale plan involving disposal of an investment, or a portion of an investment, in an associate or joint venture, the investment or the portion of the investment that will be disposed of is classified as held for sale when the criteria described above are met, and the Group discontinues the use of the equity method in relation to the portion that is classified as held for sale from the time when the investment (or a portion of the investment) is classified as held for sale.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

Intangible assets

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

Subsequent to initial recognition, intangible assets acquired in a business combination with finite useful lives are reported at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Alternatively, intangible assets acquired in a business combination with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses (see the accounting policy in respect of impairment losses on tangible and intangible assets below).

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Borrowing costs

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

Impairment on tangible and intangible assets other than goodwill

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

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

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

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit. An impairment loss is recognised immediately in profit or loss.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Inventories

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

Leasing

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

The Group as lessor

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

The Group as lessee

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

Leasehold land and building

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

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

Retirement benefit costs

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currencies

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

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

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

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in other comprehensive income.

Taxation

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2017

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation *(Continued)*

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

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

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments

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

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

Financial assets

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

Effective interest method

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

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

Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is (i) contingent consideration that may be paid by an acquirer as part of a business combination to which HKFRS 3 applies, (ii) held for trading, or (iii) it is designated as at FVTPL.

A financial asset is classified as held for trading if:

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets (Continued)

Financial assets at FVTPL *(Continued)*

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss exclude any dividend or interest earned on the financial assets and is included in the "other gains and losses" line item. Fair value is determined in the manner described in note 48(c).

AFS financial assets

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

Equity and debt securities held by the Group that are classified as AFS financial assets and are traded in an active market are measured at fair value at the end of each reporting period except for unquoted equity investments whose fair value cannot be reliably measured. Changes in the carrying amount of AFS debt instruments relating to interest income calculated using the effective interest method. Dividends on AFS equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established. Other changes in the carrying amount of AFS financial assets are recognised in other comprehensive income and accumulated under the heading of investment revaluation reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss (see the accounting policy in respect of impairment loss on financial assets below).

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

Loans and receivables

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets (Continued)

Impairment of financial assets

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

For AFS equity investments, a significant or prolonged declined in the fair value of the security below its cost is considered to be objective evidence of impairment.

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

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets (Continued)

Impairment of financial assets *(Continued)*

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

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

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

Financial liabilities and equity instruments

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

Equity instruments

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

Financial liabilities

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

Effective interest method

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

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

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

Equity-settled share-based payment transactions

Share-based payment transactions of the Company

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in note 40.

The fair value of the equity-settled share-based payments determined at the grant date without taking into consideration all non-marketing vesting conditions is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity.

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 4, the directors of the Company are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

Critical judgments in applying accounting policy

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

Deferred taxation on investment properties

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

Indefinite useful life of an intangible asset

Note 22 explains that the trade name of the Group has no legal life. The directors of the Company are of the opinion that the Group has the ability to use the trade name continuously. In the opinion of the directors of the Company, the trade name has no foreseeable limit to the period over which the services provided are expected to generate net cash flows for the Group indefinitely.

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

Key sources of estimation uncertainty

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

Impairment of goodwill and intangible assets

Determining whether goodwill and intangible assets are impaired requires an estimation of the recoverable amount of the cash-generating units to which goodwill has been allocated, which is the higher of the value in use or fair value less costs of disposal. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating units and a suitable discount rate in order to calculate the present value, taking into account of other key assumptions including discount rate, future growth rate and expected gross margin. When the actual future cash flows are less than expected, or change in facts and circumstances which results in downward revision of future cash, a material impairment loss/further impairment loss may arise.

As at 31 December 2017, the carrying amount of goodwill and intangible assets are HK$502,127,000 and HK$368,134,000 (net of accumulated impairment loss of goodwill and intangible assets amounting to HK$207,608,000 and nil) (2016: carrying amount of goodwill and intangible assets are HK$479,912,000 and HK$372,931,000, net of accumulated impairment loss of goodwill and intangible assets amounting to HK$207,608,000 and nil).

During the year ended 31 December 2017, no impairment (2016: HK$500,000) was recognised on goodwill allocated to the healthcare and dental services division. No impairment was provided on intangible assets for both years ended 31 December 2017 and 2016.

Valuation of investment properties

Investment properties are stated at fair value based on the valuation performed by independent professional valuers. In determining the fair value, the valuers have based on a method of valuation which involves certain estimates of market conditions and assumptions made on the investment properties, including price per square feet, with certain unobservable inputs such as adjustment of the building age, location, fair market rents and people flows to reflect different locations or conditions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

Key sources of estimation uncertainty *(Continued)*

Valuation of investment properties (Continued)

In relying on the valuation report, the directors of the Company have exercised their judgement and are satisfied that the assumptions used in the valuation is reflective of the current market conditions and current development of the investment properties. Changes to these assumptions would result in changes in the fair values of the Group's investment properties and the corresponding adjustments to the amount of gain or loss reported in the consolidated statement of profit or loss. As at 31 December 2017, the carrying amount of investment properties is HK$597,601,000 (2016: HK$652,123,000).

Impairment of associates and joint ventures

Management regularly reviews the recoverable amount of the associates and joint ventures. Determining whether impairment is required involves the estimation of the value in use. In determining the value in use, management's estimates are based on the Group's share of the present value of the estimated future cash flows expected to be generated. Where the actual future cash flows are less than expected, or change in facts and circumstances which results in downward revision of future cash flow, impairment loss may arise.

As at 31 December 2017, the carrying amount of associates net of accumulated impairment loss of HK$27,000,000, amounted to HK$268,675,000 (2016: carrying amount of associates net of accumulated impairment loss of HK$29,900,000, amounted to HK$175,756,000). As at 31 December 2017, the carrying amount of interest in joint ventures amounted to HK$17,594,000 (2016: HK$37,614,000).

During the year ended 31 December 2017, no impairment (2016: HK$2,900,000) was recognised on interests in associates and no impairment (2016: nil) was recognised on interests in joint ventures.

Impairment loss on loans receivable

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

In determining whether allowance for bad and doubtful debts is required, the Group takes into consideration the aged status and likelihood of collection. Specific allowance is only made for the loans receivable that are unlikely to be collected and is recognised on the difference between the carrying amount of loans receivable and the present value of estimated future cash flow discounted using the original effective interest rate. Where the actual future cash flows are less than expected, an additional impairment loss may arise. As at 31 December 2017, the carrying amount of loans receivable net of accumulated impairment loss of HK$3,559,000, amounted to HK$169,592,000 (2016: carrying amount of loans receivable net of accumulated impairment loss of HK$3,559,000, amounted to HK$99,510,000).

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

Key sources of estimation uncertainty *(Continued)*

Impairment loss on promissory notes

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

In determining whether impairment of promissory notes is required, the Group takes into consideration the aged status and likelihood of collection. Management bases its estimates on the credit-worthiness and financial information available of the promissory note issuers. If the financial condition of the promissory note issuers were to deteriorate, impairment may be required. As at 31 December 2017, the carrying amount of promissory notes net of accumulated impairment loss of HK$233,705,000, amounted to HK$330,000,000 (2016: carrying amount of promissory notes net of accumulated impairment loss of nil, amounted to HK$298,705,000).

Impairment loss on trade receivables

The policy for allowance for bad or doubtful debts of the Group is based on the evaluation of collectability of amounts based on management's estimate. In determining whether impairment is required, the Group takes into consideration the likelihood of collection of debts on an individual basis as well as on a collective basis, including the Group's past experience of collecting payments. Specific allowance is only made for receivables that are unlikely to be collected and is recognised on the difference between the estimated future cash flow expected to receive discounted using the original interest rate and the carrying value. As at 31 December 2017, the carrying amount of trade receivables net of allowance for doubtful debts HK$5,289,000, amounted to HK$157,611,000 (2016: carrying amount of trade receivables net of allowance for doubtful debts HK$4,889,000, amounted to HK$141,865,000).

Impairment loss on available-for-sale investments

Determining whether the unlisted securities classified as available-for-sale investments are impaired requires an estimation of the carrying amount of the unlisted securities. The impairment of unlisted securities classified as available-for-sale investments as at 31 December 2017 was approximately HK$13,919,000 (2016: HK$704,000) in relation to unlisted securities during the year. The carrying amount of the available-for-sale investments may be adjusted to reflect the revised estimated cash flows when the Group reviews recoverable amount of the available-for-sale investments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

6. 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 HK$'000	2016 HK$'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

7. SEGMENT INFORMATION

Information reported to the chief operating decision maker, the Chief Executive Officer ("CEO"), for the purposes of resources allocation and assessment of segment performance focuses on different types of major businesses. This is also the basis upon which the Group is organised and managed. As identified by the CEO, certain subsidiaries of the Company 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

7. SEGMENT INFORMATION *(Continued)*

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

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)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2017

7. SEGMENT INFORMATION *(Continued)*

Segment revenues and results *(Continued)*

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

The accounting policies of the reporting segments are the same as the Group's accounting policies described in note 4. Segment profit 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.

7. SEGMENT INFORMATION *(Continued)*

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

7. SEGMENT INFORMATION *(Continued)*

Other segment information *(Continued)*

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

7. SEGMENT INFORMATION *(Continued)*

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 FVTPL, 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.

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8. OTHER INCOME

	2017 HK$'000	2016 HK$'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

9. 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 (note 42)	**22,020**	634
Fair value changes on investment properties (note 18)	**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 (note 36)	**–**	17,703
Fair value changes on financial asset at FVTPL (note 23)	**18,980**	–
Loss on early redemption of loan notes (note 36)	**–**	(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 (note 25)	**(13,919)**	(704)
– promissory notes (note 26)	**(233,705)**	–
– trade receivables (note 28)	**(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 HK$103,269,000 which were measured at cost less impairment basis. Gain of HK$5,952,000 on disposal was recognised in consolidated profit or loss.

10. 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

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11. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

During both years ended 31 December 2017 and 2016, no emoluments were paid by the Group to the directors of the Company as an inducement to join or upon joining the Group or as compensation for loss of office.

Details of emoluments of individual executive, including the chief executive officer, non-executive and independent non-executive directors of the Company are set out as below:

For the year ended 31 December 2017

	Fees HK$'000	Salaries and other benefits HK$'000	Performance bonus HK$'000	Retirement benefits scheme contributions HK$'000	Total emoluments HK$'000
Executive directors					
Miss Choi Ka Yee, Crystal	–	783	65	18	866
Dr. Cho Kwai Chee (Note)	–	1,200	–	18	1,218
Dr. Hui Ka Wah, Ronnie, *JP* (Chief Executive Officer)	–	4,693	–	18	4,711
Mr. Lee Chik Yuet	–	2,664	226	18	2,908
Mr. Wong Seung Ming	–	1,495	120	18	1,633
	–	10,835	411	90	11,336
Non-executive directors					
Dr. Choi Chee Ming, *GBS, JP*	–	–	–	–	–
Ms. Fang Haiyan	–	–	–	–	–
Mr. Tsai Ming-hsing	–	–	–	–	–
Mr. Chen Jinhao	–	–	–	–	–
	–	–	–	–	–
Independent non-executive directors					
Mr. Ho Kwok Wah, George, *MH*	120	–	–	–	120
Mr. Wong Tat Tung, *MH, JP*	120	–	–	–	120
Mr. Yu Xuezhong	120	–	–	–	120
Ms. Li Mingqin	120	–	–	–	120
Mr. Wang John Hong-chiun	120	–	–	–	120
	600	–	–	–	600
Total	600	10,835	411	90	11,936

Note: Dr. Cho Kwai Chee has been re-designated from an executive Director to a non-executive Director and has ceased to act as the Executive Deputy Chairman of the Company with effect from 6 March 2018.

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

For the year ended 31 December 2016

	Fees HK$'000	Salaries and other benefits HK$'000	Performance bonus HK$'000	Retirement benefits scheme contributions HK$'000	Total emoluments HK$'000
Executive directors					
Miss Choi Ka Yee, Crystal	–	783	–	18	801
Dr. Cho Kwai Chee	–	1,200	–	18	1,218
Dr. Hui Ka Wah, Ronnie, *JP* (Chief Executive Officer)	–	4,765	–	18	4,783
Mr. Lee Chik Yuet	–	2,709	–	18	2,727
Dr. Ip Chun Heng, Wilson (resigned on 30 December 2016)	120	–	–	–	120
Mr. Wong Seung Ming	–	1,400	–	18	1,418
	120	10,857	–	90	11,067
Non-executive directors					
Dr. Choi Chee Ming, *GBS, JP*	–	–	–	–	–
Ms. Fang Haiyan	–	–	–	–	–
Mr. Tsai Ming-hsing	–	–	–	–	–
Mr. Chen Jinhao	–	–	–	–	–
	–	–	–	–	–
Independent non-executive directors					
Mr. Ho Kwok Wah, George, *MH*	120	–	–	–	120
Mr. Wong Tat Tung, *MH, JP*	120	–	–	–	120
Mr. Yu Xuezhong	120	–	–	–	120
Ms. Li Mingqin	120	–	–	–	120
Mr. Wang John Hong-chiun	120	–	–	–	120
	600	–	–	–	600
Total	720	10,857	–	90	11,667

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

Neither the chief executive officers nor any of the directors of the Company waived any emoluments in the years ended 31 December 2017 and 2016.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

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

Salaries and other benefits paid to or received by the executive directors were generally emoluments paid or receivable in respect of those person's salaries in connection with the management of the affairs of the Company and its subsidiaries.

The independent non-executive director's emoluments shown above were for their services as directors of the Company.

12. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, one (2016: one) of them is an executive director of the Company whose emolument is included in note 11 above. The emoluments of the remaining four (2016: four) individuals were as follows:

	2017	2016
	HK$'000	HK$'000
Salaries and other allowances	**9,393**	11,730
Performance bonus (Note)	**8,487**	5,360
Retirement benefits scheme contributions	**72**	72
	17,952	17,162

Their emoluments were within the following bands:

	2017	2016
	Number of employees	Number of employees
HK$3,000,001 – HK$3,500,000	**–**	1
HK$3,500,001 – HK$4,000,000	**2**	1
HK$4,000,001 – HK$4,500,000	**–**	–
HK$4,500,001 – HK$5,000,000	**1**	1
HK$5,000,001 – HK$5,500,000	**–**	–
HK$5,500,001 – HK$6,000,000	**1**	1
	4	4

During the year, no emoluments were paid by the Group to the five highest paid individuals, including one (2016: one) executive director of the Company, as an inducement to join or upon joining the Group or as compensation for loss of office.

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

13. INCOME TAX EXPENSES

	2017 HK$'000	2016 HK$'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 (note 37)	**(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 Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for both years.

