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 2016

FINANCIAL HIGHLIGHTS

For the year ended 31 December 2016:

– The Group recorded revenue from continuing operations of approximately HK$1,011,549,000 (2015: approximately HK$828,909,000).

– The Group recorded a profit for the year of approximately HK$78,139,000 (2015: profit of approximately HK$260,866,000).

As at 31 December 2016:

– The Group held bank balances and cash of approximately HK$1,447,756,000 (2015: approximately HK$1,826,679,000).

– The Group had a current ratio (defined as total current assets divided by total current liabilities) of 4.96 (2015: 4.23) and a gearing ratio (defined as total bank borrowings divided by equity attributable to owners of the Company) of 0.48% (2015: 0.48%).

The Board recommended a final dividend of HK0.28 cent per share for the year ended 31 December 2016 (2015: HK0.98 cent per share).

FINAL RESULTS

The board (the "**Board**") of directors (the "**Directors**") 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 2016, together with the comparative figures for the previous year, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		2016	2015
	NOTES	***HK$'000***	*HK$'000*
Continuing operations			
Revenue	*3*	**1,011,549**	828,909
Cost of sales		**(714,438)**	(576,855)
Gross profit		**297,111**	252,054
Other income	*5*	**52,772**	97,626
Administrative expenses		**(297,704)**	(308,361)
Other gains and losses	*6*	**49,894**	226,392
Finance costs	*7*	**(4,732)**	(10,555)
Share of results of associates		**21,174**	20,683
Share of results of joint ventures		**(6,396)**	16,462
Profit before tax		**112,119**	294,301
Income tax expenses	*8*	**(18,777)**	(10,673)
Profit for the year from continuing operations	*9*	**93,342**	283,628
Discontinued operation			
Loss for the year from discontinued operation	*10*	**(15,203)**	(22,762)
Profit for the year		**78,139**	260,866

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

	2016	2015
	HK$'000	*HK$'000*
Other comprehensive expense for the year		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences arising on the translation of foreign operations	**(33,149)**	(6,703)
Share of other comprehensive income (expenses) of associates and joint ventures	**1,357**	(4,570)
Reclassification of translation reserve and investment revaluation reserve to profit or loss upon dilution and disposal of interest in an associate	**(2,680)**	(1,636)
Reclassification of translation reserve to profit or loss upon disposal of subsidiaries	**5,483**	–
Fair value loss on available-for-sale investments	**(8,239)**	–
	(37,228)	(12,909)
Total comprehensive income for the year	**40,911**	247,957
Profit for the year attributable to:		
Owners of the Company		
– from continuing operations	**78,700**	277,565
– from discontinued operation	**(15,203)**	(22,762)
Non-controlling interests	**14,642**	6,063
	78,139	260,866

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

	NOTE	2016 HK$'000	2015 HK$'000
Total comprehensive income attributable to:			
Owners of the Company		**31,347**	243,094
Non-controlling interests		**9,564**	4,863
		40,911	247,957
Earnings per share (HK cents)	*12*		
For continuing operations and discontinued operation			
– Basic		**0.81**	3.46
– Diluted		**0.81**	3.30
For continuing operations			
– Basic		**1.00**	3.80
– Diluted		**1.00**	3.62

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	NOTE	2016 HK$'000	2015 HK$'000
NON-CURRENT ASSETS			
Investment properties		**652,123**	457,760
Property, plant and equipment		**246,724**	233,317
Loans receivable		**6,913**	9,902
Loan to a related party		**–**	138,000
Goodwill		**505,635**	375,891
Intangible assets		**300,440**	492,428
Interests in associates		**175,756**	140,487
Interests in joint ventures		**37,614**	257,110
Available-for-sale investments		**192,082**	318,861
Promissory notes		**298,705**	–
Deposits made on acquisition of investment properties and property, plant and equipment		**18,429**	68,820
Deposit made on acquisition of a subsidiary		**–**	59,666
Deferred tax assets		**–**	724
		2,434,421	2,552,966
CURRENT ASSETS			
Inventories		**22,969**	20,600
Trade and other receivables	*13*	**230,563**	210,642
Available-for-sale investments		**150,000**	30,000
Held for trading investments		**69,969**	522,459
Loans receivable		**92,597**	7,989
Amounts due from associates		**9,286**	38,060
Amount due from a related party		**–**	20
Amount(s) due from an investee/investees		**14,556**	13,300
Amounts due from non-controlling interests		**–**	1,107
Tax recoverable		**2,732**	6,216
Restricted bank deposit		**–**	13,460
Bank balances and cash		**1,447,756**	1,826,679
		2,040,428	2,690,532
Assets classified as held for sale		**687,970**	–
		2,728,398	2,690,532

