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

(Incorporated in the Cayman Islands and continued in Bermuda with limited liability)
(Stock Code : 3886)

Annual Report 2019

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Chen Jinhao *(Chief Executive Officer)* (Note 1)
Miss Choi Ka Yee, Crystal *(Chairperson)* (Note 2)
Dr. Hui Ka Wah, Ronnie, *JP*
(Chief Executive Officer) (Note 3)
Mr. Lee Chik Yuet (Note 4)
Mr. Wong Seung Ming, *CPA, FCCA*
(Chief Financial Officer) (Note 5)
Dr. Chan Wing Lok, Brian (Note 6)

Non-executive Directors

Mr. Wan Yiqing *(Chairman)* (Note 7)
Ms. Fang Haiyan *(Deputy Chairperson)* (Note 8)
Dr. Choi Chee Ming, *GBS, JP*
(Deputy Chairman) (Note 9)

Independent Non-executive Directors

Mr. Ho Kwok Wah, George, *MH* (Note 10)
Mr. Yu Xuezhong (Note 11)
Ms. Li Mingqin (Note 12)
Mr. Wang John Hong-chiun (Note 13)
Mr. Yu Kai Fung Jackie (Note 14)
Mr. Wong Sai Kit (Note 15)

BOARD COMMITTEES

Audit Committee

Mr. Ho Kwok Wah, George, *MH (Chairman)*
Mr. Yu Xuezhong
Ms. Li Mingqin
Mr. Wang John Hong-chiun (Note 13)
Mr. Yu Kai Fung Jackie (Note 14)
Mr. Wong Sai Kit (Note 15)

Remuneration Committee

Mr. Ho Kwok Wah, George, *MH (Chairman)*
Mr. Yu Xuezhong
Ms. Li Mingqin
Mr. Chen Jinhao (Note 1)
Mr. Lee Chik Yuet (Note 4)
Mr. Yu Kai Fung Jackie (Note 14)
Mr. Wong Sai Kit (Note 15)

Nomination Committee

Mr. Wan Yiqing *(Chairman)* (Note 7)
Mr. Yu Kai Fung Jackie *(Chairman)* (Note 14)
Mr. Ho Kwok Wah, George, *MH*
Mr. Yu Xuezhong (Note 11)
Ms. Li Mingqin
Mr. Chen Jinhao (Note 1)
Mr. Lee Chik Yuet (Note 4)
Mr. Wong Sai Kit (Note 15)

COMPANY SECRETARY

Mr. Kwan Chung Man
(appointed on 1 December 2019)
Mr. Wong Seung Ming, *CPA, FCCA* (Note 5)

AUDITORS

Moore Stephens CPA Limited
Certified Public Accountants

REGISTERED OFFICE

Victoria Place, 5th Floor
31 Victoria Street
Hamilton HM10
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

CORPORATE INFORMATION

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
Bank of Communications Co., Ltd.
China Construction Bank (Asia)
Corporation Limited
CMB Wing Lung Bank Limited
Credit Suisse AG, Hong Kong Branch
Dah Sing Bank, Limited
Fubon Bank (Hong Kong) Limited
Hang Seng Bank Limited
UBS AG, Hong Kong Branch

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Estera Management (Bermuda) Limited
Victoria Place, 5th Floor
31 Victoria Street
Hamilton HM10
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Tengis Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

WEBSITE

www.townhealth.com

Notes:

1. With effect from the conclusion of the SGM held on 2 December 2019, Mr. Chen Jinhao resigned and has been re-elected as a non-executive Director. With effect from 2 December 2019, Mr. Chen Jinhao has been re-designated from a non-executive Director to an executive Director and has been appointed as the Chief Executive Officer and a member of each of the Nomination Committee and the Remuneration Committee.

2. With effect from the conclusion of the SGM held on 2 December 2019, Miss Choi Ka Yee, Crystal resigned as an executive Director and the chairperson of the Company.

3. With effect from the conclusion of the SGM held on 2 December 2019, Dr. Hui Ka Wah, Ronnie, *JP* resigned as an executive Director. On 2 December 2019, Dr. Hui Ka Wah, Ronnie, *JP* tendered his resignation as the Chief Executive Officer with effect from 1 March 2020. Subsequent to and notwithstanding the above, on 2 December 2019, Dr. Hui Ka Wah, Ronnie, *JP* agreed, among other things, with the Group that with effect from 2 December 2019, Dr. Hui Ka Wah, Ronnie, *JP* shall not hold himself out or represent to any third party, whether within the Company or otherwise, as the Chief Executive Officer.

4. With effect from the conclusion of the SGM held on 2 December 2019, Mr. Lee Chik Yuet resigned as an executive Director and ceased to be a member of the Nomination Committee and the Remuneration Committee.

5. On 1 November 2019, Mr. Wong Seung Ming, *CPA, FCCA* tendered his resignation as (i) an executive Director and the Company Secretary with effect from 1 December 2019; and (ii) the Chief Financial Officer with effect from 8 January 2020. Subsequent to and notwithstanding the above, on 2 December 2019, Mr. Wong Seung Ming, *CPA, FCCA* agreed, among other things, with the Group that with effect from 2 December 2019, (i) Mr. Wong Seung Ming, *CPA, FCCA* shall not hold himself out or represent to any third party, whether within the Company or otherwise, as the Chief Financial Officer; and (ii) the last date of employment of Mr. Wong Seung Ming, *CPA, FCCA* shall be 31 January 2020.

CORPORATE INFORMATION

6. With effect from the conclusion of the SGM held on 2 December 2019, Dr. Chan Wing Lok, Brian resigned as an executive Director.

7. On 2 December 2019, Mr. Wan Yiqing was appointed as a non-executive Director, the chairman of the Company and the chairman of the Nomination Committee.

8. With effect from the conclusion of the SGM held on 2 December 2019, Ms. Fang Haiyan resigned and has been re-elected as a non-executive Director.

9. With effect from 1 December 2019, Dr. Choi Chee Ming, *GBS, JP* resigned as a non-executive Director and a deputy chairman of the Company.

10. With effect from the conclusion of the SGM held on 2 December 2019, Mr. Ho Kwok Wah, George, *MH* resigned and has been re-elected as an independent non-executive Director.

11. With effect from the conclusion of the SGM held on 2 December 2019, Mr. Yu Xuezhong resigned and has been re-elected as an independent non-executive Director. On 2 December 2019, Mr. Yu Xuezhong has been appointed as a member of the Nomination Committee.

12. With effect from the conclusion of the SGM held on 2 December 2019, Ms. Li Mingqin resigned and has been re-elected as an independent non-executive Director.

13. With effect from the conclusion of the AGM held on 27 June 2019, Mr. Wang John Hong-chiun retired as an independent non-executive Director and ceased to be a member of the Audit Committee.

14. With effect from the conclusion of the SGM held on 2 December 2019, Mr. Yu Kai Fung Jackie resigned as an independent non-executive Director and ceased to be the chairman of the Nomination Committee and a member of each of the Audit Committee and the Remuneration Committee.

15. With effect from the conclusion of the SGM held on 2 December 2019, Mr. Wong Sai Kit resigned as an independent non-executive Director and ceased to be a member of each of the Audit Committee, the Nomination Committee and the Remuneration Committee.

CEO'S STATEMENT

Dear Shareholders,

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

2019 was a year of upheaval. On the international front, the trade dispute between China and the United States cast a rather gloomy picture over global economic development. On the domestic front, the months-long social instability seriously impacted Hong Kong's economy, social well-being and transport systems. Despite this volatile business landscape, the Group remained dedicated and moving forward undauntedly to provide top-notch healthcare services to Hong Kong citizens. Meanwhile, the Group continued to devote to Mainland China's healthcare market with enormous potential, maintained stable development in business and made continuing improvement in terms of overall capability.

As for business in Hong Kong, the Group managed to maintain stably in overall business by leveraging its efficient operational management capability, high quality medical teams and budget control protocols.

In terms of managed care business, Vio upgraded its internal IT management system, enabling it to efficiently manage more than 600 affiliated doctors while streamlining a host of administrative processes which enhanced operational efficiency and effectively reduced the number of administrative duties performed by affiliated doctors and medical assistants on Vio's platform. Despite the ongoing social instability in the fourth quarter of 2019, which put downward pressure on the managed care business, Vio recorded a stable income and a net profit by leveraging its efficient operational management and budget controls.

Regarding the self-operated clinic chain business, the Group expanded its business and opened a new cardiology specialist centre in Yuen Long despite the adverse market conditions. The months-long social instability in Hong Kong had an adverse impact on the Group's business performance. However, leveraging its decades of healthcare service management experience, professional medical staff and comprehensive service network, the Group still managed to record a steady revenue. The Group has for years devoted to providing specialist services and has acquired a good reputation among its customers. Meanwhile, more than 100 self-operated medical centres of the Group have joined the healthcare network managed by Vio. Through the medical schemes administered by Vio, the Group's self-operated medical centres are now able to provide healthcare services to medical card holders, which in turn with the integration and sharing of resources, helps the Group enlarge its clientele, resulting in the long-term sustainability of its business.

In the area of medical beauty business, the performance of TBM in Hong Kong was affected by the social instability, however, due to the great demand for beauty services in Mainland China, TBM recorded a double-digit percentage of growth in revenue. Meanwhile, TBM manages a one-stop health management centre in Tsim Sha Tsui acquired from the Group, with the aim of providing mid-to-high-end family customers with one-stop health management and medical beauty services, including vaccinations, health check, health assessments, skin management and anti-ageing professional services.

CEO'S STATEMENT

Regarding business operations in Mainland China, the Group continued to explore and strengthen the development of Mainland China medical and health market, and expand to various operational sectors.

In terms of hospital management business, Nanyang Xiangrui, the Group's hospital management subsidiary, through the model of providing Nanshi Hospital with professional management team and advanced management, helped elevate the overall management efficiency of Nanshi Hospital. This model has accumulated valuable experience for future replication and promotion to other hospitals. During the Year, Nanshi Hospital, managed by Nanyang Xiangrui, achieved excellent results in all aspects. Nanshi Hospital's revenue from healthcare services maintained a double-digit percentage of growth and it recorded an overall improvement in operational performance. Meanwhile, Nanshi Hospital was granted 'five-star' status for its operational capability by the Chinese Non-government Medical Institutions Association, and became the first non-government hospital in Nanyang City to be granted such honour. Also, according to the ranking of national comprehensive stroke centres in April 2019 published by related department of the National Health Commission of the PRC, Nanshi Hospital ranked first nationwide in thrombolytic therapy and eighth nationwide in comprehensive operational capability. Following the unveiling of its rehabilitation branch with a total floor area of 5,500 sq.m., Nanshi Hospital's rehabilitation medicine discipline has become a provincial key training medical discipline in Nanyang City. With the topping-out ceremony of the new inpatient block with a total floor area of 84,000 sq.m. concluded in December 2019 and the internal decoration works to be completed in early 2021, Nanshi Hospital is ideally poised to meet the growing local demand for medical care in the future. Furthermore, the Henan Ruishi Ophthalmology Hospital also came into service in 2019. The hospital, owned and managed by Nanyang Xiangrui, is located in a high-end commercial centre in Nanyang City with a total floor area of 3,000 sq.m. The hospital has introduced specialists from the Ophthalmology Centre of Beijing University and is equipped with the VisuMax femtosecond laser from ZEISS for refractive surgery. The hospital is striving to become a ophthalmology hospital in Nanyang City with top-notch technology, comprehensive services and most advanced facilities.

For high-end medical diagnostic and health check business, the Sixth Hospital's medical diagnostic centre, managed by the Company's subsidiary Yikang, reported a double-digit percentage of growth in revenue. Yikang also showed remarkable growth in revenue and net profit from its management business. During the Year, Yikang successfully signed a supplemental cooperation agreement with the Sixth Hospital pursuant to which the Sixth Hospital's medical diagnostic centre will continue to be managed by Yikang until 2028. Meanwhile, Yikang is planning to build a large medical diagnostic centre in Zhongshan City, Guangdong Province, with health check centre, specialist outpatient clinic, and health management centre, to provide customers with one-stop comprehensive healthcare services while continuing to devote to the medical market in the Greater Bay Area.

As for clinics business in Mainland China, Ganghe Clinic, located in Shenzhen, opened early in the Year. The clinic is working closely with the Shenzhen branch of China Life Group, to establish post-health check services system for China Life Group's high-end VIP clients. The clinic is also connected with a specialist team of more than 200 specialists comprising specialists in the title of associate chief physician or above from large-scale, Grade 3A hospitals in Guangzhou, specialist team from Peking University Shenzhen Hospital and specialists from Hong Kong, which will pool resources for provision of comprehensive medical services. Yamei, a dental clinic in Hangzhou, has succeeded in building its brand name through online ranking website and it earned 'Five Stars' customer service rating in DianPing.com, and has turned it into one of the most popular listed service providers in Hangzhou.

CEO'S STATEMENT

Located at the China Life Centre in Jinan City, Shandong Province, China Life Town Health International Health Management Centre came into service in 2019. The centre has several specialist departments and is equipped with a wide range of advanced health check facilities. Dietitians and health management consultants are also on hand to provide services to complement the one-stop health management services at the centre. Furthermore, the centre has joined forces with China Life Group. The centre held numerous exclusive events for China Life Group's insurance sales teams and their customers. Moreover, it has bolstered China Life Group's insurance agents' ability to win the trust of their customers by providing high quality, value-added healthcare services. This synergy is a successful case to the feasibility of the new 'insurance plus healthcare' model, and is also a significant milestone in the Group's development of 'insurance plus healthcare' strategy.

The outbreak of the coronavirus (COVID-19) since early January 2020 has had a huge impact on the economy and social well-being in Mainland China, Hong Kong and worldwide. However, the Group believes after the outbreak is over, medical demand will be gradually released, health and hygiene awareness of the citizens will generally be enhanced, and the demand for quality medical services is always with high rigidity. As such, the Group is confident in the medium to long-term development prospects of the medical and health industry.

The Government of the PRC has been committed to the comprehensive implementation of the 'Healthy China' strategy to comprehensively boost overall health levels and promote the healthy development of its people. For this reason, the 'Healthy China' strategy has become an important engine for the development of the medical and health industry. Ten ministries and commissions in the PRC jointly released a memorandum entitled 'Opinions on Promoting the Sustainable Development and Standardisation of Social Medical Practices' in 2019 which strongly promotes the sustainable development and standardisation of social medical practices. The leading group for the development of the Guangdong-Hong Kong-Macao Greater Bay Area introduced 16 new measures which would specifically benefit Hong Kong citizens. These include permitting the use of Hong Kong-registered drugs and common medical equipment in designated Hong Kong-funded healthcare institutions in cities in the Greater Bay Area. These measures provide strong support for Hong Kong-based healthcare institutions to expand their business operations into the Mainland China market.

Although Hong Kong's medical and healthcare service market is mature, the aging population in Hong Kong has placed a huge burden on the public healthcare services. The Voluntary Health Insurance Scheme (VHIS), advocated by the Hong Kong Government, encourages citizens to utilise more private healthcare services in order to ease pressure on the public healthcare system in the long run. The Group has established its business in Hong Kong for more than 30 years, and it has nurtured an impeccable reputation among its customers. The Group will, therefore, benefit from the VHIS policy in the future. At the same time, the PRC has promulgated numerous policies to improve Hong Kong-funded healthcare institutions to establish medical practices and practice medicine in Mainland China, which will provide greater development opportunities for Hong Kong healthcare enterprises.

CEO'S STATEMENT

As the single largest shareholder of the Company, China Life Insurance together with its subsidiaries have steadily advanced the layout of the health and pensions industry in recent years, focusing on fostering new business growth points. Town Health, which for years has established a mature medical service management system in Hong Kong and boasted vast experience in business expansion into the Mainland China healthcare market, has played an active role in helping China Life Group to promote the development of the health and pensions industry. On the other hand, China Life Group is the largest state-owned financial and insurance group in Mainland China. China Life Group's powerful network and professional competency has provided strong help for the Group's development in Mainland China related medical and health business and participation in the mixed ownership reform with Mainland China hospitals. After years of cooperation and development, this remarkable 'insurance plus healthcare' model has shown encouraging progress, laying a solid foundation for future deeper and broader cooperation between the parties.

Despite being in the midst of new trends and new demands for healthcare development in Hong Kong and Mainland China, as the first Hong Kong healthcare group listed on the Stock Exchange and also the very first Hong Kong healthcare enterprise to manage a large-scale hospital in Mainland China, Town Health has unparalleled brand advantage and rich experience. The collaboration with China Life Group and the various complementary advantages it provides have jointly enhanced the Group's core competitiveness and sustainable development capabilities. With this in mind, the Group aims to build a prestigious healthcare brand in Hong Kong as well as in Mainland China and generate greater returns for investors and shareholders.

Finally, I would like to express my sincere gratitude to every shareholder, management member, business partner and our customers for their unfailing confidence and support despite the changes the Group has undergone in recent years. I would also like to express my deepest gratitude to all our staff for their great efforts. Going forward, I will work hand-in-hand in a heartfelt effort with Town Health's staff to achieve long-term, stable growth of the Group's overall healthcare business operations.

Chen Jinhao
Chief Executive Officer

26 March 2020

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 0.64% to approximately HK$1,128,932,000 (2018: approximately HK$1,121,736,000) and the Group recorded a profit of approximately HK$10,519,000 (2018: approximately HK$85,509,000). The decrease in the profit was mainly attributable to the net loss in respect of other gains and losses of approximately HK$76,548,000 for the Year, as compared to a net gain in respect of other gains and losses of approximately HK$21,467,000 for the year ended 31 December 2018. The turnaround from a net gain in respect of other gains and losses to a net loss in respect of other gains and losses is mainly due to (a) the absence of reversal of impairment loss in respect of promissory note and other receivables for the Year; (b) a fair value loss on the Group's investment properties for the Year; and (c) the losses arising from the disposal of a centre providing healthcare related services in June 2019, as well as property, plant and equipment of another centre providing healthcare related services being written off during the Year, notwithstanding that the Group recorded a significant decrease in fair value loss on financial assets at fair value through profit or loss and a significant increase in profit from the business segment in the provision of hospital management and related services in Mainland China during the Year due to the development of different business under Nanyang Xiangrui, the Group's hospital management subsidiary providing comprehensive and professional management services to hospitals managed by the Group.

Reversal of allowance of expected credit loss recognised in respect of promissory note and other receivables

The Group recorded a reversal of allowance of expected credit loss in respect of promissory note of HK$30,000,000 and other receivables of approximately HK$2,258,000 (being the interest accrued on the promissory note) for the year ended 31 December 2018, while no reversal of allowance of expected credit loss in respect of promissory note and other receivables was recorded for the Year. Such reversal of allowance of expected credit loss was due to repayment of the promissory note in the principal amount of HK$30,000,000 issued by a corporation which is a third party independent of the Company and its connected persons (as defined in the Listing Rules) in favour of the Group for partial settlement of the consideration of the Group's disposal of shares of New Ray, whose shares are listed on the Main Board (Stock code: 6108), and interest accrued thereon in the aggregate amount of approximately HK$33,058,000 in July 2018.

Fair value loss on investment properties

The Group recorded a fair value loss on investment properties of approximately HK$51,529,000 for the Year (2018: fair value gain of approximately HK$25,665,000). The fair value loss was contributed by the decrease in fair value of a number of the Group's investment properties which are located in Hong Kong.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW *(Continued)*

Loss on disposal of subsidiaries and property, plant and equipment being written off

During the Year, the Group disposed of 75% interest in Premium Rich International Limited, which operated a centre providing healthcare related services, for a consideration of HK$2,000,000. The Group recorded a loss on the disposal of subsidiaries amounting to approximately HK$9,606,000. Further, property, plant and equipment of another centre providing healthcare related services were written off with a loss amounting to approximately HK$9,303,000 for the Year due to the closure of the centre.

Fair value loss on financial assets at fair value through profit or loss

The Group recorded a fair value loss on financial assets at fair value through profit or loss of approximately of HK$227,000 for the Year (2018: approximately HK$36,956,000). Such decrease was mainly due to the significant decrease in fair value loss on a financial asset as a result of the expiry as at 31 December 2019 of the profit guarantee and put option granted by the vendor of Auspicious Idea Corporate Development Limited to the Group.

BUSINESS REVIEW

Annual Business Review

The city of Hong Kong faced unprecedented challenges in 2019. Weak global economy, Sino-U.S. trade conflicts and social instability across Hong Kong conspired to slow down the economy of Hong Kong. All of these factors seriously impacted the city's tourism, retail and food and beverage industries. Not immune to the erratic transport arrangements and the public's perceptions of the compromised personal safety as a result of the social instability, the Group's healthcare business in Hong Kong were adversely affected and showed signs of weakness. However, leveraging its decades of healthcare service management experience and comprehensive service network, the Group maintained a stable revenue. Regarding business operations in Mainland China, the Group actively explored business in healthcare market in Mainland China and expanded to various operational sectors. During the Year, the new core management from China Life Group officially debuted. The new management team's solid resources in Mainland China, deep understanding in the Mainland China market and vast management experience played an important role in the Group's strategy formulation, business development and organisation building. It also contributed a big boost to the Group's confidence in business development in Mainland China.

Trading Suspension and Recent Development of Trade Resumption

As of the date of this annual report, trading in the Shares remains suspended. As disclosed in the Company's announcement dated 10 January 2020, the Stock Exchange held discussions with the SFC and confirmed that the Stock Exchange would, until further notice, withhold exercising its right to delist the Company under Rule 6.01A(2)(b)(i) of the Listing Rules should trading in the Company's securities remain suspended on 31 January 2020. The above is without prejudice to the Stock Exchange exercising its rights under Rule 6.01A of the Listing Rules at a later stage when the Stock Exchange considers appropriate. The Company will continue to communicate with the SFC and will seek to resume trading of the Shares on the Stock Exchange. However, the Company at this stage is unable to set a definite time frame for trading resumption. Town Health will continue to keep the Shareholders and potential investors informed of updates on the matter.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW *(Continued)*

Healthcare Service Network of the Group

As of 31 December 2019, the Group had 475 service points covering a range of healthcare services, including 275 general practice service points, 79 specialist service points, 24 dental service points and 97 auxiliary service points. As of 31 December 2019, the Group employed 737 doctors, dentists and auxiliary service staff (including 419 general practitioners, 216 specialists, 42 dentists and 60 auxiliary service staff), all of whom provided healthcare services via the Group's network of self-operated and affiliated medical centres.

The Group's healthcare service network are as follows:

	As of 31 December 2019
Medical services	**354**
General practice services	275
Specialist services	79
Dental services	**24**
Auxiliary services	**97**
Physiotherapy services	52
Diagnostic imaging and laboratory testing services	27
Traditional Chinese medicine services	17
Health management services	1
Total:	**475**

The Group's self-operated medical centres are as follows:

	As of 31 December 2019
Medical services	**93**
General practice services	51
Specialist services	42
Dental services	**13**
Auxiliary services	**20**
Diagnostic imaging and laboratory testing services	12
Physiotherapy services	7
Health management services	1
Total:	**126**

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW *(Continued)*

Business in Hong Kong

Managed Care – Vio

In 2019, managed care business maintained a stable revenue and recorded a net profit. The ongoing social instability in the fourth quarter of 2019, which once affected the service hours of the Group's affiliated healthcare network, imposed downward pressure on the managed care business. While revenue in the first three quarters of 2019 still recorded growth compared with the same period in 2018, the fourth quarter of 2019 dragged down the overall performance. Nevertheless, leveraging Vio's efficient operational management and budget controls, the managed care business recorded a stable income and a net profit. During the Year, Vio upgraded its internal IT management system, enabling it to efficiently manage more than 600 affiliated doctors and implement a series of processes ranging from diagnosis to invoicing. The improved functions of such system has effectively reduced the number of administrative duties performed by affiliated doctors and medical assistants on Vio's platform. Meanwhile, more than 100 self-operated medical centres of the Group have joined the healthcare network managed by Vio, allowing Vio to provide a wider range of services across a larger service area. The synergy between Town Health and Vio contributed to the sustainable growth of the managed care business.

The revenue generated from the Group's managed care business in 2019 amounted to approximately HK$477,251,000 (2018: approximately HK$467,802,000), and accounted for approximately 42.27% of the Group's revenue for the Year (2018: approximately 41.70%) while the net profit margin remained relatively stable.

Self-Operated Clinic Chain

During the Year, the Group operated a total of 51 general practice medical centres, 42 specialist centres and 13 dental centres. The Group's self-operated clinic chain business maintained stable revenue over the same period in 2018. Mainly attributable to the unstable traffic conditions caused by social unrest, the service hours and the number of patients had been greatly affected. The Group has for years devoted to providing specialist services, and has continually expanded its excellent medical team and range of services, which has acquired a good reputation among its customers. During the Year, the Group's new cardiology specialist centre in Yuen Long recorded growth in revenue while the Hong Kong Cardiac Diagnostic Centre in Tsim Sha Tsui, the gastroenterology & hepatology specialist centre, the ENT specialist centre and the orthopaedics specialist centre at the Champion Building in Jordan all achieved satisfactory results. At the same time, the Group began to cooperate with large insurance companies and its self-operated orthopaedics and cardiology specialist centres to join the service networks of the insurance companies, gradually implementing the service of direct payment of medical expenses by medical insurance. Furthermore, more than 100 self-operated medical centres of the Group have joined the healthcare network managed by Vio. Through the medical schemes administered by Vio, the Group provides healthcare services to medical card holders, which in turn helps the Group increase market penetration of its healthcare services and enlarge its clientele, resulting in the long-term sustainability of its business.

The revenue generated from the general practice services, specialist services and dental services of the Group for the Year amounted to approximately HK$486,344,000 (2018: approximately HK$512,689,000), and accounted for approximately 43.08% of the Group's revenue for the Year (2018: approximately 45.70%).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW *(Continued)*

Medical Beauty Business

Despite of being negatively affected by the ongoing social instability in Hong Kong during the second half of 2019, with great demand for beauty services in Mainland China, the Group's medical beauty business segment – TBM, recorded a double-digit percentage of growth in revenue when comparing with the same period in 2018. During the Year, TBM opened a beauty centre in Shanghai K11, a prestigious commercial centre in Shanghai. The unveiling of the new centre served to solidify the position of TBM brand in the mid-to-high-end market and helped bolster its brand image of 'strength, professionalism and reliability', and enhanced service experience of customers. TBM also opened another beauty centre in the high-end commercial district of Nanshan district of Shenzhen, providing beauty care and medical beauty services. This twin-centre business model makes TBM's skin management services more comprehensive and accessible to its customers while the referral of beauty care to medical beauty services enhances the cross-selling effect. Furthermore, TBM runs a one-stop health management centre in Tsim Sha Tsui acquired from the Group, with the aim of providing mid-to-high-end family customers with one-stop health management and medical beauty services, including comprehensive healthcare services such as vaccinations, health check, health assessments, skin management and anti-ageing, and post-health check management. In the future, TBM will solidify its position in the mid-to-high-end family market, and focus on establishing a one-stop health management centre model of health management plus skin management.

During the Year, TBM employed 11 full-time or part-time doctors, and had 9, 5 and 4 centres in Hong Kong, Shenzhen and Shanghai, respectively. During the Year, TBM's revenue amounted to approximately HK$328,361,000 (2018: approximately HK$289,443,000).

Business in Mainland China

Hospital Management and Consulting Services Business in Mainland China

During the Year, Nanshi Hospital, managed by the Group's Nanyang Xiangrui, achieved excellent results in all aspects. Nanyang Xiangrui provided Nanshi Hospital with comprehensive management services, including property management, supply chain management, marketing and information system management, which succeeded in elevating the overall business performance of Nanshi Hospital in 2019. Nanshi Hospital's revenue from healthcare services for the Year maintained a double-digit percentage of rapid growth. Benefitting from Nanshi Hospital's remarkable performance, Nanyang Xiangrui's management revenue increased by a double-digit percentage, also being a clear reflection of the Group's outstanding competitive edge in hospital management business.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW *(Continued)*

During the Year, Nanshi Hospital was granted 'five-star' status for its operational capability by the Chinese Non-government Medical Institutions Association, and became the first non-government hospital in Nanyang City to be granted such honour. Nanshi Hospital has established its authoritative position in cerebrovascular disease treatments. According to the ranking published by related department of the National Health Commission in April 2019, Nanshi Hospital ranked first nationwide in terms of thrombolytic therapy in the national comprehensive stoke centres, and eighth nationwide in terms of comprehensive operational capability. In December 2019, Nanshi Hospital was awarded the honour of 'Comprehensive Stroke Centre'. Nanshi Hospital also strove hard to meet the national requirements for health insurance cost controls, and confined medicine use to under 30% progressively which was the best level in the industry. These measures were recognised by both the Healthcare Security Administration and the Health Commission.

Nanshi Hospital continued to strengthen its medical disciplines during the Year, forming strong specialities, including cardio-cerebral vascular centre. Nanshi Hospital also invited experts from all over the country to hold talks and exchange experience at Nanshi Hospital to continually enhance its level of medical skills.

The rehabilitation branch of Nanshi Hospital officially came into service in September 2019 with a total floor area of 5,500 sq.m., accommodating 110 beds, an inpatient care area, three modern medicine rehabilitation therapy departments and one traditional Chinese medicine rehabilitation therapy department. At present, the daily visits of the rehabilitation branch is over 700. Nanshi Hospital's rehabilitation medicine discipline has become a provincial key training medical discipline in Nanyang City, which is a clear indication that the rehabilitation medicine discipline of Nanshi Hospital has attained the highest standard in the industry. Furthermore, with the topping-out ceremony concluded in December 2019, the new inpatient block with a total floor area of 84,000 sq.m. of Nanshi Hospital will continue the internal decoration works and is expected to be operational in early 2021 to meet the growing local demand for medical care.