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13. INCOME TAX EXPENSES *(Continued)*

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

	2017	2016
	HK$'000	HK$'000
Continuing operations		
(Loss) profit before tax	**(71,375)**	112,119
Tax at the domestic income tax rate of 16.5% (2016: 16.5%)	**(11,777)**	18,500
Tax effect of expenses not deductible for tax purpose	**48,485**	24,854
Tax effect of income not taxable for tax purpose	**(29,807)**	(23,598)
Tax effect of tax losses not recognised	**19,907**	3,377
Tax effect of share of results of associates	**(2,945)**	(3,494)
Tax effect of share of results of joint ventures	**3,303**	1,055
Utilisation of tax losses previously not recognised	**(1,673)**	(5,613)
(Over) underprovision in prior years	**(4,768)**	374
Effect of different tax rate of subsidiaries operating in other jurisdictions	**5,260**	3,322
Income tax expenses for the year	**25,985**	18,777

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

	2017 HK$'000	2016 HK$'000
(Loss) profit for the year from continuing operations has been arrived at after charging:		
Staff costs		
– Directors' remuneration (note 11)	**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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

15. 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 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 aggregate amount of HK$330,000,000. The assets and liabilities of Bonjour Beauty International Limited and its subsidiaries (collectively as the "Bonjour Beauty Group") was consequently presented as held for sale in the consolidated statements 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 of the Company, who resigned as a director of the Company 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	2016
	HK$'000	HK$'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**	–

15. DISCONTINUED OPERATIONS/DISPOSAL GROUP HELD FOR SALE *(Continued)*

(ii) Financial performance and cash flow information *(Continued)*

Cash flows for the years ended 31 December 2017 and 2016 were as follows:

	2017	2016
	HK$'000	HK$'000
Net cash used in operating activities	**(13,851)**	(11,813)
Net cash generated from (used in) investing activities (included consideration received of HK$100,000,000 (2016: nil))	**114,957**	(14,758)
Net cash inflows (outflows)	**101,106**	(26,571)

No cumulative amount (2016: HK$584,000 (debit balance)) relating to the disposal group classified as held for sale has been recognised in other comprehensive income and included in equity.

(iii) Details of the disposal of the subsidiaries

	2017
	HK$'000
Consideration received or receivable:	
Cash	**100,000**
Promissory note (note 26)	**330,000**
Total consideration	**430,000**
Carrying amount of net assets sold	**(391,173)**
Gain on disposal before income tax and reclassification of foreign currency translation reserve	**38,827**
Reclassification of foreign currency translation reserve	**(601)**
Gain on disposal of subsidiaries	**38,226**

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15. DISCONTINUED OPERATIONS/DISPOSAL GROUP HELD FOR SALE *(Continued)*

(iii) Details of the disposal of the subsidiaries *(Continued)*

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

	2017 HK$'000	2016 HK$'000
Auditor's 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

The carrying amounts of assets and liabilities as at the date of disposal (13 April 2017) were:

	13 April 2017 HK$'000
Property, plant and equipment	**22,318**
Inventories	**7,476**
Trade and other receivables	**187,705**
Goodwill	**171,645**
Intangible assets	**262,242**
Total assets	**651,386**
Trade and other payables	**(281,935)**
Deferred tax liabilities	**(1,465)**
Total liabilities	**(283,400)**
Net assets	**367,986**
Cash and cash equivalents	**23,187**
Net assets after cash and cash equivalents	**391,173**

In the opinion of the directors of the Company at the date of completion of the disposal, the purchaser was no longer a related party and did not have any relationship with the Group or its related parties.

15. DISCONTINUED OPERATIONS/DISPOSAL GROUP HELD FOR SALE *(Continued)*

(iii) Details of the disposal of the subsidiaries *(Continued)*

The major classes of assets and liabilities of the Bonjour Beauty Group as at 31 December 2016, which have been presented separately in the consolidated statement of financial position, are as follows:

	2016 HK$'000
Property, plant and equipment	25,677
Loan to a related party	138,000
Intangible assets	262,509
Goodwill	171,645
Deferred tax assets	724
Inventories	7,832
Trade and other receivables	42,641
Tax recoverable	3,401
Restricted bank deposit	13,460
Bank balances and cash	22,081
Total assets classified as held for sale	687,970
Trade and other payables	276,429
Tax payable	1,572
Deferred tax liabilities	2,233
Total liabilities associated with assets classified as held for sale	280,234

16. DIVIDENDS

	2017 **HK$'000**	2016 HK$'000
Dividends recognised as distribution during the year		
– Final dividend of HK0.28 cent per ordinary share in respect of 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 in respect of year ended 31 December 2016	**–**	975
	21,074	77,036

The board of directors of the Company does not recommend the payment of a final dividend for the year ended 31 December 2017.

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17. (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 of the Company is based on the following data:

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

	2017 **HK$'000**	2016 HK$'000
(Loss) profit for the year from continuing operations attributable to owners of the Company	**(129,426)**	78,700
Less: Preference share dividend declared and distributed during the year (note 16)	**–**	(975)
(Loss) profit for the year from continuing operations attributable to ordinary shareholders of the Company	**(129,426)**	77,725

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

	2017 **HK$'000**	2016 HK$'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

17. (LOSS) EARNINGS PER SHARE *(Continued)*

For continuing and discontinued operations

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

(Loss) earnings for the purposes of basic 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 declared and distributed during the year (note 16)	**–**	(975)
(Loss) profit for the year attributable to ordinary shareholders of the Company	**(107,745)**	62,522

(Loss) earnings for the purposes 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 from the discontinued operations of HK$21,681,000 (2016: loss for the year of HK$15,203,000) and the denominators used are the same as those detailed above for both basic and diluted earnings per share.

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18. INVESTMENT PROPERTIES

	HK$'000
FAIR VALUE	
At 1 January 2016	457,760
Decrease in fair value recognised in profit or loss	(20,098)
Addition	214,461
At 31 December 2016	652,123
Increase in fair value recognised in profit or loss	76,129
Addition	43,849
Transfer to property, plant and equipment (note 19)	(46,800)
Disposal of subsidiaries (note 42)	(127,700)
At 31 December 2017	597,601

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

The fair value of the Group's investment properties at 31 December 2017 and 31 December 2016 has been arrived at on the basis of a valuation carried out on the respective dates by Ascent Partners Valuation Services Limited, an independent qualified professional valuer not connected with the Group.

During the year ended 31 December 2017, certain premises situated in Hong Kong which were previously leased out for rental income have been changed to self-used premises. Accordingly, the investment properties with fair value of HK$46,800,000 have been transferred to leasehold land and buildings.

18. INVESTMENT PROPERTIES *(Continued)*

Ascent Partners Valuation Services Limited has appropriate qualifications and recent experience in the valuation of properties in the relevant locations. The fair value was determined based on direct comparison method that reflects recent transaction prices for similar properties, adjusted for differences in nature, location and condition of the properties under review.

There has been no change to the valuation technique in 2017 and 2016. In estimating the fair value of the properties, the highest and best use of the properties is their current use.

Details of the Group's investment properties and information about the fair value hierarchy as at 31 December 2016 and 31 December 2017 are as follows:

	Level 3	**Fair value as at 31 December 2017**
	HK$'000	**HK$'000**
Property units located in Hong Kong	**597,601**	**597,601**

	Level 3	Fair value as at 31 December 2016
	HK$'000	HK$'000
Property units located in Hong Kong	652,123	652,123

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18. INVESTMENT PROPERTIES *(Continued)*

The fair value of all properties located in Hong Kong was derived using the market comparable approach based on price per square feet observed in recent market prices and adjusting the observed prices per square feet with certain unobservable inputs including the adjustment of the building age, location, fair market rent and people flows to reflect different locations and conditions.

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

Investment properties held by the Group	Fair value at 31 December		Fair value hierarchy	Valuation technique(s) & key inputs	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
	2017 HK$'000	2016 HK$'000				
Property 1 – Commercial Property in Shatin (2016: Industrial Property in Shatin) (Note)	**187,000**	148,000	Level 3	Direct comparison method The key input is price per square feet	Price per square feet, using market direct comparable and taking into account of location and other individual factors such as age and location of the property, which is ranged from HK$6,508 to HK$7,098 (2016: from HK$4,225 to HK$4,579) per square feet	A slight increase in the price per square feet will increase significantly the fair value.
Property 2 – Commercial Property in Tsuen Wan	**26,500**	28,500	Level 3	Direct comparison method The key input is price per square feet	Price per square feet, using market direct comparable and taking into account of location and other individual factors such as age and location of the property, of HK$157,738 (2016: HK$169,643) per square feet	A slight increase in the price per square feet will increase significantly the fair value.
Property 3 – Commercial Property in Mongkok	**22,100**	28,500	Level 3	Direct comparison method The key input is price per square feet	Price per square feet, using market direct comparable and taking into account of location and other individual factors such as age and location of the property, of HK$182,645 (2016: HK$235,537) per square feet	A slight increase in the price per square feet will increase significantly the fair value.

18. INVESTMENT PROPERTIES *(Continued)*

Investment properties held by the Group	Fair value at 31 December 2017 HK$'000	Fair value at 31 December 2016 HK$'000	Fair value hierarchy	Valuation technique(s) & key inputs	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Property 4 – Commercial Property in Shatin	**9,800**	8,800	Level 3	Direct comparison method The key input is price per square feet	Price per square feet, using market direct comparable and taking into account of location and other individual factors such as age and location of the property, of HK$34,087 (2016: HK$30,609) per square feet	A slight increase in the price per square feet will increase significantly the fair value.
Property 5 – Commercial Property in Yau Ma Tei	**9,624**	8,050	Level 3	Direct comparison method The key input is price per square feet	Price per square feet, using market direct comparable and taking into account the location and other individual factors such as age and location of the property, of HK$19,714 (2016: HK$16,487) per square feet	A slight increase in the price per square feet will increase significantly the fair value.
Property 6 – Commercial Property in Yau Ma Tei	**–**	22,300	Level 3	Direct comparison method The key input is price per square feet	Price per square feet, using market direct comparable and taking into account of location and other individual factors such as age and location of the property, of HK$16,641 per square feet in 2016	A slight increase in the price per square feet will increase significantly the fair value.

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18. INVESTMENT PROPERTIES *(Continued)*

Investment properties held by the Group	Fair value at 31 December 2017 HK$'000	Fair value at 31 December 2016 HK$'000	Fair value hierarchy	Valuation technique(s) & key inputs	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Property 7 – Commercial Property in Jordan	**33,700**	31,000	Level 3	Direct comparison method The key input is price per square feet	Price per square feet, using market direct comparable and taking into account the location and other individual factors such as shape of the property, of HK$36,237 (2016: HK$33,333) per square feet	A slight increase in the price per square feet will increase significantly the fair value.
Property 8 – Commercial Property in Tsim Sha Tsui	**65,600**	61,100	Level 3	Direct comparison method The key input is price per square feet	Price per square feet, using market direct comparable and taking into account of location and other individual factors such as age and location of the property, of HK$18,851 (2016: HK$17,557) per square feet	A slight increase in the price per square feet will increase significantly the fair value.
Property 9 – Commercial Property in Tsim Sha Tsui	**65,600**	61,100	Level 3	Direct comparison method The key input is price per square feet	Price per square feet, using market direct comparable and taking into account of location and other individual factors such as age and location of the property, of HK$18,851 (2016: HK$17,557) per square feet	A slight increase in the price per square feet will increase significantly the fair value.
Property 10 – Commercial Property in Tsim Sha Tsui	**65,600**	61,100	Level 3	Direct comparison method The key input is price per square feet	Price per square feet, using market direct comparable and taking into account of location and other individual factors such as age and location of the property, of HK$18,851 (2016: HK$ 17,557) per square feet	A slight increase in the price per square feet will increase significantly the fair value.

18. INVESTMENT PROPERTIES *(Continued)*

Investment properties held by the Group	Fair value at 31 December 2017 HK$'000	Fair value at 31 December 2016 HK$'000	Fair value hierarchy	Valuation technique(s) & key inputs	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Property 11 – Commercial Property in Shatin	–	122,000	Level 3	Direct comparison method The key input is price per square feet	Price per square feet, using market direct comparable and taking into account of location and other individual factors such as shape of the property, of HK$11,822 per square feet in 2016	A slight increase in the price per square feet will increase significantly the fair value.
Property 12 – Commercial Property in Shatin	**40,600**	40,000	Level 3	Direct comparison method The key input is price per square feet	Price per square feet, using market direct comparable and taking into account of location and other individual factors such as age and location of the property, of HK$68,121 (2016: HK$67,114) per square feet	A slight increase in the price per square feet will increase significantly the fair value.
Property 13 – Commercial Property in Shatin	–	5,700	Level 3	Direct comparison method The key input is price per unit	Price per unit, using market direct comparable and taking into account of location and other individual factors such as age and location of the property, of HK$1,900,000 per unit in 2016	A slight increase in price per unit will cause significant increase in fair value.

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18. INVESTMENT PROPERTIES *(Continued)*

Investment properties held by the Group	Fair value at 31 December		Fair value hierarchy	Valuation technique(s) & key inputs	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
	2017	2016				
	HK$'000	HK$'000				
Property 14 – Commercial Property in Kwun Tong	**10,377**	9,298	Level 3	Direct comparison method The key input is price per square feet	Price per square feet, using market direct comparable and taking into account of location and other individual factors such as age and location of the property, of HK$14,191 (2016: HK$12,716) per square feet	A slight increase in price per square feet will increase significantly in fair value.
Property 15 – Commercial Property in Tin Shui Wai	**16,700**	16,300	Level 3	Direct comparison method The key input is price per square feet	Price per square feet, using market direct comparable and taking into account the location and other individual factors such as age and location of the property, of HK$36,784 (2016: HK$35,903) per square feet	A slight increase in the price per square feet will increase significantly the fair value.
Property 16 – Commercial Property in Shatin	**400**	375	Level 3	Direct comparison method The key input is price per unit	Price per unit, using market direct comparable and taking into account of location and other individual factors such as age and location of the property, of HK$800,000 (2016: HK$750,000) per unit	A slight increase in the price per unit will increase significantly the fair value.
Property 17 – Commercial Property in Tai Po	**44,000**	–	Level 3	Direct comparison method The key input is price per square feet	Price per square feet, using market direct comparable and taking into account the location and other individual factors such as age and location of the property, of HK$45,833 per square feet	A slight increase in price per square feet will increase significantly the fair value.
	597,601	652,123				

Note: During the year, the Group obtained an approval from the Building Authority for the change of use on Property 1 from industrial property to commercial property.

19. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings HK$'000	Leasehold improvements HK$'000	Furniture and fixtures HK$'000	Motor vehicles HK$'000	Tools and equipment HK$'000	Total HK$'000
COST						
At 1 January 2016	161,969	140,896	6,839	4,475	103,444	417,623
Additions	49,156	34,194	343	–	14,438	98,131
Exchange realignment	–	(746)	(156)	(50)	(3,257)	(4,209)
Disposals/written off	–	(1,657)	(22)	–	(2,469)	(4,148)
Disposal of subsidiaries (note 42)	–	(3,832)	(147)	–	(2,452)	(6,431)
Reclassified as assets held for sale (note 15)	–	(18,473)	–	–	(27,032)	(45,505)
At 31 December 2016	211,125	150,382	6,857	4,425	82,672	455,461
Additions	–	39,982	1,331	510	50,435	92,258
Acquisition of subsidiaries	–	1,954	157	–	2,461	4,572
Exchange realignment	–	890	178	55	3,760	4,883
Transfer from investment properties (note 18)	46,800	–	–	–	–	46,800
Disposals/written off	–	(25,734)	(480)	–	(2,521)	(28,735)
At 31 December 2017	**257,925**	**167,474**	**8,043**	**4,990**	**136,807**	**575,239**
ACCUMULATED DEPRECIATION						
At 1 January 2016	28,572	117,055	5,396	2,670	30,613	184,306
Charge for the year	9,963	16,292	503	578	25,154	52,490
Exchange realignment	–	(577)	(137)	(32)	(1,589)	(2,335)
Eliminated on disposals/written off	–	(1,657)	(18)	–	(2,273)	(3,948)
Eliminated on disposal of subsidiaries (note 42)	–	(1,225)	(113)	–	(610)	(1,948)
Reclassified as assets held for sale (note 15)	–	(6,857)	–	–	(12,971)	(19,828)
At 31 December 2016	38,535	123,031	5,631	3,216	38,324	208,737
Charge for the year	10,811	16,012	435	614	20,625	48,497
Exchange realignment	–	619	153	37	2,232	3,041
Eliminated on disposals/written off	–	(25,612)	(387)	–	(2,203)	(28,202)
At 31 December 2017	**49,346**	**114,050**	**5,832**	**3,867**	**58,978**	**232,073**
CARRYING VALUES						
At 31 December 2017	**208,579**	**53,424**	**2,211**	**1,123**	**77,829**	**343,166**
At 31 December 2016	172,590	27,351	1,226	1,209	44,348	246,724

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

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

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

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

20. LOANS RECEIVABLE

	2017 **HK$'000**	2016 HK$'000
Fixed-rate loans receivable (unsecured)		
– First Credit Limited	**150,000**	50,000
– Other loans receivable	**19,592**	49,510
	169,592	99,510
Analysed for reporting purposes as:		
Non-current portion	**5,998**	6,913
Current portion	**163,594**	92,597
	169,592	99,510

The range of effective interest rate (which are fixed rates, also equal to contractual interest rates) on the Group's loans receivable are 1% to 10% (2016: 1% to 12%) per annum. As at 31 December 2017, the Group had loans receivable of HK$5,998,000 (2016: HK$6,913,000) which were due for repayment from 5 to 27 years (2016: 6 to 28 years). The amount is included in the non-current assets.

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

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

The loans receivable at the end of the reporting period was net of allowance for impairment amounting to HK$3,559,000 (2016: HK$3,559,000) on loans that were past due and considered not recoverable. During the year ended 31 December 2016, loans receivable amounting to HK$30,000,000 which has been impaired was recovered. Reversal of impairment loss of HK$30,000,000 was recognised.

20. LOANS RECEIVABLE *(Continued)*

Movement in the allowance for loans receivable:

	2017 HK$'000	2016 HK$'000
Balance at the beginning of the year	**3,559**	33,559
Impairment losses recognised	**–**	–
Reversal of impairment as recovered during the year	**–**	(30,000)
Balance at the end of the year	**3,559**	3,559

Included in loans receivable as at 31 December 2017 was amount of HK$150,000,000 (2016: HK$50,000,000) advanced to First Credit Limited ("First Credit"), which accounted for 88% of the loans receivable. The loans carry interest of 5% per annum. Loans of HK$50,000,000 are repayable in January 2018 and loans of HK$50,000,000 and HK$50,000,000 are repayable in February 2018 and March 2018 respectively. The loans are fully guaranteed by First Credit Finance Group Limited, the holding company of First Credit, with its shares listed on GEM of the Stock Exchange (Stock Code: 8215). On 24 November 2017, the SFC issued a direction to suspend trading in the shares of First Credit Finance Group Limited. Subsequent to the year ended 31 December 2017, loans of HK$52,781,000 became past due and First Credit was in default for repayment. The directors of the Company assessed the recoverability of the loans and the credit quality of First Credit and considered the balances recoverable. In the opinion of the directors of the Company, First Credit is an independent third party which is not related to the Group or its related parties.

As at 31 December 2017, included in the other loans receivable was an amount of HK$12,748,000 which was past due but not impaired.

Loans receivable past due but not impaired:

	2017 HK$'000	2016 HK$'000
Past due within 6 months	**12,748**	–

Management of the Company believes that no further impairment allowance is necessary in respect of the remaining loans receivable as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The borrowers have good repayment history.

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For the year ended 31 December 2017

21. GOODWILL

	HK$'000 (Restated)
COST	
At 1 January 2016	622,999
Acquisition of subsidiaries (restated) (note 41)	289,153
Reclassified as assets held for sale (note 15)	(211,645)
Exchange realignment (restated)	(12,987)
At 31 December 2016 (restated)	687,520
Acquisition of a medical practice (note 41(b))	2,000
Exchange realignment	20,215
At 31 December 2017	**709,735**
IMPAIRMENT	
At 1 January 2016	247,108
Impairment	500
Reclassified as assets held for sale (note 15)	(40,000)
At 31 December 2016 and 2017	**207,608**
CARRYING VALUES	
At 31 December 2017	**502,127**
At 31 December 2016 (restated)	479,912

21. GOODWILL *(Continued)*

For the purposes of impairment testing, goodwill have been allocated to groups of individual cash generating units ("CGUs") in 3 (2016: 4) divisions of the Group, namely, healthcare and dental services, trading and retailing of healthcare and pharmaceutical products in Hong Kong, managed care business and hospital management and consulting services business. The carrying amounts of goodwill (net of accumulated impairment losses) as at 31 December 2017 and 31 December 2016 allocated to these units are as follows:

	2017	2016
	HK$'000	HK$'000
		(Restated)
Healthcare and dental services ("Division A"):		
Town Health Medical & Dental Services Limited ("Town Health M&D")	**6,666**	4,666
Hong Kong Traumatology and Orthopaedics Institute Limited ("Hong Kong T&O")	**3,544**	3,544
	10,210	8,210
Managed care business ("Division B"):		
Dr. Vio & Partners Limited ("Dr. Vio")	**204,935**	204,935
Hospital management and consulting services business ("Division C"):		
Nanyang Xiangrui	**286,982**	266,767
	502,127	479,912

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

Division A

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

	2017	2016
	HK	HK
Growth rate	**0% to 4%**	0% to 3.16%
Pre-tax discount rate	**15.84%**	14.45%

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For the year ended 31 December 2017

21. GOODWILL *(Continued)*

Division A *(Continued)*

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

Division B

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

The recoverable amount of the CGU of managed care business was based on its value in use and was determined with the assistance of Ascent Partners Valuation Services Limited, an independent professional qualified valuer not connected with the Group. The calculation used cash flow projections based on financial budgets approved by management covering a five-year period, and at a pre-tax discount rate of 17.24% (2016: 15.84%). The cash flows beyond the five-year period are extrapolated using a growth rate 3.08% (2016: 2.80%) per annum, which was determined after taking into consideration the economic condition of the market. Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include budgeted sales and gross margin and other related expenses, such estimation is based on historical performance of Division B. Management of the Group believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of Division B to exceed the aggregate recoverable amount of Division B. During the year ended 31 December 2017, the management of the Group determines that there is no impairment on Division B (2016: nil).

Division C

For the impairment testing, goodwill is allocated to the Group's CGU C.

The recoverable amount of the CGU of hospital management and consulting services business was based on its value in use calculations. The calculation used cash flow projections based on financial budgets approved by management covering a five-year period, and at a pre-tax discount rate of 20.21% (2016: 15.29%). Cash flows after the five-year period were extrapolated using a growth rate of 2.93% (2016: 2.05%) per annum, which was determined after taking into consideration the economic condition of the market. Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include budgeted revenues and gross margin and other related expenses, such estimation is based on historical performance and future plans of Division C. Management of the Group believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of Division C to exceed the aggregate recoverable amount of Division C. During the year ended 31 December 2017, the management of the Group determines that there is no impairment on Division C (2016: nil).

Division D

For the impairment testing, goodwill and trade name are allocated to the Group's CGU D. As at 31 December 2016, the relevant CGU related to the Bonjour Beauty Group and was reclassified as disposal group held for sale, please refer to note 15 for details.

22. INTANGIBLE ASSETS

	Customer relationship HK$'000	Trade name HK$'000	Management service right and consulting services contracts HK$'000	Total HK$'000
COST				
At 1 January 2016	83,220	421,030	–	504,250
Acquired on acquisition of a subsidiary (restated) (note 41)	–	–	162,510	162,510
Reclassified as assets held for sale (note 15)	(10,708)	(253,943)	–	(264,651)
Exchange realignment	–	–	(6,325)	(6,325)
At 31 December 2016 (restated)	72,512	167,087	156,185	395,784
Exchange realignment	–	–	6,217	6,217
At 31 December 2017	**72,512**	**167,087**	**162,402**	**402,001**
AMORTISATION				
At 1 January 2016	11,822	–	–	11,822
Charge for the year	8,322	–	4,979	13,301
Reclassified as assets held for sale (note 15)	(2,142)	–	–	(2,142)
Exchange realignment	–	–	(128)	(128)
At 31 December 2016	18,002	–	4,851	22,853
Charge for the year	7,252	–	3,274	10,526
Exchange realignment	–	–	488	488
At 31 December 2017	**25,254**	**–**	**8,613**	**33,867**
CARRYING VALUES				
At 31 December 2017	**47,258**	**167,087**	**153,789**	**368,134**
At 31 December 2016 (restated)	54,510	167,087	151,334	372,931

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22. INTANGIBLE ASSETS *(Continued)*

Customer relationship and trade name were recognised as part of the acquisition accounting of Dr. Vio and were recognised at their fair value at the date of acquisition. Intangible assets that were recognised as part of the acquisition accounting of the Bonjour Beauty Group were reclassified as assets held for sales as at 31 December 2016, please refer to note 15 for details.

Management service right and consulting services contracts were recognised as part of the acquisition accounting of Nanyang Xiangrui during the year ended 31 December 2016 and was recognised at its fair value at the date of acquisition, please refer to note 41 for details of acquisition of Nanyang Xiangrui.

The management service right and consulting services contracts have finite useful lives and are amortised on a straight-line basis over 50 years based on the services terms of the management agreements entered into between Nanyang Xiangrui and Nanshi Hospital.

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

The trade name has no legal life. The directors of the Company are of the opinion that the Group has the ability to use the trade name continuously. In the opinion of the directors of the Company, the trade name has no foreseeable limit to the period over which the services provided are expected to generate net cash flows for the Group.

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

23. INTERESTS IN ASSOCIATES

	2017 **HK$'000**	2016 HK$'000
Cost of investments in associates	**274,377**	185,636
Share of post-acquisition loss and other comprehensive expenses, net of dividend received	**(5,702)**	(9,880)
	268,675	175,756

During the year ended 31 December 2016, additional shares had been issued and allotted by Luck Key Investment Limited ("Luck Key") to the Group and other shareholders of Luck Key. The cash considerations paid by the Group for the additional shares issued was HK$7,399,000.

23. INTERESTS IN ASSOCIATES *(Continued)*

During the year ended 31 December 2016, placement of new shares of New Ray took place. Equity interests of New Ray held by the Group were diluted from 17.26% to 14.38%. The differences in share of net assets in New Ray after the dilution and reclassification of translation reserve and investment revaluation reserve, amounted to HK$10,459,000 and HK$35,000 respectively, have been recognised accordingly. Subsequent to the placement having taken place, the Group disposed of its entire 14.38% equity interests in New Ray to Megacom Investment Incorporated ("Megacom Investment") and China Wah Yan Healthcare Limited ("China Wah Yan") at a total consideration of HK$115,000,000. Based on the quoted market price of the shares of New Ray, the total fair value of the shares disposed of was HK$31,450,000. The consideration was settled by cash consideration of HK$20,000,000 and two promissory notes issued by the purchasers, with a face value of aggregate amount of HK$95,000,000. Please refer to note 26 for the details of the promissory notes. Net gain on the disposal of New Ray of HK$43,465,000 was recognised in consolidated profit or loss. In the opinion of the directors of the Company, Megacom Investment and China Wah Yan are independent third parties which are not related to the Group or its related parties.

During the year ended 31 December 2016, Natural Glory International Limited ("Natural Glory"), a wholly owned subsidiary of the Company, entered into a sale and purchase agreement with Stand Forever Corporate Consulting Limited (the "Vendor"), an independent third party, to acquire 20% equity interest in Auspicious Idea Corporate Development Limited ("Auspicious Idea"), at a total consideration of HK$28,000,000, settled by cash of HK$22,000,000 and the entire issued share capital of Global Excel Limited ("Global Excel"), a then indirect wholly-owned subsidiary of the Company.

Pursuant to the sale and purchase agreement for the acquisition of 20% interest in Auspicious Idea ("S&P Agreement"), the Vendor irrevocably and unconditionally guarantees to Natural Glory that the audited consolidated net profits after taxation (the "Audited Profits") of Auspicious Idea for the year ended 31 December 2015, 2016 and 2017 shall not be less than HK$15,000,000, HK$20,000,000 and HK$25,000,000 (the "Targeted Profit Requirement"), respectively. If the aggregate of the Audited Profits of Auspicious Idea for the years ended 31 December 2015, 2016 and 2017 are less than HK$60,000,000, the Vendor shall pay for the amount on a pro-rata basis equivalent to the ratio of the consideration which is calculated based on the percentage of the difference between the aggregate of the Audited Profits and HK$60,000,000 to Natural Glory. The aggregate of the Audited Profits of Auspicious Idea for the years ended 31 December 2015, 2016 and 2017 is HK$55,807,000, which is below the Targeted Profit Requirement by HK$4,193,000. For the year ended 31 December 2017, as a result of the shortfall, an amount of HK$1,957,000 was recognised in consolidated profit or loss and included in other receivables of the Group as at 31 December 2017.