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

	NOTES	**2016** **HK$'000**	2015 *HK$'000*
CURRENT LIABILITIES			
Trade and other payables	*14*	**193,130**	437,444
Amounts due to associates		**12**	28
Amount due to an investee		**311**	313
Amounts due to non-controlling interests		**31,182**	30,514
Bank borrowings	*15*	**20,835**	21,887
Loan notes		**–**	121,919
Tax payable		**24,752**	24,211
		270,222	636,316
Liabilities associated with assets classified as held for sale		**280,234**	–
		550,456	636,316
NET CURRENT ASSETS		**2,177,942**	2,054,216
TOTAL ASSETS LESS CURRENT LIABILITIES		**4,612,363**	4,607,182
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**30,404**	14,300
		4,581,959	4,592,882
CAPITAL AND RESERVES			
Share capital – ordinary shares	*16*	**77,613**	74,696
Share capital – convertible preference shares	*17*	**–**	2,917
Reserves		**4,293,963**	4,453,179
Equity attributable to owners of the Company		**4,371,576**	4,530,792
Non-controlling interests		**210,383**	62,090
Total equity		**4,581,959**	4,592,882

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.

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 AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

Amendments to HKFRSs that are mandatorily effective for the current year

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

Amendments to HKFRS 11	Accounting for acquisitions of interest in joint operations
Amendments to HKAS 1	Disclosure initiative
Amendments to HKAS 16 and HKAS 38	Clarification of acceptable methods of depreciation and amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer plants
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment entities: Applying the consolidation exception
Amendments to HKFRSs	Annual improvements to HKFRSs 2012-2014 cycle

The application of the amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

New and amendments to HKFRSs in issue but not yet effective

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

HKFRS 9	Financial instruments[1]
HKFRS 15	Revenue from contracts with customers[1]
HKFRS 16	Leases[2]
Amendments to HKFRS 2	Classification and measurement of share-based payment transactions[1]
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts[1]
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 7	Disclosure initiative[4]
Amendments to HKAS 12	Recognition of deferred tax assets for unrealised losses[4]
Amendments to HKFRSs	Annual improvements to HKFRSs 2014 – 2016 cycle[5]

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

[2] *Effective for annual periods beginning on or after 1 January 2019.*

[3] *Effective for annual periods beginning on or after a date to be determined.*

[4] *Effective for annual periods beginning on or after 1 January 2017.*

[5] *Effective for annual periods beginning on or after 1 January 2017 or 1 January 2018, as appropriate.*

HKFRS 9 Financial instruments

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

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

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

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

Based on the Group's financial instruments and risk management policies as at 31 December 2016, application of HKFRS 9 in the future may have a material impact on the classification and measurement of the Group's financial assets. The Group's available-for-sale investments, including those currently stated at cost less impairment, will either be measured as fair value through profit or loss or be designated as FVTOCI (subject to fulfillment of the designation criteria). In addition, the expected credit loss model may result in early provision of credit losses which are not yet incurred in relation to the Group's financial assets measured at amortised cost.

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

HKFRS 15 Revenue from contracts with customers

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

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

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

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

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

Based on the Group existing business model as at 31 December 2016, the directors of the Company do not anticipate that the application of these amendments will have a material impact on the Group's consolidated financial statements.

HKFRS 16 Leases

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

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

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

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

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

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 December 2016, the Group as lessee has non-cancellable operating lease commitments of HK$69,836,000 (31 December 2015: HK$128,961,000). A preliminary assessment indicates that these arrangements will meet the definition of a lease under HKFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of HKFRS 16. In addition, the application of new requirements may result changes in measurement, presentation and disclosure as indicated above. However, it is not practicable to provide a reasonable estimate of the financial effect until the directors of the Company complete a detailed review.

Amendments to HKAS 7 Disclosure initiative

The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities including both changes arising from cash flows and non-cash changes. Specially, the amendments require the following changes in liabilities arising from financing activities to be disclosed: (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

The amendments apply prospectively for annual periods beginning on or after 1 January 2017 with earlier application permitted. The application of the amendments will result in additional disclosures on the Group's financing activities, specifically reconciliation between the opening and closing balances in the consolidated statement of financial position for liabilities arising from financing activities will be provided on application.