In 2019, Henan Ruishi Ophthalmology Hospital also came into service. The hospital, owned and managed by Nanyang Xiangrui, is located in a high-end commercial centre with high pedestrian flow in the centre of Nanyang City with a total floor area of 3,000 sq.m. The hospital specialises in ophthalmology and optometry and has established six ophthalmology sub-specialities. It has introduced specialists from the Ophthalmology Centre of Beijing University to provide expert technical support for ophthalmic treatment and is equipped with the VisuMax femtosecond laser from ZEISS for refractive surgery. The hospital is striving to become a ophthalmology hospital in Nanyang City with top-notch technology, comprehensive services and most advanced facilities.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW *(Continued)*

High-end Medical Diagnostic and Health Check Business

During the Year, the Sixth Hospital's medical diagnostic centre managed by Yikang, a subsidiary of the Company, generated excellent results, especially in the areas of health check and laboratory testing which both reported double-digit percentage of growth in revenue. Yikang also showed remarkable growth in revenue and net profit from its management business. During the Year, Yikang successfully signed a supplemental cooperation agreement with the Sixth Hospital. According to the supplemental cooperation agreement, Yikang would continue to manage the medical diagnostic centre of the Sixth Hospital until 2028, and charge a fixed management fee and commission based on a certain percentage of revenue, on a yearly basis. It is expected that the management fee and the commission will provide a steady source of income for Yikang in the future. Furthermore, Yikang, along with Shanghai United Imaging and Guangdong Dixon was planning to build a large medical diagnostic centre in Zhongshan City, Guangdong Province, with a floor area of 6,000 sq.m. The proposed medical diagnostic centre will have health check centre, specialist outpatient clinic and health management centre to provide one-stop comprehensive healthcare services, and to continue to devote to the medical market in the Greater Bay Area.

Clinics Business in Mainland China

Ganghe Clinic, the Group's clinic located in the central area of Futian District, Shenzhen with a total floor area of 600 sq.m. came into service in early 2019. Ganghe Clinic mainly provides services in general medicine, surgery, gynecology and health management. Ganghe Clinic is also equipped with a distinctive program – lifecycle health management for women, which includes endocrine therapy and laser therapy. Ganghe Clinic invited Dr. Liang Xiaoyan, a renowned gynecologist in Guangzhou, and her medical team to provide high-end endocrine therapy services. Furthermore, Ganghe Clinic works closely with the Shenzhen branch of China Life Group, to establish post-health check services system for China Life Group's high-end VIP clients, including doctor referrals, specialist clinic, post-health check health management and doctors to provide customised health consultation solutions. 'Green Lane' services are also available at Ganghe Clinic. Ganghe Clinic is connected with a specialist team of more than 200 top specialists from hospitals in Guangzhou, Shenzhen and Hong Kong which provides solid technical backup for the clinic's development.

Mainly due to the suspension of Invisalign training, the overall revenue of Yamei suffered a slight decline comparing with the same period in 2018. Yamei provides comprehensive dental services and strives to develop Invisalign orthodontics as its distinctive service with competitive edge. Yamei actively invested resources in popular science and charitable activities including promotion of public oral health and pediatric dental examinations to build its brand name. The branding campaign has succeeded in earning Yamei 'Five Stars' customer service rating from DianPing.com, and has turned it into one of the most popular listed service providers in Hangzhou.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW *(Continued)*

Chain Health Management Centres Business

Located at the China Life Centre in Jinan City, Shandong Province, China Life Town Health International Health Management Centre with a total floor area of 2,800 sq.m. came into service in 2019. The centre has several specialist departments, including general practice, surgery, gynecology, ophthalmology, oral and maxillofacial surgery, and medical beauty. It is also equipped with a wide range of advanced health check facilities. Dietitians and health management consultants are also on hand to provide services to complement the one-stop health management services at the centre.

In addition, the centre strengthened its partnership with China Life Group and jointly launched a series of activities, among which China Life Group's *'Kai Men Hong'* sales event attracted 2,000 customers to the centre for health check services. Through its high quality, value-added healthcare services, the centre bolstered China Life Group's insurance agents' ability to win the trust of their customers resulting in China Life Group's remarkable feat of signing a significant amount of new insurance policies during the event. This synergy is a successful case to the feasibility of the new 'insurance plus healthcare' model, and also a significant milestone in the Group's development of 'insurance plus healthcare' strategy.

Other investments

As at 31 December 2019, 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 contract-based medical schemes for integrated medical and healthcare check-up services. Based on the latest unaudited combined financial information for the year ended 30 September 2019 of HCMPS, it recorded a profit of approximately HK$17 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. As at 31 December 2019, the Group's investment in HCMPS constituted approximately 88.93% of the balance of equity instruments at fair value through other comprehensive income.

As at 31 December 2018, the Group owned 7,707.27 shares in Heemin Capital – Class A Shares with an aggregate subscription price of approximately US$7,884,000 (equivalent to approximately HK$61,103,000) and the Group's investment in Heemin Capital constituted approximately 85% of the balance of the financial assets at fair value through profit or loss. Heemin Capital is principally engaged in global fund investment. As at 31 December 2019, the Group had redeemed all the shares in Heemin Capital and recorded a gain of approximately HK$4,858,000.

The Group prudently and carefully selects promising investments which are duly assessed and analysed by the senior management team of the Group. After taking into account future business prospects and the respective financial performance of the various investments, as at the date of this annual report, the Group intended to continue holding the remaining investments in its present portfolio.

MANAGEMENT DISCUSSION AND ANALYSIS

OUTLOOK

The outbreak of the coronavirus (COVID-19) has imposed tremendous impact on the economy and social well-being in Mainland China, Hong Kong and worldwide since the beginning of January 2020. Business of the Group is anticipated to be adversely impacted in the short-term, and the results for the first half of the year was dragged down by this sudden outbreak. However, after the outbreak is over, medical demand will be gradually released, health and hygiene awareness of the citizens will generally be enhanced, and the demand for quality medical services is always with high rigidity. The Group expects to maintain a steady development.

The Group has always been confident in the medium to long-term development prospects of the medical and health industry. Apart from responding flexibly to market changes, the Group will adopt more forward-looking measures as a long-term development plan. While striving to maintain its development in the Hong Kong healthcare business, the Group will continue to devote to the healthcare market in Mainland China. The healthcare services market in Mainland China is expected to have a bright future because of the acceleration of population aging, growing gross national income (GNI), heightened public awareness of health, and a growing demand for high-end healthcare services. As the first Hong Kong healthcare enterprise to manage a large 3A-grade hospital in Mainland China, the Group will leverage its medical operation management prowess, rich practical experience gained over years and excellent medical team to further expand its business operations in the healthcare market in Mainland China. Also, with the backing of China Life Group's robust strength, and vast management experience and resources of the new management from China Life Group, the Group has every confidence in its business sustainability and ability to continue to stay at the forefront of the industry.

Hong Kong

In terms of managed care business, Vio will continue its medical management service contracts with large enterprises and insurance companies, and will actively expand the scope of its services and increase high value-added services in order to further maintain the company's profit margin. Vio will also continue to invest in the upgrading of its IT management system to further improve the management efficiency.

Regarding its self-operated clinic chain, the Group will continue to actively expand its healthcare service network and attract more professional medical staff. On the basis of cost-effectiveness, the Group will open more medical centres in the densely populated areas of Hong Kong in order to enhance the Group's competitiveness and create sustainable business strategies. The Group will further expand the scale of its orthopaedic specialist centres by expanding the area of its Kwun Tong orthopaedic specialist centre. Meanwhile, the Group will open a new orthopaedic magnetic resonance imaging centre to achieve synergy with the orthopaedic diagnoses and treatment. The Group's orthopaedic specialist centres will strive to become a sizeable and comprehensive chain of orthopaedic medical centres in Hong Kong. Furthermore, under the Private Healthcare Facilities Ordinance (Chapter 633 of the Laws of Hong Kong) introduced by the Hong Kong Government, the premises where registered medical practitioners and registered dentists practise including day procedure centres will be required to obtain licenses or letters of exemption to safeguard the interests and rights of the patients. The Group's existing two ophthalmic day procedure centres will apply for the said license to conform to the requirements of such ordinance. With the strict policy regulations, large medical groups will usher in new opportunities for long-term healthy development.

MANAGEMENT DISCUSSION AND ANALYSIS

OUTLOOK *(Continued)*

In terms of scale, the Group's specialist service network is one of the largest of its kind in Hong Kong with the greatest number of comprehensive services and the most doctors. Specialist services will continue to be the focus of the Group's future development. The Group will also continue to expand its cooperation with the large insurance companies. In addition to orthopaedics and cardiology, the goal is to include other specialist services into the insurance companies' service networks so that comprehensive healthcare services can be provided to insurance customers, and the service of direct payment of medical expenses by medical insurance can be implemented.

The Group will explore Mainland China market with a focus on the Greater Bay Area. The favourable medical policies of the Greater Bay Area will open new avenues for Hong Kong specialists of different medical disciplines to develop Mainland China market and provide high-end customers with premium healthcare services in line with international standards and facilitate Mainland China customers to seek medical consultations or diagnoses. The Group is also capable of arranging the Mainland China customers to visit Hong Kong for further treatment if they require surgeries. In the future, the Group will launch more in-depth cooperation with China Life Group's Mainland China companies, and develop medical tourism services aiming at high-end Mainland China customers, and achieve mutual access of medical resources between China and Hong Kong.

Regarding medical beauty business, TBM will explore new marketing channels through new media to elevate its brand recognitions and overall reputation. In addition to maintaining steady business development in Hong Kong, TBM will vigorously expand the medical beauty business in Mainland China. TBM plans to set up three new centres in Guangzhou, and one in Shanghai. As the present centre in Shanghai can no longer meet the hugh customer volume, the new Shanghai centre will be set up in a high-end business district in order to build a brand image and take advantage of economies of scale. In the future, TBM will review the situation and on the basis of cost-effectiveness, open new comprehensive skin management centres in Mainland China to provide beauty care and medical beauty services in the hope that the twofold service model will create synergetic effects, and stimulate cross-selling. Since the launch time of high-energy beauty equipment in Hong Kong coincides with Europe and the United States, and ahead of Mainland China, the Group expects to vigorously attract customers from the Greater Bay Area to enjoy medical tourism services in Hong Kong when the new coronavirus outbreak is over.

Mainland China

As an active response to the PRC Government's favourable policies of encouraging Hong Kong-funded healthcare institutions to establish medical practices in Mainland China, the Group will seize the opportunity, and, by making good use of its experience and strengths, introduce Hong Kong's comprehensive triage system into China, aiming to become a benchmark for Mainland China's healthcare industry.

MANAGEMENT DISCUSSION AND ANALYSIS

OUTLOOK *(Continued)*

Regarding hospital management, the pharmaceutical company established by Nanyang Xiangrui has officially obtained the approval of the Medical Products Administration and will formally be established in early 2020. Nanyang Xiangrui will thereby further expand its business scope and provide services related to procurement of pharmaceutical products for Nanshi Hospital, and is expected to become a new revenue growth point for Nanyang Xiangrui. Meanwhile, Nanshi Hospital will further strengthen the setting up of medical disciplines and has joined forces with tertiary academic institutions including Nanyang Medical College and Henan University in respect of education and teaching, and student training and the like to pool the top talents for the hospital. Nanshi Hospital will also continue to organise medical exchange programmes and invite medical experts from across the country to lead the programmes in an effort to promote integration of medicine, education and research. Moreover, the new hospital block of Nanshi Hospital is expected to come into service in early 2021. During the same period, the overall environment of the old hospital block will be optimised and reconstructed simultaneously. The whole area of the hospital will be re-planned and the decoration and transformation of the external hospital area and the internal environment will be gradually carried out to provide patients with a better environment for medical treatment, and boost the number of outpatient visits. In mid-2019, the PRC Government launched the Diagnosis Related Groups (DRG) policy and identified 30 DRG payment pilot cities. Nanshi Hospital will actively conform to the new national policy and will regulate its management procedures.

In terms of high-end medical diagnostic and health check business, Yikang's large medical diagnostic centre invested in Zhongshan City, Guangdong Province is expected to come into service in end 2020 providing medical diagnostic, health check, specialist outpatient clinic and health management services. The centre will be managed by a team set up by Yikang, and management staff will be stationed there to provide management advice. Meanwhile, Ganghe Clinic from Shenzhen will in the future identify business partners, explore online marketing channels, actively develop market, and develop customer groups.

Regarding the chain health management centre business, the Group will deepen its cooperation with China Life Shandong, and will provide China Life Shandong's VIP customers with health risk assessment services. Through comprehensive scientific analyses and assessments of customers' lifestyles, occupations, health check data and biomarkers, the Group will digitise customers' health indicators, all in an effort to customise personalised health check packages based on different data, and give insightful advice on health management to customers. The above efforts make the Group's centre stand out from the general health check centres' "disease-diagnosis" health check services. Meanwhile, the centre will focus on the development of four services, namely: *'dietary management'*, *'sport and exercise management'*, *'chronic disease management'* and *'Green Lanes of medical partnerships'*, for the purposes of giving personalised advice on diet and exercise in order to establish a complete and intimate health management system. The health management centre has also signed medical network cooperation agreements with Yikang, Jinan Central Hospital and specialists from Hong Kong to build medical network 'Green Lanes'. In the future, the centre will also actively expand dental services to provide customers with orthodontic services and dental restoration services, and recruit expert doctors from across the country to enhance the centre's reputation, and enlarge its customer base and income source.

MANAGEMENT DISCUSSION AND ANALYSIS

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 by either party 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 of 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, operating results, financial condition, brand and reputation of the Group. The Group has developed a set of standard operation procedures for 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 46 to the consolidated financial statements.

LIQUIDITY AND FINANCIAL RESOURCES

The Group adopts a prudent cash and financial management policy. As at 31 December 2019, the Group held bank balances and cash of approximately HK$1,840,856,000 (2018: HK$1,720,425,000). In order to achieve better cost control and minimise the costs of funds, the Group's treasury activities are centralised and substantial cash is generally deposited with banks in Hong Kong and denominated mostly in HK$. As at 31 December 2019, the Group had bank borrowings which represented a mortgage loan of approximately HK$17,730,000 (2018: HK$18,756,000) of which approximately HK$1,062,000 (2018: HK$1,137,000) are repayable within one year. As at 31 December 2019, 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

LIQUIDITY AND FINANCIAL RESOURCES *(Continued)*

As at 31 December 2019, the Group's net current assets amounted to approximately HK$2,128,476,000 (2018: HK$1,776,480,000) and the Group had a current ratio (defined as total current assets divided by total current liabilities) of 7.42 (2018: 8.26). As at 31 December 2019, the Group's gearing ratio (defined as total bank borrowings divided by equity attributable to owners of the Company) was 0.44% (2018: 0.46%). 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.

CAPITAL STRUCTURE

As at 31 December 2019, the Group had equity attributable to owners of the Company of approximately HK$4,015,547,000 (2018: HK$4,071,271,000).

HUMAN RESOURCES AND TRAINING SCHEME

As at 31 December 2019, the Group employed 1,306 staff (2018: 1,091 staff). Total employee costs for the Year, including directors' remuneration, amounted to approximately HK$654,703,000 (2018: HK$640,455,000). The salary and benefit levels of the employees of the Group are competitive and individual performance is rewarded through the Group's salary and bonus system. 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.

MANAGEMENT DISCUSSION AND ANALYSIS

CONTINGENT LIABILITIES

As at 31 December 2019, the Group had no significant contingent liabilities (2018: Nil).

PLEDGE OF ASSETS

As at 31 December 2019, a leasehold land and building of approximately HK$46,047,000 was pledged to secure the Group's mortgage loan.

CAPITAL COMMITMENTS

As at 31 December 2019, the Group did not have capital expenditure contracted for but not provided in the financial statements in respect of the acquisition of property, plant and equipment (2018: Nil).

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTOR

Mr. Chen Jinhao ("Mr. Chen"), aged 39, was a non-executive Director from June 2015 to 2 December 2019. With effect from 2 December 2019, Mr. Chen has been re-designated from a non-executive Director to an executive Director and has been appointed as the Chief Executive Officer. 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 is also a member of each of the Nomination Committee and the Remuneration Committee. Mr. Chen is also a director of a number of subsidiaries of the Company.

Mr. Chen has over ten 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. From January 2017 to November 2019, he had been a director of Shenzhen Mindray Bio-Medical Electronics Co., Ltd. (深圳邁瑞生物醫療電子股份有限公司), whose shares are listed on the ChiNext of Shenzhen Stock Exchange (Stock Code: 300760) on 16 October 2018.

NON-EXECUTIVE DIRECTORS

Mr. Wan Yiqing ("Mr. Wan"), aged 45, has been appointed as a non-executive Director and the Chairman of the Company since 2 December 2019. Mr. Wan graduated from Huazhong University of Science and Technology (華中理工大學) with a bachelor degree in 1994, and obtained a master of economics degree from Nankai University (南開大學) in 1997 and a master of computer science degree from West Virginia University in the United States in 2000. Mr. Wan worked as a vice president of China Life Investment Holding Company Limited (國壽投資控股有限公司) from 2016 to 2019. He has been working as a vice president of China Life Healthcare Investment Co., Ltd. (國壽健康產業投資有限公司) since 2019, and has been serving as the president of China Life Private Equity Investment Company Limited (國壽股權投資有限公司) since 2016. Mr. Wan is also the chairman of the Nomination Committee.

Ms. Fang Haiyan ("Ms. Fang"), aged 53, has been appointed as a non-executive Director and a 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, a doctoral degree in economics at the same university in 1998 and executive master of business administration (EMBA) at Tsinghua University in 2010. 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 and had served as deputy general manager and general manager of the Business Management Department. From May 2013 to July 2019, Ms. Fang served as the general manager of the Business Department of China Life Insurance (Group) Company (中國人壽保險(集團)公司). From March 2017 to February 2019, Ms. Fang served as the deputy general manager and the deputy secretary of the Party Committee of Shandong Branch of China Life Insurance Company Limited (中國人壽保險股份有限公司). With effect from 11 July 2019, Ms. Fang has served as the vice president of China Life Healthcare Investment Co., Ltd. (國壽健康產業投資有限公司).

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Ho Kwok Wah, George ("Mr. Ho"), *MH*, aged 61, has been appointed as an independent non-executive Director since September 2004. Mr. Ho is a Practising Certified Public Accountant in Hong Kong. He is a director of Yong Zheng CPA Limited, 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). From 17 October 2006 to 28 July 2017, Mr. Ho had been an independent non-executive director of Belle International Holdings Limited, whose shares had been delisted on the Main Board (Stock Code: 1880) since 27 July 2017, Mr. Ho is also the chairman of each of the Audit Committee and the Remuneration Committee and a member of the Nomination Committee.

Mr. Yu Xuezhong ("Mr. Yu"), aged 62, 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 each of the Audit Committee, the Nomination Committee and the Remuneration Committee.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

INDEPENDENT NON-EXECUTIVE DIRECTORS *(Continued)*

Ms. Li Mingqin ("Ms. Li"), aged 61, has been appointed as 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 Orthopaedic 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 each of the Audit Committee, the Nomination Committee and the Remuneration Committee.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

Dr. Chan Wing Lok, Brian ("**Dr. Chan**"), aged 55, graduated from The University of Hong Kong and holds the qualifications of MBBS (HK), DCH (Irel) and PgDipPD (Cardiff). He has been appointed as a Clinical Assistant Professor (honorary) in Family Medicine of the Faculty of Medicine, Jockey Club School of Public Health and Primary Care of The Chinese University of Hong Kong for the year 2016-2020. Dr. Chan joined the Group in 1991. He had been an executive Director from 28 June 2018 to 2 December 2019. Dr. Chan is 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. Dr. Chan is also a director of a number of subsidiaries of the Company.

Ms. Hu Zongling ("**Ms. Hu**"), aged 35, has been appointed as the Chief Internal Control Officer of the Company since December 2019. Ms. Hu graduated from Renmin University of China（中國人民大學）with a master degree in accounting. Ms. Hu has worked in the risk consulting department of an international accounting firm for over ten years, providing professional services including internal control and risk management services for a number of listed companies and private enterprises. Ms. Hu joined China Life Private Equity Investment Company Limited（國壽股權投資有限公司）since July 2019 and is currently senior manager of Risk and Compliance department of China Life Private Equity Investment Company Limited（國壽股權投資有限公司）.

Mr. Kwan Chung Man ("**Mr. Kwan**"), aged 54, has been appointed as the Company Secretary since December 2019. Mr. Kwan is a solicitor of Hong Kong. He obtained a bachelor's degree in social sciences from The University of Hong Kong. Mr. Kwan joined the Group in 2009 and is currently the group head of legal affairs of the Company. Prior to joining the Group, Mr. Kwan had been a practising solicitor for more than 12 years in Hong Kong.

Dr. Nelson C. K. Wong, aged 66, 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 position 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 latest innovation is effective Pharmacy Benefit Management.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT *(Continued)*

Dr. Yau Yi Kwong, aged 57, 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 the Group's dental services. He joined the Group in November 2000.

Mr. Zhao Junxiang, aged 69, is a director of Nanyang Xiangrui, a non-wholly owned subsidiary of the Company. He graduated from Guangzhou Zhongshan Medical University and holds the master's degree in business administration of the Asia International Open University (Macau). He is currently the Honorary President of the 2nd Session of the Burns Physician Branch of the Henan Provincial Association of Physicians. He is responsible for the hospital management and consulting services business of the Group in the PRC. He joined the Group in September 2016.

Ms. Zhao Xiangke ("Ms. Zhao"), aged 34, has been appointed as the Chief Financial Officer of the Company since December 2019. Ms. Zhao graduated from Renmin University of China（中國人民大學）with a bachelor's degree in economics in June 2008. Ms. Zhao has worked in the audit department and financial advisory department of two international accounting firms, serving a number of listed companies and private enterprises, and has extensive experience in the provision of financial, auditing and advisory professional services. She joined China Life Private Equity Investment Company Limited（國壽股權投資有限公司）since July 2018 and is currently an associate director of the Investment Management Center of China Life Private Equity Investment Company Limited（國壽股權投資有限公司）. Ms. Zhao is also a director of a number of subsidiaries of the Company.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

SCOPE AND REPORTING PERIOD

This is the fourth ESG Report by Town Health, highlighting its ESG performance, with disclosure reference made to the ESG Reporting Guide contained in Appendix 27 to the Listing Rules.

The Group is principally engaged in the provision of Hong Kong medical services, Hong Kong managed care business, Mainland hospital management and medical services, securities and properties investments and treasury management, and other miscellaneous healthcare related services. This ESG Report covered the overall environmental and social performances of its business operations in:

(i) the headquarter office in Shatin, New Territories, Hong Kong;

(ii) the back office in Sheung Wan, Hong Kong;

(iii) the medical centres with shareholding > 50% in Hong Kong; and

(iv) the office of the hospital management and medical services business in Nanyang Xiangrui of the PRC.

The reporting period covered from 1 January 2019 to 31 December 2019. The above business operations contributed to approximately 97% of the Group's revenue. Other operations that have no significant contribution to the Group's revenue, and environmental and social impacts are excluded from the reporting scope.

STAKEHOLDER ENGAGEMENT AND MATERIALITY

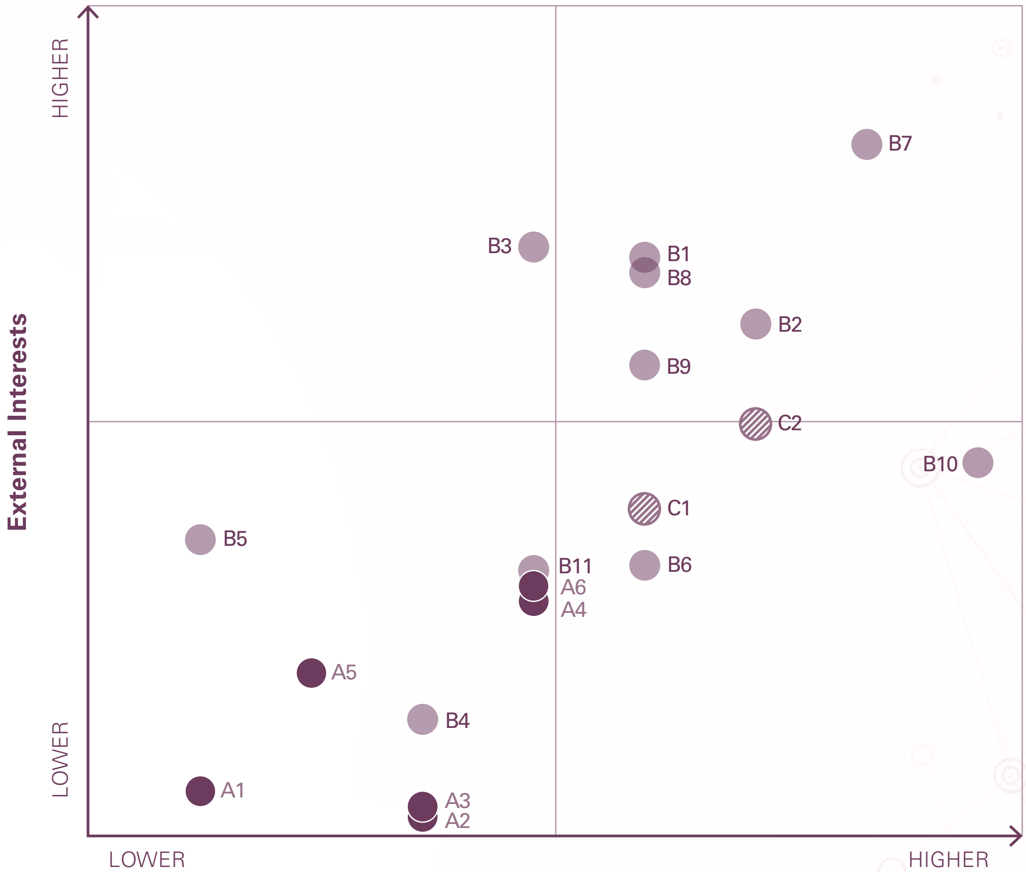
The Group values relationships with its employees, shareholders, investors, customers and suppliers. It believes that feedback from stakeholders helps to improve its business performance and bring insight to its future development. By communicating with stakeholders in a timely manner, the Group collects constructive feedback from stakeholders and builds shareholder and investor confidence. Stakeholders are engaged through regular meetings, regular performance review, appraisals and surveys.

During the Year, the Group has specifically engaged internal and external stakeholders, including the Board members, frontline staff, patients and suppliers to provide feedback on materiality of ESG aspects for the Group's operation. The Materiality Matrix below shows the result of our materiality assessment process:

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

STAKEHOLDER ENGAGEMENT AND MATERIALITY *(Continued)*

Materiality of Different Topics from Stakeholder Engagement



Internal Assessment on Importance to Business

A.	**Environmental**	**B.**	**Social**	**C.**	**Others**
A1	Energy	B1	Employment	C1	Pharmaceuticals Handling
A2	Water	B2	Health and Safety	C2	Medical Advertising
A3	Emissions	B3	Development and Training	C3	Safety and Hygiene in Medical Centers
A4	Effluent and Waste	B4	Labour Standards		
A5	Other Raw Materials Consumption	B5	Supply Chain Management		
A6	Environmental Protection Policies	B6	Intellectual Property Rights		
		B7	Customer Data Protection		
		B8	Customer Service		
		B9	Product Quality		
		B10	Anti-corruption		
		B11	Community Investment		

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

STAKEHOLDER ENGAGEMENT AND MATERIALITY *(Continued)*

Among the environmental and social aspects, the following five ones were the material aspects of the Group's operation:

- Customer Data Protection
- Anti-Corruption
- Health and Safety
- Employment
- Customer Service

The Group has strictly complied with the statutory requirements in respect of the identified material aspects. The Group will continue to identify areas of improvement for the concerned aspects and keep close communication with its stakeholders to share and exchange ideas for advancing the Group's ESG management.

STAKEHOLDERS' FEEDBACK

The Group welcomes stakeholders' feedback on its ESG approach and performance. For any suggestion or opinion, please send to the Group via its email at enquiry@townhealth.com.

THE GROUP'S MISSION AND VISION ON SUSTAINABILITY

The Group aims to maintain its leading position in Hong Kong medical network market. It believes that pursuit of innovation is an important factor leading to a successful business, while a steady growth of business can support its staff and community in return. To achieve this goal, the Group would maintain relationship with its stakeholders and at the same time, implement responsible corporate governance policies to pursue sustainable business growth. As a leader in medical field, the Group will do its best to fulfil its corporate social responsibility and be responsible to individuals, the community and the environment.

The Group's value lies in its people, its attitude and its management philosophy as shown below.

The Board attaches great importance to the appropriate and effective ESG risk management and internal control. The Board reviews ESG performances and identifies related risks annually.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

THE GROUP'S CORPORATE SOCIAL RESPONSIBILITY POLICY

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

Protecting the Environment

The Group understands that its business operation contributes to significant consumption of natural resources and the waste it releases pose threat to public health and the environment if not properly handled. 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 treasures staff as its great assets. Promoting harmonious relationships and environment at workplace is of paramount importance to the Group. Not only does the Group provide attractive remuneration package, but it also maintains a safe working environment, builds positive cultures, provides equal opportunities, and respect its employees.

Serving the Community

The Group recognises the importance of serving the underprivileged community and nurture our next generation. It pledged 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.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

A. ENVIRONMENTAL

To cope with the climate change challenge that the world is facing, the Group puts significant effort on environmental protection and reduction of greenhouse gas ("GHG") emissions. Although there was no specific policy adopted in relation to air and GHG emissions, discharges into water and land and generation of hazardous and non-hazardous waste, the Group has developed a guidance memorandum regarding environmental protection practices, which will be reviewed annually and delivered to staff through email. The Group mainly consumed electricity, water and paper, and generated clinical waste, expired medication waste and paper waste during the Year.