During the year ended 31 December 2017, the identification and determination of fair values of the net identifiable assets of Auspicious Idea have been completed. Included in cost of unlisted investments as at 31 December 2016 is a goodwill of HK$17,726,000 and Group's share of intangible assets, net of deferred tax effect of HK$7,636,000 arising on acquisition of Auspicious Idea.

In the opinion of the directors of the Company, the Vendor is an independent third party which is not related to the Group or its related parties.

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23. INTERESTS IN ASSOCIATES *(Continued)*

During the year ended 31 December 2017, Natural Glory entered into a sale and purchase agreement with the Vendor, to acquire an additional 30% equity interest in Auspicious Idea ("Sale Shares"), at a consideration of HK$108,000,000 in cash. Included in the Group's cost of unlisted investments as at 31 December 2017 is a goodwill of HK$53,683,000 attributable to the additional 30% equity interest acquired in 2017 and the Group's share of intangible assets, net of deferred tax effect, of HK$27,900,000 arising on the acquisition of the 30% equity interest in Auspicious Idea. In the opinion of the directors of the Company, the Vendor is an independent third party which is not related to the Group or its related parties.

Pursuant to the sale and purchase agreement for the acquisition of the additional 30% equity interest in Auspicious Idea, the Vendor irrevocably and unconditionally guarantees to Natural Glory that the audited consolidated net profits after taxation (the "Audited Profits 1") of Auspicious Idea for the year ended 31 December 2017 and the years ending 31 December 2018 and 2019 shall not be less than HK$30,000,000, HK$36,000,000 and HK$42,000,000 (the "Targeted Profit Requirement 1"), respectively. If the aggregate of the Audited Profits 1 of Auspicious Idea for the year ended 31 December 2017 and the years ending 31 December 2018 and 2019 (the "Total Audited Profits 1") are less than HK$108,000,000, the Vendor shall pay an amount equal to 90% of the difference between HK$108,000,000 and the Total Audited Profits 1 or an amount of HK$29,700,000, whichever is lower, to Natural Glory. In addition, Natural Glory and the Vendor entered into a put option deed, pursuant to which the Vendor granted a put option (the "Put Option") to Natural Glory requiring the Vendor, in the event that the Total Audited Profits 1 is less than HK$75,000,000, to purchase back all the Sale Shares from Natural Glory at the price of HK$108,000,000 less all dividends relating to the Sale Shares received/to be received and any damages received or to be received.

The management of the Group has performed a review of the Audited Profits 1 for the year ended 31 December 2017. The Audited Profits for 2017 is HK$12,836,000, which is below the Targeted Profit Requirement 1 by HK$17,164,000.

As at the date of the acquisition, the fair value of the Targeted Profit Requirement 1 is HK$18,860,000, which was presented as financial asset at fair value through profit or loss in the consolidated statement of financial position. As at 31 December 2017, the fair value of the Targeted Profit Requirement 1 is HK$37,840,000. Fair value changes on financial assets at FVTPL of HK$18,980,000 was recognised in consolidated profit or loss during the year.

The fair value of the Targeted Profit Requirement 1 as at 31 December 2017 was estimated by the directors of the Company after taking into consideration of the discounted cash flow calculation of Auspicious Idea. The valuation expert engaged by management adopted Monte-Carlo simulation analysis to derive the fair value of the Targeted Profit Requirement 1. The key inputs and assumptions used by the valuation expert included the audited net profit of Auspicious Idea for 2017, time to maturity, risk-free rate, volatility and target profit requirements for the year ended 31 December 2017 and for the years ending 31 December 2018 to 2019.

23. INTERESTS IN ASSOCIATES *(Continued)*

The Put Option is exercisable by Natural Glory within six months from the day of confirmation of the total consolidated net profits as shown in the audited consolidated financial reports.

During the year ended 31 December 2016, Eyecare International Holdings Limited ("Eyecare International"), an indirect wholly-owned subsidiary of the Company, acquired 480 shares in Western Aurora Limited ("Western Aurora"), which represented 48% issued and fully paid shares of Western Aurora, from an independent third party at a total consideration of HK$72,000,000. Western Aurora is regarded as an associate of the Group. During the year ended 31 December 2017, the identification and determination of fair values of the net identifiable assets of Western Aurora have been completed. Included in cost of unlisted investments is a goodwill of HK$45,168,000 and the Group's share of intangible assets, net of deferred tax effect of HK$15,546,000 arising on acquisition of Western Aurora.

Pursuant to the sale and purchase agreement, the vendor irrevocably and unconditionally guaranteed to Eyecare International that the audited consolidated revenue and the audited consolidated net profit after taxation of Western Aurora for each of the eight financial years ending 31 December 2024 shall not be less than HK$86,916,000 and HK$10,000,000, respectively. Subsequent to the completion of the acquisition, Eyecare International entered into a consultancy agreement with a company controlled by the vendor (the "Consultant"). The Consultant shall be responsible for the management and the daily operation of the medical centres and shall provide all the medical consultation and related healthcare services to patients of the medical centers and charges for consultancy services fee. If the audited consolidated revenue and/or the audited consolidated net profit after taxation is less than the target revenue and target profit after taxation for the relevant year, Western Aurora shall be entitled to deduct the consultancy services fee paid/payable to the consultant by an amount equal to the shortfall.

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23. INTERESTS IN ASSOCIATES *(Continued)*

The management of the Group has performed a review of the audited consolidated revenue and the audited consolidated net profit after taxation of Western Aurora for the year ended 31 December 2017. The audited consolidated revenue and the audited consolidated net profit after taxation are HK$89,585,000 and HK$10,354,000 respectively which are above the target revenue and target profit. For the year ended 31 December 2017, no shortfall of revenue and profit is recognised in profit or loss.

As at 31 December 2017, the directors of the Company took into consideration of the discounted cash flow calculation of Western Aurora and the profit target for the year ended 2017 being met and the directors of the Company expected that the audited consolidated revenue and the audited consolidated net profit after taxation for each of the seven years ending 31 December 2024 could meet the target requirement and accordingly, the fair value of the target requirement is zero.

In the opinion of the directors of the Company, the vendor is an independent third party which is not related to the Group or its related parties.

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

Name of company	Form of business structure	Place of incorporation	Principal place of operation	Class of shares held	Attributable proportion of nominal value of issued/registered capital held by the Group		Proportion of voting power held by the Company		Principal activities
					2017	2016	**2017**	2016	
Auspicious Idea	Incorporated	British Virgin Islands	Hong Kong	Ordinary	**50% (note (i))**	20%	**50%**	25%	Investment holding and its subsidiaries engaged in provision of beauty and cosmetic medical services in Hong Kong and the PRC
Extrad Assets Limited ("Extrad Assets")	Incorporated	British Virgin Islands	Hong Kong	Ordinary	**50%**	50%	**50%**	50%	Investment holding and its associate engaged in manufacturing and sales of toys
Luck Key	Incorporated	British Virgin Islands	Hong Kong	Ordinary	**33.51% (note (ii))**	35%	**20%**	20%	Investment holding and its subsidiaries engaged in provision of medical diagnostic and health care services in Hong Kong
Western Aurora	Incorporated	British Virgin Islands	Hong Kong	Ordinary	**48%**	48%	**33%**	33%	Investment holding and its subsidiaries engaged in provision of ophthalmic medical services in Hong Kong

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

23. INTERESTS IN ASSOCIATES *(Continued)*

Notes:

(i) The Group is entitled to appoint up to and has appointed two out of four directors to the board of directors of Auspicious Idea as at 31 December 2017. According to the shareholders' agreement, the director who is appointed by the other shareholder shall be entitled to a second and/or casting vote in the event of an equality of vote. Hence, in the opinion of the directors of the Company, the Group has significant influence over the company.

(ii) During the year ended 31 December 2017, the other shareholders of Luck Key made additional capital contribution to Luck Key. The Group's equity interest in Luck Key decreased from 35% to 33.51% after the capital contribution made by the other shareholders.

Summarised financial information of material associates

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

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

(a) Auspicious Idea

	2017 **HK$'000**	2016 HK$'000
Current assets	**168,593**	143,885
Non-current assets	**36,208**	25,766
Current liabilities	**(160,633)**	(142,658)
Non-current liabilities	**(2,740)**	(2,803)

	2017 **HK$'000**	15 August 2016 to 31 December 2016 HK$'000
Revenue	**247,482**	88,758
Profit for the period	**12,836**	13,271
Other comprehensive expense for the year/period	**4,402**	(2,271)
Profit and total comprehensive income for the year/period	**17,238**	11,000

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23. INTERESTS IN ASSOCIATES *(Continued)*

Summarised financial information of material associates *(Continued)*

(a) Auspicious Idea (Continued)

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

	2017	2016
	HK$'000	HK$'000
Net assets of Auspicious Idea	**41,428**	24,190
Proportion of the Group's ownership interest in Auspicious Idea	**50%**	20%
Net assets of the Group's interest in Auspicious Idea	**20,714**	4,838
Effects of fair value adjustments on intangible assets	**27,900**	7,636
Goodwill	**71,409**	17,726
Carrying amount of the Group's interest in Auspicious Idea	**120,023**	30,200

(b) Extrad Assets

	2017	2016
	HK$'000	HK$'000
Current assets	**2**	104
Non-current assets	**11,375**	16,316
Current liabilities	**(12)**	(12)
Revenue	**–**	–
(Loss) profit and total comprehensive income for the year	**(1,043)**	4,681
Dividend distributed by the associate during the year	**(4,000)**	(3,000)

23. INTERESTS IN ASSOCIATES *(Continued)*

Summarised financial information of material associates *(Continued)*

(b) Extrad Assets (Continued)

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

	2017 **HK$'000**	2016 HK$'000
Net assets of Extrad Assets	**11,365**	16,408
Proportion of the Group's ownership interest in Extrad Assets	**50%**	50%
Net assets of the Group's interest in Extrad Assets	**5,683**	8,204
Goodwill	**32,932**	32,932
Impairment loss	**(15,000)**	(15,000)
Carrying amount of the Group's interest in Extrad Assets	**23,615**	26,136

(c) Luck Key

	2017 **HK$'000**	2016 HK$'000
Current assets	**86,781**	108,167
Non-current assets	**56,433**	22,324
Current liabilities	**(15,967)**	(15,250)
Non-controlling interests	**(438)**	(4,661)

	2017 **HK$'000**	2016 HK$'000
Revenue	**233,210**	225,885
Profit and total comprehensive income for the year	**36,229**	29,054
Dividend distributed by the associate during the year	**(20,000)**	–

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23. INTERESTS IN ASSOCIATES *(Continued)*

Summarised financial information of material associates *(Continued)*

(c) Luck Key (Continued)

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

	2017	2016
	HK$'000	HK$'000
Net assets of Luck Key attributable to owners	**126,809**	110,580
Proportion of the Group's ownership interest in Luck Key	**33.51%**	35%
Carrying amount of the Group's interest in Luck Key	**42,494**	38,703

(d) Western Aurora

	2017	2016
	HK$'000	HK$'000
Current assets	**32,926**	19,009
Non-current assets	**15,373**	19,478
Current liabilities	**(12,267)**	(12,054)
Non-current liabilities	**(1,250)**	(2,005)

23. INTERESTS IN ASSOCIATES *(Continued)*

Summarised financial information of material associates *(Continued)*

(d) Western Aurora (Continued)

	2017 HK$'000	1 August 2016 to 31 December 2016 HK$'000
Revenue	**89,585**	58,785
Profit and total comprehensive income for the year/period	**10,354**	915

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

	2017 HK$'000	2016 HK$'000
Net assets of Western Aurora	**34,782**	24,428
Proportion of the Group's ownership interest in Western Aurora	**48%**	48%
Net assets of the Group's interest in Western Aurora	**16,695**	11,725
Effects of fair value adjustments on intangible assets	**15,546**	15,546
Goodwill	**45,168**	45,168
Carrying amount of the Group's interest in Western Aurora	**77,409**	72,439

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23. INTERESTS IN ASSOCIATES *(Continued)*

Aggregate information of associates that are not individually material

	2017 HK$'000	2016 HK$'000
The Group's share of profit and other comprehensive income for the year	**3,763**	6,974
Aggregate carrying amount of the Group's interests in these associates	**5,134**	8,278

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

	2017 HK$'000	2016 HK$'000
Unrecognised share of losses of associates for the year	**(2,213)**	–
Accumulated unrecognised share of losses of associates	**(15,470)**	(13,257)

24. INTERESTS IN JOINT VENTURES

On 4 November 2016, the Group disposed of its entire equity interest in Wise Lead Holdings Limited ("Wise Lead") to an independent third party. The interest in Huayao Medical Group Limited was derecognised together with other assets and liabilities of Wise Lead. For disposal of Wise Lead, please refer to note 42 for details.

During the year ended 31 December 2016, 510 shares in Sky View Investment Limited ("Sky View") were allotted and issued to Amber Rose Holdings Limited ("Amber Rose"), an indirect wholly-owned subsidiary of the Company, at a consideration of US$5,151,000 (or equivalent to HK$40,178,000). The Group holds 51% equity interests in Sky View and the other shareholder of Sky View (the "Sky View partner") holds the remaining 49% equity interests. Subsequent to the share allotment, the Group has the power to appoint one director and the Sky View partner has the power to appoint another one director to form the board of directors of Sky View. The Group is able to exercise joint control with the Sky View partner over Sky View because the decisions on relevant activities of Sky View require both directors' approval. Accordingly, Sky View is regarded as a joint venture of the Group. 51 shares were further allotted and issued to Amber Rose during the year ended 31 December 2016 at a consideration of US$132,600 (or equivalent to HK$1,034,000).

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

	2017 **HK$'000**	2016 HK$'000
Cost of unlisted investments in joint ventures	**41,212**	41,212
Share of post-acquisition loss and other comprehensive expenses, net of dividend received	**(23,618)**	(3,598)
	17,594	37,614

Details of joint ventures at the end of the reporting period as follows:

Name of company	Form of business structure	Place of incorporation	Principal place of operation	Class of shares held	Attributable proportion of nominal value of issued/registered capital held by the Group **2017**	2016	Proportion of voting power held by the Company **2017**	2016	Principal activities
Sky View	Incorporated	British Virgin Islands	PRC	Ordinary	**51%**	51%	**50%**	50%	Investment holding in an associate engaged in operation of beauty mobile application in the PRC

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24. INTERESTS IN JOINT VENTURES *(Continued)*

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

Sky View

	2017	2016
	HK$'000	HK$'000
Current assets	**410**	485
Non-current assets	**34,089**	73,268

	1 January 2017 to 31 December 2017	20 February 2016 to 31 December 2016
	HK$'000	HK$'000
Revenue	**–**	143
Loss and other comprehensive expense for the period	**(39,254)**	(7,054)

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

	2017	2016
	HK$'000	HK$'000
Net assets of Sky View	**34,499**	73,753
Proportion of Group's ownership interest in Sky View	**51%**	51%
Carrying amount of Group's interest in Sky View	**17,594**	37,614

The loss of Sky View for the year ended 31 December 2017 included an amount of HK$33,000,000, representing its share of impairment loss of its associate.