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

The directors of the Company do not anticipate that the application of the other new and amendments to HKFRSs will have material impact on the Group's consolidated financial statements.

3. REVENUE

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

	2016	2015
	HK$'000	*HK$'000*
Provision of healthcare and dental services	**460,468**	392,416
Managed care business	**444,703**	363,702
Property rental income	**17,845**	17,339
Hospital management services income	**22,916**	–
Miscellaneous services income	**65,617**	55,452
	1,011,549	828,909

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. As identified by the CEO, certain subsidiaries of the Company engaged in provision of other miscellaneous services have been aggregated as 'Others' segment in arriving at the reportable segments of the Group. During the year, a new segment of 'Hospital management business' is presented after the acquisition of Nanyang Xiangrui Hospital Management Advisory Co. Ltd.. Accordingly, the Group's operating and reportable segments under HKFRS 8 are as follows:

- Provision of healthcare and dental services – Operations of the medical and dental practices and trading of healthcare products
- Managed care business – Operations of managed care centres and networks
- Investments in securities and properties and treasury management – Trading of listed securities and leasing of properties
- Hospital management business – Provision of hospital management services
- Others – Provision of miscellaneous services

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

An operating and reporting segment under HKFRS 8 regarding the beauty and cosmetic medicine business was discontinued in the current year. The segment information reported on the next pages does not include any amounts for the discontinued operation, which is described in more detail in note 10. Corresponding segment information for prior year that is presented for comparative purposes has been re-presented to conform to the changes adopted in the current year.

Segment revenues and results

For the year ended 31 December 2016

Continuing operations

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

For the year ended 31 December 2015

Continuing operations

	Provision of healthcare and dental services *HK$'000*	Managed care business *HK$'000*	Investments in securities and properties and treasury management *HK$'000*	Others *HK$'000*	Elimination *HK$'000*	Total *HK$'000*
Revenue						
External sales	392,416	363,702	17,339	55,452	–	828,909
Inter-segment sales	12,318	–	5,659	–	(17,977)	–
	404,734	363,702	22,998	55,452	(17,977)	828,909
Segment results	6,527	33,290	292,038	24,603	–	356,458
Other income						18,485
Finance costs						(10,555)
Share of results of associates						10,609
Other gains and losses						(8,809)
Unallocated corporate expenses						(71,887)
Profit before tax (continuing operations)						294,301

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

Other segment information

For the year ended 31 December 2016

	Provision of healthcare and dental services HK$'000	Managed care business HK$'000	Investments in securities and properties and treasury management HK$'000	Hospital management business HK$'000	Others HK$'000	Total for segments HK$'000	Unallocated HK$'000	Total HK$'000
Continuing operations								
Amounts included in the measure of segment profit:								
Depreciation of property, plant and equipment	**14,185**	**1,764**	**11,274**	**31**	**11,773**	**39,027**	**100**	**39,127**
Amortisation of intangible assets	**–**	**7,251**	**–**	**4,979**	**–**	**12,230**	**–**	**12,230**
Impairment loss recognised on trade receivables	**3,895**	**55**	**–**	**–**	**–**	**3,950**	**–**	**3,950**
Decrease in fair value of investment properties	**–**	**–**	**20,098**	**–**	**–**	**20,098**	**–**	**20,098**
Loss on disposal of property, plant and equipment	**10**	**–**	**–**	**–**	**–**	**10**	**–**	**10**
Amounts included in the information regularly provided to the CEO:								
Additions to property, plant and equipment	**14,162**	**1,558**	**61,714**	**789**	**26**	**78,249**	**140**	**78,389**

For the year ended 31 December 2015

	Provision of healthcare and dental services HK$'000	Managed care business HK$'000	Investments in securities and properties and treasury management HK$'000	Others HK$'000	Total for segments HK$'000	Unallocated HK$'000	Total HK$'000
Continuing operations							
Amounts included in the measure of segment profit:							
Depreciation of property, plant and equipment	4,690	1,427	10,685	17,031	33,833	1,215	35,048
Amortisation of intangible assets	–	7,251	–	–	7,251	–	7,251
Impairment loss recognised on trade receivables	3,137	37	–	–	3,174	–	3,174
Increase in fair value of investment properties	–	–	4,669	–	4,669	–	4,669
Loss on disposal of property, plant and equipment	7	5	–	–	12	171	183
Amounts included in the information regularly provided to the CEO:							
Additions to property, plant and equipment	29,793	2,717	530	9,670	42,710	1,280	43,990

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 provision of hospital management services and certain miscellaneous services are carried out in other regions of the PRC.

