Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

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

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

(Stock Code: 3886)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2014

FINANCIAL HIGHLIGHTS

For the year ended 31 December 2014:

– The Group recorded revenue of approximately HK$494,579,000 (2013: HK$354,553,000).

– The Group recorded a profit for the year of approximately HK$80,889,000 (2013: profit of HK$79,318,000).

As at 31 December 2014:

– The Group held bank balances and cash of approximately HK$1,078,558,000 (2013: HK$201,249,000).

– The Group had a current ratio (defined as total current assets divided by total current liabilities) of 4.54 (2013: 2.25) and a gearing ratio (defined as total bank borrowings divided by equity attributable to owners of the Company) of 2.97% (2013: 30.08%).

The Board recommended a final dividend of HK0.33 cents per ordinary share for the year ended 31 December 2014 (2013: HK5.5 cents per ordinary share).

FINAL RESULTS

The Board of Directors (the "**Board**") of Town Health International Medical Group Limited (the "**Company**") is pleased to announce the audited consolidated results of the Company and its subsidiaries (the "**Group**") for the year ended 31 December 2014, together with the comparative figures for the previous year, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	NOTES	**2014** *HK$'000*	2013 *HK$'000*
Revenue	*3&4*	**494,579**	354,553
Cost of sales		**(334,005)**	(234,321)
Gross profit		**160,574**	120,232
Other income	*5*	**37,768**	54,406
Administrative expenses		**(235,987)**	(200,449)
Other gains and losses	*6*	**12,834**	(120,199)
Finance costs	*7*	**(7,586)**	(9,327)
Gain on disposal of subsidiaries		**230**	1,659
Gain on disposal of associates		**–**	27,840
Gain (loss) on dilution of interest(s) in associates/an associate		**2,363**	(5,788)
Share of results of associates		**44,259**	159,929
Fair value changes on investment properties		**4,605**	54,734
Profit before tax		**19,060**	83,037
Income tax credit (expenses)	*8*	**61,829**	(3,719)
Profit for the year	*9*	**80,889**	79,318
Other comprehensive income (expense) for the year			
Item that will not be reclassified to profit or loss:			
Gain on fair value change of properties reclassified as investment properties		**–**	40,739
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on the translation of foreign operations		**(823)**	1,059
Share of exchange differences of associates		**(882)**	(407)
Reclassification of translation reserve to profit or loss upon dilution of interests in associates and deemed disposal of an associate		**(741)**	(12,182)
Fair value loss on available-for-sale investments		**–**	(462)
		(2,446)	(11,992)
Total comprehensive income for the year		**78,443**	108,065

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONTINUED)

	NOTE	**2014** ***HK$'000***	2013 *HK$'000*
Profit (loss) for the year attributable to:			
Owners of the Company		**84,612**	49,633
Non-controlling interests		**(3,723)**	29,685
		80,889	79,318
Total comprehensive income (expense) attributable to:			
Owners of the Company		**82,318**	68,045
Non-controlling interests		**(3,875)**	40,020
		78,443	108,065
			(Restated)
Earnings per share (HK cents)	*11*		
– Basic		**1.84**	1.08
– Diluted		**1.83**	1.08

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	NOTE	**2014** **HK$'000**	2013 HK$'000
NON-CURRENT ASSETS			
Investment properties		**285,085**	448,405
Property, plant and equipment		**193,533**	171,916
Loans receivable		**11,924**	39,428
Goodwill		**200,202**	15,121
Intangible assets		**236,099**	–
Interests in associates		**251,580**	116,658
Available-for-sale investments		**43,596**	58,417
Deposits made on acquisition of property, plant and equipment		**6,555**	–
		1,228,574	849,945
CURRENT ASSETS			
Inventories		**16,298**	11,552
Trade and other receivables	*12*	**147,608**	45,400
Held for trading investments		**278,027**	660,920
Loans receivable		**39,853**	96,240
Amounts due from associates		**8,904**	10,228
Amounts due from investees		**1,348**	1,000
Amount due from a non-controlling interest		**–**	100
Tax recoverable		**873**	1,089
Pledged bank deposits		**–**	17,794
Bank balances and cash		**1,078,558**	201,249
		1,571,469	1,045,572
Assets classified as held for sale		**24,368**	117,000
		1,595,837	1,162,572