25. AVAILABLE-FOR-SALE INVESTMENTS

Available-for-sale investments comprise:

	2017 HK$'000	2016 HK$'000
At fair value:		
– Unlisted equity fund	**8,505**	8,501
– Listed equity securities (note (i))	**120,175**	88,550
– Loan notes (note (ii))	**–**	150,000
At cost:		
– Unlisted equity securities (note (iii))	**157,649**	95,031
	286,329	342,082
Less: Loan note shown under current assets	**–**	(150,000)
Total	**286,329**	192,082

Notes:

(i) All listed investments are stated at fair value which is determined based on the quoted market bid prices available on the Stock Exchange. During the year ended 31 December 2017, fair value gain on listed securities amounting to HK$31,625,000 (2016: fair value loss HK$8,239,000) was recognised in other comprehensive expense.

(ii) Loan notes were issued by GET Holdings Limited with its shares listed on the Stock Exchange, which were measured at fair value. The loan notes bore interest at 9% per annum and were redeemed at maturity during the year.

(iii) The above unlisted equity securities are measured at cost less impairment at the end of reporting period because the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that their fair values cannot be measured reliably.

Included in unlisted equity securities as at 31 December 2017 is an investment NSD Capital of HK$7,001,000 (2016: HK$5,486,000). The outstanding loan balance of HK$15,434,000 as disclosed in note 31 has been capitalised as a capital contribution to the investee and included in available-for-sale investments during the year. NSD Capital is an exempted company incorporated in the Cayman Islands with limited liability. The management shares of which are wholly owned by Convoy Fund Management Limited ("CFM"), a wholly owned subsidiary of Convoy Global Holdings Limited ("Convoy Global"), with its shares listed on the Stock Exchange. Therefore, NSD Capital is a subsidiary of CFM and is ultimately controlled by Convoy Global. NSD Capital is currently holding listed equity securities of a listed company, which is listed on the Stock Exchange. As at 31 December 2017, the share price of the listed security had significantly declined. The directors of the Company assessed the fair values of the listed securities and impairment loss of HK$13,919,000 (2016: HK$704,000) was recognised in profit or loss (note 9).

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).

As at 31 December 2017, the two major unlisted investees, Heemin Capital Global Enhanced Yield Bond Fund ("Heemin Capital") and HCMPS Healthcare Holdings Limited ("HCMPS"), accounted for 94% (2016: the two major unlisted investees, NSD Capital and HCMPS, accounted for 97%) of total unlisted equity securities of the Group. Heemin Capital is principally engaged in global fund investment. HCMPS and its subsidiaries are principally engaged in the provision of contracted medical schemes for integrated medical and healthcare check-up services in Hong Kong.

In the opinion of the directors of the Company, the investees are independent third parties, none of which is related to the Group or its related parties.

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26. PROMISSORY NOTES

	Notes	2017 HK$'000	2016 HK$'000
China Wah Yan	(i)	–	65,000
Megacom Investment	(i)	–	30,000
Mr. Dai Hai Dong	(ii)	–	203,705
Profit Castle Holdings Limited	(iii)	**330,000**	–
		330,000	298,705

Notes:

(i) A promissory note with a principal amount of HK$65,000,000, which is unsecured, carries interest of 5% per annum and will mature in June 2018, was issued by China Wah Yan as part of the consideration of the acquisition of the Group's interests in New Ray as set out in note 23. The issuer of the promissory note has the option to early repay the principal amount of the note in full or in part before the maturity date. During the year ended 31 December 2017, the issuer made an early repayment of HK$65,000,000.

A promissory note with a principal amount of HK$30,000,000 which carries interest of 5% per annum and will mature in June 2018, was issued by Megacom Investment as part of the consideration of the acquisition of the Group's interests in New Ray as set out in note 23. The promissory note is secured by Mr. Chan Ka Chung, an executive director of China Wah Yan and a shareholder of China Wah Yan based on the information in the published annual report of China Wah Yan for the year ended 31 December 2016. The issuer of the promissory note has the option to early repay the principal amount of the note in full or in part before the maturity date. According to the announcement of China Wah Yan dated 29 March 2018, the SFC issued a direction to suspend trading in the shares of China Wah Yan on 24 November 2017 because it appears to SFC that, among other things, China Wah Yan's discloseable transaction announcement dated 23 June 2016 (which relates to its acquisition of interests in New Ray from the Group) contained materially false, incomplete or misleading information. Subsequent to the date of suspension, the directors of the Company reassessed the recoverable amount of the promissory notes due from Megacom Investment as at 31 December 2017. As a result of the reassessment, which included credit assessment of the guarantor who is also the sole shareholder of Megacom Investment, it was determined that the suspension of trading in the shares of China Wah Yan had adversely impacted the financial ability of the counterparty to repay the monies owed under the promissory note, thus leading to the recognition of the impairment loss of HK$30,000,000 during the year. In the opinion of the directors of the Company, the note issuers are independent third parties, none of which is related to the Group or its related parties.

(ii) A promissory note with a principal amount of HK$230,000,000, which carries interest of 5% per annum and will mature in November 2019, was issued by the purchaser, Mr. Dai Hai Dong, as consideration of the acquisition of the Group's interests in Wise Lead as set out in note 42. The promissory note is secured by the entire issued share capital of Wise Lead. Wise Lead owns 49% interest in Huayao Medical Group Limited ("Huayao"). The major assets of Huayao are a rehabilitation-oriented hospital situated in Hangzhou and certain outpatient medical clinics situated in Hangzhou. The issuer of the promissory note has the option to early repay the principal amount of the note in full or in part before the maturity date. During the year ended 31 December 2016, the issuer made an early partial payment of HK$26,295,000. As at 31 December 2017, the Group reassessed the recoverability of the promissory note receivable by carrying out credit reviews on the financial condition of the counterparty. During the credit reviews, it was noted upon preliminary inspection conducted by the staff members of the Company that the operations of the hospital and the outpatient medical clinics of Huayao in Hangzhou have ceased. The directors of the Company conducted further credit assessments on Mr. Dai Hai Dong and reassessed the recoverable amount of the promissory note and impairment loss of HK$203,705,000 was recognized in consolidated profit or loss to fully write down the carrying amount of the promissory note. In the opinion of the directors of the Company, the note issuers are independent third parties, none of which is related to the Group or its related parties.

(iii) A promissory note with a principal amount of HK$330,000,000, which carries interest of 6% per annum and will mature in April 2020, was issued by Profit Castle Holdings Limited, a company incorporated in the British Virgin Islands with limited liability and owned as to 50% by Dr. Ip Chun Heng, Wilson, a former director of the Company and 50% by his spouse, as consideration of the acquisition of the Group's interests in the Bonjour Beauty Group as set out in note 15. The promissory note is secured by the entire issued share capital of Bonjour Beauty International Limited. The issuer of the promissory note has the option to early repay the principal amount of the note in full or in part before the maturity date. Details are set out in note 15.

The promissory notes are initially recognised at fair value and subsequently measured at amortised cost. The early redemption option is considered as closely related to the host promissory note. The directors of the Company assessed that the promissory notes have been issued within the range of the market borrowing rates of the note issuers and considered the interest rates as fair and reasonable. The principal amounts of the promissory notes are considered as the fair value at the date of issuance.

27. INVENTORIES

	2017 HK$'000	2016 HK$'000
Pharmaceutical supplies	**21,465**	20,638
Healthcare equipment	**1,734**	1,310
Dental materials and supplies	**1,386**	1,021
	24,585	22,969

28. TRADE AND OTHER RECEIVABLES

	2017 HK$'000	2016 HK$'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 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.

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28. TRADE AND OTHER RECEIVABLES *(Continued)*

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

	2017 **HK$'000**	2016 HK$'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 at the end of the reporting period for which the Group has not provided for impairment loss.

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

Movement in the allowance for doubtful debts:

	2017 **HK$'000**	2016 HK$'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 recognised represents the difference between the carrying amount of the specific trade receivables and the present value of the expected recoverable amount. The trade receivables are impaired because of significant financial difficulty of the counterparties.

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

Included in the Group's other receivables as at 31 December 2017 are interest receivable of HK$14,550,000, receivable from disposal of subsidiaries of HK$6,656,000 (2016: Refund from cancellation of investment of HK$24,528,000 and interest receivable of HK$9,012,000).

29. HELD FOR TRADING INVESTMENTS

	2017	2016
	HK$'000	HK$'000
Listed equity securities in Hong Kong	**16,726**	69,969

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

In the opinion of the directors of the Company, the investees are independent third parties, none of which is related to the Group or its related parties.

30. AMOUNTS DUE FROM (TO) ASSOCIATES

The amounts are of non-trade nature, unsecured, interest-free and repayable on demand.

The directors of the Company reviews the recoverability of the amounts due from associates and impairment is recognised when there is objective evidence that the amount is not recoverable. At 31 December 2017, the balance of amounts due from associates is net of accumulated allowance of HK$10,557,000 (2016: HK$10,678,000). The directors of the Company considered the carrying amounts of remaining amounts due from/to associates approximate their fair values as at 31 December 2017 and 2016.

31. AMOUNTS DUE FROM (TO) INVESTEES

The amounts are advances to (from) investee of available-for-sale investments of non-trade nature, unsecured and repayable on demand.

Included in amounts due from investees as at 31 December 2016 was an amount of HK$14,556,000 due from NSD Capital with a principal amount of HK$13,300,000, which bore interest at 8% per annum. On 27 October 2017, the total outstanding balance with the accrued interest due from NSD Capital was HK$15,434,000 and it was agreed that NSD Capital settled the outstanding balance by the issue of additional Class A shares in NSD Capital on the same terms as other Class A shares previously issued to the Group. The subscription price of each share was HK$10,000. NSD Capital issued 1,543.383 shares to the Group. The balance of HK$15,434,000 was transferred to available-for-sale investments during the year ended 31 December 2017.

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31. AMOUNTS DUE FROM (TO) INVESTEES *(Continued)*

The remaining amounts due from/to investee are interest-free.

At 31 December 2017, the balance of amounts due from investees is net of accumulated allowance of HK$1,164,000 (2016: HK$1,664,000). The directors of the Company considered the carrying amounts of remaining amounts due from/to investees approximate their fair values as at 31 December 2017 and 2016.

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

The amounts are of non-trade nature, unsecured, interest-free and repayable on demand. The directors of the Company anticipated the carrying amounts approximate their fair values and no impairment was provided on the balances as at 31 December 2017 and 2016.

33. BANK BALANCES AND CASH

Bank balances and cash comprise cash held by the Group and bank balances that carry interest at market rates ranging from 0.01% to 1% (2016: 0.01% to 0.35%) per annum and have original maturity of three months or less.

As at 31 December 2017, bank deposit of HK$64,358,000 (2016: nil) carries fixed interests rate ranging from 1.35% to 2.1% (2016: nil) per annum which will be matured in 2018 and cannot be redeemed before their maturity date.

34. TRADE AND OTHER PAYABLES

	2017 **HK$'000**	2016 HK$'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

34. TRADE AND OTHER PAYABLES *(Continued)*

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.

35. 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)
	–	–

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35. BANK BORROWINGS *(Continued)*

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 from 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.

36. LOAN NOTES

During the year ended 31 December 2014, the Company issued loan notes carrying coupon interest rate of 7% with aggregate face value amounted to HK$115,000,000. On initial recognition, the aggregate principal amount of the loan notes amounted to HK$99,800,000 and the fair value of the redemption option amounted to HK$15,200,000. The loan notes are unsecured.

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

The Company had early redeemed all the issued loan notes during the year ended 31 December 2016. The movements of the loan notes for the years ended 31 December 2016 are set out as below:

	Debt component HK$'000	**Derivative component** HK$'000	**Total** HK$'000
At 1 January 2016	104,216	17,703	121,919
Interest charged	4,093	–	4,093
Early redemption and interest payment	(120,644)	–	(120,644)
Loss on early redemption	12,335	–	12,335
Changes in fair value	–	(17,703)	(17,703)
At 31 December 2016	–	–	–

37. DEFERRED TAX (ASSETS) LIABILITIES

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

	Accelerated tax depreciation HK$'000	Fair value adjustment on business combinations HK$'000	Tax losses HK$'000	Others HK$'000	Total HK$'000
At 1 January 2016	2,608	11,990	(757)	(265)	13,576
Credit to profit or loss	–	(2,617)	–	–	(2,617)
Acquisition of subsidiaries (restated) (note 41)	–	40,627	–	–	40,627
Reclassified as assets and liabilities held for sale	(853)	(1,380)	724	–	(1,509)
Exchange realignment	–	(1,600)	–	–	(1,600)
At 31 December 2016 (restated)	1,755	47,020	(33)	(265)	48,477
Credit to profit or loss	(585)	(2,015)	33	265	(2,302)
Exchange realignment	–	2,904	–	–	2,904
At 31 December 2017	**1,170**	**47,909**	**–**	**–**	**49,079**

Fair value on business combination represent deferred tax effect of HK$11,990,000 on customer relationship acquired on the acquisition of Dr. Vio and deferred tax effect of HK$40,627,000 on management service right and consulting service contracts acquired on the acquisition of Nanyang Xiangrui.

At 31 December 2017, the Group has unused tax losses of HK$385,679,000 (2016: HK$296,592,000) available for offset against future profits. A deferred tax asset has been recognised in respect of nil (2016: HK$200,000) of such losses.

No deferred tax asset has been recognised in respect of the remaining tax losses of HK$385,766,000 (2016: HK$296,392,000) due to the unpredictability of future profit streams. Such losses may be carried forward indefinitely.

At 31 December 2017, the Group has deductible temporary differences associated with specific provision on trade receivables of nil (2016: HK$1,606,000). A deferred tax asset of nil (2016: HK$265,000) has been recognised in respect of such deductible temporary differences.

No deferred tax liabilities has been provided for in the consolidated financial statements in respect of the temporary differences attributable to the undistributed retained profits of HK$47,183,000 as at 31 December 2017 (2016: HK$5,265,000) earned by the subsidiaries established in the PRC as the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary differences will not reverse in the foreseeable future.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

38. 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	(235,164,000)	(2,352)
At 31 December 2017	**7,526,134,452**	**75,261**

Note:

(i) During the year, the Company repurchased its own ordinary shares through the Stock Exchange as follows:

Month of repurchase	No. of ordinary shares	Price per share Highest HK$	Lowest HK$	Aggregate consideration paid (after expenses) 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.