(i) The Group's revenue from external customers are detailed below:

	2016	2015
	HK$'000	*HK$'000*
Other regions of the PRC	**86,635**	55,219
Hong Kong	**924,914**	773,690
	1,011,549	828,909

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

	Carrying amount of non-current assets	
	2016	2015
	HK$'000	*HK$'000*
Other regions of the PRC	**433,028**	373,827
Hong Kong	**1,485,264**	1,583,166
Non-current assets *(Note)*	**1,918,292**	1,956,993

Note: Non-current assets exclude loans receivable, loan to a related party, available-for-sale investments, promissory notes, deposits made on acquisition of investment properties and property, plant and equipment, deposit made on acquisition of a subsidiary, and deferred tax assets.

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

5. OTHER INCOME

	2016	2015
	HK$'000	*HK$'000*
Continuing operations		
Interest income	**33,816**	66,617
Dividend income from listed investments classified as held for trading investments	**–**	4,825
Dividend income from investments classified as available-for-sale investments	**7,723**	7,699
Rental income	**3,171**	3,235
Sundry income	**8,062**	15,250
	52,772	97,626

6. OTHER GAINS AND LOSSES

	2016	2015
	HK$'000	*HK$'000*
Continuing operations		
Gain on fair value changes on held for trading investments and disposal of associates	**48,994**	273,792
Net gain (loss) on disposal of subsidiaries	**634**	(5,588)
(Loss) gain on dilution of interest in an associate	**(10,459)**	51
Gain on disposal of available-for-sale investments *(Note)*	**5,952**	1,741
Fair value changes on investment properties	**(20,098)**	4,669
Fair value changes on derivative component of loan notes	**17,703**	(3,723)
Loss on early redemption of loan notes	**(12,335)**	–
Translation reserve and investment revaluation reserve reclassified to profit or loss upon dilution of and disposal of interest in an associate	**2,680**	1,636
(Impairment loss) reversal of impairment loss recognised in respect of:		
– goodwill	**(500)**	–
– interests in associates	**(2,900)**	–
– trade receivables	**(3,950)**	(3,174)
– other receivables	**998**	(5,109)
– loans receivable	**30,000**	(27,000)
– available-for-sale investments	**(704)**	(9,239)
– amounts due from investees	**–**	(1,664)
– amounts due from associates	**(6,121)**	–
	49,894	226,392

Note: During the year ended 31 December 2016, the Group disposed of HK$103,269,000 (2015: HK$3,619,000) available-for-sale investments which were measured at cost less impairment. Gain of HK$5,952,000 (2015: HK$1,741,000) on disposal of these investments was recognised in profit or loss.

7. FINANCE COSTS

	2016	2015
	HK$'000	*HK$'000*
Continuing operations		
Interest on bank borrowings	**639**	842
Effective interest expense on loan notes	**4,093**	9,713
	4,732	10,555

8. INCOME TAX EXPENSES

	2016	2015
	HK$'000	*HK$'000*
Continuing operations		
Tax charge comprises:		
Current tax		
– Hong Kong Profits Tax	**15,660**	13,240
– PRC Enterprise Income Tax	**5,184**	–
– Under (over) provision of Hong Kong Profits Tax in prior years	**374**	(1,613)
	21,218	11,627
Deferred tax		
– Current year	**(2,441)**	(954)
	18,777	10,673

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

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

9. PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS

	2016	2015
	HK$'000	*HK$'000*
Profit for the year from continuing operations has been arrived at after charging:		
Staff costs		
– Directors' remuneration	**11,667**	28,132
– Other staff's salaries, bonus and other benefits	**589,677**	504,779
– Other staff's retirement benefits scheme contributions	**5,679**	6,801
	607,023	539,712
Auditor's remuneration	**3,743**	2,863
Cost of inventories recognised as expenses	**123,800**	109,398
Depreciation of property, plant and equipment	**39,127**	35,048
Loss on disposal of property, plant and equipment	**10**	183
Amortisation of intangible assets	**12,230**	7,251
and after crediting:		
Gross rental income from investment properties	**17,845**	17,339
Less: Direct operating expenses that generated rental income	**(3,694)**	(2,092)
Net rental income from investment properties	**14,151**	15,247