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

	NOTES	2014 HK$'000	2013 HK$'000
CURRENT LIABILITIES			
Trade and other payables	*13*	**125,224**	57,775
Amount(s) due to associates/an associate		**73**	12
Amount due to an investee		**–**	557
Amounts due to non-controlling interests		**22,361**	11,834
Amount due to a related party		**6**	14
Bank borrowings	*14*	**62,913**	363,772
Loan notes		**116,533**	–
Tax payable		**17,082**	82,013
		344,192	515,977
Liabilities directly associated with assets classified as held for sale		**7,559**	–
		351,751	515,977
NET CURRENT ASSETS		**1,244,086**	646,595
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,472,660**	1,496,540
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**12,542**	3,063
		2,460,118	1,493,477
CAPITAL AND RESERVES			
Share capital – ordinary shares	*15*	**51,104**	9,169
Share capital – convertible preference shares	*16*	**3,750**	–
Reserves		**2,060,612**	1,199,997
Equity attributable to owners of the Company		**2,115,466**	1,209,166
Non-controlling interests		**344,652**	284,311
Total equity		**2,460,118**	1,493,477

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Amendments to HKAS 32 Offsetting financial assets and financial liabilities

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

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

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

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

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

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

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

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

HK(IFRIC) – INT 21 Levies

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

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

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

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

1 Effective for annual periods beginning on or after 1 January 2018.

2 Effective for annual periods beginning on or after 1 January 2017.

3 Effective for annual periods beginning on or after 1 July 2014.

4 Effective for annual periods beginning on or after 1 January 2016.

5 Effective for annual periods beginning on or after 1 July 2014, with limited exceptions.

HKFRS 9 Financial instruments

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

Key requirements of HKFRS 9 are described below:

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

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

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

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

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

HKFRS 15 Revenue from contracts with customers

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

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

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

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

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

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

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

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

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

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

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

Amendments to HKAS 28:

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

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

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

Amendments to HKFRS 10:

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

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

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

Annual improvements to HKFRSs 2010 – 2012 cycle

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

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

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

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

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

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

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

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

Annual improvements to HKFRSs 2011 – 2013 cycle

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

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

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

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

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

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

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

Annual improvements to HKFRSs 2012 – 2014 cycle

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

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

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

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

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

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

3. REVENUE

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

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

Note: It mainly represents the revenue from healthcare services.

4. SEGMENT INFORMATION

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

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

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

Segment revenues and results

For the year ended 31 December 2014

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

For the year ended 31 December 2013

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

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

Other segment information

For the year ended 31 December 2014

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

For the year ended 31 December 2013

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

Geographical information

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

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

5. OTHER INCOME

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

6. OTHER GAINS AND LOSSES

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

7. FINANCE COSTS

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

8. INCOME TAX (CREDIT) EXPENSES

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

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

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

9. PROFIT FOR THE YEAR

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

10. DIVIDENDS

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

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

11. EARNINGS PER SHARE

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

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

Number of shares

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

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

12. TRADE AND OTHER RECEIVABLES

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

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

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

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

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

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

Movement in the allowance for doubtful debts:

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

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

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

13. TRADE AND OTHER PAYABLES

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

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

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

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

14. BANK BORROWINGS

	2014	2013
	HK$'000	*HK$'000*
Secured:		
Revolving loans	**40,000**	363,772
Mortgage loan	**22,913**	–
	62,913	363,772

The bank borrowings are repayable as follows:

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

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

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

15. SHARE CAPITAL – ORDINARY SHARES

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Results

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

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

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

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

Securities and properties investment

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

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

OPERATION REVIEW

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

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

Healthcare and dental services

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

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

Steadily growing healthcare market in Hong Kong

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

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

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

With the expectation of a rapidly increasing clientele pool after a series of acquisitions, the Group realizes that there is a growing need for the Group to develop a one-stop comprehensive platform to facilitate customers' access to different business units offered by the Group's subsidiaries or affiliated companies. The establishment of such a platform not only enhances customers' shopping experience and brings greater convenience to customers, but also allows the Group to cross-sell different products so as to create value and increase revenue. Also, it can improve operational efficiency among different subsidiaries of the Company. Therefore, the Group has formed a joint venture ("JV") with Thisco Ventures Limited to develop an Online to Offline (O2O) healthcare IT platform to integrate various business units within the Group and its affiliated companies. One Pass, the newly launched healthcare O2O platform, includes an advanced e-appointment and automated sales system, network of service locations, membership management and an online social media platform. It seamlessly incorporates the