The Group strives to comply with all relevant environmental laws and regulations that are applicable to its business operation. Its business does not involve in the production-related air, water, or land pollutions which are regulated under the laws and regulations of Hong Kong and the PRC. There was no material non-compliance relating to air and GHG emissions, discharges into water and land, and generation of hazardous and non-hazardous waste during the Year.

A1. Emissions

A1.1. Air Emissions

Petrol and diesel were used in private cars and vans for business meetings and travels, which contributed to the emission of 0.39 kg of sulphur oxides. Due to lack of related data, emissions of nitrogen oxides and respiratory suspended particles were not calculated, but it is noteworthy that the aspect of air emissions was considered immaterial to the Group's operation.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

A. ENVIRONMENTAL *(Continued)*

A1.2. Greenhouse Gas Emissions

Scope of GHG Emissions	Emission Sources	Emission (in tonnes of carbon dioxide equivalent "tCO_2e")	Total Emission Percentage
Scope 1 Direct Emission			
Combustion of fuel for	Petrol	55.73	
mobile sources	Diesel	18.84	4%
Scope 2 Energy Indirect Emission			
Purchased electricity		1,634.27	93%
Scope 3 Other Indirect Emission			
Paper waste disposal at landfills		7.02	3%
Electricity used for freshwater processing		2.27	
Electricity used for sewage processing		1.22	
Business air travel		44.09	
Total		1,759.44	100%

Notes:

1. Emission factors were made by reference to Appendix 27 to the Listing Rules and their referred documentation as set out by the Stock Exchange, unless stated otherwise.

2. Electricity and water consumption of some clinics were not included in the calculation as relevant data was managed by the facility office and the data was not available to the Group.

The Group's activities contributed to 1,759.44 tCO_2e with emission intensity of 1.56 tCO_2e/million HKD of total revenue, which included mainly carbon dioxide, methane, nitrous oxide and hydrofluorocarbons emissions, during the Year.

A. ENVIRONMENTAL *(Continued)*

A1.3. Hazardous Waste

The Group mainly involves in the provision of medical services, which generates clinical waste and expired medication from its operation. The Group complied with the Waste Disposal Ordinance, Chapter 354 of the Laws of Hong Kong and all applicable regulations and laws of Hong Kong and the PRC when handling and disposing of waste during the Year.

Clinical Waste

Clinical waste contributes to a large portion of the total waste generated from the Group's operation. The Group takes special caution in handling medical waste to minimise risks to public health and the environment. Guidelines on clinical waste management has been issued to all clinical staff. Employees in all clinic offices have been well trained to segregate the waste into the following groups:

- Group 1 – Used or Contaminated Sharps
- Group 2 – Laboratory Waste
- Group 3 – Human and Animal Tissues
- Group 4 – Infectious Materials
- Group 5 – Dressings
- Group 6 – Other Wastes

Different types of clinical waste are placed in appropriate types of containers which are then sealed by proprietary closure or by tape. All types of clinical waste are collected by licensed clinical waste collectors and the copies of trip tickets are kept for record. A total of 1.05 tonnes of clinical waste (waste generation intensity of 0.93 kg/million HKD of total revenue) was generated during the Year.

Expired Medication

The group follows the "First In, First Out" method when storing and dispensing medicines to ensure that the oldest items are used first to prevent wastage. The medication inventory is checked by assigned senior nurses every month in every individual medical centre. The products that past the expiration date or will expire in the next 60 days are kept in specific collection area and will be sent back to the headquarters' purchasing department for further handling, which will be returned either to the regulatory body or respective suppliers. A total of 0.31 tonne of expired medication waste (waste generation intensity of 0.27 kg/million HKD of total revenue) was generated during the Year.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

A. ENVIRONMENTAL *(Continued)*

A1.4. Non-hazardous Waste

Non-hazardous waste from the Group's operation was mainly domestic waste and paper waste from office. A total of 1.46 tonnes of paper (waste generation intensity of 1.29 kg/million HKD of total revenue) was consumed for the office operation during the Year. Collection of non-hazardous waste is arranged by the property management companies of the premises.

A1.5. Measures to Mitigate Emissions

The Group keeps track of its petrol and diesel consumption, electricity consumption, water consumption, paper disposal at landfills and business air travels to estimate GHG emissions and strives to reduce related emissions whenever possible. GHG emissions is also reduced by implementing energy-saving initiatives.

A1.6. Waste Reduction and Initiatives

The Group minimised radiology associated chemical waste by investing in digital radiology at the clinics to replace Silver Chloride coated plastic films. According to the memorandum regarding environmental protection practices, the Group encourages employees to implement the following initiatives:

- Printing double-sided;
- Adjusting margins and font size of documents, choosing multiple-page printing;
- Using the 'Print Preview' mode to ensure desired printing;
- Adopting electronic communication and document sharing to go paperless;
- Keeping soft copies of file documents rather than hard copies;
- Printing address on envelopes to reduce the use of labels;
- Folding and stapling internal non-confidential document to reduce the use of envelopes;
- Drying hands using handkerchiefs instead of tissue paper or dryer; and
- Bringing personal mugs or cups to avoid use of disposable cups.

Employees are also encouraged to reuse whenever possible, such as reusing envelopes, files, stationery and tableware. The amount of paper use has reduced by half when compared to the last reporting period, mainly due to the paper saving initiative and increase in awareness.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

A. ENVIRONMENTAL *(Continued)*

A2. Use of Resources

A2.1. Energy Consumption

Energy Consumption Sources	Use of Energy	Direct Consumption	Consumption (in MWh)
Petrol	For vehicles	20,676L	188
Diesel	For vehicles	5,604L	56
Electricity	For daily operation	3,003,289 kWh	3,003

The Group consumed a total of 3,247 MWh for vehicles and daily operation during the Year. The energy consumption intensity was 2.88 MWh/million HKD of total revenue.

A2.2. Energy Use Efficiency Initiatives

Energy consumption has a direct influence on the environment and operational costs. Various measures have been implemented by the Group to encourage energy conservation. The Group chooses electrical appliances with high energy efficiency and has installed automatic lighting devices to ensure that unnecessary lighting devices are switched off after office hours. Notices and reminders are regularly issued to staff to raise their awareness on energy saving, reminders include:

- Maintaining the temperature of air conditioner at 25.5˚C;
- Closing doors and windows when the air conditioner is turned on;
- Shutting down air conditioners, lights and other electronic devices when leaving office/meeting room;
- Using stairs rather than lifts, or choosing elevator that is nearest to your floor;
- Unplugging or disconnecting chargers and transformers when not in use;
- Switching off air conditioners, lights and all electronic equipment and devices when leaving office;
- Tuning brightness of monitors to the lowest comfortable setting;
- Setting computers to energy-saving modes; and
- Printing or photocopying in bulk to avoid frequent activation of printers from power saving mode.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

A. ENVIRONMENTAL *(Continued)*

In addition, the Group has installed several sets of solar panels on the roof top of the Group's headquarter office building which generates electricity for corridor lighting in the building. The amount of renewable energy generated from the solar panels was not recorded.

A2.3. Water Consumption

5.609 m^3 of water was consumed by the Group during the Year, with water consumption intensity of 4.97 m^3/million HKD of total revenue. Water consumption included only consumption from headquarter office and key medical centres that directly manage their water consumption data. Water consumption data of a few medical centres were managed by their property management office. Therefore, respective data was not available for collection. However, it is noteworthy that the water consumption from these medical centres was insignificant.

A2.4. Water Use Efficiency Initiatives

The Group regularly reminds its staff to conserve water resources through notices and reminders. To reduce water consumption, staff are reminded to:

- Cleaning containers only after the waste in containers has been disposed of;
- Controlling tap flow;
- Turning off tap while scrubbing with soap;
- Reporting any dripping taps or water leakage to relevant department promptly; and
- Using up all water in the bottle of water dispenser before exchange.

No issue in sourcing water that is fit for purpose had been identified during the Year.

A. ENVIRONMENTAL *(Continued)*

A2.5. Packaging Materials

Medicinal bottles, pill pouches, ointment jars, ointment bottles and plastic bags have been used for packaging of medicine, pills or topical ointment. The total pieces of packaging materials consumed were 4,486,450 pieces with a consumption intensity of 3,974 pieces/million HKD of total revenue.

Type of Packaging Materials	Consumption in 2019 (pieces)	Consumption in 2018 (pieces)	Changes
Pill pouches	3,004,500	3,358,000	–10.53%
Medicinal bottles	573,350	639,000	–10.27%
Plastic bags	820,000	727,000	12.79%
Ointment jars	82,600	93,800	–11.94%
Ointment bottles	6,000	6,200	–3.23%
TOTAL	4,486,450	4,824,000	–7.00%

A3. The Environment and Natural Resources

A3.1. Significant Impacts of Activities on the Environment

The Group's operation does not cause significant adverse impacts on the environment. Healthcare activity inevitably generates waste and the Group is committed to managing clinical waste properly in accordance with applicable laws and regulations.

The Group believes that promoting environmental protection and enhancing the environmental awareness could both reduce operating costs and create possible value to stakeholders of the Group. The Group strives to promote a "Green Office" culture in the offices and medical centres. It has implemented energy-saving initiatives focusing on the efficient use of air conditioners, lights and electronic devices; and initiative for waste reduction. Guidelines on "Green Office" are sent to all the office staff and saved in common drive for reference. The Group required its staff to strictly abide by the guidelines on clinical waste management. It will continue to improve its environmental performances focusing on the abovementioned aspects.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

B. SOCIAL

1. Employment and Labour Practices

B1. Employment

Total Employees and Turnover

The Group had a total of 1,306 employees as of 31 December 2019. Workforce distribution details are shown in the table below.

Workforce Distribution Details as of 31 December 2019*	Management	Doctor	Nurse	General staff	Total
By Gender					
Male	12	119	13	141	285
Female	3	83	564	265	915
By Employment Type					
Full-time	15	158	481	405	1,059
Part-time	0	44	96	1	141
By Age Group					
≤25	0	5	156	27	188
26-35	0	47	254	158	459
36-45	2	71	100	132	305
46-55	5	59	37	57	158
>55	8	20	30	32	90
Total	15	202	577	406	1,200

* *The difference of 106 between the above number of employees disclosed (1,200) and the total number of employees of the Group (1,306) represents the number of visiting doctors of the Group, personal data of whom was not collected.*

B. SOCIAL *(Continued)*

Employee Benefits and Welfare

The Remuneration Committee is responsible for formulating remuneration policies and recommending specific remuneration packages of all directors and senior management to the Board for approval. The Group has established policies on remuneration, benefits, training, dismissal, recruitment, promotion, equal opportunity and occupational health and safety. The Group offers competitive remuneration, promotion opportunities, and benefit packages to attract and retain talents. Working hours, remuneration and compensation packages are clearly stated in the employment contract. 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. On top of statutory holidays, different types of paid leave, including annual leave, sick leave, maternity leave, paternity leave, compensation leave, compassionate leave, injury leave, birthday leave, and long service leave, are provided. To promote healthy work life, staff who have worked for 2 years or above, except contract and part-time staff, are provided with free annual health check.

During the Year, the Group complied with all applicable employment and labour related laws and regulations of Hong Kong and the PRC including but not limited to:

- The Employment Ordinance, Chapter 57 of the Laws of Hong Kong;
- The Minimum Wage Ordinance, Chapter 608 of the Laws of Hong Kong;
- The Employees' Compensation Ordinance, Chapter 282 of the Laws of Hong Kong;
- The Occupational Safety and Health Ordinance, Chapter 509 of the Laws of Hong Kong; and
- The Labour Law of the PRC.

No non-compliance relating to compensation and dismissal, recruitment and promotion, working hours and rest periods, or other benefits and welfare were found during the Year.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

B. SOCIAL *(Continued)*

Equal Opportunity

The Group is committed to providing equal opportunities throughout employment, including in the remuneration, recruitment, training and promotion of staff. It is committed to ensuring that no employee receives less favourable treatment or is unlawfully discriminated against on grounds of ethnic background, nationality, religion, colour, age, gender, sexual orientation, marital status, family status, disability, or pregnancy. The Group appreciates the importance of cultural diversity at workplace and respects every employee. During the Year, the Group complied with all relevant laws and regulations of Hong Kong and the PRC including:

- The Sex Discrimination Ordinance, Chapter 480 of the Laws of Hong Kong;
- The Disability Discrimination Ordinance, Chapter 487 of the Laws of Hong Kong;
- The Family Status Discrimination Ordinance, Chapter 527 of the Laws of Hong Kong;
- The Race Discrimination Ordinance, Chapter 602 of the Laws of Hong Kong;
- The Labour Law of the PRC;
- The Employment Promotion Law of the PRC; and
- The Law on the Protection of Persons with Disabilities of the PRC.

During the Year, there was no non-compliance relating to equal opportunity, diversity and anti-discrimination.

Communication with Employees

Effective communication is crucial for collaboration. In daily operation, staff communicate closely through channels including email, clinic office phone or text message. Internal meetings are held regularly to facilitate status reporting, problem solving, and performance evaluation. Through meetings, new instructions and guidelines are also developed and delivered to all levels of employees.

Appraisal is conducted regularly to provide a means for discussing, planning and reviewing the performance of employees (from senior management to frontline staff). In the appraisal reports, appraisers assess if employees' performances are aligned with the Group's corporate values. Appraisees are also invited to comment on the appraisers' assessment results, which facilitates two-way communication and evaluation.

B. SOCIAL *(Continued)*

To show appreciation of employees' devotion to the Group, an award of Outstanding Customer Service is presented yearly to staff who provided quality services. The Group has also formulated the Salary Increment Guideline to manage the salary. The Group would adjust the ranking and salary of employees based on employees' appraisal, job responsibility and performance, and other factors. Gathering events are also regularly organised to promote healthy lifestyle and encourage interaction among staff.

B2. Employee Health and Safety

The Group values health and safety as of paramount importance and endeavours to provide safe working environment to all employees. During the Year, the Group complied with the Occupational Safety and Health Ordinance, Chapter 509 of the Laws of Hong Kong and other applicable laws of the PRC. The Group implemented strict preventive and control measures to protect employees and patients from contamination, infections and accidents. Training and information sheets are given to new employees. Employees are required to put on personal protective equipment, including protective gown, surgical masks, protective goggles and gloves when engaging in medical treatment and disinfection procedures. Sharp equipment is handled in accordance with the safety guidelines in the employees' handbooks to avoid injuries or contamination. In case of injuries or accidents, especially in the dental offices, the Group arranges specific medical attention for the injured employees. Medical treatment machines and equipment are protected with disposable covers before use and properly sterilised after use.

The Group regularly reviews the employees' health and safety procedures to safeguard employees' well-being. Briefing, training, news, reminders and tips are regularly provided to employees to raise their awareness, refresh their knowledge, and practice using treatment related equipment and machines. The occupational health and safety data during the Year is shown below. The management will continue to put effort in strengthening the Group's occupational health and safety performance.

Occupational Health and Safety Data during the Year	
Work related fatality	0
Work injury cases >3 lost days	1
Work injury cases ≤3 lost days	9
Lost days due to work injury	45

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

B. SOCIAL *(Continued)*

B3. Development and Training

The Group acknowledges the importance of providing opportunities for training and development. The Group maintains the professional skills of the employees by providing opportunities for continuing professional development, education and training. Training programmes provided by the Group are customised to suit its business needs and to equip employees with practical knowledge and skills needed.

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

Every newly joined nurse needs to attend the 334 New Joiner Training organized by the Group to be familiarised with necessary knowledge, technical skills and procedures. The training lasts for 10 weeks and 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 training to enhance operational efficiency.

334 New Joiner Training for Nurses during the Year	No. of Headcount	No. of hours	Total hours
1st lesson	131	4	524
2nd lesson	19	3	57
3rd lesson	14	3	42
Examination	69	1.5	103.5
TOTAL	233	11.5	726.5

Basic Customer Service Training for Health Care Assistants

The Basic Customer Service Training enables health care assistants ("HCAs") to understand the rationale for delivering quality customer services, and ways to upgrade the Group's customer services in aspects of HCAs' physical and oral manners, attitudes, diplomacy, and sensitivity. Apart from delivering relevant knowledge and skills, the training facilitates case discussions which better prepare HCAs to face future challenges.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

B. SOCIAL *(Continued)*

B4. Labour Standards

The Group is committed to forbidding unlawful employment. Its human resources department strictly abides by the Group's recruitment guidelines throughout the recruitment process. It verifies candidates' identity by checking their identity cards and relevant certificates. Terms regarding employee work hours, rest and leave entitlement, labour protection and working conditions have been stipulated clearly on the employment contract.

During the Year, employees who practise medicine and surgery have registered with the Medical Council of Hong Kong in accordance with the provisions of the Medical Registration Ordinance, Chapter 161 of the Laws of Hong Kong; and employees who practise dental treatment have registered with the Dental Council under the Dentists Registration Ordinance, Chapter 156 of the Laws of Hong Kong. There was no child nor forced labour employed in the Group's operations, and there was no non-compliance with laws and regulations relating to prevention of child and forced labour.

2. Operating Practices

B5. Supply Chain Management

Supply chain management is a crucial component of the Group's quality control. The Group is highly attentive to the reputation and reliability of its pharmaceutical product suppliers. Although it does not have specific policy for the management of the environmental and social risks of its supply chain, it evaluates how its suppliers deal with social and environmental issues and ensures that suppliers and its business partners comply with local and international standards on pharmaceutical products. Quality and safety of the products 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 clinic office every month to further confirm the data.

In addition, the Group uses an internal e-procurement platform to facilitate electronic supply chain management. This enhances operational efficiency and reduces adverse environmental impacts by cutting down paper usage for internal order.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

B. SOCIAL *(Continued)*

B6. Product Responsibility

The Group is committed to providing high-quality medical services. It ensures quality of service by the provision of qualified and trained professionals. It has registered trademarks and it respects third-party intellectual property rights. During the Year, the Group complied with specific standards and all applicable laws and regulations regarding pharmaceutical handling and medical advertisement. There was no non-compliance relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and method of redress.

Pharmaceuticals Handling

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

In addition, the Group observes the principle of "3 checks and 8 rights" to keep our patients safe.

3 Checks:

1. First check of the container label before taking container from the shelf.

2. Second check of the container label against the prescription during actual dispensing.

3. Third check of the container label before putting the container away.

8 Rights:

1. Right date.

2. Right patient.

3. Right drug.

4. Right dose.

5. Right route.

6. Right frequency.

7. Right container.

8. Right doctor.

Conspicuous reminders and instructions are also posted in pharmacies for staff's reference. Employees who violate serious pharmaceutical handling and safety procedures can be dismissed according to their employment contracts.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

B. SOCIAL *(Continued)*

Medical Advertisement

During the Year, the Group complied with the Undesirable Medical Advertisements Ordinance, Chapter 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. Information on its advertisement is reviewed before publication to ensure that the advertisement has no misleading information. Patients can choose whether to receive updated healthcare news and promotions.

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. New employees are trained and examined on the knowledge and practice of safety and hygiene as administrative controls of hazards. The Group also hired a cleaning contractor to maintain cleanliness and hygiene of all clinic offices. All cleaning procedures, guidelines and quality requirements are therefore standardised across the Group. The clinical environment is kept clean and tidy constantly to avoid unnecessary accidents.

Customer Service

The Group makes every effort to maintain a high standard of customer service and continuously improves its service to enhance its competitiveness. It is committed to respectful, compassionate and practice of ethical patient care. Quality of services is monitored and evaluated through monthly inspections by management staff. Frontline staff are provided with customer service training and relevant guidelines to strengthen their awareness and service skills.

The Group also has systematic channels for enquiries and complaints. Complaints can be lodged by phone, email, fax and mail, and are dealt with in accordance with the Group's guidelines on clinic complaints. It is committed that the Group will acknowledge receipt of complaints and issue substantive reply within the day and within 15 working days for safety related and non-safety related issues respectively. Record of complaints is maintained to monitor the progress of complaints and make improvements. Some medical centres have complied with the requirements of ISO 9001:2008 Quality Management System.

The Group employs the "Award and Penalty System", under which both staff and medical centres 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.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

B. SOCIAL *(Continued)*

Data Protection and Privacy

The clinics of the Group register and collect patients'/customers' personal data according to the Standard Registration Procedures of the Group. Security measures are in place to ensure adequate protection and confidentiality of all corporate data and information. According to the Code of Conduct, directors and all staff should not disclose any confidential information of the Group without authorisation or misuse any company information. Those who have access to or are in control of such information, including information in the Group's computer system, should protect the information from unauthorised disclosure or misuse. Special care should be taken in the use of any personal data, including personal data of directors, staff and patients/customers.

The medical centres also have policies for data privacy, which assigned responsibilities to general managers for monitoring and supervising compliance with the Personal Data (Privacy) Ordinance, Chapter 486 of the Laws of Hong Kong and maintaining related documents, such as data protection log book, data privacy policies and data access request forms. The Group ensures that the data handler is explicitly informed of the purpose for data use and the classes of persons to whom the data may be transferred. If there is any loss of documents containing personal data, the Group would report to the Office of the Privacy Commissioner for Personal Data and register with the Hong Kong Police Force. During the Year, the Group fully complied with the Personal Data (Privacy) Ordinance, Chapter 486 of the Laws of Hong Kong and other applicable laws of the PRC relating to protection of data privacy.

B7. Anti-corruption

Integrity and honesty are of paramount importance when it comes to gaining trust and reputation from stakeholders of the Group. The Group commits to managing all business without undue fraud and has regarded honesty, integrity, transparency 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 clearly states 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;
- Employees are required to declare any conflict of interest by completing the required form as instructed by the Group's human resource department;

B. SOCIAL *(Continued)*

- Neither directors nor employees shall obtain or provide benefits to the regulatory body, patients, suppliers, or people with business relationship with the Group; and

- Any acceptance of voluntary gifts over a prescribed value must be declared and have undergone the approval process as administered by the Group's human resource department.

To facilitate enforcement, the Group also has clear disciplinary procedures for employees who violate any established regulations or other applicable laws or rules. During the Year, the Group complied with the Prevention of Bribery Ordinance, Chapter 201 of the Laws of Hong Kong and other applicable laws and regulations of the PRC relating to anti-corruption. There was no concluded legal case regarding corrupt practices brought against the Group or its employees during the Year.

B8. Community Investment

The Group recognises its responsibility towards its stakeholders, the community and the environment. It has pledged to support local charity organisations through partnership with local charity organisations, donations and active participation in voluntary services in accordance with its Corporate Social Responsibility Policy. During the Year, the Group encourages employees to actively participate in community service.

Activities	Details
Caring Company Partnership Expo 2019	Formed networks and explored possible community partnership opportunities and CSR solutions
Home Visit to the Elderly organised by the Senior Citizen Home Safety Association	Joined home visit to the elderly, handed out gift packs and collected opinions concerning the Personal Emergency Link Service
"Mooncake Making" activity 2019 organized by Association for the Rights of Industrial Accident Victims	Made mooncake and distributed to deceased's family and victims of Silicosis during the Mid-Autumn Festival

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 respectively set out in notes 22, 23 and 51 to the consolidated financial statements.

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" on pages 9 to 22 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 that 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 (mainly patients) and corporate customers (including insurance companies and corporations).

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.

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, 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 with the support of a sound supply chain management. The Group sources its pharmaceutical drugs from reputable and reliable suppliers. The Group is highly attentive as to whether its suppliers and business partners comply with the local and international standards in relation to pharmaceutical drugs. The Group obtains certifications and qualifications from its suppliers before it makes procurement to 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.

REPORT OF THE DIRECTORS

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 28 to 48 of this annual report.

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 relevant PRC and Hong Kong laws, and the 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 of Hong Kong and the Dental Council of Hong Kong which were established under Medical Registration Ordinance (Chapter 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 of Hong Kong and Dental Council of Hong Kong are issued with a practicing certificate and they are required to renew their practicing certificates each year. The Group maintains an up-to-date register of the registrations status of the doctors and dentists and the Group ensures its 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 (Chapter 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 (Chapter 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.

REPORT OF THE DIRECTORS

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW *(Continued)*

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 28 to 48 of this annual report.

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 page 84 of this annual report.

DIVIDEND

The Board does not recommend the payment of a final dividend for the Year (2018: HK0.25 cent per Share) to the Shareholders.

CLOSURE OF REGISTER OF MEMBERS

The date and notice of the forthcoming AGM, the book closure date for eligibility to attend and vote at the forthcoming AGM will be announced by the Company in due course.

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 208 of this annual report.

DONATIONS

Charitable donations made by the Group during the Year amounted to approximately HK$20,000.

SUBSIDIARIES

Details of the Company's principal subsidiaries are set out in note 51 to the consolidated financial statements.

INVESTMENT PROPERTIES

The Group has revalued all of its investment properties it held as at 31 December 2019 using the fair value of the investment properties as at 31 December 2019. The net decrease 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$51,529,000.

Details of movements in the investment properties of the Group are set out in note 16 to the consolidated financial statements. Further details of the Group's major properties are set out on page 207 of this annual report.

REPORT OF THE DIRECTORS

PROPERTY, PLANT AND EQUIPMENT

Details of movements during the Year in the property, plant and equipment of the Group are set out in note 17 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.

	HK$ million
Unutilised net proceeds from the Ordinary Shares Subscription and the CPS Subscription as at 31 December 2018	611
Net proceeds utilised during the Year	
Investment and development of a dental chain in the PRC	6
Total amount of net proceeds utilised as at 31 December 2019	
Investment by the Group in Huayao by way of acquisition of the equity interests and/or capital injection (details of which are set out in the announcement of the Company dated 17 March 2015)	244
Investment and development of the dental chain in the PRC	13
Developing One Pass, the "one-stop, IT O2O platform" of the Group	18
	275

The Group has applied and will continue to apply the unutilised net proceeds in the manner as intended.

REPORT OF THE DIRECTORS

SHARE CAPITAL *(Continued)*

Issue of shares to China Life Insurance

On 5 January 2015, the Company entered into an investment agreement with China Life Insurance, pursuant to which China Life Insurance has agreed to subscribe for 1,785,098,644 Shares. Upon completion of the CLG Subscription which took place on 29 May 2015, 1,785,098,644 Shares were allotted and issued to China Life Insurance at HK$0.98 per Share. The net proceeds from the issue of Shares to China Life Insurance 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.

	HK$ million
Unutilised net proceeds from the CLG Subscription as at 31 December 2018	1,040
Net proceeds utilised during the Year	
Developing medical clinics in the PRC	4
Developing health check business in the PRC	20
Developing health management centres in Hong Kong and the PRC	8
	32
Total amount of net proceeds utilised as at 31 December 2019	
Investment by the Group in Nanyang Xiangrui by way of acquisition of the equity interests and/or capital injection	640
Developing medical clinics in the PRC	6
Developing health check business in the PRC	23
Developing health management centres in Hong Kong and the PRC	69
	738

The Group has applied and will continue to apply the unutilised net proceeds in the manner as intended.

REPORT OF THE DIRECTORS

SHARE CAPITAL *(Continued)*

Further details of other movements in the share capital of the Company during the Year are set out in note 38 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 87 and 88 of this annual report and in note 50 to the consolidated financial statements.

The Company's reserves available for distribution to shareholders as at 31 December 2019, comprised share premium, capital redemption reserve, contributed surplus, distributable reserve and accumulated profits of approximately HK$4,001,431,000 (2018: approximately HK$3,986,721,000).

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 remained in force for a period of 10 years commenced from its adoption date, i.e. 16 September 2008.

Pursuant to the 2008 Scheme, the Directors might 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.

The 2008 Scheme expired on 15 September 2018. There was no share options outstanding under the 2008 Scheme as at 1 January 2019 and 31 December 2019. At present, the Company has no intention to adopt a new share option scheme. Particulars of the Company's share option schemes are set out in note 39 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:

Mr. Chen Jinhao *(Chief Executive Officer)* (Note 1)
Miss Choi Ka Yee, Crystal *(Chairperson)* (Note 2)
Dr. Hui Ka Wah, Ronnie, *JP* *(Chief Executive Officer)* (Note 3)
Mr. Lee Chik Yuet (Note 4)
Mr. Wong Seung Ming *(Chief Financial Officer)* (Note 5)
Dr. Chan Wing Lok, Brian (Note 6)

Non-executive Directors:

Mr. Wan Yiqing *(Chairman)* (Note 7)
Ms. Fang Haiyan *(Deputy Chairperson)* (Note 8)
Dr. Choi Chee Ming, *GBS, JP* *(Deputy Chairman)* (Note 9)

Independent non-executive Directors:

Mr. Ho Kwok Wah, George, *MH* (Note 10)
Mr. Yu Xuezhong (Note 11)
Ms. Li Mingqin (Note 12)
Mr. Wang John Hong-chiun (Note 13)
Mr. Yu Kai Fung Jackie (Note 14)
Mr. Wong Sai Kit (Note 15)

Notes:

1. With effect from the conclusion of the SGM held on 2 December 2019, Mr. Chen Jinhao resigned and has been re-elected as a non-executive Director. With effect from 2 December 2019, Mr. Chen Jinhao has been re-designated from a non-executive Director to an executive Director and has been appointed as the Chief Executive Officer and a member of each of the Nomination Committee and the Remuneration Committee.

2. With effect from the conclusion of the SGM held on 2 December 2019, Miss Choi Ka Yee, Crystal resigned as an executive Director and the chairperson of the Company.