10. DISCONTINUED OPERATION/DISPOSAL GROUP HELD FOR SALE

On 30 December 2016, the Group entered into a sale and purchase agreement with a related party to dispose of the entire issued share capital of Bonjour Beauty International Limited ("**Bonjour Beauty**") and its subsidiaries (the "**Bonjour Beauty Group**"), representing the entire beauty and cosmetic medicine business of the Group, at a consideration of HK$430,000,000.

As at 31 December 2016, the assets and liabilities of the Bonjour Beauty Group, which were expected to be sold within twelve months, have been classified as a disposal group held for sale and are presented separately in the consolidated statement of financial position.

The net proceeds of disposal are expected to exceed the net carrying amount of the relevant assets and liabilities and accordingly, no impairment loss has been recognised.

The loss for the year from the Bonjour Beauty Group is set out below. The comparative figures in the consolidated statement of profit or loss and other comprehensive income have been restated to re-present the Bonjour Beauty Group as a discontinued operation.

	2016	2015
	HK$'000	*HK$'000*
Revenue	**236,648**	294,024
Cost of sales	**(59,738)**	(66,263)
Gross profit	**176,910**	227,761
Other income	**4,197**	4,257
Administrative expenses	**(195,606)**	(212,052)
Other gains and losses	**118**	(40,000)
Loss before tax	**(14,381)**	(20,034)
Income tax expenses	**(822)**	(2,728)
Loss for the year from discontinued operation	**(15,203)**	(22,762)

Loss for the year from discontinued operation includes the following:

	2016	2015
	HK$'000	*HK$'000*
Auditor's remuneration	**572**	550
Amortisation of intangible assets (included in administrative expenses)	**1,071**	1,071
Cost of inventories recognised as expenses	**19,000**	22,518
Depreciation of property, plant and equipment	**13,363**	10,451
Interest income	**4,142**	4,147
Impairment loss recognised in respect of goodwill	**–**	40,000

11. DIVIDENDS

	2016	2015
	HK$'000	*HK$'000*
Dividends recognised as distribution during the year		
– Final dividend of HK0.98 cent per ordinary share in respect of year ended 31 December 2015 (2015: 2014 final dividend – HK0.33 cent)	**76,061**	24,650
– Preference shares dividend of HK0.33 cent per preference share in respect of year ended 31 December 2016 (2015: 2015 preference shares dividend – HK0.72 cent)	**975**	23,540
	77,036	48,190

On 29 March 2017, the directors of the Company recommended to declare a final dividend of HK0.28 cent per ordinary share for the year ended 31 December 2016.

12. EARNINGS PER SHARE

For continuing operations

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

Earnings for the purpose of basic and diluted earnings per share

	2016	2015
	HK$'000	*HK$'000*
Profit for the year from continuing operations attributable to owners of the Company	**78,700**	277,565
Less: Preference share dividend distributed during the year *(note 11)*	**(975)**	(23,540)
Profit for the year from continuing operations attributable to ordinary shareholders of the Company	**77,725**	254,025

Number of shares

	2016	2015
Weighted average number of ordinary shares for the purpose of basic earnings per share	**7,747,751,093**	6,684,669,870
Effect of dilutive potential ordinary shares:		
Share options	**–**	5,853,883
Convertible preference shares	**13,547,359**	323,858,447
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**7,761,298,452**	7,014,382,200

For continuing and discontinued operations

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

Earnings for the purpose of basic and diluted earnings per share

	2016	2015
	HK$'000	*HK$'000*
Profit for the year attributable to owners of the Company	**63,497**	254,803
Less: Preference share dividend distributed during the year *(note 11)*	**(975)**	(23,540)
Profit for the year attributable to ordinary shareholders of the Company	**62,522**	231,263

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

For discontinued operation

Basic loss per share for the discontinued operation is HK0.19 cent per share (2015: basic loss per share of HK0.34 cent per share) and diluted loss per share for the discontinued operation is HK0.19 cent per share (2015: diluted loss per share of HK0.32 cent per share), based on the loss for the year from the discontinued operation of HK$15,203,000 (2015: loss for the year of HK$22,762,000) and the denominators detailed above for both basic and diluted earnings per share.