Group's business units and affiliated companies into a mega service network, which consists of primary care medical services, specialty care medical services, dental care, cosmetic beauty and dermatology services, medical diagnostic and laboratory services, and financial services. Also, the Group plans to develop wearable health devices, which could monitor a user's heartbeat, and sleep, walk or exercise patterns. These wearable devices could be incorporated into the online platform for users to closely monitor their health and access the services or products offered by the Group when needed. The Group will also develop an O2O call center as to monitor and manage patients' health conditions. Patients can transmit through One Pass platform their personal information like blood pressure and blood glucose level and the call center will alert the patient once an abnormality is identified. The Group expects that virtualizing business operations from online to offline can enhance customer loyalty as well as shaping a new form of consumption.

Forging important strategic partnership with powerful insurance giants

During the year, the Group has introduced two subsidiaries of Fubon Financial Holding Co. Ltd ("Fubon Financial"), Fubon Life Insurance Co. ("Fubon Life") and Fubon Insurance Co., Ltd. ("Fubon Insurance") as strategic shareholders of the Group. In the beginning of 2015, the Group also invited China Life Insurance (Group) Company ("China Life Group") as the Group's largest shareholder.

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

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

Solid investment in the PRC healthcare market

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

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

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

Steadily growing pharmaceutical business in the PRC

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

Securities and properties investment

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

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

PROSPECTS

In Hong Kong

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

PRC-HK Medical Tourism

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

1. High-end dental services in Hong Kong

2. Specialty medical services in Hong Kong

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

4. Plastic surgery and cosmetic dermatology services in Hong Kong

5. High-end medical diagnostic services in Guangdong

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

In the PRC

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

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

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

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

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

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

LIQUIDITY AND FINANCIAL RESOURCES

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

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

CAPITAL STRUCTURE

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

HUMAN RESOURCES

As at 31 December 2014, the Group employed 1,027 staff (2013: 528 staff). Total employee costs for the year ended 31 December 2014 including directors' emoluments, amounted to approximately HK$287,999,000 (2013: HK$229,853,000).

The salary and benefit levels of employees of the Group are competitive and individual performance is rewarded through the Group's salary, bonus system and share option schemes. Remuneration packages are reviewed annually.

CONTINGENT LIABILITIES

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

PLEDGE OF ASSETS

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

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

CAPITAL COMMITMENTS

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

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

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

DIVIDEND

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

CLOSURE OF REGISTER OF MEMBERS

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

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

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

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

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Board has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") set out in Appendix 10 to the Listing Rules as the Company's code of conduct regarding Directors' securities transactions. All the Directors have confirmed that throughout the year ended 31 December 2014, they have complied with the provisions of the Model Code.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The consolidated financial statements of the Company and its subsidiaries for the year ended 31 December 2014 have been reviewed by the audit committee of the Board.

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2014 as set out in this announcement have been agreed by the Group's auditors, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on this announcement.

ACKNOWLEDGEMENT

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

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

Hong Kong, 27 March 2015

As at the date of this announcement, the executive directors of the Company are Miss Choi Ka Yee, Crystal (Chairperson), Dr. Cho Kwai Chee (Executive Vice Chairman), Dr. Hui Ka Wah, Ronnie, JP (Chief Executive Officer), Dr. Ip Chun Heng, Wilson, Mr. Lee Chik Yuet, Dr. Chan Wing Lok, Brian and Mr. Wong Seung Ming (Chief Financial Officer); the non-executive director of the Company is Dr. Choi Chee Ming, GBS, JP (Vice-Chairman); and the independent non-executive directors of the Company are Mr. Chan Kam Chiu, Mr. Ho Kwok Wah, George, Mr. Wai Kwok Hung, SBS, JP and Mr. Wong Tat Tung, MH.