3. With effect from the conclusion of the SGM held on 2 December 2019, Dr. Hui Ka Wah, Ronnie, *JP* resigned as an executive Director. On 2 December 2019, Dr. Hui Ka Wah, Ronnie, *JP* tendered his resignation as the Chief Executive Officer with effect from 1 March 2020. Subsequent to and notwithstanding the above, on 2 December 2019, Dr. Hui Ka Wah, Ronnie, *JP* agreed, among other things, with the Group that with effect from 2 December 2019, Dr. Hui Ka Wah, Ronnie, *JP* shall not hold himself out or represent to any third party, whether within the Company or otherwise, as the Chief Executive Officer.

REPORT OF THE DIRECTORS

DIRECTORS *(Continued)*

4. With effect from the conclusion of the SGM held on 2 December 2019, Mr. Lee Chik Yuet resigned as an executive Director and ceased to be a member of the Nomination Committee and the Remuneration Committee.

5. On 1 November 2019, Mr. Wong Seung Ming, *CPA, FCCA* tendered his resignation as (i) an executive Director and the Company Secretary with effect from 1 December 2019; and (ii) the Chief Financial Officer with effect from 8 January 2020. Subsequent to and notwithstanding the above, on 2 December 2019, Mr. Wong Seung Ming, *CPA, FCCA* agreed, among other things, with the Group that with effect from 2 December 2019, (i) Mr. Wong Seung Ming, *CPA, FCCA* shall not hold himself out or represent to any third party, whether within the Company or otherwise, as the Chief Financial Officer; and (ii) the last date of employment of Mr. Wong Seung Ming, *CPA, FCCA* shall be 31 January 2020.

6. With effect from the conclusion of the SGM held on 2 December 2019, Dr. Chan Wing Lok, Brian resigned as an executive Director.

7. On 2 December 2019, Mr. Wan Yiqing was appointed as a non-executive Director, the chairman of the Company and the chairman of the Nomination Committee.

8. With effect from the conclusion of the SGM held on 2 December 2019, Ms. Fang Haiyan resigned and has been re-elected as a non-executive Director.

9. With effect from 1 December 2019, Dr. Choi Chee Ming, *GBS, JP* resigned as a non-executive Director and a deputy chairman of the Company.

10. With effect from the conclusion of the SGM held on 2 December 2019, Mr. Ho Kwok Wah, George, *MH* resigned and has been re-elected as an independent non-executive Director.

11. With effect from the conclusion of the SGM held on 2 December 2019, Mr. Yu Xuezhong resigned and has been re-elected as an independent non-executive Director. On 2 December 2019, Mr. Yu Xuezhong has been appointed as a member of the Nomination Committee.

12. With effect from the conclusion of the SGM held on 2 December 2019, Ms. Li Mingqin resigned and has been re-elected as an independent non-executive Director.

13. With effect from the conclusion of the AGM held on 27 June 2019, Mr. Wang John Hong-chiun retired as an independent non-executive Director and ceased to be a member of the Audit Committee.

14. With effect from the conclusion of the SGM held on 2 December 2019, Mr. Yu Kai Fung Jackie resigned as an independent non-executive Director and ceased to be the chairman of the Nomination Committee and a member of each of the Audit Committee and the Remuneration Committee.

15. With effect from the conclusion of the SGM held on 2 December 2019, Mr. Wong Sai Kit resigned as an independent non-executive Director and ceased to be a member of each of the Audit Committee, the Nomination Committee and the Remuneration Committee.

REPORT OF THE DIRECTORS

DIRECTORS' SERVICES CONTRACTS

Mr. Chen Jinhao has been appointed as an executive Director for a term of 25 months from 2 December 2019 to 31 December 2021.

Mr. Wan Yiqing and Ms. Fang Haiyan have been appointed as non-executive Directors for a term from 2 December 2019 to 31 December 2021.

Mr. Ho Kwok Wah, George, *MH*, Mr. Yu Xuezhong and Ms. Li Mingqin have been appointed as independent non-executive Directors for a term from 2 December 2019 to 31 December 2021.

As at 31 December 2019, 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" on pages 23 to 27 of this annual report.

There was no 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.

REPORT OF THE DIRECTORS

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

As at 31 December 2019, 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) 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.

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

As at 31 December 2019, 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:

(i) Substantial Shareholders' long positions in the Shares

Name of Shareholder	Capacity	Number of Shares held	Total number of Shares held	Approximate % of shareholding of the Company (Note 1)
China Life Insurance	Beneficial owner	1,785,098,644	1,785,098,644	23.72%
Broad Idea	Beneficial owner	1,418,576,764 (Note 2)	1,418,576,764	18.85%
Dr. Cho	Interest of a controlled corporation	1,418,576,764 (Note 2)	1,418,576,764	18.85%
Dr. Choi	Interest of a controlled corporation Beneficial owner	1,418,576,764 (Note 2) 2,200,000	1,420,776,764	18.88%

(ii) Other persons' long positions in the Shares

Name of Shareholder	Capacity	Number of Shares held	Approximate % of shareholding of the Company (Note 1)
Classictime	Beneficial owner	674,762,000 (Note 3)	8.97%
Power Financial	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%

REPORT OF THE DIRECTORS

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

Notes:

1. The total number of Shares as at 31 December 2019 (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. Broad Idea is beneficially owned by Dr. Cho as to 50.1% and Dr. Choi as to 49.9%. As such, 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.

3. Such 674,762,000 Shares were held by Classictime, a wholly-owned subsidiary of Power Financial. Accordingly, Power Financial 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.

Save as disclosed above, as at 31 December 2019, 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 20% of the Group's total turnover respectively. The Group's largest supplier and five largest suppliers accounted for approximately 32% and 46% 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 business of the Group, which competes or is likely to compete, either directly or indirectly, with the business of the Group pursuant to Rule 8.10 of the Listing Rules during the Year.

REPORT OF THE DIRECTORS

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.

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

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 63 to 76 of this annual report.

RELATED PARTY TRANSACTIONS AND CONNECTED TRANSACTIONS

On 10 June 2019, Jinan Likang, an indirect wholly-owned subsidiary of the Company as tenant, entered into the Tenancy Agreement with China Life Shandong as landlord, in respect of the leasing of the Premises for a term of three years from 10 June 2019 to 9 June 2022 (both days inclusive).

As at the date of the Tenancy Agreement, (i) China Life Shandong was a branch office of China Life Insurance Company and China Life Insurance was a controlling shareholder of China Life Insurance Company; and (ii) China Life Insurance held approximately 23.72% of the Shares and is a substantial Shareholder and thus connected person of the Company. As such, China Life Shandong (being a branch office of China Life Insurance Company) was also a connected person of the Company and the transaction contemplated under the Tenancy Agreement constituted a connected transaction of the Company.

REPORT OF THE DIRECTORS

RELATED PARTY TRANSACTIONS AND CONNECTED TRANSACTIONS *(Continued)*

Pursuant to the Tenancy Agreement, the rental of RMB284,635.98 per month would be payable to China Life Shandong (exclusive of premises service fee, utility fees including but not limited to water, electricity and telephone fees, and additional charges from the Building) and the premises service fee of RMB34,446.24 per month (subject to annual review by China Life Shandong) would be payable to the property service company designated by China Life Shandong. The rental and the premises service fee for every 6 months shall be prepaid 30 days in advance at the beginning of the relevant 6-month period. The rental and the premises service fee of the first 6 months shall be prepaid upon signing of the Tenancy Agreement.

The Premises being rented under the Tenancy Agreement will be used by Jinan Likang for the operation of a health management centre in Jinan City, Shandong Province in the PRC.

Further details of the Tenancy Agreement are set out in the Company's announcement dated 10 June 2019.

Details of significant related party transactions undertaken by the Group during the Year in the ordinary course of business are set out in note 48 to the consolidated financial statements. Save for the transactions contemplated under the Tenancy Agreement and the transactions with each of China Life Insurance (Overseas) Company Limited and China Life Real Estate Investment Holding Co., Ltd., none of the significant related party transactions set out in note 48 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. Save for the transactions contemplated under the Tenancy Agreement and the transactions with each of China Life Insurance (Overseas) Company Limited and China Life Real Estate Investment Holding Co. Ltd., 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.

EMOLUMENT POLICY

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.

REPORT OF THE DIRECTORS

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. Moore Stephens CPA Limited was re-appointed as the auditors of the Company in the AGMs held on 29 June 2018 and 27 June 2019.

A resolution will be submitted to the forthcoming AGM to re-appoint Moore Stephens CPA Limited as the auditors of the Company until the conclusion of the next AGM.

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

Chen Jinhao
Chief Executive Officer

26 March 2020

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 its 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 in force during the Year.

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 six members, one of which is an executive Director, namely, Mr. Chen Jinhao who is the Chief Executive Officer. Two other members are non-executive Directors, namely Mr. Wan Yiqing who is the chairman of the Company and Ms. Fang Haiyan who is the deputy chairperson of the Company. The remaining members are independent non-executive Directors, namely Mr. Ho Kwok Wah, George, *MH*, Mr. Yu Xuezhong and Ms. Li Mingqin. The biographical details of the Directors are set out in the section headed "Biographical Details of Directors and Senior Management" on pages 23 to 27 of this annual report.

During the Year, (i) Miss Choi Ka Yee, Crystal was an executive Director and the chairperson of the Company, (ii) Dr. Hui Ka Wah, Ronnie, *JP* was an executive Director and the Chief Executive Officer; (iii) Mr. Lee Chik Yuet was an executive Director; (iv) Mr. Wong Seung Ming was an executive Director and the Chief Financial Officer; (v) Dr. Chan Wing Lok, Brian was an executive Director; (vi) Dr. Choi Chee Ming, *GBS, JP* was a non-executive Director and a deputy chairman of the Company; (vii) Mr. Chen Jinhao was re-designated from a non-executive Director to an executive Director; (viii) Mr. Wang John Hong-chiun was an independent non-executive Director; (ix) Mr. Yu Kai Fung Jackie was an independent non-executive Director; and (x) Mr. Wong Sai Kit was an independent non-executive Director.

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 twenty-three 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 advice to the Group whenever necessary.

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES *(Continued)*

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.

The Company has adopted a nomination policy with effect from 1 January 2019. Details of the nomination policy are set out below:

1. *Objective*
   The Nomination Committee shall nominate suitable candidates to the Board for it to consider and make recommendations to shareholders for election as Directors at general meetings or appoint as Directors so as to ensure that all nominations are fair and transparent.

2. *Selection Criteria*
   2.1 The Nomination Committee would use the following factors as reference in assessing the suitability of a proposed candidate:-

   (i) professional and personal integrity and reputation;

   (ii) accomplishment and experience in the healthcare industry in Hong Kong and/or Mainland China;

   (iii) commitment in respect of available time and relevant interest;

   (iv) diversity in all relevant aspects, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service; and

   (v) any other factors as the Nomination Committee may deem fit to consider in the best interests of the Company and the shareholders.

   These factors are for reference only, and not meant to be exhaustive and decisive. The Nomination Committee has the discretion to nominate any person, as it considers appropriate.

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES *(Continued)*

2.2 Each proposed candidate will be asked to submit the necessary personal information including the information as required by Rule 13.51(2) of the Listing Rules, together with his/her written consent to be appointed as a Director and to the public disclosure of his/her personal data on any documents or the relevant websites for the purpose of or in relation to his/her standing for election as a Director.

2.3 The Nomination Committee may request candidates to provide additional information and documents, if considered necessary.

3. *Nomination Procedures*

(A) Nomination by the Board members

3.1 The secretary of the Nomination Committee shall call a meeting, and invite nominations of candidates from the Board members (if any), for consideration by the Nomination Committee prior to its meeting. The Nomination Committee may also put forward candidates who are not nominated by the Board members.

3.2 For appointment of any Director by the Board, the Nomination Committee shall make recommendations for the Board's consideration and approval. For proposing candidates to stand for election at a general meeting, the Nomination Committee shall make nominations to the Board for its consideration and recommendation.

(B) Nomination by the Shareholders

3.3 If a shareholder wishes to propose a person for election as a Director at a general meeting without the Board's recommendation or the Nomination Committee's nomination, he/she shall deposit a written notice (the "Notice") at the Company's head office in Hong Kong from time to time or the office of the Company's branch share registrar in Hong Kong.

3.4 The Notice (i) must include the personal information of the proposed candidate as required by Rule 13.51(2) of the Listing Rules; and (ii) must be signed by the shareholder concerned and signed by the proposed candidate indicating his/her willingness to be elected and consent of publication of his/her personal information.

3.5 The period for lodgment of the Notice shall commence on the day after the dispatch of the notice of general meeting and end no later than 7 days prior to the date of such general meeting.

3.6 In order to allow the shareholders to have sufficient time to consider the proposal of election of the proposed candidate as a Director, shareholders who wish to make the proposal are urged to submit and lodge the Notice as early as practicable.

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES *(Continued)*

(C) General

3.7 A candidate is allowed to withdraw his/her candidature at any time before the general meeting by serving a notice in writing to the Company Secretary.

3.8 The Board shall have the final decision on all matters relating to its recommendation of candidates to stand for election at any general meeting.

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, Mr. Chen Jinhao, Mr. Wan Yiqing, Ms. Fang Haiyan, Mr. Ho Kwok Wah, George, *MH*, Mr. Yu Xuezhong and Ms. Li Mingqin 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

From 1 January 2019 to the conclusion of the SGM held on 2 December 2019, Miss Choi Ka Yee, Crystal was the chairperson of the Company. From 1 January 2019 to 2 December 2019, Dr. Hui Ka Wah, Ronnie, *JP* was the Chief Executive Officer. On 2 December 2019, Dr. Hui Ka Wah, Ronnie, *JP* tendered his resignation as the Chief Executive Officer with effect from 1 March 2020 and agreed, among other things, with the Group that with effect from 2 December 2019, Dr. Hui Ka Wah, Ronnie, *JP* shall not hold himself out or represent to any third party, whether within the Company or otherwise, as the Chief Executive Officer. From 2 December 2019 to 31 December 2019 and as at the date of this annual report, Mr. Wan Yiqing was the chairman of the Company and Mr. Chen Jinhao was the Chief Executive Officer. The chairperson of the Company and the Chief Executive Officer have segregated and clearly defined roles. The chairperson of the Company 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 three 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

CORPORATE GOVERNANCE PRACTICES *(Continued)*

Term of appointment of non-executive Directors

Mr. Wan Yiqing and Ms. Fang Haiyan, each a non-executive Director, have been appointed for a term from 2 December 2019 to 31 December 2021.

Mr. Ho Kwok Wah, George, *MH*, Mr. Yu Xuezhong and Ms. Li Mingqin, each an independent non-executive Director, have been appointed for a term from 2 December 2019 to 31 December 2021.

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.

From 1 January 2019 to the conclusion of the SGM held on 2 December 2019, the Remuneration Committee comprised five independent non-executive Directors, namely Mr. Ho Kwok Wah, George, *MH*, Mr. Yu Xuezhong, Ms. Li Mingqin, Mr. Yu Kai Fung Jackie and Mr. Wong Sai Kit and one executive Director, namely Mr. Lee Chik Yuet.

From 2 December 2019 to 31 December 2019 and as at the date of this annual report, the Remuneration Committee comprised three independent non-executive Directors, namely Mr. Ho Kwok Wah, George, *MH*, Mr. Yu Xuezhong, Ms. Li Mingqin and the executive Director, namely Mr. Chen Jinhao. During the Year and as at the date of this annual report, Mr. Ho Kwok Wah, George, *MH*, was the chairman of the Remuneration Committee.

The Remuneration Committee held two meetings during the Year. 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 appointment letter of Mr. Chen Jinhao, Mr. Wan Yiqing, Ms. Fang Haiyan, Mr. Ho Kwok Wah, George, *MH*, Mr. Yu Xuezhong and Ms. Li Mingqin and the terms thereof were also reviewed and approved by the Remuneration Committee during the Year.

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES *(Continued)*

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.

From 1 January 2019 to the conclusion of the SGM held on 2 December 2019, the Nomination Committee comprised four independent non-executive Directors, namely Mr. Ho Kwok Wah, George, *MH*, Ms. Li Mingqin, Mr. Yu Kai Fung Jackie and Mr. Wong Sai Kit and one executive Director, namely Mr. Lee Chik Yuet. From 1 January 2019 to the conclusion of the SGM held on 2 December 2019, Mr. Yu Kai Fung Jackie was the chairman of the Nomination Committee.

From 2 December 2019 to 31 December 2019 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. Yu Xuezhong and Ms. Li Mingqin; one non-executive Director, namely Mr. Wan Yiqing and one executive Director, namely Mr. Chen Jinhao. From 2 December 2019 to 31 December 2019 and as at the date of this annual report, Mr. Wan Yiqing 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" on page 66 in this Corporate Governance Report.

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

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES *(Continued)*

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. A revised terms of reference of the Audit Committee has been adopted by the Company with effect from 1 January 2019. The principal duties of the Audit Committee are to review the Company's annual results and accounts and interim results and to provide advice and comments thereon to the Board. The Audit Committee is also responsible for reviewing and supervising the Group's financial reporting, risk management and internal control procedures.

From 1 January 2019 to the conclusion of the AGM held on 27 June 2019, the Audit Committee comprised six independent non-executive Directors, namely Mr. Ho Kwok Wah, George, *MH*, Mr. Yu Xuezhong, Ms. Li Mingqin, Mr. Wang John Hong-chiun, Mr. Yu Kai Fung Jackie and Mr. Wong Sai Kit.

From the conclusion of the AGM held on 27 June 2019 to 1 December 2019, the Audit Committee comprised five independent non-executive Directors, namely Mr. Ho Kwok Wah, George, *MH*, Mr. Yu Xuezhong, Ms. Li Mingqin, Mr. Yu Kai Fung Jackie and Mr. Wong Sai Kit.

From 2 December 2019 to 31 December 2019 and as at the date of this annual report, the Audit Committee comprised three independent non-executive Directors namely Mr. Ho Kwok Wah, George, *MH*, Mr. Yu Xuezhong and Ms. Li Mingqin. During the Year and 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 five 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.

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES *(Continued)*

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					
Mr. Chen Jinhao (Note 1)	2/2	21/23	N/A	2/2	2/2
Miss Choi Ka Yee, Crystal (Note 2)	1/2	18/20	N/A	N/A	N/A
Dr. Hui Ka Wah, Ronnie, *JP* (Note 3)	1/2	20/20	N/A	N/A	N/A
Mr. Lee Chik Yuet (Note 4)	1/2	18/20	N/A	0/0	2/3
Mr. Wong Seung Ming (Note 5)	1/1	17/20	N/A	N/A	N/A
Dr. Chan Wing Lok, Brian (Note 6)	0/2	20/20	N/A	N/A	N/A
Non-executive Directors					
Mr. Wan Yiqing (Note 7)	0/0	1/1	N/A	N/A	1/1
Ms. Fang Haiyan (Note 8)	1/2	15/23	N/A	N/A	N/A
Dr. Choi Chee Ming, *GBS, JP* (Note 9)	0/1	15/20	N/A	N/A	N/A
Independent non-executive Directors					
Mr. Ho Kwok Wah, George, *MH* (Note 10)	2/2	22/23	5/5	2/2	5/5
Mr. Yu Xuezhong (Note 11)	1/2	20/23	5/5	2/2	2/2
Ms. Li Mingqin (Note 12)	1/1	21/23	5/5	2/2	5/5
Mr. Wang John Hong-chiun (Note 13)	0/1	4/9	0/1	N/A	N/A
Mr. Yu Kai Fung Jackie (Note 14)	0/2	17/20	4/4	0/0	3/3
Mr. Wong Sai Kit (Note 15)	0/2	19/20	4/4	0/0	3/3

Notes:

1. With effect from the conclusion of the SGM held on 2 December 2019, Mr. Chen Jinhao resigned and has been re-elected as a non-executive Director. With effect from 2 December 2019, Mr. Chen Jinhao has been re-designated from a non-executive Director to an executive Director and has been appointed as the Chief Executive Officer and a member of each of the Nomination Committee and the Remuneration Committee.

2. With effect from the conclusion of the SGM held on 2 December 2019, Miss Choi Ka Yee, Crystal resigned as an executive Director and the chairperson of the Company.

3. With effect from the conclusion of the SGM held on 2 December 2019, Dr. Hui Ka Wah, Ronnie, *JP* resigned as an executive Director. On 2 December 2019, Dr. Hui Ka Wah, Ronnie, *JP* tendered his resignation as the Chief Executive Officer with effect from 1 March 2020. Subsequent to and notwithstanding the above, on 2 December 2019, Dr. Hui Ka Wah Ronnie, *JP* agreed, among other things, with the Group that with effect from 2 December 2019, Dr. Hui Ka Wah, Ronnie, *JP* shall not hold himself out or represent to any third party, whether within the Company or otherwise, as the Chief Executive Officer.

4. With effect from the conclusion of the SGM held on 2 December 2019, Mr. Lee Chik Yuet resigned as an executive Director and ceased to be a member of the Nomination Committee and the Remuneration Committee.

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES *(Continued)*

5. On 1 November 2019, Mr. Wong Seung Ming, *CPA, FCCA* tendered his resignation as (i) an executive Director and the Company Secretary with effect from 1 December 2019; and (ii) the Chief Financial Officer with effect from 8 January 2020. Subsequent to and notwithstanding the above, on 2 December 2019, Mr. Wong Seung Ming, *CPA, FCCA* agreed, among other things, with the Group that with effect from 2 December 2019, (i) Mr. Wong Seung Ming, *CPA, FCCA* shall not hold himself out or represent to any third party, whether within the Company or otherwise, as the Chief Financial Officer; and (ii) the last date of employment of Mr. Wong Seung Ming, *CPA, FCCA* shall be 31 January 2020.

6. With effect from the conclusion of the SGM held on 2 December 2019, Dr. Chan Wing Lok, Brian resigned as an executive Director.

7. On 2 December 2019, Mr. Wan Yiqing was appointed as a non-executive Director, the chairman of the Company and the chairman of the Nomination Committee.

8. With effect from the conclusion of the SGM held on 2 December 2019, Ms. Fang Haiyan resigned and has been re-elected as a non-executive Director.

9. With effect from 1 December 2019, Dr. Choi Chee Ming, *GBS, JP* resigned as a non-executive Director and a deputy chairman of the Company.

10. With effect from the conclusion of the SGM held on 2 December 2019, Mr. Ho Kwok Wah, George, *MH* resigned and has been re-elected as an independent non-executive Director.

11. With effect from the conclusion of the SGM held on 2 December 2019, Mr. Yu Xuezhong resigned and has been re-elected as an independent non-executive Director. On 2 December 2019, Mr. Yu Xuezhong has been appointed as a member of the Nomination Committee.

12. With effect from the conclusion of the SGM held on 2 December 2019, Ms. Li Mingqin resigned and has been re-elected as an independent non-executive Director.

13. With effect from the conclusion of the AGM held on 27 June 2019, Mr. Wang John Hong-chiun retired as an independent non-executive Director and ceased to be a member of the Audit Committee.

14. With effect from the conclusion of the SGM held on 2 December 2019, Mr. Yu Kai Fung Jackie resigned as an independent non-executive Director and ceased to be the chairman of the Nomination Committee and a member of each of the Audit Committee and the Remuneration Committee.

15. With effect from the conclusion of the SGM held on 2 December 2019, Mr. Wong Sai Kit resigned as an independent non-executive Director and ceased to be a member of each of the Audit Committee, the Nomination Committee and the Remuneration Committee.

CORPORATE GOVERNANCE PRACTICES *(Continued)*

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 77 to 83 of this annual report.

Risk management and internal control

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 the Group is exposed to and to manage rather than eliminate the risk of failure to achieve the business objectives of the Company. The systems 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 and head of various business units assess 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;

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES *(Continued)*

(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; and

(7) the internal audit department of the Group will also cooperate with external service provider to identify and take initiatives to prevent various business risks, and to report and make recommendation to the management and also directly to the Audit Committee.

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 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. Upon performing the review procedures and understanding of normal industrial practice, the external service provider reported that no significant deficiencies were identified and recommendations were suggested to the Audit Committee and the management for their consideration for the purpose of improving the risk management and control systems.

In October 2018, the Company established an internal audit department. The internal audit department evaluates and advises the management on the adequacy and effectiveness of the risk management and internal control systems. The internal audit department reports directly to the Audit Committee and also reports administratively to the Chief Executive Officer to ensure the internal controls are in place and functioning properly as intended.

Having considered the reports of the external service provider and the internal audit department, the Audit Committee and the Board considered that the works performed by Group's systems of risk management, financial and non-financial controls (including operational and compliance controls) during the Year are effective and adequate.

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 reporting any potential or suspected inside information events to the Board. Based on the information obtained from 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 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.

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES *(Continued)*

Dividend Policy

The Company has adopted a dividend policy with effect from 1 January 2019. Pursuant to the dividend policy, the Board shall take into account, inter alia, the following factors in deciding whether to propose a dividend and in determining the dividend amount:-

(i) the operating results and financial condition of the Group;

(ii) the Group's liquidity position;

(iii) the Group's capital requirement for business operations and future development;

(iv) the retained earnings and distributable reserves of the Group;

(v) the shareholders' expectation and industry's norm;

(vi) the general market conditions; and

(vii) any other factors that the Board may consider appropriate.

Declaration and payment of dividend by the Company is also subject to the laws of Bermuda, the Bye-laws and any applicable laws, rules and regulations.

The dividend policy will continue to be reviewed from time to time by the Board and there can be no assurance that any dividend will be proposed or declared in any given period.

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 10 and 11 to the consolidated financial statements.

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES *(Continued)*

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	3
HK$1,000,001 to HK$2,000,000	–
HK$2,000,001 to HK$3,000,000	2
HK$3,000,001 to HK$4,000,000	1
HK$4,000,001 to HK$5,000,000	–
HK$5,000,001 to HK$6,000,000	1

No Director waived any emolument during the Year.

Auditors' remuneration

For the Year, fees for statutory audit services provided by the auditors of the Group, Moore Stephens CPA Limited, to the Group amounted to approximately HK$3,662,000. Non-audit services include tax compliance and planning, agreed upon procedures on review of financial statements and transactions, etc. Total fees paid by the Group for non-audit services during the Year were approximately HK$797,000.

COMMUNICATION WITH SHAREHOLDERS

The Company provides information in relation to the Group to the Shareholders in a timely manner through a number of formal channels, including interim and annual reports, announcements and circulars. These published documents together with the Company's 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 as 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 of 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.

CORPORATE GOVERNANCE REPORT

COMMUNICATION WITH SHAREHOLDERS *(Continued)*

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 54, 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 8181 for any assistance.

INDEPENDENT AUDITOR'S REPORT

MOORE

Moore Stephens CPA Limited
大華馬施雲會計師事務所有限公司

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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 84 to 206, which comprise the consolidated statement of financial position as at 31 December 2019, 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 2019, 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.

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

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 4, 20 and 21 to the consolidated financial statements, the Group's goodwill and intangible assets as at 31 December 2019 were HK$483,354,000 and HK$336,352,000, respectively (2018: HK$489,109,000 and HK$349,364,000). 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$567,416,000 as at 31 December 2019 (2018: HK$606,566,000), with a fair value loss for the year ended 31 December 2019 recorded in consolidated profit or loss of HK$51,529,000 (fair value gain for the year ended 31 December 2018: HK$25,665,000). 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.

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
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 4 and 22 to the consolidated financial statements, the carrying amount of the interests in associates was HK$319,528,000 as at 31 December 2019 (2018: HK$298,706,000). 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 2019.	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 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.

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)

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.

- 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.