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

	Number of shares	Amount HK$'000
Preference Shares of HK$0.01 each		
Authorised:		
At 1 January 2016, 31 December 2016 and 2017	375,000,000	3,750
Issued and fully paid:		
At 1 January 2016	291,666,666	2,917
Converted during the year (Note)	(291,666,666)	(2,917)
At 31 December 2016 and 2017	**–**	**–**

The Preference Shares were redeemable at the sole discretion of the Group, carried no voting right and each of the Preference Shares was convertible into one ordinary share any time after issue.

Pursuant to the convertible preference shares subscription ("CPS Subscription") agreement dated 31 October 2014, 374,999,999 Preference Shares were allotted and issued at HK$1.2 per share to Fubon Life Insurance Co., Ltd., Fubon Insurance Co., Ltd. and Broad Idea International Limited on 29 December 2014. The proceeds from the CPS Subscription were intended to be used for expanding business in the PRC and Hong Kong. Details of the CPS subscription are disclosed in to the Company's announcement dated 31 October 2014 and the circular of the Company dated 28 November 2014.

Note: On 18 January 2016, all the outstanding 291,666,666 Preference Shares were converted into ordinary shares.

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For the year ended 31 December 2017

40. SHARE-BASED PAYMENT TRANSACTIONS

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

2008 Scheme

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

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

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

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

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

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

There were no share options outstanding under the 2008 Scheme as at 1 January 2016.

No share options have been granted during both years ended 31 December 2016 and 2017.

41. ACQUISITION OF SUBSIDIARIES

For the year ended 31 December 2017

(a) Hangzhou Zanbu Group

On 1 July 2017, TH Shanghai (China) Limited ("TH Shanghai"), a then wholly owned subsidiary of the Company, entered into an agreement with an independent third party to acquire 100% equity interest in 杭州贊布生物科技有限公司 (Hangzhou Zanbu Biological Technology Company Limited*) and its subsidiary (collectively as "Hangzhou Zanbu Group") at a cash consideration of RMB1,000,000 (equivalent to HK$1,157,000) included in other payables as at 31 December 2017. The transaction was completed on 14 August 2017. The acquisition of Hangzhou Zanbu Group has been accounted for using the purchase accounting method. Hangzhou Zanbu Group is engaged in the provision of medical healthcare consultation services in the PRC.

The Group subsequently disposed of 21% equity interest in TH Shanghai Medical, the immediate holding company of TH Shanghai, to a related party (note 42 (b)). The Group retains control over TH Shanghai Medical and its subsidiaries.

Assets acquired and liabilities of Hangzhou Zanbu Group recognised at the date of acquisition are as follows:

	Total
	HK$'000
Property, plant and equipment	4,572
Inventories	104
Trade and other receivables	532
Bank balances and cash	716
Trade and other payables	(4,767)
Net assets	1,157
Consideration paid and payable	1,157
Less: net assets recognised	(1,157)
Goodwill arising on acquisition	–

During the year ended 31 December 2017, the identification and determination of fair values of the net identifiable assets of Hangzhou Zanbu have been completed.

The acquisition-related costs were insignificant and have been excluded from the consideration transferred and recognised in profit or loss.

* *English name for identification only*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2017

41. ACQUISITION OF SUBSIDIARIES *(Continued)*

For the year ended 31 December 2017 *(Continued)*

(a) Hangzhou Zanbu Group (Continued)

	HK$'000
Analysis of net inflow of cash and cash equivalents in connection with the acquisition of a subsidiary:	
Cash consideration paid	1,157
Less: Bank balances and cash acquired	(716)
Net cash outflow in respect of the acquisition of a subsidiary	441

Included in the loss for the year ended 31 December 2017 from continuing operations was loss of HK$2,802,000 attributable to the additional business generated by Hangzhou Zanbu Group. Revenue from continuing operations for the year ended 31 December 2017 included HK$918,000 generated from Hangzhou Zanbu Group.

Had the acquisition been completed on 1 January 2017, total Group's revenue from continuing operations for the year would have been approximately HK$1,109,519,000 and loss for the year from continuing operations would have been approximately HK100,630,000. The proforma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2017, nor is it intended to be a projection of future results.

(b) Medical Practice

On 30 April 2017, Town Health Medical & Dental Services Limited, a wholly-owned subsidiary of the Company has entered into an agreement with Essential Health Limited, an associate of the Company for the acquisition of a medical practice at a consideration of HK$2,000,000 in cash. In the opinion of the directors of the Company, no significant identifiable assets and liabilities were assumed, accordingly, goodwill of HK$2,000,000 was recognised in Division A. Details please refer to the note 21 to the consolidated financial statements.

41. ACQUISITION OF SUBSIDIARIES *(Continued)*

For the year ended 31 December 2016

(c) On 1 August 2016, the Group completed the acquisition of 43.71% equity interest in Nanyang Xiangrui, from independent third parties at a consideration of HK$330,248,000 during the year ended 31 December 2016 in which control over Nanyang Xiangrui was obtained. The directors of the Company having considered all facts and circumstances, concluded that the Group had obtained control over Nanyang Xiangrui of which the Group has the power to appoint three directors out of five to sit in Nanyang Xiangrui's board of directors. The voting rights attributable to the directors of Nanyang Xiangrui appointed by the Group are sufficient to give the Group the power to direct the relevant activities of Nanyang Xiangrui unilaterally and therefore, Nanyang Xiangrui is regarded as a subsidiary of the Company. The acquisition has been accounted for using the purchase method. Non-controlling interests are recognised at their proportionate share of the fair value of net assets recognised at the date of acquisition. Nanyang Xiangrui is engaged in provision of hospital management services to Nanshi Hospital at an annual fee for 50 years and provision of consulting services in relation to the supply chain for the supply of pharmaceuticals and medical consumables to Nanshi Hospital in the PRC.

The acquisition provides a platform for the Group to further develop its healthcare services in the PRC. Subsequent to the completion of the acquisition, the Group had further injected HK$307,798,000 into Nanyang Xiangrui and increased the equity interests from 43.71% to 60%. The increase in equity interests in Nanyang Xiangrui was treated as an equity transaction without any impact on the Group's control over Nanyang Xiangrui. Difference of HK$104,469,000 between the carrying amounts of net assets attributable to the 56.29% and 40% interests held by the non-controlling interests was debited to other reserves.

	Total HK$'000 (Restated)
Assets acquired and liabilities recognised at the date of acquisition are as follows:	
Intangible assets	162,510
Trade and other receivables (Note)	13,508
Bank balances and cash	10,937
Trade and other payables	(29,093)
Tax payables	(1,715)
Deferred tax liabilities	(40,627)
Net assets	115,520
Consideration paid	330,248
Plus: non-controlling interests (56.29% in Nanyang Xiangrui) (restated)	65,026
Less: net assets recognised	(115,520)
Goodwill arising on acquisition (restated)	279,754

Note: The fair value of trade and other receivables at the date of acquisition amounted to HK$13,508,000, which also represented the gross contractual amounts.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

41. ACQUISITION OF SUBSIDIARIES *(Continued)*

For the year ended 31 December 2016 *(Continued)*

(c) (Continued)

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

During the year ended 31 December 2017, the identification and determination of fair values of the net identifiable assets of Nanyang Xiangrui have been completed. Included in cost of the acquisition of the unlisted investments is a goodwill of HK$279,754,000 and an intangible assets comprising management service right and consulting services contracts of HK$162,150,000 arising on acquisition of Nanyang Xiangrui.

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

The acquisition-related costs were insignificant and have been excluded from the consideration transferred and recognised in profit or loss.

	HK$'000
Analysis of net inflow of cash and cash equivalents in connection with the acquisition of a subsidiary:	
Cash consideration paid	(330,248)
Less: Bank balances and cash acquired	10,937
Net cash outflow in respect of the acquisition of a subsidiary	(319,311)

Included in the profit for the year ended 31 December 2016 from continuing operations was HK$3,369,000 attributable to the additional business generated by Nanyang Xiangrui. Revenue from continuing operations for the year ended 31 December 2016 included HK$22,916,000 generated from Nanyang Xiangrui.

Had the acquisition been completed on 1 January 2016, total Group's revenue from continuing operations for the year would have been approximately HK$1,024,236,000 and profit for the year from continuing operations would have been approximately HK$98,506,000. The proforma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2016, nor is it intended to be a projection of future results.

41. ACQUISITION OF SUBSIDIARIES *(Continued)*

For the year ended 31 December 2016 *(Continued)*

(d) On 29 February 2016, a non-wholly owned subsidiary of the Company acquired 70% equity interests in Version System from an independent third party at a consideration of HK$10,000,000 of which HK$7,400,000 and HK$1,300,000 was settled by cash during the year ended 31 December 2016 and 31 December 2017 respectively while the remaining consideration of HK$1,300,000 was not yet settled as at 31 December 2016. The Group effectively holds 66% equity interests in Version System and the acquisition has been accounted for using the purchase accounting method. Version System is engaged in provision of information technology support services to managed care business.

	Total
	HK$'000
Assets acquired and liabilities recognised at the date of acquisition are as follows:	
Inventories	6
Trade and other receivables (Note)	1,150
Bank balances and cash	958
Trade and other payables	(1,035)
Tax payables	(168)
Net assets	911
Consideration paid and payable	10,000
Plus: non-controlling interests (34% in Version System)	310
Less: net assets recognised	(911)
Goodwill arising on acquisition	9,399

Note: The fair value of trade and other receivables at the date of acquisition amounted to HK$1,150,000, which also represented the gross contractual amounts.

Goodwill arose in the acquisition of Version System because the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies and assembled workforce of Version System. These benefits are not recognised separately from goodwill because they do not meet the criteria for identifiable intangible assets.

During the year ended 31 December 2017, the identification and determination of fair values of the net identifiable assets of Version System have been completed. Included in cost of unlisted investments is a goodwill of HK$9,399,000 arising on acquisition of Version System, which has been included in Division B (Note 21).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

41. ACQUISITION OF SUBSIDIARIES *(Continued)*

For the year ended 31 December 2016 *(Continued)*

(d) *(Continued)*

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

The acquisition-related costs are insignificant and have been excluded from the consideration transferred and recognised in profit or loss.

	HK$'000
Analysis of net inflow of cash and cash equivalents in connection with the acquisition of a subsidiary:	
Consideration paid	(7,400)
Bank balances and cash acquired	958
Net cash outflow in respect of the acquisition of a subsidiary	(6,442)

For the expansion of the Group's business, the Group acquired Version System which is engaged in provision of information technology support services to managed care business.

Version System contributed approximately HK$4,670,000 to the Group's revenue and contributed profit approximately HK$1,289,000 to the Group's profit for the year ended 31 December 2016.

Had the acquisition been completed on 1 January 2016, total Group's revenue from continuing operations for the year would have been approximately HK$1,012,092,000 and profit for the year from continuing operations would have been approximately HK$93,273,000. The proforma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2016, nor is it intended to be a projection of future results.

42. DISPOSAL OF SUBSIDIARIES

For the year ended 31 December 2017

(a) *Disposal of subsidiaries with loss of control*

Faithful Sun Limited is principally engaged in properties investment. On 14 August 2017, the Group completed the disposal of its entire equity interest in Faithful Sun Limited to an independent third party at a consideration of HK$149,464,000. The consideration was settled by cash.

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

	Faithful Sun Limited 14 August 2017 HK$'000
Analysis of assets and liabilities over which control was lost:	
Investment properties	127,700
Net assets disposed of	127,700
Gain on disposal of a subsidiary:	
Consideration received and receivable	149,720
Net assets disposed of	(127,700)
Gain on disposal	22,020
Consideration received:	
Cash received	149,464
Other receivables	256
Total consideration received	149,720
Net cash inflow arising on disposal:	
Cash consideration	149,464
Less: bank balances and cash disposed of	–
	149,464

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

42. DISPOSAL OF SUBSIDIARIES *(Continued)*

For the year ended 31 December 2017 *(Continued)*

(b) Disposal of partial interests in subsidiaries without loss of control

On 3 November 2017, Town Health Dental Group Limited, a wholly owned subsidiary of the Company, entered into a sale and purchase agreement with a company which is wholly owned by Dr. Yau Yi Kwong ("Dr. Yau"), a member of the senior management of the Group, and is guaranteed by Dr. Yau to dispose of 21% equity interest of TH Shanghai Medical at a cash consideration of HK$1,250,000. The transaction was completed on the same day. The carrying amount of the net assets attributable to the 21% equity interest in TH Shanghai Medical and its subsidiaries on the date of disposal was approximately HK$1,277,000. Accordingly, the Group recognised an increase in non-controlling interest of approximately HK$1,277,000 and a decrease in equity attributable to owners of the Company of approximately HK$27,000.

On 3 November 2017 and 29 December 2017, Town Health Corporate Management and Investment Limited, a wholly owned subsidiary of the Group entered into agreements with three employees of a subsidiary of Premium Rich and an independent third party to dispose of 5% and 20% equity interests of Premium Rich at a total consideration of HK$2,600,000. The carrying amount of the net assets attributable to 5% and 20% equity interest of Premium Rich and its subsidiaries on the respective dates of disposal were approximately HK$650,000 and HK$1,624,000 respectively. Accordingly, the Group recognised an increase in non-controlling interests of approximately HK$2,274,000.

On 3 November 2017 and 29 December 2017, Town Health Corporate Management and Investment Limited, a wholly owned subsidiary of the Group entered into agreements with three employees of a subsidiary of Premium Rich and an independent third party to dispose of 10% and 20% equity interest of Silver Grade at a consideration of HK$1,900,000 and HK$3,800,000 respectively. The carrying amount of the 10% and 20% equity interest of Silver Grade on the respective dates of disposal was approximately HK$1,555,000 and HK$2,656,000 respectively. The Group recognised an increase in non-controlling interests of approximately HK$1,555,000 and HK$2,656,000 respectively and an increase in equity attributable to owners of the Company of approximately HK$345,000 and HK$1,144,000 respectively.

The consideration of the above disposals were to be satisfied in cash, of which HK$3,150,000 has been received and HK$6,400,000 remained outstanding as at 31 December 2017. Such amounts were included in other receivables.

42. DISPOSAL OF SUBSIDIARIES *(Continued)*

For the year ended 31 December 2016

On 30 June 2016, the Group disposed of its entire equity interest in Superior Control Limited ("Superior Control") to an independent third party at a total consideration of HK$4,000,000 settled by cash.

On 15 August 2016, the Group disposed of its entire equity interest in Global Excel to an independent third party at a total consideration of HK$8,500,000. Part of the consideration of HK$6,000,000 was settled by setting off against the total consideration paid for acquisition of Auspicious Idea. The remaining consideration of HK$2,500,000 will be settled by cash and the amount was receivable from the purchaser as at 31 December 2016.