13. TRADE AND OTHER RECEIVABLES

	2016	2015
	HK$'000	*HK$'000*
Trade receivables	**146,754**	136,573
Less: Allowance for doubtful debts	**(4,889)**	(2,708)
Total trade receivables, net of allowance	**141,865**	133,865
Deposits	**39,588**	54,952
Other receivables	**44,075**	18,382
Prepayments	**5,035**	3,443
	230,563	210,642

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

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

	2016	2015
	HK$'000	HK$'000
0 – 60 days	**130,220**	116,877
61 – 120 days	**8,017**	6,330
121 – 180 days	**3,467**	10,612
181 – 240 days	**161**	46
	141,865	133,865

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

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:

	2016	2015
	HK$'000	HK$'000
Balance at the beginning of the year	**2,708**	2,197
Impairment losses recognised	**3,950**	3,174
Amounts written off as uncollectible	**(1,769)**	(2,663)
Balance at the end of the year	**4,889**	2,708

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.

14. TRADE AND OTHER PAYABLES

	2016	2015
	HK$'000	*HK$'000*
Trade payables	**53,166**	47,712
Other payables	**60,812**	53,403
Deposits received	**5,115**	6,827
Deferred income	**5,747**	250,969
Accruals	**68,290**	78,533
	193,130	437,444

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

	2016	2015
	HK$'000	*HK$'000*
0 – 60 days	**40,826**	41,290
61 – 120 days	**5,252**	2,784
Over 121 days	**7,088**	3,638
	53,166	47,712

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

15. BANK BORROWINGS

	2016	2015
	HK$'000	*HK$'000*
Secured:		
Mortgage loan	**20,835**	21,887
The bank borrowings are repayable as follows:		
On demand and within one year	**1,082**	1,056
In more than one year but not more than two years	**1,109**	1,082
In more than two years but not more than three years	**1,137**	1,109
In more than three years but not more than four years	**1,165**	1,137
In more than four years but not more than five years	**1,194**	1,165
Over five years	**15,148**	16,338
	20,835	21,887
Less: Amounts due within one year shown under current liabilities	**(1,082)**	(1,056)
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)	**(19,753)**	(20,831)
	–	–

As at 31 December 2016, the bank borrowings of the Group carry variable interest rate at HIBOR+2.25% per annum (2015: variable interest rate from HIBOR+2% to HIBOR+2.25% per annum).

The Group's mortgage loan is secured by the Group's leasehold land and building and supported by personal guarantee provided by non-controlling interests of the Company's non-wholly owned subsidiary which will be released upon repayment of the mortgage.

16. SHARE CAPITAL – ORDINARY SHARES

	Number of shares	Amount
		HK$'000
Ordinary shares of HK$0.01 each		
Authorised:		
At 1 January 2015, 31 December 2015 and 2016	30,000,000,000	300,000
Issued and fully paid:		
At 1 January 2015	5,110,372,223	51,104
Issue of consideration shares *(Note i)*	365,327,586	3,653
Issue of shares upon share subscription *(Note ii)*	1,785,098,644	17,851
Exercise of share options *(Note iii)*	125,500,000	1,255
Conversion of convertible preference shares	83,333,333	833
At 31 December 2015	7,469,631,786	74,696
Conversion of convertible preference shares	291,666,666	2,917
At 31 December 2016	7,761,298,452	77,613

Notes:

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

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

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

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

	Numbers of shares	Amount
		HK$'000
Preference Shares of HK$0.01 each		
Authorised:		
At 1 January 2015, 31 December 2015 and 2016	375,000,000	3,750
Issued and fully paid:		
At 1 January 2015	374,999,999	3,750
Converted during the year *(Note i)*	(83,333,333)	(833)
At 31 December 2015	291,666,666	2,917
Converted during the year *(Note ii)*	(291,666,666)	(2,917)
At 31 December 2016	–	–

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

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

Notes:

(i) On 22 May 2015, 83,333,333 Preference Shares were converted into ordinary shares.

(ii) On 18 January 2016, 291,666,666 Preference Shares were converted into ordinary shares.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

The Company is pleased to report the results of the Group for the year ended 31 December 2016 (the "**Year**").