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)*

- 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 March 2020

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2019

	Notes	2019 HK$'000	2018 HK$'000
Revenue	5	**1,128,932**	1,121,736
Cost of sales		**(752,568)**	(749,157)
Gross profit		**376,364**	372,579
Other income	7	**60,264**	69,572
Administrative expenses		**(352,071)**	(365,279)
Other gains and losses, net	8	**(76,548)**	21,467
Finance costs	9	**(6,117)**	(688)
Share of results of associates		**37,422**	34,782
Share of results of joint ventures		**(541)**	(17,430)
Profit before tax		**38,773**	115,003
Income tax expenses	12	**(28,254)**	(29,494)
Profit for the year	13	**10,519**	85,509
Other comprehensive (expense) income for the year			
Items that will not be reclassified to profit or loss:			
Fair value changes in equity instruments at fair value through other comprehensive income		**(25,581)**	6,208
Fair value changes in revaluation of properties upon transfer to investment properties		**12,048**	–
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on the translation of foreign operations		**(16,635)**	(47,794)
Share of other comprehensive expense of associates and joint ventures		**(399)**	(4,041)
		(30,567)	(45,627)
Total comprehensive (expense) income for the year		**(20,048)**	39,882
(Loss) profit for the year attributable to:			
Owners of the Company		**(8,414)**	64,014
Non-controlling interests		**18,933**	21,495
		10,519	85,509
Total comprehensive (expense) income attributable to:			
Owners of the Company		**(34,917)**	30,679
Non-controlling interests		**14,869**	9,203
		(20,048)	39,882
(Loss) earnings per share (HK cent(s)) –Basic and diluted	15	**(0.11)**	0.85

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2019

	Notes	2019 HK$'000	2018 HK$'000
NON-CURRENT ASSETS			
Investment properties	16	**567,416**	606,566
Property, plant and equipment	17	**361,941**	377,379
Right-of-use assets	18	**124,081**	–
Loans receivable	19	**4,216**	5,109
Goodwill	20	**483,354**	489,109
Intangible assets	21	**336,352**	349,364
Interests in associates	22	**319,528**	298,706
Interests in joint ventures	23	**22,005**	2,442
Financial assets at fair value through profit or loss	24	**–**	68,171
Equity instruments at fair value through other comprehensive income	25	**59,609**	85,190
Promissory notes	26	**–**	330,000
		2,278,502	2,612,036
CURRENT ASSETS			
Inventories	27	**24,589**	25,625
Trade and other receivables	28	**219,724**	262,166
Financial assets at fair value through profit or loss	24	**6,411**	7,805
Loans receivable	19	**41,137**	856
Promissory notes	26	**325,456**	–
Amounts due from associates	29	**1,164**	2,975
Tax recoverable		**732**	1,180
Bank balances and cash	31	**1,840,856**	1,720,425
		2,460,069	2,021,032
CURRENT LIABILITIES			
Trade and other payables	32	**165,990**	138,974
Contract liabilities	33	**3,570**	11,885
Amount due to an investee	34	**300**	305
Amounts due to non-controlling interests	30	**42,971**	47,685
Bank borrowings	35	**17,730**	18,756
Lease liabilities	36	**67,027**	–
Tax payable		**34,005**	26,947
		331,593	244,552
NET CURRENT ASSETS		**2,128,476**	1,776,480
TOTAL ASSETS LESS CURRENT LIABILITIES		**4,406,978**	4,388,516

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2019

	Notes	2019 HK$'000	2018 HK$'000
NON-CURRENT LIABILITIES			
Lease liabilities	36	**62,772**	–
Deferred tax liabilities	37	**41,195**	44,418
		103,967	44,418
		4,303,011	4,344,098
CAPITAL AND RESERVES			
Share capital	38	**75,261**	75,261
Reserves		**3,940,286**	3,996,010
Equity attributable to owners of the Company		**4,015,547**	4,071,271
Non-controlling interests		**287,464**	272,827
Total equity		**4,303,011**	4,344,098

The consolidated financial statements on pages 84 to 206 were approved and authorised for issue by the board of directors of the Company on 26 March 2020 and are signed on its behalf by:

Ms. Fang Haiyan
DIRECTOR

Mr. Chen Jinhao
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019

	Attributable to owners of the Company												
	Share capital-ordinary 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 2018	75,261	3,341,639	9,020	10,033	62,677	(96,591)	33,609	4,456	7,565	594,139	4,041,808	277,077	4,318,885
Profit for the year	–	–	–	–	–	–	–	–	–	64,014	64,014	21,495	85,509
Exchange difference arising on translation to foreign operations	–	–	–	–	–	–	–	–	(35,502)	–	(35,502)	(12,292)	(47,794)
Share of other comprehensive expense of associates and joint venture	–	–	–	–	–	–	–	(3,200)	(841)	–	(4,041)	–	(4,041)
Fair value changes on movements in equity instruments at fair value through other comprehensive income ("FVTOCI")	–	–	–	–	–	–	–	6,208	–	–	6,208	–	6,208
Other comprehensive (expense) income for the year	–	–	–	–	–	–	–	3,008	(36,343)	–	(33,335)	(12,292)	(45,627)
Total comprehensive (expense) income for the year	–	–	–	–	–	–	–	3,008	(36,343)	64,014	30,679	9,203	39,882
Reclassification upon disposal of equity instruments at FVTOCI	–	–	–	–	–	–	–	(40,468)	–	40,468	–	–	–
Transfer of reserve	–	–	–	–	–	3,098	–	–	–	(3,098)	–	–	–
Dividend paid to non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	(14,581)	(14,581)
Acquisition of additional interests in subsidiaries (Note 41)	–	–	–	–	–	(1,216)	–	–	–	–	(1,216)	1,128	(88)
At 31 December 2018	75,261	3,341,639	9,020	10,033	62,677	(94,709)	33,609	(33,004)	(28,778)	695,523	4,071,271	272,827	4,344,098
Adjustment (see note 2)	–	–	–	–	–	–	–	–	–	(6,284)	(6,284)	(699)	(6,983)
At 1 January 2019 (restated)	75,261	3,341,639	9,020	10,033	62,677	(94,709)	33,609	(33,004)	(28,778)	689,239	4,064,987	272,128	4,337,115
Profit for the year	–	–	–	–	–	–	–	–	–	(8,414)	(8,414)	18,933	10,519
Exchange difference arising on translation to foreign operations	–	–	–	–	–	–	–	–	(12,571)	–	(12,571)	(4,064)	(16,635)
Share of other comprehensive expense of associates and joint ventures	–	–	–	–	–	–	–	–	(399)	–	(399)	–	(399)
Fair value changes in equity instruments at FVTOCI	–	–	–	–	–	–	–	(25,581)	–	–	(25,581)	–	(25,581)
Fair value changes in revaluation of properties upon transfer to investment properties	–	–	–	–	–	–	12,048	–	–	–	12,048	–	12,048
Other comprehensive (expense) income for the year	–	–	–	–	–	–	12,048	(25,581)	(12,970)	–	(26,503)	(4,064)	(30,567)
Total comprehensive (expense) income for the year	–	–	–	–	–	–	12,048	(25,581)	(12,970)	(8,414)	(34,917)	14,869	(20,048)
Transfer of reserve	–	–	–	–	–	5,043	–	–	–	(5,043)	–	–	–
Acquisition of additional interests in subsidiaries (Note 41)	–	–	–	–	–	2,471	–	–	–	–	2,471	(2,471)	–
Disposal of and partial disposal of subsidiaries (Note 42)	–	–	–	–	–	1,821	–	–	–	–	1,821	5,851	7,672
Capital contribution from non-controlling interest	–	–	–	–	–	–	–	–	–	–	–	10,962	10,962
Dividend declared and paid	–	–	–	–	–	–	–	–	–	(18,815)	(18,815)	–	(18,815)
Dividend paid to non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	(13,875)	(13,875)
At 31 December 2019	**75,261**	**3,341,639**	**9,020**	**10,033**	**62,677**	**(85,374)**	**45,657**	**(58,585)**	**(41,748)**	**656,967**	**4,015,547**	**287,464**	**4,303,011**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019

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 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 mainly represented:

(a) 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 2019, approximately HK$5,043,000 (2018: HK$3,098,000) was transferred and the carrying amount of the PRC statutory reserves as at 31 December 2019 is approximately HK$13,581,000 (2018: HK$8,538,000).

(b) other reserves of the Group include the change in net assets attributable to the Group in relation to changes in ownership interest in subsidiaries without losing of control in prior year. Movement arising from acquisition of additional interests of subsidiaries and partial disposal of subsidiaries without losing control during the year are stated in notes 41 and 42.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2019

	Notes	2019 HK$'000	2018 HK$'000
OPERATING ACTIVITIES			
Profit for the year		**10,519**	85,509
Adjustments for:			
Income tax		**28,254**	29,494
Interest income	7	**(46,994)**	(53,178)
Finance cost	9	**6,117**	688
Amortisation of intangible assets	21	**10,426**	10,561
Depreciation of right-of-use assets	18	**78,217**	–
Depreciation of property, plant and equipment	17	**46,517**	46,774
Dividend income from equity instruments at FVTOCI	7	**(4,058)**	(6,628)
Dividend income from financial assets at fair value through profit or loss ("FVTPL")	7	**–**	(42)
Fair value changes of investment properties	8	**51,529**	(25,665)
Allowance of (reversal of allowance of) expected credit loss recognised on promissory notes	8	**4,544**	(30,000)
Impairment loss recognised on goodwill	8	**991**	–
Reversal of allowance of expected credit loss recognised on other receivables, net		**–**	(2,258)
Reversal of allowance of expected credit loss recognised on amounts due from investees		**–**	(500)
Loss on disposal/written off of property, plant and equipment		**9,651**	488
Loss on written off of right-of-use assets		**346**	–
Share of results of associates		**(37,422)**	(34,782)
Share of results of joint ventures		**541**	17,430
Loss on disposal of subsidiaries	42	**9,606**	–
Fair value changes on financial assets at FVTPL	8	**227**	36,956
Operating cash inflow before movements in working capital		**169,011**	74,847
Increase in inventories		**(424)**	(1,078)
Decrease (increase) in trade and other receivables		**44,481**	(18,728)
Increase (decrease) in trade and other payables		**29,605**	(69,064)
Decrease in contract liabilities		**(2,953)**	–
Cash generated from (used in) operations		**239,720**	(14,023)
Income tax paid		**(23,971)**	(28,334)
NET CASH GENERATED FROM (USED IN) OPERATING ACTIVITIES		**215,749**	(42,357)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2019

	Notes	2019 HK$'000	2018 HK$'000
INVESTING ACTIVITIES			
Redemption proceeds of financial assets at FVTPL	24	**62,390**	–
Proceeds from disposal of equity instruments at FVTOCI		**–**	140,276
Proceeds from disposal of financial assets at FVTPL		**–**	13,108
Repayment of loans receivable		**883**	163,627
Repayment of promissory notes		**–**	30,000
Interest received		**46,994**	53,178
Dividend received from associates		**16,540**	3,700
Dividend received from equity instruments at FVTOCI		**4,058**	6,628
Dividend received from financial assets at FVTPL		**–**	42
Repayment from associates		**1,811**	3,755
Proceeds from disposal of property, plant and equipment		**1,973**	19,416
Proceeds from disposal of subsidiaries	42	**1,101**	–
Investment in an associate		**–**	(2,998)
Advances of loan receivable		**(40,271)**	–
Purchase of property, plant and equipment		**(55,033)**	(79,687)
Capital injection in a joint venture		**(20,440)**	(2,270)
(Advance to) repayment from investees		**(5)**	497
Decrease in fixed bank deposit		**–**	64,358
NET CASH GENERATED FROM INVESTING ACTIVITIES		**20,001**	413,630
FINANCING ACTIVITIES			
Partial acquisition of a subsidiary	41	**–**	(2,173)
Net proceeds from partial disposal of subsidiaries	42	**4,800**	–
(Repayment to) advance from non-controlling interests		**(4,714)**	648
Capital contribution from non-controlling interests		**10,962**	–
Repayment of bank borrowings		**(1,026)**	(1,021)
Repayment of lease liabilities		**(84,250)**	–
Dividend paid		**(32,690)**	(14,581)
Interest paid		**(749)**	(688)
NET CASH USED IN FINANCING ACTIVITIES		**(107,667)**	(17,815)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**128,083**	353,458
CASH AND CASH EQUIVALENTS AT 1 JANUARY		**1,720,425**	1,391,559
EFFECT OF FOREIGN EXCHANGE RATES CHANGES		**(7,652)**	(24,592)
CASH AND CASH EQUIVALENTS AT 31 DECEMBER, representing bank balances and cash	31	**1,840,856**	1,720,425

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

1. GENERAL

The Company is 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 ("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 this annual report.

The consolidated financial statements are presented in Hong Kong Dollars ("HK$"), which is the same as the functional currency of the Company.

As disclosed in the consolidated financial statements for the years ended 31 December 2017 and 31 December 2018, 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 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 (the "Suspension").

On 18 December 2017, the Company announced that in view of the Suspension, the board of directors ("Board") 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2019

1. GENERAL *(Continued)*

As at the date of approval for issuance of the consolidated financial statements for the financial year ended 31 December 2017, 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 First Forensic Report"), the IBC had adopted the First Forensic Report. With reference to the First Forensic Report, the IBC accepted 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 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.

On 31 January 2019, the Company announced that as a result of recent communication with SFC, the IBC has engaged the independent forensic accountant to conduct further inquiry and investigation into the matters and make recommendations to the Board. After reviewing the findings and conclusion of the independent forensic accountant report ("the Second Forensic Report"), the IBC had adopted the Second Forensic Report. With reference to the Second 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 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 2018 have therefore been prepared on the above basis.

On 30 April 2019, 31 July 2019 and 31 October 2019, the Company announced that the resumption application made by the Company to the SFC under section 9 of the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) will be considered by the board of the SFC in due course. The Company will continue to communicate with the SFC and seek to resume the trading of its shares on the Stock Exchange as soon as practicable.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2019

1. GENERAL *(Continued)*

As disclosed in the announcement of the Company dated 31 October 2019, the Board resolved on 31 October 2019, among other things, to call each Director to resign and each resigning Director shall be eligible to put himself/herself forward for re-election at a special general meeting of the Company to be convened.

The Board proposes for a change of its composition as the Board believes that reorganization of the Board would enable the Company to move forward and to develop a new development strategy for the Company.

On 31 January 2020, the Company announced that it received a letter from the Stock Exchange dated 7 January 2020 (the "Letter") stating that:

(i) The Stock Exchange's guidance letter states that the Stock Exchange would discuss with the SFC before exercising its right to delist an issuer suspended under Section 8 of the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong).

(ii) After consultation with the SFC, the Stock Exchange confirms that the Stock Exchange will, until further notice, withhold exercising its right to delist the Company under Rule 6.01A(2)(b)(i) of the Listing Rules should trading in the Company's securities remain suspended on 31 January 2020.

The Letter further states that the above is without prejudice to the Stock Exchange exercising its right under Rule 6.01A of the Listing Rules at a later stage when the Stock Exchange considers appropriate. The Stock Exchange also reserves all its rights under the Listing Rules. In particular, the Company is reminded of its obligation to procure a resumption of trading as soon as possible.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

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

New and amendments to HKFRSs that are mandatorily effective for the current year

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

HKFRS 16	Leases
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle

Except as described below, the application of the new and 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.

HKFRS 16 Leases

The Group has applied HKFRS 16 for the first time in the current year. HKFRS 16 superseded HKAS 17 Leases ("HKAS 17"), and the related interpretations.

Definition of a lease

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 January 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 January 2019.

As at 1 January 2019, the Group recognised additional lease liabilities and measured right-of-use assets at the carrying amounts as if HKFRS 16 had been applied since commencement dates, but discounted using the incremental borrowing rates of the relevant group entities at the date of initial application by applying HKFRS 16.C8(b)(i) transition. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2019

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

New and amendments to HKFRSs that are mandatorily effective for the current year *(Continued)*

HKFRS 16 Leases (Continued)

As a lessee *(Continued)*

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease– by-lease basis, to the extent relevant to the respective lease contracts:

i. relied on the assessment of whether leases are onerous by applying HKAS 37 Provisions, Contingent Liabilities and Contingent Assets as an alternative of impairment review;

ii. elected not to recognise right-of-use assets and lease liabilities for leases with lease term ending within 12 months of the date of initial application;

iii. excluded initial direct costs from measuring the right-of-use assets at the date of initial application;

iv. applied a single discount rate to a portfolio of leases with a similar remaining terms for similar class of underlying assets in similar economic environment; and

v. used hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group's leases with extension and termination options.

On transition, the Group has made the following adjustments upon application of HKFRS16:

The Group recognised lease liabilities of HK$166,002,000 and right-of-use assets of HK$159,019,000 at 1 January 2019.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average lessee's incremental borrowing rate applied is 3.41%.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2019

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

New and amendments to HKFRSs that are mandatorily effective for the current year *(Continued)*

HKFRS 16 Leases (Continued)

As a lessee *(Continued)*

	At 1 January 2019 HK$'000
Operating lease commitments disclosed as at 31 December 2018	**105,722**
Lease liabilities discounted at relevant incremental borrowing rates	**99,130**
Add:	
Lease liabilities resulting from lease modifications of existing leases (note)	**44,520**
Extension options reasonably certain to be exercised	**22,352**
Lease liabilities as at 1 January 2019	**166,002**
Analysed as	
Current	**73,035**
Non-current	**92,967**
	166,002

Note:

The Group renewed the leases of several existing clinics by entering into new lease contracts which commence after date of initial application of HKFRS 16. These new contracts are accounted for as lease modifications of the existing contracts upon application of HKFRS 16.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

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

New and amendments to HKFRSs that are mandatorily effective for the current year *(Continued)*

HKFRS 16 Leases (Continued)

As a lessor

In accordance with the transitional provisions in HKFRS 16, the Group is not required to make any adjustment on transition for leases in which the Group is a lessor but account for these leases in accordance with HKFRS 16 from the date of initial application and comparative information has not been restated.

(a) Upon application of HKFRS 16, new lease contracts entered into but commence after the date of initial application relating to the same underlying assets under existing lease contracts are accounted as if the existing leases are modified as at 1 January 2019. The application has had no impact on the Group's condensed consolidated statement of financial position at 1 January 2019. However, effective on 1 January 2019, lease payments relating to the revised lease term after modification are recognised as income on straight-line basis over the extended lease term.

(b) Effective on 1 January 2019, the Group has applied HKFRS 15 to allocate consideration in the contract to each lease and non-lease components. The change in allocation basis has had no material impact on the condensed consolidated financial statements of the Group for the current period.

The following adjustments were made to the amounts recognised in the condensed consolidated statement of financial position at 1 January 2019. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported at 31 December 2018 HK$'000	Adjustments HK$'000	Carrying amounts under HKFRS 16 at 1 January 2019 HK$'000
Non-current assets			
Right-of-use assets	–	159,019	159,019
Current liabilities			
Lease liabilities	–	(73,035)	(73,035)
Non-current liabilities			
Lease liabilities	–	(92,967)	(92,967)
Capital and reserves			
Accumulated profits	(695,523)	6,284	(689,239)
Non-controlling interests	(272,827)	699	(272,128)

Note: The reporting of cash flows from operating activities under indirect method for the year ended 31 December 2019, has been prepared based on restated opening consolidated statement of financial position as at 1 January 2019 as disclosed above.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

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

New and amendments to HKFRSs in issue but not yet effective

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

HKFRS 17	Insurance Contracts[1]
Amendments to HKFRS 3	Definition of a Business[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 1 and HKAS 8	Definition of Material[4]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform[4]

1 Effective for annual periods beginning on or after 1 January 2021

2 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020

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 2020

In addition to the above new and amendments to HKFRSs, a revised Conceptual Framework for Financial Reporting was issued in 2018. Its consequential amendments, the Amendments to References to the Conceptual Framework in HKFRS Standards, will be effective for annual periods beginning on or after 1 January 2020.

The directors of the Company anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2019

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

Conceptual Framework for Financial Reporting 2018 (the "New Framework") and the Amendments to References to the Conceptual Framework in HKFRS Standards

The New Framework:

- reintroduces the terms stewardship and prudence; introduces a new asset definition that focuses on rights and a new liability definition that is likely to be broader than the definition it replaces, but does not change the distinction between a liability and an equity instrument;

- discusses historical cost and current value measures, and provides additional guidance on how to select a measurement basis for a particular asset or liability;

- states that the primary measure of financial performance is profit or loss, and that only in exceptional circumstances other comprehensive income will be used and only for income or expenses that arise from a change in the current value of an asset or liability; and

- discusses uncertainty, derecognition, unit of account, the reporting entity and combined financial statements.

Consequential amendments have been made so that references in certain HKFRSs have been updated to the New Framework, whilst some HKFRSs are still referred to the previous versions of the framework. These amendments are effective for annual periods beginning on or after 1 January 2020, with earlier application permitted. Other than specific standards which still refer to the previous versions of the framework, the Group will rely on the New Framework on its effective date in determining the accounting policies especially for transactions, events or conditions that are not otherwise dealt with under the accounting standards.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

3. 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 accounted for in accordance with HKFRS 16 (since 1 January 2019) or HKAS 17 (before application of HKFRS 16), 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".

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

For investment properties which are transacted at fair value and a valuation technique that uses unobservable inputs is to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that the results of the valuation technique equal the transaction price.

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 2019

3. 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.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Basis of consolidation *(Continued)*

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combinations *(Continued)*

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

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

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

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

- lease liabilities are recognised and measured at the present value of the remaining lease payments (as defined in HKFRS 16) as if the acquired leases were new leases at the acquisition date, except for leases for which (a) the lease term ends within 12 months of the acquisition date; or (b) the underlying asset is of low value. Right-of-use assets are recognised and measured at the same amount as the relevant lease liabilities, adjusted to reflect favourable or unfavourable terms of the lease when compared with market terms.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combinations *(Continued)*

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.

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).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Goodwill *(Continued)*

On disposal of the relevant cash-generating unit or any of the cash-generating unit within the group of cash-generating units, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal. When the Group disposes of an operation within the cash-generating unit (or a cash-generating unit within a group of cash-generating units), the amount of goodwill disposed of is measured on the basis of the relative values of the operation (or the cash-generating unit) disposed of and the portion of the cash-generating unit (or the group of cash-generating units) retained.

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

Interests 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.

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 interest 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Interests in associates and joint ventures *(Continued)*

The Group assesses whether there is an objective evidence that the interest in an associate or a joint venture may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 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.

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 2019

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue from contracts with customers

The Group 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.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation

Output method

The progress towards complete satisfaction of a performance obligation is measured based on output method, which is to recognise revenue on the basis of direct measurements of the value of the goods or services transferred to the customer to date relative to the remaining goods or services promised under the contract, that best depict the Group's performance in transferring control of goods or services.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leases

Definition of a lease (upon application of HKFRS 16 in accordance with transitions in note 2)

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified or arising from business combinations on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

The Group as a lessee (upon application of HKFRS 16 in accordance with transitions in note 2)

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

As a practical expedient, leases with similar characteristics are accounted on a portfolio basis when the Group reasonably expects that the effects on the consolidated financial statements would not differ materially from individual leases within the portfolio.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases of clinics that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets.

Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis or another systematic basis over the lease term.

Right-of-use assets

The cost of right-of-use asset includes:

– the amount of the initial measurement of the lease liability;

– any lease payments made at or before the commencement date, less any lease incentives received;

– any initial direct costs incurred by the Group; and

– an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leases *(Continued)*

The Group as a lessee (upon application of HKFRS 16 in accordance with transitions in note 2) (Continued)

Right-of-use assets *(Continued)*

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life.

Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

Right-of-use assets are presented as separate line item

The Company presents right-of-use assets as a separate line item on the statement of financial position.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

– fixed payments (including in-substance fixed payments) less any lease incentives receivable; and

– payments of penalties for terminating a lease, if the lease term reflects the Group exercising an option to terminate the lease.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

– the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.

– the lease payments change due to changes in market rental rates following a market rent review/expected payment under a guaranteed residual value, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leases *(Continued)*

Lease liabilities are presented as separate line item

The Company presents lease liabilities as a separate line item on the statement of financial position.

Lease modifications

The Group accounts for a lease modification as a separate lease if:

– the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

– the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use asset. When the modified contract contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

The Group as a lessee (prior to 1 January 2019)

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leases *(Continued)*

The Group as a lessee (prior to 1 January 2019) (Continued)

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 and and building elements, the entire property is generally classified as if the leasehold land is under finance lease.

The Group as a lessor (upon application of HKFRS 16 in accordance with transitions in note 2)

Allocation of consideration to components of a contract

When a contract includes both leases and non-lease components, the Group applies HKFRS 15 to allocate consideration in a contract to lease and non-lease components. Non-lease components are separated from lease component on the basis of their relative stand-alone selling prices.

Refundable rental deposits

Refundable rental deposits received are accounted for under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments from lessees.

Lease modification

The Group accounts for a modification to an operating lease as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment

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

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

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

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

Investment properties

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

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values adjusted to exclude any prepaid or accrued operating lease income. 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

For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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.

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). The recoverable amount of tangible and intangible assets are estimated individually, when it is not possible to estimate the recoverable amount 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

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.

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.

Retirement benefit costs

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

Foreign currencies

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

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. HK$) 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currencies *(Continued)*

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation *(Continued)*

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.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

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, except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15. 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.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and 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 asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Dividend income which are derived from the Group's ordinary course course of business are presented as revenue.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at FVTOCI:

- the financial asset is held within a business model whose objective is achieved by both selling and collecting contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL, except that at the date of initial application of HKFRS 9/initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which IFRS 3 "Business Combinations" applies.

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.

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

(i) Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets (Continued)

(ii) Equity instruments designated as at FVTOCI

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the FVTOCI reserve; and are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, and will continue to be held in the FVTOCI reserve.

Dividends from these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the "other income" in profit or loss.

(iii) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial asset and is included in the "other gains and losses" line item.

Impairment of financial assets

The Group performs impairment assessment under expected credit loss ("ECL") on financial assets (including, trade receivables and other receivables and certain other financial assets). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12m ECL represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables. The ECL on these assets are assessed individually for debtors with significant balances and/or collectively using a provision matrix with appropriate groupings.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets (Continued)

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;

- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

- an actual or expected significant deterioration in the operating results of the debtor; or

- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets (Continued)

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit– impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over one year past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets (Continued)

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition. For a lease receivable, the cash flows used for determining the ECL is consistent with the cash flows used in measuring the lease receivable in accordance with HKFRS 16 (since 1 January 2019) or HKAS 17 (prior to 1 January 2019).

Where ECL is measured on a collective basis or cater for cases where evidence at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

- Nature of financial instruments;
- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Derecognition of financial assets

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 measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

On derecognition of a financial asset classified as at FVTOCI, the cumulative gain or loss previously accumulated in the investment revaluation reserves is reclassified to profit or loss.

On derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investment revaluation reserves is not reclassified to profit or loss, but is transferred to accumulated profits.

Financial liabilities and equity instruments

Classification as debt or equity

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 an investee/non-controlling interests, bank borrowings and lease liabilities) are subsequently measured at amortised cost, using the effective interest method.

Derecognition of financial liabilities

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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 39.

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-market 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.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

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

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 21 describes 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.

Determination on lease term of contracts with renewal options

The Group applies judgment to determine the lease term for lease contracts in which it is a lessee that include renewal option, specifically, the leases relating to clinic. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable. Leases are considered no longer enforceable when the Group as the lessee and the relevant lessors both have the right to terminate the lease without permission from the other party with no more than an insignificant contractual penalty.

The assessment of whether the Group is reasonably certain to exercise renewal options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognised. Re-assessment is performed upon the occurrence of either a significant event or a significant change in circumstances that is within the control of lessee and that affects the assessment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

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

Critical judgments in applying accounting policy *(Continued)*

Determination on lease term of contracts with renewal options (Continued)

When assessing reasonable certainty, the Group considers all relevant facts and circumstances including economic incentives for exercising or not exercising the options. Factors considered include:

- contractual terms and conditions for the optional periods compared with market rates (e.g. whether the amount of payments in the optional periods is below the market rates);
- the extent of leasehold improvements undertaken by Group;
- costs relating to termination of the lease (e.g. relocation costs, costs of identifying another underlying asset suitable for the Group's needs);

During the year ended 31 December 2019, the exercise of the renewal option, resulted in an additional amount of HK$37,945,000 of right-of-use assets and lease liabilities recognised.

Principal versus agent consideration (agent)

The Group is considered as an agent for its contracts with customers relating to the sales of medical equipment as the Group did not obtain the control over medical equipment before passing on to customers taking into consideration indicators such as the Group is not primarily responsible for fulfilling the promise and not exposed to inventory risk. When the Group satisfies the performance obligation, the Group recognises a commission revenue.

During the year ended 31 December 2019, the Group recognised revenue relating to sales of medical equipment and consumables amounted to HK$27,177,000 (2018: HK$nil).

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

Key sources of estimation uncertainty

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

Impairment of 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 and intangible assets have 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 2019, the carrying amount of goodwill and intangible assets are HK$483,354,000 and HK$336,352,000 (net of accumulated impairment loss of goodwill and intangible assets amounting to HK$208,599,000 and nil respectively) (2018: HK$489,109,000 and HK$349,364,000 respectively (net of accumulated impairment loss of goodwill and intangible assets amounting to HK$207,608,000 and nil respectively).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2019

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

Key sources of estimation uncertainty *(Continued)*

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.

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 2019, the carrying amount of investment properties is HK$567,416,000 (2018: HK$606,566,000).

Fair value measurement of financial instruments

Certain of the Group's financial assets comprise unquoted equity instruments amounted to HK$59,609,000 as at 31 December 2019 (2018: HK$85,190,000) which are measured at fair values with fair values being determined based on unobserved inputs using valuation techniques. Judgement and estimation are required in establishing the relevant valuation techniques and the relevant inputs thereof. Changes in assumptions relating to these factors could affect the reported fair values of these instruments. See notes 25 and 46 for further disclosures.

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 2019, the carrying amount of associates net of accumulated impairment loss of HK$27,000,000, amounted to HK$319,528,000 (2018: carrying amount of associates net of accumulated impairment loss of HK$27,000,000, amounted to HK$298,706,000). As at 31 December 2019, the carrying amount of interest in joint ventures amounted to HK$22,005,000 (2018: HK$2,442,000).

No impairment was recognised on interests in associates and joint ventures for the year ended 31 December 2019 and 2018.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

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

Key sources of estimation uncertainty *(Continued)*

Allowance of expected credit 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 allowance of expected credit loss may arise. As at 31 December 2019, the carrying amount of loans receivable net of expected credit loss of HK$nil, amounted to HK$45,353,000 (2018: carrying amount of loans receivable net of expected credit loss of HK$3,559,000, amounted to HK$5,965,000).

Allowance of expected credit 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 holders. If the financial condition of the promissory note holders were to deteriorate, impairment may be required. As at 31 December 2019, the carrying amount of promissory notes net of expected credit loss of HK$208,249,000, amounted to HK$325,456,000 (2018: carrying amount of promissory notes net of expected credit loss of HK$203,705,000, amounted to HK$330,000,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

5. REVENUE

Revenue represents the aggregate of the net amounts received and receivable from third parties for the year. There is no seasonality and cyclicality of the operations of the Group. The performance obligation is part of a contract that has an original expected duration of one year or less. Disaggregation of revenue from contracts with the customers are as follows:

	2019 HK$'000	2018 HK$'000
Revenue recognised under HKFRS 15		
Hong Kong medical services		
– Medical services	**425,064**	450,334
– Dental services	**61,280**	62,355
	486,344	512,689
Hong Kong managed care business	**477,251**	467,802
Mainland hospital management and medical services	**139,754**	111,746
Others		
– Miscellaneous healthcare related services	**10,121**	12,829
	1,113,470	1,105,066
Revenue recognised under other accounting standard		
Others		
– Rental income	**15,462**	16,670
Total	**1,128,932**	1,121,736
Revenue recognised under HKFRS 15		
Timing of revenue recognition		
At point in time	**999,722**	1,002,660
Over time	**113,748**	102,406
	1,113,470	1,105,066

Revenue from Hong Kong medical services, majority of Hong Kong managed care business, certain of Mainland hospital management and medical services and miscellaneous healthcare related services are recognised at a point in time, whereas majority of Mainland hospital management and medical services are recognised on over time basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

6. SEGMENT INFORMATION

During the year ended 31 December 2018, there were five reportable and operating segments, namely Hong Kong medical services, Hong Kong managed care business, Mainland hospital management and medical services, securities and properties investments and treasury management and others, which were based on the different types of major businesses. This is also the basis upon which the Group is organised and managed. During the year ended 31 December 2019, the chief operating decision maker, being the chief executive officer ("CEO"), reassessed the current business units of the Group. The CEO considered that the business operations are more effective for the Group to assess the segment performance. The "securities and properties investments and treasury management" and "others" segments reported separately in the consolidated financial statements for the year ended 31 December 2018 have been regrouped and reorganised into the "others" segment in current year.