On 4 November 2016, the Group disposed of its entire interest in Wise Lead to an independent third party at a total consideration of HK$230,000,000. The consideration was settled by issuance of a promissory note by the purchaser. Please refer to note 26 for the details of the promissory note.

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

	2016			
	Superior Control at 30 June 2016 HK$'000	Global Excel at 15 August 2016 HK$'000	Wise Lead at 4 November 2016 HK$'000	Total HK$'000
Property, plant and equipment	91	4,392	–	4,483
Interest in a joint venture	–	–	224,473	224,473
Inventories	–	251	–	251
Trade and other receivables	753	1,386	588	2,727
Bank balances and cash	3,926	2,741	–	6,667
Trade and other payables	(1,458)	(760)	–	(2,218)
Net assets disposed of	3,312	8,010	225,061	236,383
Consideration	4,000	8,500	230,000	242,500
Net assets disposed of	(3,312)	(8,010)	(225,061)	(236,383)
Cumulate exchange differences in respect of the net assets of the subsidiaries reclassified from equity to profit or loss on loss of control of the subsidiaries	(731)	–	(4,752)	(5,483)
(Loss) gain on disposal	(43)	490	187	634

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2017

42. DISPOSAL OF SUBSIDIARIES *(Continued)*

For the year ended 31 December 2016 *(Continued)*

	2016			
	Superior Control at 30 June 2016 HK$'000	Global Excel at 15 August 2016 HK$'000	Wise Lead at 4 November 2016 HK$'000	Total HK$'000
Satisfied by:				
Equity interest in an associate	–	6,000	–	6,000
Receivable from purchaser	–	2,500	–	2,500
Promissory note issued by purchaser	–	–	230,000	230,000
Cash	4,000	–	–	4,000
	4,000	8,500	230,000	242,500
Net cash inflow (outflow) arising on disposal:				
Cash consideration received	4,000	–	–	4,000
Bank balances and cash disposed of	(3,926)	(2,741)	–	(6,667)
	74	(2,741)	–	(2,667)

The subsidiaries disposed of during the year did not contribute significantly to the results and cash flows of the Group during the years ended 31 December 2017 and 31 December 2016 prior to the disposal.

43. RETIREMENT BENEFITS SCHEME

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

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

The total cost charged to the consolidated statement of comprehensive income for continuing and discontinued operations approximately HK$7,030,000 (2016: HK$9,493,000) represents contributions payable to the above schemes by the Group during the year.

44. OPERATING LEASES

The Group as lessee

	2017	2016
	HK$'000	HK$'000
Minimum lease payments paid under operating leases in respect of properties during the year	**70,071**	69,836

During the year ended 31 December 2017, the total rental expenses incurred by the Group amounted to HK$101,323,000 (2016: HK$147,313,000).

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For the year ended 31 December 2017

44. OPERATING LEASES *(Continued)*

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

	2017 HK$'000	2016 HK$'000
Within one year	**53,138**	37,090
In the second to fifth year inclusive	**60,322**	13,734
	113,460	50,824

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

The Group as lessor
During the year ended 31 December 2017, the Group had property rental income of approximately HK$21,329,000 (2016: HK$21,016,000).

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

	2017 HK$'000	2016 HK$'000
Within one year	**11,860**	13,126
In the second to fifth year inclusive	**5,125**	6,426
	16,985	19,552

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

45. CAPITAL COMMITMENT

	2017	2016
	HK$'000	HK$'000
Capital expenditure in respect of the acquisition of investment properties and property, plant and equipment	**13,649**	50,921

46. PLEDGE OF ASSETS

As at 31 December 2017, certain property, plant and equipment and investment properties of the Group with carrying value of approximately HK$195,732,000 (2016: HK$125,201,000) and HK$486,502,000 (2016: HK$531,225,000), respectively, were pledged to secure general banking facilities granted to the Group.

47. CAPITAL RISK MANAGEMENT

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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48. FINANCIAL INSTRUMENTS
(a) Categories of financial instruments

	2017 HK$'000	2016 HK$'000
Financial assets		
Held for trading investments	16,726	69,969
Available-for-sale investments	286,329	342,082
Financial assets at FVTPL	37,840	–
Loans and receivables (including cash and cash equivalents)	2,163,358	2,055,753
Financial liabilities		
Amortised cost	213,199	171,433

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

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

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

(i) Interest rate risk management
The Group's fair value interest rate risk relates primarily to the promissory notes, loans receivable and amounts due from investees which carry at fixed rates. The Group currently does not have any interest rate hedging policy. The Group monitors the interest rate risk exposure closely and may consider to enter any hedging activities if the need arises.

The Group's cash flow interest rate risk relates primarily to variable-rate bank balances, and bank borrowings (see note 35 for details of these borrowings). It is the Group's policy to keep its borrowings at floating rate of interests so as to minimise the fair value interest rate risk.

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

48. FINANCIAL INSTRUMENTS *(Continued)*

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

Market risk (Continued)

(i) Interest rate risk management *(Continued)*

Interest rates sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for variable-rate bank borrowings at the end of the reporting period. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. A 50 basis points (2016: 50 basis points) increase or decrease in HIBOR is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points (2016: 50 basis points) higher/lower and all other variables were held constant, the Group's post-tax profit for the year ended 31 December 2017 would decrease/increase by HK$83,000 (2016: decrease/increase by HK$87,000). This is mainly attributable to the Group's exposure to interest rates on its variable-rate bank borrowings.

(ii) Other price risk management

The Group has concentration risk on its held for trading investments which mainly represent investment in an equity security listed on the Stock Exchange. As at 31 December 2017 and 2016, the Group has concentration risk by investment in China Parenting Network Holdings Limited, as it represents 100% (2016: 100%) of the total held for trading investments.

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

Equity price sensitivity analysis

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

If the prices of the respective equity instruments had been 10% (2016: 10%) higher/lower:

– post-tax profit for the year ended 31 December 2017 would increase/decrease by HK$1,397,000 (2016: HK$5,842,000) as a result of the changes in fair value of financial assets at fair value through profit or loss.

– investment revaluation reserve would increase/decrease by HK$12,175,000 (2016: HK$8,855,000) for the Group as a result of the changes in fair value of available-for-sale investments.

The percentage applied in the sensitivity analysis is 10% in both year 2017 and 2016 of which management considers that is reasonable in current financial market.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2017

48. FINANCIAL INSTRUMENTS *(Continued)*

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

Credit risk management

As at 31 December 2017, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

As at 31 December 2017, other than those financial assets of which carrying amounts best represent the maximum exposure to credit risk, the Group's maximum exposure to credit risk which will cause a financial loss to the Group arising from the amount of Targeted Profit Requirement 1 in relation to financial guarantees granted to the Group as disclosed in note 23. In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt and loans receivable at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The Group's concentration of credit risk related to trade receivables by geographical locations is mainly in Hong Kong as at 31 December 2017 and 2016.

The Group has concentration of credit risk by customer as 47% (2016: 48%) and 24% (2016: 18%) of the total trade receivables were due from the Group's five largest customers and the largest customer respectively. The Group's five largest customers are medical service companies with good reputation.

As at 31 December 2017, the Group also has concentration of credit risk on aggregate promissory notes due from one company amounting to HK$330,000,000, and aggregate loans receivable due from two companies amounting to HK$162,748,000 (2016: aggregate promissory notes due from two companies and one individuals amounting to HK$298,705,000, and aggregate loans receivable due from two companies amounting to HK$80,000,000). The Group's promissory notes received from one company and two largest loans receivable due from the companies (2016: promissory notes received from two companies and one individual and two largest loans receivable due from the companies) mentioned above have good credit and/or repayment history or is in good financial position. An internal credit assessment process assesses the potential borrower's credit quality and defines credit limits by borrower.

48. FINANCIAL INSTRUMENTS *(Continued)*

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

Credit risk management (Continued)

The credit risk on bank deposits is limited because the counterparties are banks with high credit ratings.

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

Liquidity risk management

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

48. FINANCIAL INSTRUMENTS *(Continued)*

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

Liquidity and interest risk tables

	Weighted average effective interest rate	On demand or less than 1 month HK$'000	1–3 months HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31 December 2017 HK$'000
31 December 2017					
Non-derivative financial liabilities					
Trade and other payables	–	–	146,013	146,013	146,013
Amounts due to non-controlling interests	–	47,101	–	47,101	47,101
Amounts due to associates	–	–	–	–	–
Amounts due to investees	–	308	–	308	308
Variable rate bank borrowings	2.82%	19,777	–	19,777	19,777
		67,186	146,013	213,199	213,199

	Weighted average effective interest rate	On demand or less than 1 month HK$'000	1–3 months HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31 December 2016 HK$'000
31 December 2016					
Non-derivative financial liabilities					
Trade and other payables	–	–	119,093	119,093	119,093
Amounts due to non-controlling interests	–	31,182	–	31,182	31,182
Amounts due to associates	–	12	–	12	12
Amounts due to investees	–	311	–	311	311
Variable rate bank borrowings	2.48%	20,835	–	20,835	20,835
		52,340	119,093	171,433	171,433

Bank borrowings with a repayment on demand clause are included in the "on demand" time band in the above maturity analysis. As at 31 December 2017, the aggregate undiscounted principal amounts of these bank borrowings amounted to HK$19,777,000 (2016: HK$20,835,000). Taking into account the Group's financial position, the directors of the Company do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The directors of the Company believe that such bank borrowings will be repaid within 3 months to 15 years (2016: within 3 months to 16 years) after the reporting date in accordance with the scheduled repayment dates set out in the loan agreements. At that time, the aggregate principal and interest cash outflows will amount to HK$23,636,000 (2016: HK$25,220,000).

48. FINANCIAL INSTRUMENTS *(Continued)*

(c) Fair value measurements of financial instruments

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

Some of the Group's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

1. Level 1 fair value measurements are those derived from quoted process (unadjusted) in active market for identical assets or liabilities;

2. Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

3. Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Financial assets	Fair value as at 31 December 2017	Fair value as at 31 December 2016	Fair value hierarchy	Valuation technique and key input	Significant unobservable input(s)	Range (weighted average)
1. Held for trading investments	Listed equity securities in Hong Kong – HK$16,726,000	Listed equity securities in Hong Kong – HK$69,969,000	Level 1	Quoted bid prices in an active market.	n/a	n/a
2. Unlisted fund classified as available-for-sale investments	Unlisted equity fund in Hong Kong – HK$8,505,000	Unlisted equity fund in Hong Kong – HK$8,501,000	Level 2	Derived from quoted bid prices in an active market.	n/a	n/a
3. Listed available-for-sale investments	Listed equity securities in Hong Kong – HK$120,175,000	Listed equity securities in Hong Kong – HK$88,550,000	Level 1	Quoted bid prices in an active market	n/a	n/a
4. Financial asset at FVTPL	HK$37,840,000	n/a	Level 3	Monte-Carlo simulation analysis	Discount rate for vendor cash payment	25%
					Expected Volatility	39.70%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

48. FINANCIAL INSTRUMENTS *(Continued)*

(c) Fair value measurements of financial instruments *(Continued)*

The quantitative information of significant unobservable inputs used in arriving at the level 3 fair value measurement are set out above.

Reconciliation of fair value measurement categorised within level 3 of the fair value hierarchy is set out below:

	Financial assets at FVTPL HK$'000
Financial assets	
Acquisition of additional interest in an associate	18,860
Fair value changes	18,980
Carrying amount as at 31 December 2017	37,840

There were no transfers between Levels 1, 2 and 3 during the year.

The directors of the Company consider that except from financial assets as disclosed in above table, the carrying amounts of remaining financial assets and financial liabilities recognised in the consolidated financial statements approximate their fair values.

49. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Borrowings (note 35) HK$'000
At 1 January 2017	**20,835**
Changes from financing cash flows	
Repayment of bank loans	(1,058)
Interest expenses	(722)
Total changes from financing cash flow	**(1,780)**
Other changes	
Interest expenses	**722**
At 31 December 2017	**19,777**

50. RELATED PARTY TRANSACTIONS AND BALANCES

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

Name of related party	Nature of transactions	2017 HK$'000	2016 HK$'000
Advance Bond Limited*	Rental income	**900**	904
Apex Frame Limited#	Licence fee expenses##	**581**	2,322
Bonjour Cosmetic Wholesale Centre Limited#	Licence fee expenses##	**5,865**	23,461
	Purchase of cosmetic medicine###	**179**	1,050
Bonjour Group Limited#	Interest income###	**1,725**	4,140
Full Gain Developments Limited#	Licence fee expenses##	**1,243**	4,972
Hong Kong Bariatric and Metabolic Institute Limited*	Management services fee income	**225**	296
	Rental income	**26**	90

Note:

* The related parties are the associates of the Company during the year ended 31 December 2017 and 2016.

\# The related parties are companies in which a director of the Company has substantial equity interest in and power to exercise control over those companies during the year ended 31 December 2015. The director had resigned as an executive director of the Company on 30 December 2016 and these companies are not related party to the Group since then.

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

\### These transactions constitute continuing connected transactions as defined in Charter 14A of the Listing Rules. However, these transactions are exempted from disclosure requirement as they are below the de minimis threshold under the Listing Rules.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

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

As disclosed in note 1 to the consolidated financial statements, the Company published an announcement that the SFC has on 27 November 2017 issued a direction to suspend trading in the shares of the Company as it appears to the SFC that, inter alia, the Company's interim report for the six months ended 30 June 2016 published by the Company on 7 September 2016 and the Company's annual report for the year ended 31 December 2016 published by the Company on 27 April 2017 included materially false, incomplete or misleading information.

Notwithstanding the above, the Board of Directors of the Company has determined that no disclosures contained in these consolidated financial statements or in previously issued consolidated financial statements of the Group need to be amended.

Further, in the opinion of the directors of the Company, based on the information and explanations received by them and the best efforts and endeavors done by them to-date, there were no transactions or balances with related parties of the Group other than those disclosed in this Note or elsewhere in the consolidated financial statements.

During the year ended 31 December 2017, the Group entered into a sale and purchase agreement with a senior management personnel of the Group on the partial disposal of TH shanghai Medical. Details are set out in note 42(b).

During the year ended 31 December 2016, the Group entered into a sale and purchase agreement with a related party on the Bonjour Disposal. Details are set out in note 15.

Details of balances with related parties as at the end of the reporting period are set out in the consolidated statement of financial position and in notes 30, 31 and 32.