Specifically, the Group's operating and reportable segments for the year ended 31 December 2019 are as follows:

- Hong Kong medical services – Provision of medical and dental services in Hong Kong
- Hong Kong managed care business – Managing healthcare networks & provision of third party medical network administrator services in Hong Kong
- Mainland hospital management and medical services – Provision of medical and dental services in the PRC, provision of hospital management services and related services
- Others – Provision of miscellaneous healthcare related services, trading of listed securities and leasing of properties

As such, comparative figures for the segment information presented in the consolidated financial statements have been restated to conform with the current year's presentation of segment information.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2019

6. SEGMENT INFORMATION *(Continued)*

Segment revenues and results

For the year ended 31 December 2019

	Hong Kong medical services HK$'000	Hong Kong managed care business HK$'000	Mainland hospital management and medical services HK$'000	Others HK$'000	Elimination HK$'000	Total HK$'000
Revenue						
External sales	486,344	477,251	139,754	25,583	–	1,128,932
Inter-segment sales	48,138	–	–	–	(48,138)	–
	534,482	477,251	139,754	25,583	(48,138)	1,128,932
Segment results	26,619	45,812	31,359	(9,804)	–	93,986
Unallocated other income						6,386
Finance costs						(749)
Unallocated other gains and losses						(9,226)
Unallocated corporate expenses						(51,624)
Profit before tax						38,773

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

6. SEGMENT INFORMATION *(Continued)*

Segment revenues and results *(Continued)*

For the year ended 31 December 2018 (Restated)

	Hong Kong medical services HK$'000	Hong Kong managed care business HK$'000	Mainland hospital management and medical services HK$'000	Others HK$'000	Elimination HK$'000	Total HK$'000
Revenue						
External sales	512,689	467,802	111,746	29,499	–	1,121,736
Inter-segment sales	40,481	–	–	–	(40,481)	–
	553,170	467,802	111,746	29,499	(40,481)	1,121,736
Segment results	39,616	47,096	29,423	79,932	–	196,067
Unallocated other income						6,898
Finance costs						(688)
Unallocated other gains and losses						(34,149)
Unallocated corporate expenses						(53,125)
Profit before tax						115,003

The accounting policies of the reporting segments are the same as the Group's accounting policies described in note 3. Segment profit represents the profit earned or generated by each segment without allocation of central administration costs, directors' remuneration, certain finance costs, certain items of other gains and losses and other income. 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 are mainly related to provision of health management services and other healthcare related 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

6. SEGMENT INFORMATION *(Continued)*

Other segment information

For the year ended 31 December 2019

	Hong Kong medical services HK$'000	Hong Kong managed care business HK$'000	Mainland hospital management and medical services HK$'000	Others HK$'000	Total for segments HK$'000	Unallocated HK$'000	Total HK$'000
Amounts included in the measure of segment profit:							
Interest income	–	–	–	(46,994)	(46,994)	–	(46,994)
Dividend income	(4,058)	–	–	–	(4,058)	–	(4,058)
Fair value changes on investment properties	–	–	–	51,529	51,529	–	51,529
Share of results of associates	(15,081)	–	259	(22,600)	(37,422)	–	(37,422)
Share of results of joint ventures	–	–	515	26	541	–	541
Depreciation of property, plant and equipment	19,397	6,536	7,449	10,088	43,470	3,047	46,517
Depreciation of right-of-use assets	60,754	10,160	4,827	2,476	78,217	–	78,217
Amortisation of intangible assets	–	7,251	3,175	–	10,426	–	10,426
Loss on disposal/written off of property, plant and equipment	348	–	–	9,303	9,651	–	9,651
Loss on written off of right-of-use assets	–	–	–	346	346	–	346
Loss on disposal of subsidiaries	9,606	–	–	–	9,606	–	9,606
Impairment loss on goodwill	991	–	–	–	991	–	991
Allowance of expected credit losses on promissory note	–	–	–	–	–	4,544	4,544
Finance costs	3,404	1,013	764	187	5,368	749	6,117
Amounts included in the information regularly provided to the CEO:							
Additions to property, plant and equipment	6,651	3,122	44,801	459	55,033	–	55,033

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

6. SEGMENT INFORMATION *(Continued)*

Other segment information *(Continued)*

For the year ended 31 December 2018 (Restated)

	Hong Kong medical services HK$'000	Hong Kong managed care business HK$'000	Mainland hospital management and medical services HK$'000	Others HK$'000	Total for segments HK$'000	Unallocated HK$'000	Total HK$'000
Amounts included in the measure of segment profit:							
Interest income	–	–	–	(53,178)	(53,178)	–	(53,178)
Dividend income	(2,625)	–	–	(4,045)	(6,670)	–	(6,670)
Reversal of allowance of expected credit loss recognised in other receivables	–	–	–	(2,258)	(2,258)	–	(2,258)
Reversal of allowance of expected credit loss recognised in amounts due from investees	(500)	–	–	–	(500)	–	(500)
Fair value changes on investment properties	–	–	–	(25,665)	(25,665)	–	(25,665)
Reversal of allowance of expected credit loss on promissory notes	–	–	–	(30,000)	(30,000)	–	(30,000)
Share of results of associates	(14,771)	–	186	(20,197)	(34,782)	–	(34,782)
Share of results of joint ventures	–	–	14	17,416	17,430	–	17,430
Depreciation of property, plant and equipment	20,662	6,275	2,734	13,821	43,492	3,282	46,774
Amortisation of intangible assets	–	7,251	3,310	–	10,561	–	10,561
Loss on disposal/written off of property, plant and equipment	345	–	–	(10)	335	153	488
Finance costs	–	–	–	–	–	688	688
Amounts included in the information regularly provided to the CEO:							
Additions to property, plant and equipment	11,554	2,473	72,927	373	87,327	525	87,852

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

6. SEGMENT INFORMATION *(Continued)*

Geographical information

The Group's revenue from external customers based on geographical location of operations, are detailed below:

	2019 HK$'000	2018 HK$'000
Other regions of the PRC	**139,754**	111,746
Hong Kong	**989,178**	1,009,990
	1,128,932	1,121,736

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

	Carrying amount of non-current assets	
	2019 HK$'000	2018 HK$'000
Other regions of the PRC	**565,024**	496,506
Hong Kong	**1,649,653**	1,627,060
Non-current assets (Note)	**2,214,677**	2,123,566

Note: Non-current assets shown above exclude loans receivable, financial assets at fair value through profit or loss, equity instruments at fair value through other comprehensive income and promissory notes.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

7. OTHER INCOME

	2019 HK$'000	2018 HK$'000
Interest income	**46,994**	53,178
Dividend income from equity instruments at FVTOCI:		
– Relating to investment derecognised during the year	**–**	3,953
– Relating to investments held at the end of the reporting period	**4,058**	2,675
Dividend income from financial assets at FVTPL	**–**	42
Rental income	**4,569**	4,594
Sundry income	**4,643**	5,130
	60,264	69,572

8. OTHER GAINS AND LOSSES, NET

	2019 HK$'000	2018 HK$'000
Fair value changes on investment properties (note 16)	**(51,529)**	25,665
Fair value changes on financial assets at FVTPL	**(227)**	(36,956)
Loss on disposal of subsidiaries (note 42)	**(9,606)**	–
Loss on disposal/written off of property, plant and equipment	**(9,651)**	–
(Allowance of) reversal of allowance of expected credit loss recognised in respect of:		
– promissory notes (note 26)	**(4,544)**	30,000
– other receivables	**–**	2,258
– amounts due from investees	**–**	500
Impairment loss recognised on goodwill	**(991)**	–
	(76,548)	21,467

9. FINANCE COSTS

	2019 HK$'000	2018 HK$'000
Interest on bank borrowings	**749**	688
Interest on lease liabilities	**5,368**	–
	6,117	688

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

10. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

During both years ended 31 December 2019 and 2018, 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 executives, 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 2019

	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					
Mr. Chen Jinhao *(Chief Executive Officer) (Re-designated from a non-executive director to an executive director on 2 December 2019)*	–	–	–	–	–
Miss Choi Ka Yee, Crystal *(Resigned on 2 December 2019)*	–	773	–	17	790
Dr. Hui Ka Wah, Ronnie, *JP* *(Chief Executive Officer) (Resigned on 2 December 2019)*	–	4,625	375	17	5,017
Mr. Lee Chik Yuet *(Resigned on 2 December 2019)*	–	2,757	230	7	2,994
Mr. Wong Seung Ming *(Resigned on 1 December 2019)*	–	1,470	122	16	1,608
Dr. Chan Wing Lok, Brian *(Resigned on 2 December 2019)*	–	1,527	127	17	1,671
	–	11,152	854	74	12,080
Non-executive directors					
Dr. Choi Chee Ming, *GBS, JP* *(Resigned on 1 December 2019)*	–	–	–	–	–
Ms. Fang Haiyan	–	–	–	–	–
Mr. Wan Yiqing *(Appointed on 2 December 2019)*	–	–	–	–	–
	–	–	–	–	–
Independent non-executive directors					
Mr. Ho Kwok Wah, George, *MH*	156	–	–	–	156
Mr. Yu Xuezhong	156	–	–	–	156
Ms. Li Mingqin	156	–	–	–	156
Mr. Wang John Hong-chiun *(Retired on 27 June 2019)*	77	–	–	–	77
Mr. Yu Kai Fung Jackie *(Resigned on 2 December 2019)*	144	–	–	–	144
Mr. Wong Sai Kit *(Resigned on 2 December 2019)*	144	–	–	–	144
	833	–	–	–	833
Total	833	11,152	854	74	12,913

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For the year ended 31 December 2019

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

For the year ended 31 December 2018

	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	–	810	65	18	893
Dr. Hui Ka Wah, Ronnie, *JP* *(Chief Executive Officer)*	–	4,853	380	18	5,251
Mr. Lee Chik Yuet	–	2,888	170	18	3,076
Mr. Wong Seung Ming	–	1,548	125	18	1,691
Dr. Chan Wing Lok, Brian *(Appointed on 29 June 2018)*	–	832	–	9	841
	–	10,931	740	81	11,752
Non-executive directors					
Dr. Choi Chee Ming, *GBS, JP*	–	–	–	–	–
Ms. Fang Haiyan	–	–	–	–	–
Mr. Tsai Ming-hsing *(Retired on 29 June 2018)*	–	–	–	–	–
Mr. Chen Jinhao	–	–	–	–	–
Dr. Cho Kwai Chee *(Retired on 29 June 2018)*(Note)	–	224	100	4	328
	–	224	100	4	328
Independent non-executive directors					
Mr. Ho Kwok Wah, George, *MH*	144	–	–	–	144
Mr. Wong Tat Tung, *MH, JP* *(Retired on 29 June 2018)*	72	–	–	–	72
Mr. Yu Xuezhong	144	–	–	–	144
Ms. Li Mingqin	144	–	–	–	144
Mr. Wang John Hong-chiun	144	–	–	–	144
Mr. Yu Kai Fung Jackie *(Appointed on 29 June 2018)*	73	–	–	–	73
Mr. Wong Sai Kit *(Appointed on 29 June 2018)*	73	–	–	–	73
	794	–	–	–	794
Total	794	11,155	840	85	12,874

Note: Dr. Cho Kwai Chee has been re-designated from an executive director of the Company to a non-executive director of the Company, and has ceased to act as the Executive Deputy Chairman of the Company on 6 March 2018. He retired as a non-executive director of the Company with effect from 29 June 2018.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

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

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 officer nor any of the directors of the Company waived any emoluments in the years ended 31 December 2019 and 2018.

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 these services as directors of the Company.

11. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, one (2018: one) of them was an executive director of the Company whose emolument is included in note 10 above. The emoluments of the remaining four (2018: four) individuals were as follows:

	2019 HK$'000	2018 HK$'000
Salaries and other allowances	**10,583**	12,023
Performance bonus (Note)	**9,919**	9,152
Retirement benefits scheme contributions	**54**	65
	20,556	21,240

Their emoluments were within the following bands:

	2019 Number of employees	2018 Number of employees
HK$3,000,001 — HK$3,500,000	**1**	1
HK$4,500,001 — HK$5,000,000	**1**	2
HK$5,000,001 — HK$5,500,000	**1**	–
HK$7,000,001 — HK$7,500,000	**1**	–
HK$7,500,001 — HK$8,000,000	**–**	1
	4	4

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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11. EMPLOYEES' EMOLUMENTS *(Continued)*

During the year, no emoluments were paid by the Group to the five highest paid individuals, including one (2018: 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.

12. INCOME TAX EXPENSES

	2019 **HK$'000**	2018 HK$'000
Tax charge comprises:		
Current tax		
– Hong Kong Profits Tax	**14,957**	15,563
– PRC Enterprise Income Tax	**16,749**	17,317
	31,706	32,880
(Over) underprovision in prior years		
– Overprovision of Hong Kong Profits Tax	**(876)**	(809)
– Underprovision of PRC Enterprises Income Tax	**–**	32
	(876)	(777)
	30,830	32,103
Deferred tax		
– Current year (note 37)	**(2,576)**	(2,609)
	28,254	29,494

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2019

12. INCOME TAX EXPENSES *(Continued)*

Accordingly, the Hong Kong profits tax of the qualifying group entity is calculated at 8.25% on the first HK$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK$2 million.

Under the Law of the PRC 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.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

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:

	2019 **HK$'000**	2018 HK$'000
Profit before tax	**38,773**	115,003
Tax at the domestic income tax rate of 16.5% (2018: 16.5%)	**6,397**	18,975
Tax effect of expenses not deductible for tax purpose	**13,436**	9,928
Tax effect of income not taxable for tax purpose	**(8,424)**	(19,763)
Tax effect of tax losses and other deductible temporary differences not recognised	**19,977**	18,103
Tax effect of share of results of associates	**(6,174)**	(5,739)
Tax effect of share of results of joint ventures	**89**	2,876
Tax effect of utilisation of tax losses and other deductible temporary differences previously not recognised	**(1,245)**	(2,225)
Overprovision in prior years	**(876)**	(777)
Withholding tax paid in PRC	**–**	4,086
Effect of different tax rate of subsidiaries operating in other jurisdictions	**5,074**	4,030
Income tax expenses for the year	**28,254**	29,494

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2019

13. PROFIT FOR THE YEAR

	2019 HK$'000	2018 HK$'000
Profit for the year has been arrived at after charging:		
Staff costs		
– Directors' remuneration (note 10)	12,913	12,874
– Other staff's salaries	552,350	544,229
– Other staff's bonus	79,600	75,146
– Other staff's other benefits	945	1,076
– Other staff's retirement benefits scheme contributions	8,895	7,130
	654,703	640,455
Less: Staff costs recognised in administrative expenses	(118,661)	(112,438)
Staff costs recognised in cost of sales	536,042	528,017
Auditors' remuneration	3,662	3,663
Cost of inventories recognised in cost of sales:		
– Pharmaceutical supplies	122,390	123,246
– Others inventories	2,984	3,326
	125,374	126,572
Depreciation of property, plant and equipment recognised in administrative expenses	41,767	44,869
Depreciation of property, plant and equipment recognised in cost of sales	4,750	1,905
Total depreciation of property, plant and equipment	46,517	46,774
Depreciation of right-of-use assets	78,217	–
Loss on disposal/written off of property, plant and equipment	9,651	488
Loss on written off of right-of-use assets	346	–
Amortisation of intangible assets, recognised in administrative expenses		
– customer relationship	7,251	7,251
– management services right and consulting services contracts	3,175	3,310
Total amortisation of intangible assets	10,426	10,561
and after crediting:		
Gross rental income from investment properties	15,462	16,670
Less: Direct operating expenses of properties that generated rental income	(1,272)	(1,532)
Net rental income from investment properties	14,190	15,138

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

14. DIVIDENDS

	2019 HK$'000	2018 HK$'000
Dividends recognised as distribution during the year – Final dividend of HK0.25 cent per ordinary share for the year ended 31 December 2018	**18,815**	–

On 28 March 2019, the Directors recommended the payment of a final dividend of HK0.25 cent per share for the year ended 31 December 2018. The Directors does not recommend the payment of a final dividend for the year ended 31 December 2019.

15. (LOSS) EARNINGS PER SHARE

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

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

	2019 HK$'000	2018 HK$'000
(Loss) profit for the year attributable to owners of the Company	**(8,414)**	64,014

Number of shares

	2019	2018
Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share	**7,526,134,452**	7,526,134,452

The denominators used are the same as those detailed above for both basic and diluted (loss) earnings per share. Diluted earnings per share for both 2019 and 2018 were presented as the same as basic earnings per share as there were no potential ordinary shares in issue for both 2019 and 2018.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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16. INVESTMENT PROPERTIES

	HK$'000
FAIR VALUE	
At 1 January 2018	597,601
Increase in fair value recognised in profit or loss	25,665
Transfer to property, plant and equipment (note 17)	(16,700)
At 31 December 2018	606,566
Decrease in fair value recognised in profit or loss	(51,529)
Transfer from property, plant and equipment	12,379
At 31 December 2019	**567,416**

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 2019 and 31 December 2018 has been arrived at on the basis of a valuation carried out on the respective dates by Ascent Partners Valuation Service Limited, an independent qualified professional valuer not connected with the Group.

During the year ended 31 December 2019, the use of two premises situated in Hong Kong which were previously self-used premises have been changed to leased out for rental income (2018: a premise situated in Hong Kong which was previously leased out for rental income has been changed to self-used premise). Accordingly, the investment properties with fair value of HK$12,379,000 have been transferred from leasehold land and buildings (2018: the investment property with fair value of HK$16,700,000 has been transferred to property, plant and equipment).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2019

16. INVESTMENT PROPERTIES *(Continued)*

Ascent Partners Valuation Service 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 2019 and 2018. 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 2018 and 31 December 2019 are as follows:

	Level 3 HK$'000	Fair value as at 31 December 2019 HK$'000
Property units located in Hong Kong	**567,416**	**567,416**

	Level 3 HK$'000	Fair value as at 31 December 2018 HK$'000
Property units located in Hong Kong	606,566	606,566

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

16. 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 adjustments 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 2019 HK$'000**	**Fair value at 31 December 2018 HK$'000**	**Fair value hierarchy**	**Valuation technique(s) & key inputs**	**Significant unobservable input(s)**	**Relationship of unobservable inputs to fair value**
Property 1 – Commercial Property in Shatin	**194,900**	197,650	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$4,617 to HK$8,973 (2018: from HK$6,901 to HK$7,043) per square feet	A slight decrease in the price per square feet will decrease significantly the fair value.
Property 2 – Commercial Property in Tsuen Wan	**19,600**	26,400	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$116,667 (2018: HK$157,143) per square feet	A slight decrease in the price per square feet will decrease significantly the fair value.
Property 3 – Commercial Property in Mongkok	**18,700**	22,000	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$154,545 (2018: HK$181,818) per square feet	A slight decrease in the price per square feet will decrease significantly the fair value.

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16. INVESTMENT PROPERTIES (Continued)

Investment properties held by the group	Fair value at 31 December 2019 HK$'000	2018 HK$'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	**8,950**	10,100	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$31,130 (2018: HK$35,130) per square feet	A slight decrease in the price per square feet will decrease significantly the fair value.
Property 5 – Commercial Property in Yau Ma Tei	**8,890**	9,905	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$18,207 (2018: HK$20,287) per square feet	A slight decrease in the price per square feet will decrease significantly the fair value.
Property 6 – Commercial Property in Jordan	**32,600**	35,100	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 the location and other individual factors such as shape of the property, of HK$35,053 (2018: HK$37,742) per square feet	A slight decrease in the price per square feet will decrease significantly the fair value.

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For the year ended 31 December 2019

16. INVESTMENT PROPERTIES *(Continued)*

Investment properties held by the group	Fair value at 31 December 2019 HK$'000	Fair value at 31 December 2018 HK$'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 Tsim Sha Tsui	**60,600**	66,300	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$17,413 (2018: HK$19,052) per square feet	A slight decrease in the price per square feet will decrease significantly the fair value.
Property 8 – Commercial Property in Tsim Sha Tsui	**60,600**	66,300	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$17,413 (2018: HK$19,052) per square feet	A slight decrease in the price per square feet will decrease significantly the fair value.
Property 9 – Commercial Property in Tsim Sha Tsui	**60,600**	66,300	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$17,413 (2018: HK$19,052) per square feet	A slight decrease in the price per square feet will decrease significantly the fair value.

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16. INVESTMENT PROPERTIES *(Continued)*

Investment properties held by the group	Fair value at 31 December 2019 HK$'000	Fair value at 31 December 2018 HK$'000	Fair value hierarchy	Valuation technique(s) & key inputs	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Property 10 – Commercial Property in Shatin	**40,800**	48,200	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$68,456 (2018:HK$80,872) per square feet	A slight decrease in the price per square feet will decrease significantly the fair value.
Property 11 – Commercial Property in Kwun Tung	**10,488**	11,231	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$14,344 (2018: HK$15,361) per square feet	A slight decrease in price per square feet will decrease significantly in fair value.
Property 12 – Commercial Property in Shatin	**910**	980	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$910,000 (2018: HK$980,000) per unit	A slight decrease in the price per unit will decrease significantly the fair value.

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16. INVESTMENT PROPERTIES *(Continued)*

Investment properties held by the group	Fair value at 31 December 2019 HK$'000	2018 HK$'000	Fair value hierarchy	Valuation technique(s) & key inputs	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Property 13 – Commercial Property in Tai Po	**37,800**	46,100	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 the location and other individual factors such as age and location of the property, of HK$39,375 (2018: HK$48,021) per square feet	A slight decrease in price per square feet will decrease significantly in fair value.
Property 14 – Commercial Property in Shatin	**8,878**	–	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$4,399 per square feet	A slight decrease in price per square feet will decrease significantly in fair value.
Property 15 – Commercial Property in Shatin	**3,100**	–	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 the location and other individual factors such as age and location of the property, of HK$4,460 per square feet	A slight decrease in price per square feet will decrease significantly in fair value.
	567,416	606,566				

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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17. 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 2018	257,925	167,474	8,043	4,990	136,807	575,239
Additions	65,808	11,473	2,746	223	7,602	87,852
Exchange realignment	(2,523)	(304)	(148)	(41)	(373)	(3,389)
Transfer from investment properties (note 16)	16,700	–	–	–	–	16,700
Disposals/written off	–	(17,500)	(1,731)	(1,359)	(56,187)	(76,777)
At 31 December 2018	337,910	161,143	8,910	3,813	87,849	599,625
Additions	–	9,455	3,868	–	41,710	55,033
Exchange realignment	(1,100)	(190)	(109)	(16)	(647)	(2,062)
Transfer to investment properties	(722)	–	–	–	–	(722)
Disposal of subsidiaries	–	(6,503)	(482)	–	(7,263)	(14,248)
Disposals/written off	–	(13,068)	(163)	–	(9,234)	(22,465)
At 31 December 2019	**336,088**	**150,837**	**12,024**	**3,797**	**112,415**	**615,161**
ACCUMULATED DEPRECIATION						
At 1 January 2018	49,346	114,050	5,832	3,867	58,978	232,073
Charge for the year	11,853	19,975	520	450	13,976	46,774
Exchange realignment	–	(82)	(48)	(39)	(103)	(272)
Eliminated on disposals/written off	–	(14,219)	(1,396)	(928)	(39,786)	(56,329)
At 31 December 2018	61,199	119,724	4,908	3,350	33,065	222,246
Charge for the year	14,411	16,017	802	221	15,066	46,517
Exchange realignment	(40)	(54)	(21)	(14)	(88)	(217)
Transfer to investment properties	(391)	–	–	–	–	(391)
Eliminated on disposal of subsidiaries	–	(2,872)	(76)	–	(1,146)	(4,094)
Eliminated on disposals/written off	–	(8,120)	(53)	–	(2,668)	(10,841)
At 31 December 2019	**75,179**	**124,695**	**5,560**	**3,557**	**44,229**	**253,220**
CARRYING VALUES						
At 31 December 2019	**260,909**	**26,142**	**6,464**	**240**	**68,186**	**361,941**
At 31 December 2018	276,711	41,419	4,002	463	54,784	377,379

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.

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For the year ended 31 December 2019

18. RIGHT-OF-USE ASSETS

	Leased properties HK$'000
COST	
As at 1 January 2019 upon initial application of HKFRS 16	235,802
Additions	52,770
Reassessment	(1,075)
Disposals of subsidiaries	(13,927)
Written off	(3,781)
Exchange alignment	(473)
At 31 December 2019	**269,316**
ACCUMULATED DEPRECIATION	
As at 1 January 2019 upon initial application of HKFRS 16	76,782
Depreciation charge for the year	78,217
Eliminated on disposal of subsidiaries	(6,964)
Eliminated on written off	(2,626)
Exchange alignment	(174)
At 31 December 2019	**145,235**
CARRYING VALUES	
At 31 December 2019	**124,081**

For both years, the Group leases clinic premises for its operations. Lease contracts which effective interest rates from 3.31% to 4.75% are entered into for fixed term of 24 months to 8 years, but may have extension and termination options included. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal option. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is beyond its control and affects its ability to exercise (or not to exercise) the option to renew (e.g. a change in business strategy).

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

During the year ended 31 December 2019, there was written off of a right-of-use asset due to the closure of health check center.

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19. LOANS RECEIVABLE

	2019 HK$'000	2018 HK$'000
Fixed-rate loans receivable (unsecured)	**45,353**	5,965
Analysed for reporting purposes as:		
Non-current portion	**4,216**	5,109
Current portion	**41,137**	856
	45,353	5,965

As at 31 December 2019, loans receivables of HK$40,271,000 bearing fixed-rate interest at 6% are due within 1 year and included in current assets. Nanshi Hospital of Nanyang ("Nanshi Hospital") has entered into management agreements with Nanyang Xiangrui Hospital Management Advisory Co., Ltd. ("Nanyang Xiangrui"), a subsidiary of the Company, paying management and consulting services fee to Nanyang Xiangrui.

As at 31 December 2019, loans receivables of HK$4,216,000 (2018: HK$5,109) bearing fixed-rate interest ranged from 1% to 5% are due for repayment from 3 to 25 years (2018: 4 to 26 years) and included in 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 expected credit losses of HK$nil (2018: HK$3,559,000) which was provided in respect of loans that were past due and considered not recoverable.

As at 31 December 2019, management of the Group considered that a loan receivable of HK$3,559,000 (2018: HK$nil) which have been fully impaired in previous years are irrecoverable and written off during the year.

Management believes that no further allowance for expected credit loss 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 reputation and good history of repayment of interests.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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20. GOODWILL

	HK$'000
COST	
At 1 January 2018	709,735
Exchange realignment	(13,018)
At 31 December 2018	696,717
Exchange realignment	(4,764)
At 31 December 2019	**691,953**
IMPAIRMENT	
At 1 January 2018 and 31 December 2018	207,608
Impairment loss recognised during the year	991
At 31 December 2019	**208,599**
CARRYING VALUES	
At 31 December 2019	**483,354**
At 31 December 2018	489,109

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2019

20. GOODWILL *(Continued)*

For the purposes of impairment testing, goodwill have been allocated to groups of individual cash generating units ("CGUs") in 3 (2018: 3) divisions of the Group, namely, Hong Kong medical services, Hong Kong managed care business and Mainland hospital management and medical services. The carrying amounts of goodwill (net of accumulated impairment losses) as at 31 December 2019 and 31 December 2018 allocated to these units are as follows:

	2019 **HK$'000**	2018 HK$'000
Hong Kong medical services ("Division A"):		
Town Health Medical & Dental Services Limited ("Town Health M&D")	**5,675**	6,666
Hong Kong Traumatology and Orthopaedics Institute Limited ("Hong Kong T&O")	**3,544**	3,544
	9,219	10,210
Hong Kong managed care business ("Division B"):		
Dr. Vio & Partners Limited ("Vio")	**204,935**	204,935
Mainland hospital management and medical services ("Division C"):		
Nanyang Xiangrui	**269,200**	273,964
	483,354	489,109

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

20. GOODWILL *(Continued)*

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 the CGUs in Hong Kong medical services division 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:

	2019	2018
Growth rate	**0% to 5%**	0% to 4%
Pre-tax discount rate	**15.00%**	14.26%

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.

During the year ended 31 December 2019, the management determined that there is impairment loss on goodwill of HK$991,000 (2018: HK$nil) on Division A.

Division B

For the impairment testing, goodwill, trade name and customers relationship were allocated to the Group's CGU in division B.

The recoverable amount of the CGU of Hong Kong managed care business was based on its value in use and was determined with the assistance of Ascent Partners Valuation Service Limited, an independent professional qualified valuer not connected with the Group. The calculation used cash flow projections based on financial budgets approved by management covering a five-year period and at a pre-tax discount rate of 15.59% (2018: 16.58%). The cash flows beyond the five-year period are extrapolated using a growth rate of 3.14% (2018: 2.90%) per annum, which was determined after taking into consideration the economic conditions of the market. Other key assumptions for the value in use calculations related to the estimation of cash inflows/outflows which include a budgeted sales and gross margin and other related expenses, such estimation was based on historical performance of Division B. Management 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 years ended 31 December 2019 and 2018, the management of the Group determined that there is no impairment on Division B.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

20. GOODWILL *(Continued)*

Division C

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

The recoverable amount of the CGU of Mainland hospital management and medical 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 19.70% (2018: 19.91%). Cash flows after the five-year period were extrapolated using a growth rate of 2.23% (2018: 2.61%) per annum, which was determined after taking into consideration the economic conditions 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 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 years ended 31 December 2019 and 2018, the management of the Group determined that there was no impairment on Division C.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

21. 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 2018	72,512	167,087	162,402	402,001
Exchange realignment	–	–	(8,427)	(8,427)
At 31 December 2018	72,512	167,087	153,975	393,574
Exchange realignment	–	–	(2,677)	(2,677)
At 31 December 2019	**72,512**	**167,087**	**151,298**	**390,897**
AMORTISATION				
At 1 January 2018	25,254	–	8,613	33,867
Charge for the year	7,251	–	3,310	10,561
Exchange realignment	–	–	(218)	(218)
At 31 December 2018	32,505	–	11,705	44,210
Charge for the year	7,251	–	3,175	10,426
Exchange realignment	–	–	(91)	(91)
At 31 December 2019	**39,756**	**–**	**14,789**	**54,545**
CARRYING VALUES				
At 31 December 2019	**32,756**	**167,087**	**136,509**	**336,352**
At 31 December 2018	40,007	167,087	142,270	349,364

Customer relationship and trade name were recognised as part of the acquisition accounting of Vio and were recognised at their fair value at the date of acquisition.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2019

21. INTANGIBLE ASSETS *(Continued)*

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.

Management service right and consulting services contracts intangible assets 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.

The management service right and consulting services contracts intangible assets 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.

22. INTERESTS IN ASSOCIATES

	2019 **HK$'000**	2018 HK$'000
Cost of investments in associates	**277,375**	277,375
Share of post-acquisition profit (loss) and other comprehensive income (expenses), net of dividend received	**42,153**	21,331
	319,528	298,706

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, an independent third party, (the "Vendor"), 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 Group.

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, 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 Group's share of intangible assets, net of deferred tax effect, of HK$27,900,000 arising on the acquisitions of the 50% equity interest in Auspicious Idea. In the opinion of the directors of the Company, the Vendor was an independent third party which was not related to the Group or its related parties as at the date of acquisition.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

22. INTERESTS IN ASSOCIATES *(Continued)*

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 years ended 31 December 2017, 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 consolidated net profits of Auspicious Idea for the years ended 31 December 2017, 2018 and 2019 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 consolidated net profits 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 consolidated net profits is less than HK$75,000,000, to purchase back all the Sales Shares from Natural Glory at the price of HK$108,000,000 less all dividends relating to the Sales Shares received/to be received and any damages received or to be received. 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.

The management of the Group has performed a review of the Audited Profits 1 for the year ended 31 December 2019. The Audited Profits for 2019 is HK$49,254,000, which is higher than the Targeted Profit Requirement 1 by HK$7,158,000. The aggregate of the consolidated net profits of Auspicious Idea for the years ended 31 December 2017, 2018 and 2019 are HK$110,972,000 which are higher than the Targeted Profit Requirement 1 of HK$108,000,000.

As at 31 December 2019, the profit guarantee and put option of the Targeted Profit Requirement 1 was expired and a fair value loss of HK$3,691,000 was recognised. As at 31 December 2018, the fair value of the Targeted Profit Requirement 1 is HK$3,691,000, which was presented as financial asset at FVTPL in the consolidated statement of financial position and fair value changes on financial assets at FVTPL of HK$34,149,000 was recognised.

The fair value of the Targeted Profit Requirement 1 as at 31 December 2018 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 management expert included the audited net profit of Auspicious Idea for 2017 and 2018, time to maturity, risk-free rate, volatility and target profit requirements for the year ended 31 December 2019.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

22. INTERESTS IN ASSOCIATES *(Continued)*

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 of Western Aurora 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 of Western Aurora 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 to the Consultant by an equal amount equal to the shortfall.

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 years ended 31 December 2019 and 2018. The audited consolidated revenue and the audited consolidated net profit after taxation are HK$114,464,000 and HK$14,923,000 (2018:HK$104,451,000 and HK$12,482,000) respectively which are above the target revenue and target profit. No shortfall of revenue and profit was recognised in profit or loss for the years ended 31 December 2019 and 2018.

As at 31 December 2019, the directors of the Company took into consideration of the discounted cash flow calculation of Western Aurora and the revenue and profit targets for the years ended 2019 and 2018 were 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 five years ending 31 December 2024 would meet the target requirements and accordingly, the target requirement at fair value through profit or loss amounted to HK$nil.

In the opinion of the directors of the Company, the vendor was an independent third party which was not related to the Group or its related parties as at the date of acquisition.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

22. INTERESTS IN ASSOCIATES *(Continued)*

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

Name of company	Form of business structure	Place of incorporation	Principal place of operation	Class of shares held	Attributable proportion of nominal value of issued/registered capital held by the Group		Proportion of voting power held by the Company		Principal activities
					2019	2018	**2019**	2018	
Auspicious Idea	Incorporated	British Virgin Islands	Hong Kong	Ordinary	**50% (Note)**	50% (Note)	**50%**	50%	Investment holding and its subsidiaries engaged in provision of beauty and cosmetic medical services in Hong Kong and the PRC
Luck Key Investment Limited ("Luck Key")	Incorporated	British Virgin Islands	Hong Kong	Ordinary	**33.51%**	33.51%	**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.

These associates are strategic for the Group's investment in industry of cosmetic and medical beauty services, medical diagnostic services and ophthalmic medical services.

Note: The Group is entitled to appoint up to and has appointed one out of two directors to the board of directors of Auspicious Idea as at 31 December 2019 and 2018. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2019

22. INTERESTS IN ASSOCIATES *(Continued)*

Summarised financial information of material associates

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

	2019 HK$'000	2018 HK$'000
Current assets	**201,800**	189,738
Non-current assets	**121,952**	33,178
Current liabilities	**(195,010)**	(142,324)
Non-current liabilities	**–**	–

	2019 HK$'000	2018 HK$'000
Revenue	**328,361**	289,443
Profit for the year	**51,326**	46,882
Other comprehensive expense for the year	**(16)**	(7,718)
Profit and total comprehensive income for the year	**51,310**	39,164

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

22. 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:

	2019	2018
	HK$'000	HK$'000
Net assets of Auspicious Idea	**128,742**	80,592
Non-controlling interest	**3,160**	–
Net assets of Auspicious Idea attributable to owners	**131,902**	80,592
Proportion of the Group's ownership interest in Auspicious Idea	**50%**	50%
Net assets of the Group's interest in Auspicious Idea	**65,951**	40,296
Effects of fair value adjustments on intangible assets	**19,374**	22,639
Goodwill	**71,409**	71,409
Carrying amount of the Group's interest in Auspicious Idea	**156,734**	134,344

(b) Luck Key

	2019	2018
	HK$'000	HK$'000
Current assets	**76,785**	64,978
Non-current assets	**127,464**	101,382
Current liabilities	**(48,985)**	(24,244)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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22. INTERESTS IN ASSOCIATES *(Continued)*

Summarised financial information of material associates *(Continued)*

(b) Luck Key (Continued)

	2019 HK$'000	2018 HK$'000
Revenue	**210,155**	219,072
Profit for the year	**12,780**	15,520

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

	2019 HK$'000	2018 HK$'000
Net assets of Luck Key	**155,264**	142,116
Non-controlling interests	**(155)**	213
Net assets of Luck Key attributable to owners	**155,109**	142,329
Proportion of the Group's ownership interest in Luck Key	**33.51%**	33.51%
Carrying amount of the Group's interest in Luck Key	**51,977**	47,694

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

22. INTERESTS IN ASSOCIATES *(Continued)*

Summarised financial information of material associates *(Continued)*

(c) Western Aurora

	2019 HK$'000	2018 HK$'000
Current assets	**43,443**	44,657
Non-current assets	**12,105**	12,662
Current liabilities	**(12,507)**	(8,805)
Non-current liabilities	**(1,250)**	(1,250)

	2019 HK$'000	2018 HK$'000
Revenue	**114,464**	104,451
Profit for the year	**14,527**	12,482
Dividend distributed by the associate to the Group during the year	**(9,600)**	–

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

	2019 HK$'000	2018 HK$'000
Net assets of Western Aurora	**41,791**	47,264
Proportion of the Group's ownership interest in Western Aurora	**48%**	48%
Net assets of the Group's interest in Western Aurora	**20,060**	22,687
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	**80,774**	83,401

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2019

22. INTERESTS IN ASSOCIATES *(Continued)*

Aggregate information of associates that are not individually material

	2019 HK$'000	2018 HK$'000
The Group's share of profit for the year	**3,768**	5,410
The Group's share of other comprehensive expenses for the year	**(52)**	(190)
The Group's share of profit and other comprehensive expense for the year	**3,716**	5,220
Aggregate carrying amount of the Group's interests in these associates	**30,043**	33,267
Aggregate dividend distributed by the associates to the Group during the year	**(6,940)**	(3,700)

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:

	2019 HK$'000	2018 HK$'000
Unrecognised share of losses of associates for the year	**(1,847)**	(1,846)
Accumulated unrecognised share of losses of associates	**(19,163)**	(17,316)

23. INTERESTS IN JOINT VENTURES

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

	2019 HK$'000	2018 HK$'000
Cost of unlisted investments in joint ventures	**63,922**	43,482
Share of post-acquisition loss and other comprehensive expenses, net of dividend received	**(41,588)**	(41,048)
Exchange adjustment	**(329)**	8
	22,005	2,442

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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23. INTERESTS IN JOINT VENTURES *(Continued)*

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		Proportion of voting power held by the Company		Principal activities
					2019	2018	**2019**	2018	
中山市尚峰宜康醫療管理有限公司("中山市尚峰")	Incorporated	PRC	PRC	Ordinary	**50%**	50%	**50%**	50%	Provision for hospital management and relative services in PRC
Sky View Investment Limited ("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

The joint ventures are accounted for using the equity method in consolidated financial statements:

(a) 中山市尚峰

	2019 HK$'000	2018 HK$'000
Current assets	**41,513**	2,284
Non-current assets	**2,256**	2,276
Current liabilities	**(65)**	(34)

	2019 HK$'000	2018 HK$'000
Revenue	**–**	–
Loss for the year	**(1,030)**	(28)
Comprehensive (expense) income for the year	**(672)**	15
Loss and total comprehensive expense for the year	**(1,702)**	(13)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2019

23. INTERESTS IN JOINT VENTURES *(Continued)*

(a) 中山市尚峰*(Continued)*

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

	2019 **HK$'000**	2018 HK$'000
Net assets of 中山市尚峰	**43,704**	4,526
Proportion of Group's ownership interest in 中山市尚峰	**50%**	50%
Carrying amount of Group's interest in 中山市尚峰	**21,852**	2,263

(b) Sky View

	2019 **HK$'000**	2018 HK$'000
Current assets	**300**	351
Non-current assets	**–**	–

	2019 **HK$'000**	2018 HK$'000
Revenue	**–**	–
Loss and total comprehensive expense for the year	**(51)**	(34,148)

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

	2019 **HK$'000**	2018 HK$'000
Net assets of Sky View	**300**	351
Proportion of Group's ownership interest in Sky View	**51%**	51%
Carrying amount of Group's interest in Sky View	**153**	179

The loss of Sky View for the year ended 31 December 2018 included an amount of HK$27,066,000 (2019: HK$nil) representing its share of impairment loss of its associate.

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For the year ended 31 December 2019

24. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2019 HK$'000	2018 HK$'000
Financial assets mandatorily at FVTPL:		
Listed equity securities in Hong Kong (note i)	**6,411**	7,805
Unlisted bond fund (note ii)	**–**	64,480
Financial asset as profit guarantee and put option (note iii)	**–**	3,691
	–	68,171
Total	**6,411**	75,976
Analysed for reporting purposes as:		
Current assets	**6,411**	7,805
Non-current assets	**–**	68,171
	6,411	75,976

Notes:

(i) Listed equity securities held for trading purposes 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 2019, fair value loss on listed securities amounted to HK$1,394,000 (2018: HK$8,921,000) was recognised in profit or loss.

(ii) Unlisted bond fund represented investment in Heemin Capital Global Enhanced Yield Bond Fund ("Heemin Capital") – Class A Shares. During the year ended 31 December 2019, the Group has redeemed the Heemin Capital at a consideration of HK$69,338,000. A cash payment of HK$62,390,000 was received and HK$6,948,000 were recorded in other receivables as at 31 December 2019. A fair value gain on the unlisted bond fund amounted to HK$4,858,000 (2018: HK$1,510,000) was recognised in profit or loss.

(iii) The financial asset is as the profit guarantee and put option granted by the Stand Forever Corporate Consulting Limited, the vendor of Auspicious Idea which was expired as at 31 December 2019 and a fair value loss of HK$3,691,000 (2018: HK$34,149,000) was recognised in profit or loss. Details refer to note 22.

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For the year ended 31 December 2019

25. EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2019	2018
	HK$'000	HK$'000
Unlisted investments:		
– Equity securities	**59,609**	85,190

Note:

The above unlisted equity investments represent the Group's entity interest in private entities established in the Hong Kong, Cayman Islands and British Virgin Islands. The directors of the Company have elected to designate these investments in equity instruments as at FVTOCI as they believe that these investments are held for long-term purposes and for realising their performance potential in the long run.

Included in the equity instruments at FVTOCI mainly represents by HCMPS Healthcare Holdings Limited ("HCMPS") of HK$53,010,000 (2018:HK$77,041,000). The Group held 17.67% of HCMPS and its subsidiaries which are principally engaged in the provision of contracted medical scheme for integrated medical and healthcare check-up services in Hong Kong. The fair value of this unlisted equity securities is determined using discounted cash flow method carried out by Ascent Partners Valuation Service Limited, an independent qualified professional valuer not connected with the Group. As at 31 December 2019, a fair value loss of HK$24,031,000 (2018: fair value loss of HK$11,662,000) of HCMPS was recognised in other comprehensive income.

As at 31 December 2019, fair value loss of HK$25,581,000 (2018: fair value gain of HK$6,208,000) of the above unlisted investment was accounted for in other comprehensive income.

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	2019 HK$'000	2018 HK$'000
Mr. Dai Hai Dong	(i)	–	–
Profit Castle Holdings Limited	(ii)	**325,456**	330,000
		325,456	330,000

Notes:

(i) As at 31 December 2019 and 2018, a promissory note with a principal amount of HK$203,705,000 is outstanding, which carries interest of 5% per annum and matured in November 2019. The promissory note was issued by the purchaser, Mr. Dai Hai Dong ("Mr. Dai"), as part of consideration of the acquisition of the Group's interests in Wise Lead Holdings Limited ("Wise Lead") in 2016. 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"), whose major assets were a rehabilitation-oriented hospital situated in Hangzhou and certain outpatient medical clinics situated in Hangzhou. As disclosed in the annual report of the Company for the year ended 31 December 2017, the Group had reassessed the recoverability of the promissory note receivable as at 31 December 2017 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 had ceased. The directors of the Company conducted further credit assessments on Mr. Dai and reassessed the recoverable amount of the promissory note and impairment loss of HK$203,705,000 was recognised in consolidated profit or loss during the year ended 31 December 2017 to fully written down the carrying amount of the promissory note.

During the year ended 31 December 2018, the Group has conducted another credit review on the financial condition of the counterparty. During the credit review, it was noted upon the inspection conducted by the staff members of the Company that status of the hospital and clinics remained unchanged. The directors of the Company considered the recoverability of the promissory note was still remote.

On 12 April 2019, the Group announced Mr. Dai failed to repay the interest accrued from 1 January 2019 and considered that the recoverability of the promissory note was remote. On 6 May 2019, the Group initiated legal proceedings in the Court of First Instance of the High Court of Hong Kong against Mr. Dai in respect of all outstanding sums owing by him under the promissory note by the issuance of a writ of summons endorsed with an indorsement of claim. Further details are set out in Company's announcements dated 4 November 2016, 12 April 2019 and 10 May 2019. On the date of maturity in November 2019, the legal proceedings were still in process. Accordingly, an allowance of ECL recognised in the prior year was not reversed.

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

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For the year ended 31 December 2019

26. PROMISSORY NOTES *(Continued)*

(ii) 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 ("Dr. Ip"), a former director of the Company and 50% by his spouse, as consideration of the acquisition of the Group's interests in Bonjour Beauty International Limited and its subsidiaries. The promissory note is covered by personal guarantee provided by Dr. Ip and secured by the entire issued share capital of Bonjour Beauty International Limited. If there is any default, the Group has the right to apply to the court for realising the collateral of the shares. 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.

As at 31 December 2019, an allowance for expected credit loss of HK$4,544,000 (2018: HK$ nil) was recognised. For details, please refer to note 46(b).

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

	2019 **HK$'000**	2018 HK$'000
Pharmaceutical supplies	**23,554**	23,858
Healthcare equipment	**80**	766
Dental materials and supplies	**955**	1,001
	24,589	25,625

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For the year ended 31 December 2019

28. TRADE AND OTHER RECEIVABLES

	2019 HK$'000	2018 HK$'000
Trade receivables	**119,890**	158,648
Deposits	**39,884**	40,469
Other receivables	**52,924**	48,813
Prepayments	**7,026**	14,236
	219,724	262,166

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.

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:

	2019 HK$'000	2018 HK$'000
0 – 60 days	**113,244**	145,287
61 – 120 days	**4,806**	10,619
121 – 180 days	**1,336**	1,964
181 – 240 days	**504**	778
	119,890	158,648

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 2019 and 2018, no trade receivables are past due at the end of the reporting period for which the Group has not provided an allowance for expected credit 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.

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

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For the year ended 31 December 2019

28. TRADE AND OTHER RECEIVABLES *(Continued)*

As at 31 December 2019, the Group's other receivables mainly included receivables of interest income from promissory note of HK$4,936,000, receivables from redemption of Heemin Bond Funds of HK$6,948,000 and receivables from customers arising from purchase of medical equipment of HK$21,298,000. (2018: receivable from disposal of Archermind Technology (Nanjing) Co., Ltd of HK$30,994,000).

During the year ended 31 December 2019, the Group entered into indent trading transactions of medical equipment and consumables.

29. AMOUNTS DUE FROM ASSOCIATES

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

At 31 December 2019 and 2018, amounts due from associates are net of accumulated allowance of HK$10,557,000 which were credit-impaired. The directors of the Company considered the carrying amounts of remaining amounts due from associates approximate their fair values as at 31 December 2019 and 2018.

30. AMOUNTS DUE 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 as at 31 December 2019 and 2018.

31. BANK BALANCES AND CASH

Bank balances and cash comprise cash held by the Group and bank balances that carry interest at market rates which ranged from 0.001% to 0.75% (2018: 0.01% to 1%) per annum and have original maturity of three months or less.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

32. TRADE AND OTHER PAYABLES

	2019 HK$'000	2018 HK$'000
Trade payables	**36,061**	36,997
Other payables	**44,127**	12,993
Deposits received	**5,821**	5,333
Accruals	**79,981**	83,651
	165,990	138,974

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

	2019 HK$'000	2018 HK$'000
0 – 60 days	**28,420**	34,635
61 – 120 days	**6,588**	1,648
Over 121 days	**1,053**	714
	36,061	36,997

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

Included in the Group's other payables as at 31 December 2019 were amounts due to suppliers for acting as indent trading for payment of medical equipment of HK$31,593,000 (2018: HK$ nil) to suppliers.

In addition, included in accruals mainly represented by the provision of consultancy services payable to affiliated doctors and specialists of HK$35,445,000 (2018: HK$35,690,000) and accrued staff costs of HK$18,833,000 (2018: HK$24,202,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2019

33. CONTRACT LIABILITIES

	2019 HK$'000	2018 HK$'000
Received in advance of medical services	**3,570**	11,885

All contract liabilities are expected to be recognised as income within one year.

Movements in contract liabilities are as follows:

	2019 HK$'000	2018 HK$'000
At 1 January	**11,885**	2,935
Revenue recognised during the year	**(7,928)**	(19,018)
Received in advance during the year	**4,975**	27,968
Disposal of subsidiaries during the year (Note 42)	**(5,362)**	–
At 31 December	**3,570**	11,885

34. AMOUNT DUE TO AN INVESTEE

At 31 December 2019 and 2018, the amount due to an investee was non-trade nature, unsecured, interest-free and repayable in demand.

35. BANK BORROWINGS

	2019 HK$'000	2018 HK$'000
Secured:		
Mortgage loan	**17,730**	18,756

The bank borrowings are repayable as follows:

	2019 HK$'000	2018 HK$'000
On demand and within one year	**1,062**	1,137
In more than one year but not more than two years	**1,108**	1,165
In more than two years but not more than three years	**1,155**	1,194
In more than three years but not more than four years	**1,203**	1,224
In more than four years but not more than five years	**1,251**	1,254
Over five years	**11,951**	12,782
	17,730	18,756
Less: Amounts due within one year shown under current liabilities	**(1,062)**	(1,137)
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)	**(16,668)**	(17,619)
	–	–

As at 31 December 2019, the bank borrowings of the Group carry variable interest rates at Hong Kong Interbank Offered Rate ("HIBOR") +2.25% per annum (2018: variable interest rate at HIBOR+2.25% per annum).

The Group's mortgage loan is secured by the Group's leasehold land and building with carrying value of HK$46,047,000 (2018: HK$49,169,000) 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2019

36. LEASE LIABILITIES

	2019 HK$'000
At 1 January 2019 upon initial application of HKFRS 16	**166,002**
Additions	52,770
Interest expense	5,368
Payments during the year	(84,250)
Reassessment	(1,092)
Disposal of subsidiaries	(7,897)
Written off	(809)
Exchange realignment	(293)
At 31 December 2019	**129,799**
Lease liabilities payable:	
Within one year	67,027
Within a period of more than one year but not more than two years	41,879
Within a period of more than two years but not more than five years	20,893
	129,799
Less: Amounts for settlement with 12 months shown under current liabilities	(67,027)
Amount due for settlement after 12 months shown under non-current liabilities	62,772

The Group has several lease contracts that include extension options. Management exercises significant judgement in determining whether these extension options are reasonably certain to be exercised (see note 4 to the financial statements). Upon adoption of HKFRS 16 and during the year ended 31 December 2019, management has considered to exercise all extension options available in the lease contracts which have commenced, and therefore, all future cash outflows to which the Group is potentially exposed have already been reflected in the measurement of lease liabilities.

The maturity analysis of lease liabilities is disclosed in note 46(b) to the financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2019

37. DEFERRED TAX LIABILITIES

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

	Accelerated tax depreciation	Fair value adjustments on business combinations	Total
	HK$'000	HK$'000	HK$'000
At 1 January 2018	1,170	47,909	49,079
Credit to profit or loss	(585)	(2,024)	(2,609)
Exchange realignment	–	(2,052)	(2,052)
At 31 December 2018	585	43,833	44,418
Credit to profit or loss	(585)	(1,991)	(2,576)
Exchange realignment	–	(647)	(647)
At 31 December 2019	**–**	**41,195**	**41,195**

Fair value adjustments on business combinations represent deferred tax effect of HK$11,990,000 on customer relationship acquired on the acquisition of 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 2019, the Group has unused tax losses of HK$580,150,000 (2018: HK$505,997,000) available for offset against future profits. No deferred tax asset has been recognised in respect of such losses due to the unpredictability of future profit streams. Such losses may be carried forward indefinitely.

Under the prevailing PRC income tax law and its relevant regulations, foreign corporate investors are levied PRC dividend withholding tax at 10%, unless reduced by tax treaties/arrangements, on dividend declared by PRC – resident enterprises for profits earned subsequent to 1 January 2008.

As at 31 December 2019, no deferred tax liabilities have been provided for in the consolidated financial statements in respect of the temporary differences attributable to the undistributed accumulated profits irrespective of HK$88,136,000 as at 31 December 2019 (2018: HK$71,539,000) 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 2019

38. SHARE CAPITAL

	Number of shares	Amount HK$'000
Ordinary shares of HK$0.01 each		
Authorised:		
At 1 January 2018, 31 December 2018 and 2019	30,000,000,000	300,000
Issued and fully paid:		
At 1 January 2018, 31 December 2018 and 2019	7,526,134,452	75,261

39. 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 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

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

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 2017.

No share options have been granted during year ended 31 December 2018.

The 2018 Scheme has expired on 15 September 2018. At present, the Company has no intention to adopt a new share option scheme.

40. 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, subject 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.

During the year ended 31 December 2019, the total cost charged to the consolidated statement of comprehensive income approximately of HK$8,969,000 (2018: HK$7,215,000) represents contributions payable to the above schemes by the Group during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2019

41. ACQUISITION OF ADDITIONAL INTERESTS IN SUBSIDIARIES

For the year ended 31 December 2019

(a) On 24 January 2019, Town Health Traumatology and Orthopaedics Institute Limited, a subsidiary of the Group entered into sale and purchase agreements with Dr. Leung Hin Shuen Clarence to purchase further 10% equity interests in Nice Rich Holdings Limited ("Nice Rich") at a consideration of HK$1 and purchase further 10% equity interests in Nice Rich from Dr. Assad Hussain at a consideration of HK$1 on 25 January 2019. Nice Rich became a 80% owned subsidiary to the Group. The carrying amount of net assets attributable to the 20% equity interests in Nice Rich on date of acquisition was HK$2,534,000. The Group recognised a decrease in non-controlling interest of HK$2,534,000 in total and increase in equity attributable to owners of the Company of HK$2,534,000 upon acquisition.

(b) On 11 January 2019, Simple Rich Holdings Limited, a wholly-owned subsidiary of the Group entered into sale and purchase agreements with Rolaner International Limited to purchase further 49% equity interests in Magic Step International Limited at consideration of HK$49. Upon acquisition, Magic Step became a wholly owned subsidiary to the Group. The carrying amount of net liabilities attributable to 49% equity interests in Magic Step at date of acquisition was HK$63,000. The Group recognised an increase in non-controlling interest of HK$63,000 and decrease in equity attributable to owners of the Company of approximately HK$63,000.

For the year ended 31 December 2018

(a) For the year ended 31 December 2018, the Group acquired further of 0.2004% equity interests in Nanyang Xiangrui at a consideration of RMB1,833,000 (HK$2,173,000) in 2018. The carrying amount of net assets attributable to the 0.2004% equity interests in Nanyang Xiangrui on date of acquisition was HK$957,000. The Group recognised a decrease in non-controlling interests of HK$957,000 and decrease in equity attributable to owners of the Company of HK$1,216,000. The increase in equity interest did not result in change of control over Nanyang Xiangrui.

(b) On 6 April 2018, the Group acquired additional 48% interests in Hong Kong Nephrology Integrated Medical Centre Limited ("Hong Kong Nephrology") and shareholder's loan of approximately HK$2,085,000. On that date, there was share of loss of HK$2,085,000 attributed to non-controlling interests which was settled upon the completion of transfer of the 48% interests to the Group. The increase in equity interest did not result in change of control over Hong Kong Nephrology.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

42. DISPOSAL OF SUBSIDIARIES

(a) Disposal of subsidiaries with loss of control

On 28 June 2019, the Group entered into a sale and purchase agreement with an associate, Auspicious Idea Corporate Development Limited, to dispose of its 75% interests in Premium Rich International Limited ("Premium Rich") and to assign the amounts owed by Premium Rich to the Group at a cash consideration of HK$2,000,000 in aggregate.

The aggregate amounts of the assets and liabilities attributable to Premium Rich and its subsidiaries being disposed of as at the date of disposal on 28 June 2019 were as follows:

	28 June 2019 HK$'000
Property, plant and equipment	10,154
Right-of-use assets	6,963
Inventories	1,460
Trade and other receivables	4,909
Amounts due from related parties	197
Bank balances and cash	899
Amounts due to shareholders	(20,223)
Trade and other payables	(2,589)
Contract liabilities	(5,362)
Lease liabilities	(7,897)
Net liabilities disposed of	**(11,489)**
Consideration received or receivable	2,000
Net liabilities disposed of	11,489
Non-controlling interests	(2,872)
Amounts due to shareholders assigned to purchaser by the Group	(20,223)
Loss on disposal	**(9,606)**
Net cash inflow arising on disposal:	
Cash consideration	2,000
Bank balances and cash disposed of	(899)
	1,101

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2019

42. DISPOSAL OF SUBSIDIARIES *(Continued)*

(b) Disposal of partial interests in subsidiaries without loss of control

On 1 January 2019, the Group disposed of 7.65% effective interests in Hong Kong T&O to two independent third parties at a consideration of HK$4,800,000. The carrying amount of the net assets attributable to 7.65% equity interest of Hong Kong T&O on the respective dates of disposal were HK$2,979,000 and an increase in equity attributable to owners of the Company of HK$1,821,000.

43. OPERATING LEASES

The Group as lessee

	2018 HK$'000
Minimum lease payments paid under operating leases in respect of properties during the year	**76,147**

During the year ended 31 December 2018, the total rental expenses incurred by the Group amounted to HK$91,764,000.

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

	2018 HK$'000
Within one year	**62,687**
In the second to fifth year inclusive	**43,035**
	105,722

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

43. OPERATING LEASES *(Continued)*

The Group as lessor

During the year ended 31 December 2019, the Group had property rental income of HK$20,031,000 (2018: HK$21,264,000).