Compensation of key management personnel

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

	2017 **HK$'000**	2016 HK$'000
Short-term benefits	**11,846**	11,577
Post-employment benefits	**90**	90
	11,936	11,667

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

51. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2017 HK$'000	2016 HK$'000
NON-CURRENT ASSETS		
Unlisted investment in a subsidiary	**28,529**	28,529
Amounts due from subsidiaries	**3,946,187**	4,108,589
	3,974,716	4,137,118
CURRENT ASSETS		
Amount due from an associate	**500**	500
Other receivables	**911**	2,658
Bank balances and cash	**872**	77,578
	2,283	80,736
CURRENT LIABILITIES		
Other payables	**482**	482
	482	482
NET CURRENT ASSETS	**1,801**	80,254
	3,976,517	4,217,372
CAPITAL AND RESERVES		
Share capital – ordinary shares	**75,261**	77,613
Reserves (Note)	**3,901,256**	4,139,759
Total equity	**3,976,517**	4,217,372

The Company's statement of financial position was approved and authorised for issue by the board of directors of the Company on 26 April 2018 and are signed on its behalf by:

Dr. Hui Ka Wah, Ronnie	**Mr. Lee Chik Yuet**
DIRECTOR	*DIRECTOR*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

51. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

(Continued)

Note:

Reserves

	Share premium HK$'000	Capital redemption reserve HK$'000	Contributed surplus HK$'000	Distributable reserve HK$'000	Accumulated profits HK$'000	Total HK$'000
At 1 January 2016	3,628,179	9,020	28,180	62,677	390,001	4,118,057
Profit and total comprehensive income for the year	–	–	–	–	98,738	98,738
Dividend paid	–	–	–	–	(77,036)	(77,036)
At 31 December 2016	3,628,179	9,020	28,180	62,677	411,703	4,139,759
Profit and total comprehensive income for the year	–	–	–	–	69,111	69,111
Share repurchased and cancelled	(286,540)	–	–	–	–	(286,540)
Dividend paid	–	–	–	–	(21,074)	(21,074)
At 31 December 2017	3,341,639	9,020	28,180	62,677	459,740	3,901,256

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

52. PRINCIPAL SUBSIDIARIES

Particulars of the Company's principal subsidiaries at 31 December 2017 and 2016 are as follows:

Name of company	Place of incorporation/ form of legal entity	Principal place of operation	Class of shares held	Issued and fully paid share capital/ registered capital	Proportion of nominal value of issued capital/registered capital held by the Company				Proportion of voting power held by the Company				Principal activities
					31 December 2017		31 December 2016		31 December 2017		31 December 2016		
					Directly	Indirectly	Directly	Indirectly	Directly	Indirectly	Directly	Indirectly	
Town Health (BVI)	British Virgin Islands/ limited liability company	(Note)	Ordinary	US$1,331,131	**100%**	**–**	100%	–	**100%**	**–**	100%	–	Investment holding
Allied Gallant Limited	Hong Kong/limited liability company	Hong Kong	Ordinary	HK$100	**–**	**60%**	–	60%	**–**	**67%**	–	67%	Provision of medical healthcare services
Audio Health Hearing Care (Shatin) Limited	Hong Kong/limited liability company	Hong Kong	Ordinary	HK$10,000	**–**	**56%**	–	56%	**–**	**60%**	–	60%	Provision of audio diagnostic tests and sale of hearing-aid devices
Bright Dragon Limited	Hong Kong/limited liability company	Hong Kong	Ordinary	HK$1	**–**	**100%**	–	100%	**–**	**100%**	–	100%	Property investments services
City Elite Development Limited	Hong Kong/limited liability company	Hong Kong	Ordinary	HK$1	**–**	**100%**	–	100%	**–**	**100%**	–	100%	Property investments services
Dr. Vio	Hong Kong/limited liability company	Hong Kong	Ordinary	HK$1,000	**–**	**94.3%**	–	94.3%	**–**	**100%**	–	100%	Provision of managed care services
Easy Result Limited	Hong Kong/limited liability company	Hong Kong	Ordinary	HK$100	**–**	**51%**	–	51%	**–**	**67%**	–	67%	Provision of medical healthcare services
Faithful Sun Limited	Hong Kong/limited liability company	Hong Kong	Ordinary	HK$1	**–**	**–**	–	100%	**–**	**–**	–	100%	Property investment services
First Billion Investment Limited	Hong Kong/limited liability company	Hong Kong	Ordinary	HK$2	**–**	**100%**	–	100%	**–**	**100%**	–	100%	Property investments services
Hong Kong T&O	Hong Kong/limited liability company	Hong Kong	Ordinary	HK$100	**–**	**51%**	–	51%	**–**	**67%**	–	67%	Provision of medical healthcare services
I smile Limited	Hong Kong/limited liability company	Hong Kong	Ordinary	HK$1	**–**	**100%**	–	100%	**–**	**100%**	–	100%	Provision of dental consultation services
Lucky Rising Limited	Hong Kong/limited liability company	Hong Kong	Ordinary	HK$1	**–**	**100%**	–	100%	**–**	**100%**	–	100%	Property investments services
Nanyang Xiangrui	PRC/sino foreign equity joint venture	PRC	–	RMB84,835,000	**–**	**60%**	–	60%	**–**	**60%**	–	60%	Provision of hospital management services
Perfect Legend Investments Limited	Hong Kong/limited liability company	Hong Kong	Ordinary	HK$1	**–**	**100%**	–	100%	**–**	**100%**	–	100%	Property investments services
PHC Medical Group Limited	Hong Kong/limited liability company	Hong Kong	Ordinary	HK$2	**–**	**100%**	–	100%	**–**	**100%**	–	100%	Provision of medical healthcare and dental consultation services
Oriental Elite Limited	Hong Kong/limited liability company	Hong Kong	Ordinary	HK$100	**–**	**100%**	–	100%	**–**	**100%**	–	100%	Property investments services
Premier ENT Specialist Centre Limited	Hong Kong/limited liability company	Hong Kong	Ordinary	HK$1	**–**	**52%**	–	52%	**–**	**100%**	–	100%	Provision of medical healthcare services
Profit Sources Limited	Hong Kong/limited liability company	Hong Kong	Ordinary	HK$100	**–**	**100%**	–	100%	**–**	**100%**	–	100%	Property investments services
Promising Finance Limited	Hong Kong/limited liability company	Hong Kong	Ordinary	HK$1	**–**	**100%**	–	100%	**–**	**100%**	–	100%	Provision of money lending services
Regal Luck International Limited	Hong Kong/limited liability company	Hong Kong	Ordinary	HK$1	**–**	**100%**	–	100%	**–**	**100%**	–	100%	Property investments services
Town Health Corporate Advisory and Investments Limited	Hong Kong/limited liability company	Hong Kong	Ordinary	HK$100	**–**	**100%**	–	100%	**–**	**100%**	–	100%	Trading of listed securities
Town Health Dental Limited	Hong Kong/limited liability company	Hong Kong	Ordinary	HK$2	**–**	**100%**	–	100%	**–**	**100%**	–	100%	Provision of dental consultation services
Town Health M&D	Hong Kong/limited liability company	Hong Kong	Ordinary	HK$2	**–**	**100%**	–	100%	**–**	**100%**	–	100%	Provision of medical healthcare services
廣州宜康醫療管理有限公司	PRC/sino foreign equity joint venture	PRC	–	RMB199,750,000	**–**	**80%**	–	80%	**–**	**75%**	–	75%	Provision of medical healthcare services

Note: The subsidiary acts as investment holding company and has no specific principal place of operation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

52. PRINCIPAL SUBSIDIARIES *(Continued)*

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

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

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

Principal activities	Principal place of business	Number of subsidiaries 2017	2016
Provision of healthcare and dental services	Hong Kong	**114**	104
Managed care business	Hong Kong	**6**	6
Investments in securities and properties and treasury management	Hong Kong	**51**	49
Others	Hong Kong	**10**	2
	PRC	**7**	3
		17	5

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

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

Name of subsidiary	Place of incorporation and principal place of business	Proportion of voting rights held by non-controlling interests 31 December 2017	31 December 2016	Proportion of ownership interests held by non-controlling interests 31 December 2017	31 December 2016	(Loss) profit allocated to non-controlling interests 31 December 2017 HK$'000	31 December 2016 HK$'000	Accumulated non-controlling interests 31 December 2017 HK$'000	31 December 2016 HK$'000 (Restated)
Nanyang Xiangrui	PRC	**40%**	40%	**40%**	40%	**16,284**	1,416	**193,638**	163,750
Individually immaterial subsidiaries with non-controlling interests						**15,782**	13,226	**83,439**	68,178
						32,066	14,642	**277,077**	231,928

52. PRINCIPAL SUBSIDIARIES *(Continued)*

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

Nanyang Xiangrui	2017 HK$'000	2016 HK$'000
Current assets	**370,242**	319,218
Non-current assets	**2,766**	728
Current liabilities	**9,923**	23,565
Non-current liabilities	**–**	–
Equity attributable to owners of the Company	**217,851**	177,829
Non-controlling interests	**145,234**	118,552
Income	**72,417**	22,916
Expenses	**(29,606)**	(15,782)
Profit for the year	**42,811**	7,134
Profit attributable to owners of the Company	**25,687**	4,280
Profit attributable to the non-controlling interests	**17,124**	2,854
Profit for the year	**42,811**	7,134
Other comprehensive income (expenses) attributable to owners of the Company	**14,344**	(7,312)
Other comprehensive income (expenses) attributable to the non-controlling interests	**9,563**	(4,875)
Other comprehensive income (expenses) for the year	**23,907**	(12,187)
Total comprehensive income (expenses) attributable to owners of the Company	**40,031**	(3,032)
Total comprehensive income (expenses) attributable to the non-controlling interests	**26,687**	(2,021)
Total comprehensive income (expenses) for the year	**66,718**	(5,053)
Net cash inflow from operating activities	**11,073**	840,872
Net cash outflow used in investing activities	**(53,185)**	(340,521)
Net cash inflow from financing activities	**–**	313,621
Effect of foreign exchange rate changes	**23,765**	23,308
Net cash (outflow) inflow	**(18,347)**	837,280

MAJOR PROPERTIES INFORMATION

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

	Location	Existing use	Tenure	Group's interest (%) 2017	2016
1.	Whole block of Nos. 10–12 Yuen Shun Circuit, Sha Tin Town Lot No. 282, New Territories	Office	Medium term lease	**100%**	100%
2.	12/F, 13/F and 14/F, Kaiseng Commercial Centre, Nos. 4–6 Hankow Road, Kowloon	Office	Medium term lease	**100%**	100%
3.	Shop 1 on Ground Floor, Kam Ming House, Nos. 21/23 Heung Sze Wui Street, Nos. 18–20 Heung Sze Wui Square, Tai Po, New Territories	Shops	Medium term lease	**100%**	–
4.	Shop G01, King Wing Plaza 1, 3 On Kwan Street, Sha Tin, New Territories	Shops	Medium term lease	**100%**	100%
5.	Ground Floor, Ultragrace Commercial Building, No. 5 Jordan Road, Kowloon	Shops	Medium term lease	**100%**	100%

FINANCIAL SUMMARY

RESULTS

	2017	2016	2015	2014	2013
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue from continuing operations	**1,108,724**	1,011,549	828,909	494,579	354,553
(Loss) profit for the year from continuing operations	**(97,360)**	93,342	283,628	80,889	79,318
Profit (loss) for the year from discontinued operation	**21,681**	(15,203)	(22,762)	–	–
(Loss) profit for the year	**(75,679)**	78,139	260,866	80,889	79,318
Attributable to:					
Owners of the Company					
– from continuing operations	**(129,426)**	78,700	277,565	84,612	49,633
– from discontinued operation	**21,681**	(15,203)	(22,762)	–	–
Non-controlling interests	**32,066**	14,642	6,063	(3,723)	29,685
	(75,679)	78,139	260,866	80,889	79,318

ASSETS AND LIABILITIES

	2017	2016	2015	2014	2013
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
		(Restated)			
Total assets	**4,675,437**	5,209,587	5,243,498	2,824,411	2,012,517
Total liabilities	**(360,957)**	(598,933)	(650,616)	(364,293)	(519,040)
	4,314,480	4,610,654	4,592,882	2,460,118	1,493,477
Assets attributable to:					
Owners of the Company	**4,037,403**	4,378,726	4,530,792	2,115,466	1,209,166
Non-controlling interests	**277,077**	231,928	62,090	344,652	284,311
	4,314,480	4,610,654	4,592,882	2,460,118	1,493,477

GLOSSARY

2008 Scheme	share option scheme of the Company adopted on 16 September 2008
Audit Committee	audit committee of the Board
Auspicious Idea	Auspicious Idea Corporate Development Limited
Board	the board of Directors
Bonjour Beauty	Bonjour Beauty International Limited
Bonjour Beauty Group	Bonjour Beauty and its subsidiaries
Bonjour Holdings	Bonjour Holdings Limited
Broad Idea	Broad Idea International Limited
Bye-laws	bye-laws of the Company
CG Code	Corporate Governance Code as contained in Appendix 14 to the Listing Rules
China Life Group	CLIO and its subsidiaries
China or Mainland China or PRC	the People's Republic of China excluding, for the purpose of this annual report only, Hong Kong, the Macao Special Administrative Region of the People's Republic of China and Taiwan
Classictime	Classictime Investments Limited
CLIO	China Life Insurance (Overseas) Company
Company or Town Health	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
Company Secretary	company secretary of the Company
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
Convoy	Convoy Global Holdings Limited

GLOSSARY

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. Cho	Dr. Cho Kwai Chee, a non-executive Director
Dr. Choi	Dr. Choi Chee Ming *GBS, JP*, a non-executive Director and the Deputy Chairman of the Company
Dr. Ip	Dr. Ip Chun Heng, Wilson, a former executive Director
EIT Law	the Law of PRC on Enterprise Income Tax
ESG	Environmental, Social and Governance
Fubon Financial	Fubon Financial Holding Co., Ltd.
Fubon Group	Fubon Financial and its subsidiaries
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 Official Rate
HK$	Hong Kong Dollars, the lawful currency of Hong Kong
HKAS	Hong Kong Accounting Standards

GLOSSARY

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
Jun Yang	Jun Yang Financial Holdings 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
New Ray	New Ray Medicine International Holding Limited
Nomination Committee	nomination committee of the Board
Oasis Beauty	Oasis Beauty Limited
Ordinary Shares Subscription	the subscription of 459,183,673 Shares by Fubon Life, Fubon Insurance and Broad Idea and the allotment and issue of the subscription shares
Profit Castle	Profit Castle Holdings Limited
Remuneration Committee	remuneration committee of the Board
RMB	Renminbi, the lawful currency of the PRC
Rolaner	Rolaner International Limited

GLOSSARY

SBL	Sino Biopharmaceutical Limited（中國生物製藥有限公司）
SFC	Securities and Futures Commission of Hong Kong
SFO	Securities and Futures Ordinance (Cap. 571 of the laws 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)