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:

	2019	2018
	HK$'000	HK$'000
Within one year	**13,655**	14,607
In the second to fifth year inclusive	**4,538**	9,440
	18,193	24,047

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

44. PLEDGE OF ASSETS

As at 31 December 2019, property, plant and equipment of the Group with carrying value of HK$46,047,000 (2018: HK$49,169,000) was pledged to secure general banking facilities granted to the Group.

45. 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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46. FINANCIAL INSTRUMENTS
(a) Categories of financial instruments

	2019 HK$'000	2018 HK$'000
Financial assets		
Financial assets at FVTPL	**6,411**	75,976
Equity instruments at FVTOCI	**59,609**	85,190
Financial assets at amortised cost (including cash and cash equivalents)	**2,385,643**	2,266,826
Financial liabilities		
Amortised cost	**147,010**	122,069
Lease liabilities	**129,799**	–

(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 lease liabilities which carry interests 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. 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 HIBOR arising from the Group's Hong Kong dollars denominated borrowings.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

46. 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 (2018: 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.

Cash flow interest rate risk

If interest rates had been 50 basis points (2018: 50 basis points) higher/lower and all other variables were held constant, the Group's post-tax profit for the year ended 31 December 2019 would decrease/increase by HK$74,000 (2018: decrease/increase by HK$78,000). This is mainly attributable to the Group's exposure to interest rates on its variable-rate bank borrowings.

(ii) Other price risk management

Equity price sensitivity analysis

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

If the prices of the respective equity instruments had been 10% (2018: 10%) higher/lower:

- post-tax profit for the year ended 31 December 2019 would increase/decrease by HK$641,000 (2018: HK$781,000) as a result of the changes in fair value of financial assets at fair value through profit or loss.

- investment revaluation reserve for the year ended 31 December 2019 would increase/decrease by HK$5,961,000 (2018: HK$8,519,000) for the Group as a result of the changes in fair value of unlisted equity securities under equity instrument at fair value through other comprehensive income.

The percentage applied in the sensitivity analysis is 10% in both years ended 2019 and 2018 of which management considers that is reasonable in current financial market.

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For the year ended 31 December 2019

46. FINANCIAL INSTRUMENTS *(Continued)*

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

Market risk (Continued)

(ii) Other price risk management *(Continued)*

Credit risk and impairment assessment

As at 31 December 2019 and 2018, 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 2018, other than those financial assets whose 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 who arose from the amount of Targeted Profit Requirement 1 in relation to financial guarantees granted to the Group as disclosed in note 22.

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 expected credit loss 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 internal credit risk grading assessment comprises the following categories:

Internal credit rating	Description	Trade receivables	Other financial assets/other items
Low risk	The counterparty has a low risk of default and does not have any past-due amounts	Lifetime ECL – not credit-impaired	12-month ECL
Watch list	Debtor frequently repays after due dates but usually settle after due date.	Lifetime ECL – not credit-impaired	12-month ECL
Doubtful	There have been significant increases in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL – not credit-impaired	Lifetime ECL – not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL – credit-impaired	Lifetime ECL – credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off

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For the year ended 31 December 2019

46. FINANCIAL INSTRUMENTS *(Continued)*

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

Market risk (Continued)

(ii) Other price risk management *(Continued)*

Credit risk and impairment assessment *(Continued)*

The tables below detail the credit risk exposures of the Group's financial assets, which are subject to ECL assessment:

2019	Notes	External credit rating	Internal credit rating	12-month/ Lifetime ECL	Gross carrying amount HK$'000	Not credit-impaired HK$'000	Credit-impaired HK$'000	Net carrying amount HK$'000
Promissory notes	26(i)	N/A	Loss (Note 1)	Lifetime ECL	203,705	–	(203,705)	–
	26(ii)	N/A	Low risk (Note 2)	Lifetime ECL	330,000	(4,544)	–	325,456
Loans receivable	19	N/A	Low risk (Note 4)	12-month ECL	45,353	–	–	45,353
Amounts due from associates	29	N/A	Loss (Note 1)	Lifetime ECL	10,557	–	(10,557)	–
	29	N/A	Low risk (Note 1)	Lifetime ECL	1,164	–	–	1,164
Bank balances	31	AA+	N/A (Note 5)	N/A	1,838,253	–	–	1,838,253
Other receivables	28	N/A	Low Risk (Note 1)	12-month ECL	52,924	–	–	52,924
Trade receivables	28	N/A	Low risk (Note 3)	Lifetime ECL	119,890	–	–	119,890

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2019

46. FINANCIAL INSTRUMENTS *(Continued)*

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

Market risk (Continued)

(ii) Other price risk management *(Continued)*

Credit risk and impairment assessment *(Continued)*

2018	Notes	External credit rating	Internal credit rating	12-month/ Lifetime ECL	Gross carrying amount HK$'000	Not credit-impaired HK$'000	Credit-impaired HK$'000	Net carrying amount HK$'000
Promissory notes	26(i)	N/A	Loss (Note 1)	Lifetime ECL	203,705	–	(203,705)	–
	26(ii)	N/A	Low risk (Note 2)	Lifetime ECL	330,000	–	–	330,000
Loan receivables	19	N/A	Low risk (Note 4)	12-month ECL	5,965	–	–	5,965
	19	N/A	Loss (Note 1)	Lifetime ECL	3,559	–	(3,559)	–
Amounts due from associates	29	N/A	Loss (Note 1)	Lifetime ECL	10,557	–	(10,557)	–
	29	N/A	Low risk (Note 1)	Lifetime ECL	2,975	–	–	2,975
Bank balances	31	AA+	N/A (Note 5)	N/A	1,717,681		–	1,717,681
Other receivables	28	N/A	Low Risk (Note 1)	12-month ECL	48,813	–	–	48,813
Trade receivables	28	N/A	Low risk (Note 3)	Lifetime ECL	158,648		–	158,648

Notes:

1. For the purposes of internal credit risk management, the Group uses past due information to assess whether credit risk has increased significantly since initial recognition.

   For those financial assets which are past due, management assessed they are credit-impaired and internal credit ratings are set as loss which included promissory note of HK$203,705,000 (2018:HK$203,705,000), amounts due from associates of HK$10,557,000 (2018: HK$10,557,000) and loans receivable of HK$nil (2018: HK$3,559,000).

   For the remaining financial assets which are either not yet past due or no fixed-term of repayment, management assessed they are not credit-impaired and internal credit ratings are set as low risk.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

46. FINANCIAL INSTRUMENTS *(Continued)*

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

Market risk (Continued)

(ii) Other price risk management *(Continued)*

Credit risk and impairment assessment *(Continued)*

2. The promissory note is secured by the entire issued share capital of Bonjour Beauty International Limited and personal guaranteed by Dr. Ip. Management assessed they are not credit-impaired and internal credit rating is set as low risk as they are not yet past due, good settlement of the interest.

3. For trade receivables, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. Except for debtors with significant outstanding balances or credit-impaired, the Group determines the expected credit losses on these items by past due status.

4. The Group are of the opinion that significant increase in credit risk occurred when the principal and interest repayment of the loans are overdue and when some credit risk and events are observable on the borrowers. The loans receivable is considered to be defaulted when significant credit risks and events are observable. Loans receivable past due more than 90 days are not considered as in default as only some credit risk events are observed on the borrowers and the loans receivable are secured by sufficient collaterals. The Group assessed the loss allowances for loans receivable with gross amount of HK$45,353,000 on 12m ECL basis (2018: HK$5,965,000 on 12m ECL basis except for loans receivable of HK$3,559,000 have been defaulted and assessed as lifetime ECL (credit-impaired)). The expected loss of loans receivable is assessed individually, taking into account the repayment histories, collaterals provided to the Group and internal credit rating of the debtors as well as forward-looking information, as appropriate.

5. Management considers the Group has limited credit risk with its banks which are leading and reputable and are assessed as having low credit risk. Majority of bank balances are deposited with reputable banks in Hong Kong. The Group has not incurred significant loss from non-performance by these parties in the past and management does not expect so in the future.

As at 31 December 2019, the Group also has concentration of credit risk on aggregate promissory notes due from one company amounted to HK$325,456,000 (2018: HK$330,000,000), and aggregate loans receivable due from one company amounted to HK$40,271,000 (2018: aggregate loans receivable due from two companies amounted to HK$2,493,000). These promissory notes receivable and loans receivable mentioned above have good credit and/or repayment history or is in good financial position. An internal credit assessment process assessed the borrower's credit quality and defines credit limits for borrower, and considered the credit risk is low. There is no other significant concentration risk during the year.

The Group's concentration of credit risk related to trade receivables by geographical locations is mainly in Hong Kong as at 31 December 2019 and 2018.

The Group has concentration of credit risk by customer as 52% (2018: 42%) and 21% (2018: 16%) 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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

46. FINANCIAL INSTRUMENTS *(Continued)*

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

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.

Liquidity and interest risk tables

	Weighted average effective interest rate	On demand or less than 1 month	1 – 3 months	3 months to 1 year	1-5 years	Total undiscounted cash flows	Carrying amount at 31.12.2019
		HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
31 December 2019							
Non-derivative financial liabilities							
Trade and other payables	–	–	86,009	–	–	86,009	86,009
Amounts due to non-controlling interests	–	42,971	–	–	–	42,971	42,971
Amounts due to investees	–	300	–	–	–	300	300
Lease liabilities	3.45%	–	19,106	51,412	64,824	135,342	129,799
Variable rate bank borrowings	4.11%	17,730	–	–	–	17,730	17,730
		61,001	105,115	51,412	64,824	282,352	276,809

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

46. FINANCIAL INSTRUMENTS *(Continued)*

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

Liquidity and interest risk tables (Continued)

	Weighted average effective interest rate	On demand or less than 1 month HK$'000	1 – 3 months HK$'000	3 months to 1 year HK$'000	1-5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31.12.2018 HK$'000
31 December 2018							
Non-derivative financial liabilities							
Trade and other payables	–	–	55,323	–	–	55,323	55,323
Amounts due to non-controlling interests	–	47,685	–	–	–	47,685	47,685
Amounts due to investees	–	305	–	–	–	305	305
Variable rate bank borrowings	3.54%	18,756	–	–	–	18,756	18,756
		66,746	55,323	–	–	122,069	122,069

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 2019, the aggregate undiscounted principal amounts of these bank borrowings amounted to HK$17,730,000 (2018: HK$18,756,000). 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 13 years (2018: within 3 months to 14 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$22,864,000 (2018: HK$22,052,000). Details of which are set out in the table below:

Maturity Analysis – Bank borrowing with a repayment on demand clause based on scheduled repayments

	Less than 1 year HK$'000	1-2 years HK$'000	2-5 years HK$'000	Over 5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount HK$'000
31 December 2019	**1,770**	**1,770**	**5,310**	**14,014**	**22,864**	**17,730**
31 December 2018	1,584	1,584	4,752	14,132	22,052	18,756

The amounts included above for variable interest rate instruments are subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2019

46. FINANCIAL INSTRUMENTS *(Continued)*

(c) Fair value measurement 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).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2019

46. FINANCIAL INSTRUMENTS *(Continued)*

(c) Fair value measurement of financial instruments *(Continued)*

Fair value of the Group's financial assets that are measured at fair value on a recurring basis

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

Fair value hierarchy as at 31 December 2019

	Level 1 HK$'000	**Level 2 HK$'000**	**Level 3 HK$'000**	**Total HK$'000**
Financial assets at FVTPL				
– Listed equity securities in Hong Kong	6,411	–	–	6,411
Equity instruments at FVTOCI				
– Unlisted equity securities	–	–	59,609	59,609
	6,411	**–**	**59,609**	**66,020**

Fair value hierarchy as at 31 December 2018

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Financial assets at FVTPL				
– Listed equity securities in Hong Kong	7,805	–	–	7,805
– Unlisted bond fund	–	64,480	–	64,480
– Contingent consideration	–	–	3,691	3,691
Equity instruments at FVTOCI				
– Unlisted equity securities	–	–	85,190	85,190
	7,805	64,480	88,881	161,166

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2019

46. FINANCIAL INSTRUMENTS *(Continued)*

(c) Fair value measurement of financial instruments *(Continued)*

Financial assets	Fair value as at 31 December 2019 HK$'000	Fair value as at 31 December 2018 HK$'000	Fair value hierarchy	Valuation technique	Significant unobservable input(s)	Range (weighted average)	Relationship of unobservable inputs for fair value
1 Financial assets at FVTPL							
– Listed equity securities in Hong Kong	6,411	7,805	Level 1	Quoted bid prices in an active market	n/a	n/a	n/a
– Unlisted bond fund	–	64,480	Level 2	Quoted market prices provided by financial institution, represent the fair value based on the quoted prices on the underlying investments	n/a	n/a	n/a
– Contingent consideration & put option	–	3,691	Level 3	Monte-Carlo Simulation analysis	Discount rate for vendor cash payment	n/a (2018: 25%)	n/a
					Expected volatility	n/a (2018: 50.03%)	The increase in expected volatility rate would decrease in fair value
					Expected shortfall	n/a (2018: HK$6,300,000)	The increase in expected shortfall would increase in fair value
2 Equity instruments at FVTOCI	59,609	85,190	Level 3	Discounted cash flow method	Yearly growth rates of revenue	Ranging from 5% to 10.9% (2018: 7% to 13.3%)	The increase in yearly growth rates of revenue would increase in fair value
					Terminal growth rate	2.54% (2018: 2.90%)	The increase in terminal growth rate would increase in fair value
					Pre-tax operating profit margin	12.98% (2018: 14%)	The increase in yearly pre-tax operating profit margin would increase in fair value
					Weighted average cost of capital	12.58% (2018: 14.86%)	The increase in weighted average cost of capital would decrease in fair value
					Company specific risk premium	2.50%	The increase in company specific risk premium would decrease in fair value
					Discount rate for lack of control and marketability	Ranging from 10.15% to 15.80%	The increase in discount rate would decrease in fair value

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

46. FINANCIAL INSTRUMENTS *(Continued)*

(c) Fair value measurement of financial instruments *(Continued)*

There were no transfers of financial assets between different levels of the fair value hierarchy in the current year and prior year.

The quantitative information of significant unobservable inputs used in arriving at the Level 3 fair value measurement are set out above.

The directors of the Company consider that except for financial assets as disclosed in the above table, the carrying amounts of remaining financial assets and financial liabilities recognised in the consolidated financial statements approximate their fair values.

Reconciliation of Level 3 fair value measurements of financial assets

	Financial assets at FVTPL HK$'000	Equity instruments at FVTOCI HK$'000
At 1 January 2018	37,840	99,084
Fair value changes	(34,149)	17,908
Disposal	–	(31,802)
At 1 January 2019	3,691	85,190
Fair value changes	(3,691)	(25,581)
At 31 December 2019	**–**	**59,609**

The fair value loss on financial assets at FVTPL for the year under review of HK$3,691,000 (2018: HK$34,149,000) related to the contingent consideration that are measured at fair value at the end of each reporting period and are included in "other gains and losses".

The fair value loss of HK$25,581,000 (2018: fair value gain of HK$17,908,000) included other comprehensive income related to equity instruments at FVTOCI held at the end of the reporting period and are reported as changes of "investment revaluation reserve".

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

47. 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.

	Lease liabilities (note 36) HK$'000	Borrowings (note 35) HK$'000	Total liabilities from financing activities HK$'000
At 31 December 2018	–	18,756	18,756
Impact of adopting HKFRS 16	166,002	–	166,002
At 1 January 2019 (restated)	166,002	18,756	184,758
Changes from financing cash flows			
Repayment of liabilities	(84,250)	(1,026)	(79,908)
Interest paid	–	(749)	(6,117)
Total changes from financing cash flow	81,752	16,981	98,733
Other changes			
Additions to liabilities	52,770	–	52,770
Interest expenses	5,368	749	6,117
Reassessment of liabilities	(1,092)	–	(1,092)
Exchange difference	(293)	–	(293)
Disposal of subsidiaries	(7,897)	–	(7,897)
Written off	(809)	–	(809)
At 31 December 2019	129,799	17,730	147,529
At 1 January 2018	–	19,777	19,777
Changes from financing cash flows			
Repayment of bank loans	–	(1,021)	(1,021)
Interest expenses	–	(688)	(688)
Total changes from financing cash flow	–	18,068	18,068
Other changes			
Interest expenses	–	688	688
At 31 December 2018	–	18,756	18,756

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

48. RELATED PARTY TRANSACTIONS AND BALANCES

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

Name of related party	Nature of transactions	2019 HK$'000	2018 HK$'000
Advance Bond Limited*	Rental income	**936**	933
Auspicious Idea Corporate Development Limited*	Management service fee income	**–**	278
China Life Insurance (Overseas) Company Limited**	Medical services income	**125**	237
China Life Real Estate Investment Holding Co., Ltd.**	Rental expense	**–**	(585)
China Life Insurance Company Limited, Shandong Branch***	Repayment of lease liabilities	**(2,263)**	–
Hong Kong Bariatric and Metabolic Institute Limited*	Management services fee income	**305**	315
	Management services fee expense	**(354)**	–
Hong Kong Health Check and Medical Diagnostic Centre Limited*	Rental income	**3,921**	4,023
My Beauty Company Limited*	Rental income	**1,601**	773

Notes:

* The related parties are the associates of the Company during the years ended 31 December 2019 and 2018.

** The related parties are the subsidiaries of the China Life Insurance (Group) Company ("China Life Insurance"), one of the beneficial owners of the Company.

*** China Life Insurance Company Limited, Shandong Branch is a branch office of China Life Insurance Company Limited and China Life Insurance is controlling shareholder of China Life Insurance Company Limited.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2019

48. 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 2019, the Group entered into a sale and purchase agreement with a related party on disposal of Premium Rich. Details are set out in note 42(a).

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 29, 30 and 34.

Compensation of key management personnel

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

	2019 **HK$'000**	2018 HK$'000
Short-term benefits	**12,839**	12,789
Post-employment benefits	**74**	85
	12,913	12,874

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.

49. EVENT AFTER THE REPORTING PERIOD

After the outbreak of Coronavirus Disease 2019 ("COVID-19 outbreak") in early 2020, a series of precautionary and control measures have been and continued to be implemented across the country/region. The Group will pay close attention to the development of the COVID-19 outbreak and evaluate its impact on the financial position and operating results of the Group. As at the date on which this set of financial statements was authorised for issue, the Group was not aware of any material adverse effects on the financial statements as a result of the COVID-19 outbreak.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

50. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2019 HK$'000	2018 HK$'000
NON-CURRENT ASSETS		
Unlisted investment in a subsidiary	**28,530**	28,529
Amounts due from subsidiaries	**3,738,948**	3,850,744
	3,767,478	3,879,273
CURRENT ASSETS		
Amount due from an associate	**500**	500
Other receivables	**802**	799
Bank balances and cash	**308,392**	181,903
	309,694	183,202
CURRENT LIABILITY		
Other payables	**480**	493
NET CURRENT ASSETS	**309,214**	182,709
	4,076,692	4,061,982
CAPITAL AND RESERVES		
Share capital – ordinary shares	**75,261**	75,261
Reserves (Note)	**4,001,431**	3,986,721
Total equity	**4,076,692**	4,061,982

The Company's statement of financial position was approved and authorised for issue by the board of directors of the Company on 26 March 2020 and are signed on its behalf by:

Ms. Fang Haiyan	**Mr. Chen Jinhao**
DIRECTOR	*DIRECTOR*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2019

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

Note:

Reserves

	Share premium HK$'000	Capital redemption reserve HK$'000	Contributed surplus HK$'000	Distributable reserve HK$'000	Accumulated profits HK$'000	Total HK$'000
At 1 January 2018	3,341,639	9,020	28,180	62,677	459,740	3,901,256
Profit and total comprehensive income for the year	–	–	–	–	85,465	85,465
At 31 December 2018	3,341,639	9,020	28,180	62,677	545,205	3,986,721
Profit and total comprehensive income for the year	–	–	–	–	14,710	14,710
At 31 December 2019	3,341,639	9,020	28,180	62,677	559,915	4,001,431

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2019

51. PRINCIPAL SUBSIDIARIES

Particulars of the Company's principal subsidiaries at 31 December 2019 and 2018 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 2019		31 December 2018		**31 December 2019**		31 December 2018		
					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	**–**	**80%**	–	60%	**–**	**67%**	–	67%	Provision of medical healthcare services
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
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$1,000	**–**	**43.4%**	–	51%	**–**	**67%**	–	67%	Provision of medical healthcare services
Lucky Rising Limited	Hong Kong/limited liability company	Hong Kong	Ordinary	HK$1	**–**	**100%**	–	100%	**–**	**100%**	–	100%	Property investments services
i smile Limited	Hong Kong/limited liability company	Hong Kong	Ordinary	HK$1	**–**	**100%**	–	100%	**–**	**100%**	–	100%	Provision of dental consultancy 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
Modern Ascent Limited	Hong Kong/limited liability company	Hong Kong	Ordinary	HK$1	**–**	**35%**	–	35%	**–**	**67%**	–	67%	Provision of medical healthcare services
Nanyang Xiangrui	PRC/sino foreign equity joint venture	PRC	–	RMB84,835,000	**–**	**60.2%**	–	60.2%	**–**	**60%**	–	60%	Provision of hospital management 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
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
World Joy Limited	Hong Kong/limited liability company	Hong Kong	Ordinary	HK$1	**–**	**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 2019

51. 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 2019	2018 (Restated)
Hong Kong medical services	Hong Kong	**56**	71
Hong Kong managed care business	Hong Kong	**9**	6
Mainland hospital management and medical services	PRC	**32**	13
Others	Hong Kong	**92**	104

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

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

Name of subsidiary	Place of incorporation and principal place of business	Proportion of voting rights held by non-controlling interests 31.12.2019	31.12.2018	Proportion of ownership interests held by non-controlling interests 31.12.2019	31.12.2018	Profit allocated to non-controlling interests 31.12.2019 HK$'000	31.12.2018 HK$'000	Accumulated non-controlling interests 31.12.2019 HK$'000	31.12.2018 HK$'000
Nanyang Xiangrui	PRC	**40%**	40%	**39.8%**	39.8%	**11,986**	13,813	**215,570**	196,216
Individually immaterial subsidiaries with non-controlling interests						**6,947**	7,682	**71,894**	76,611
						18,933	21,495	**287,464**	272,827

Note: On 5 February 2018, Hong Kong Town Health Hospital Management Limited, an indirectly owned subsidiary of the Company acquired additional 0.2004% equity interest in Nanyang Xiangrui. The Group effectively hold 60.2004% of Nanyang Xiangrui and the acquisition of additional interest has been accounted for as equity transaction.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2019

51. PRINCIPAL SUBSIDIARIES *(Continued)*

Nanyang Xiangrui	2019 HK$'000	2018 HK$'000
Current assets	386,945	335,685
Non-current assets	88,766	68,678
Current liabilities	54,891	24,356
Non-current liabilities	–	–
Equity attributable to owners of the Company	253,335	228,766
Non-controlling interests	167,485	151,241
Income	113,719	90,439
Expenses	(76,711)	(53,250)
Profit for the year	37,008	37,189
Profit attributable to owners of the Company	22,279	22,388
Profit attributable to the non-controlling interests	14,729	14,801
Profit for the year	37,008	37,189
Other comprehensive income (expenses) attributable to owners of the Company	4,309	(12,201)
Other comprehensive income (expenses) attributable to the non-controlling interests	2,849	(8,066)
Other comprehensive income (expenses) for the year	7,158	(20,267)
Total comprehensive income attributable to owners of the Company	26,588	10,187
Total comprehensive income attributable to the non-controlling interests	17,578	6,735
Total comprehensive income for the year	44,166	16,922
Net cash inflow from operating activities	47,628	21,822
Net cash outflow used in investing activities	(19,734)	(871)
Effect of foreign exchange rate changes	(5,641)	(17,489)
Net cash inflow	22,253	3,462

MAJOR PROPERTIES INFORMATION

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

	Location	Existing use	Tenure	Group's interest (%) 2019	2018
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 G01, Kings Wing Plaza 1, 3 On Kwan Street, Sha Tin, New Territories	Shops	Medium term lease	**100%**	100%
4.	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%**	100%
5.	Ground Floor, Ultragrace Commercial Building, No. 5 Jordan Road, Kowloon	Shops	Medium term lease	**100%**	100%

FINANCIAL SUMMARY

RESULTS

	2019	2018	2017	2016	2015
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue from continuing operations	**1,128,932**	1,121,736	1,108,724	1,011,549	828,909
Profit (loss) for the year from continuing operations	**10,519**	85,509	(97,360)	93,342	283,628
Profit (loss) for the year from discontinued operation	**–**	–	21,681	(15,203)	(22,762)
Profit (loss) for the year	**10,519**	85,509	(75,679)	78,139	260,866
Attributable to:					
Owners of the Company					
– from continuing operations	**(8,414)**	64,014	(129,426)	78,700	277,565
– from discontinued operation	**–**	–	21,681	(15,203)	(22,762)
Non-controlling interests	**18,933**	21,495	32,066	14,642	6,063
	10,519	85,509	(75,679)	78,139	260,866

ASSETS AND LIABILITIES

	2019	2018	2017	2016	2015
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Total assets	**4,738,571**	4,633,068	4,675,437	5,209,587	5,243,498
Total liabilities	**(435,560)**	(288,970)	(360,957)	(598,933)	(650,616)
	4,303,011	4,344,098	4,314,480	4,610,654	4,592,882
Assets attributable to:					
Owners of the Company	**4,015,547**	4,071,271	4,037,403	4,378,726	4,530,792
Non-controlling interests	**287,464**	272,827	277,077	231,928	62,090
	4,303,011	4,344,098	4,314,480	4,610,654	4,592,882

GLOSSARY

2008 Scheme	share option scheme of the Company adopted on 16 September 2008
AGM	annual general meeting of the Company
Audit Committee	audit committee of the Board
Board	the board of Directors
Broad Idea	Broad Idea International Limited
Building	China Life Building, No. 11001, Jingshi Road, Lixia District, Jinan City, Shandong Province, PRC
Bye-laws	bye-laws of the Company
CEO or Chief Executive Officer	the chief executive officer of the Company
CG Code	Corporate Governance Code as contained in Appendix 14 to the Listing Rules
China Life Group	China Life Insurance and its subsidiaries
China Life Insurance	中國人壽保險（集團）公司 (in English for identification purpose only, China Life Insurance (Group) Company)
China Life Insurance Company	China Life Insurance Company Limited, a life insurance company established in the PRC whose shares are listed on the Stock Exchange (stock code: 2628), New York Stock Exchange (stock code: LFC) and Shanghai Stock Exchange (stock code: 601628) respectively
China Life Shandong	中國人壽保險股份有限公司山東省分公司 (in English for identification purpose only, China Life Insurance Company Limited, Shandong Branch)
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

GLOSSARY

CLG Subscription	the subscription for 1,785,098,644 Shares by China Life Insurance pursuant to an investment agreement dated 5 January 2015 entered into between the Company and China Life Insurance
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
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
Dr. Choi	Dr. Choi Chee Ming *GBS, JP*
ESG	Environmental, Social and Governance
Fubon Financial	Fubon Financial Holding Co., Ltd.
Fubon Insurance	Fubon Insurance Co., Ltd.
Fubon Life	Fubon Life Insurance Co., Ltd.
Ganghe Clinic	港和診所 (in English for identification purpose only, Ganghe Clinic)
GEM	GEM of the Stock Exchange

GLOSSARY

Group	the Company and its subsidiaries
Guangdong Dixon	廣東迪興實業投資有限公司(in English for identification purpose only, Guangdong Dixon Industrial Investments Co., Ltd.)
HCMPS	HCMPS Healthcare Holdings Limited
Heemin Capital	Heemin Capital Enhanced Yield Bond Fund
Henan Ruishi Ophthalmology Hospital	河南瑞視醫療管理有限公司 (in English for identification purpose only, Henan Ruishi Medical Management Co., Ltd.), a subsidiary of the Company
HIBOR	Hong Kong Interbank Offered Rate
HK$ or HKD	Hong Kong Dollars, the lawful currency of Hong Kong
Hong Kong	the Hong Kong Special Administrative Region of the PRC
Huayao	Huayao Medical Group Limited
Jinan Likang	濟南歷康門診部有限公司 (in English for identification purpose only, Jinan Likang Outpatient Department Limited), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
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.), a subsidiary of the Company
New Ray	New Ray Medicine International Holding Limited
Nomination Committee	nomination committee of the Board
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
Power Financial	Power Financial Group Limited (formerly known as Jun Yang Financial Holdings Limited)

GLOSSARY

Premises	Units 01-06, 5/F, South Block of the Building
Remuneration Committee	remuneration committee of the Board
RMB	Renminbi, the lawful currency of the PRC
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)
Shanghai United Imaging	上海聯影智慧醫療投資管理有限公司 (in English for identification purpose only, Shanghai United Imaging Smart Medical Investments and Management Co. Ltd.)
Share(s)	ordinary share(s) of HK$0.01 each in the share capital of the Company
Shareholders	the shareholders of the Company
Sixth Hospital	中山大學附屬第六醫院 (in English for identification purpose only, The Sixth Affiliated Hospital of Sun Yat-Sen University)
sq.m.	square metre
Stock Exchange	The Stock Exchange of Hong Kong Limited
TBM	The Beauty Medical
Tenancy Agreement	the tenancy agreement dated 10 June 2019 and entered into between Jinan Likang and China Life Shandong in respect of the leasing of the Premises
US$	United States Dollars, the lawful currency of the United States of America
Vio	Dr. Vio & Partners Limited, a subsidiary of the Company
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 Centre Company Limited), a subsidiary of the Company
Year	year ended 31 December 2019
Yikang	廣州宜康醫療管理有限公司 (in English for identification purpose only, Guangzhou Yikang Medical Management Limited), a subsidiary of the Company