During the Year, revenue from continuing operations increased by approximately 22.03% to approximately HK$1,011,549,000 (2015: approximately HK$828,909,000) and the Group recorded a profit of approximately HK$78,139,000 (2015: approximately HK$260,866,000).

The decrease in profit was mainly attributable to the decrease in gain on fair value changes on held for trading investments and disposal of associates. Profit attributable to owners of the Company for the Year was approximately HK$63,497,000 (2015: approximately HK$254,803,000). The Group's gross profit margin for the Year was approximately 29.37% (2015: approximately 30.41%).

Decrease in gain on fair value changes on held for trading investments and disposal of associates

Total gain on fair value changes on the Group's held for trading investments and disposal of associates for the Year amounted to approximately HK$48,994,000 (2015: approximately HK$273,792,000).

Given that the Group has invested in various listed securities during the Year, it is considered that investments with a market value that account for more than 5% of the Group's total assets as at 31 December 2016 or bring more than 5% profit or loss effect to the profit before tax for the Year as significant investments.

As at 1 January 2016, the Group held 639,988,000 shares of Convoy Global Holdings Limited ("**Convoy**"), whose shares are listed on the Main Board of the Stock Exchange (Stock Code: 1019), representing approximately 4.28% of the issued share capital of Convoy as at 1 January 2016. Convoy is principally engaged in the independent financial advisory business, money lending business, proprietary investment business, asset management business, corporate finance business and securities dealing business. During the Year, the Group disposed of its entire interests in Convoy and recorded a net gain of approximately HK$6,148,000.

As at 1 January 2016, the Group held 249,600,000 shares of New Ray Medicine International Holding Limited ("**New Ray**"), whose shares are listed on the Main Board of the Stock Exchange (Stock Code: 6108), representing approximately 17.26% of the total issued share capital of New Ray as at 1 January 2016. New Ray is principally engaged in pharmaceutical distribution business in the PRC. During the Year, the Group disposed of its entire interests in New Ray and recorded a net gain of approximately HK$43,465,000.

BUSINESS REVIEW

2016 was a year for the Group to consolidate its past achievements and strive for new progress. During the Year, the Group has not only strengthened the development of its core healthcare business in Hong Kong, but also further improved its cooperation with strategic partners and actively expanded its healthcare business and hospital management business in China. The Group completed the acquisition of a hospital management company which manages a Class A Tertiary Hospital with more than 1,000 beds in the PRC during the Year. In order to further improve the Group's operational efficiency, during the Year, the Group implemented stringent cost control measures, proactively consolidated businesses with weaker development potentials, and streamlined administrative processes and adopted a result-oriented management methodology, so as to build a solid foundation for the Group and maintain its industry leading position.

Healthcare service network of the Group

During the Year, the Group had around 500 healthcare services points, including 295 general practices service points, 73 specialities service points, 39 dental service points, and 74 auxiliary service points. As at 31 December 2016, a total of 715 medical doctors, dentists and auxiliary service providers, comprising 424 general practitioners, 234 specialists and 57 dentists, offer healthcare services through the network of self-operated and affiliated centres under the Group.

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

	As at 31 December 2016
Medical services	**368**
General medical services	295
Specialist medical services	73
Dental services	**39**
Auxiliary services	**74**
Physiotherapy services	30
Medical imaging and laboratory services	25
Hearing health services	1
Occupational therapy – Child and youth mental health services	1
Chinese medicine services	17
Total:	**481**

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

	As at 31 December 2016
Medical services	**96**
General medical services	53
Specialist medical services	43
Dental services	**10**
Auxiliary services	**23**
Physiotherapy services	7
Medical imaging and laboratory services	14
Hearing health services	1
Occupational therapy – Child and youth mental health services	1
Total:	**129**

The Group recorded a significant business growth during the Year. The Group's revenue from continuing operations amounted to approximately HK$1,011,549,000 (2015: HK$828,909,000), representing an increase of approximately 22.03% over its revenue for the corresponding period last year.

Managed care business – Dr. Vio & Partners Limited ("Dr. Vio")

The Group's managed care business achieved remarkable results and delivered double-digit revenue growth. During the Year, the Group strengthened Dr. Vio's business development team and reorganised its structure to increase its business development representatives. On one hand, the Group provided better services to its corporate clients, successfully retained all existing clients and renewed the existing managed care service contracts. On the other hand, Dr. Vio continued to enhance its marketing services by conducting proactive visits to clients, further strengthening the communication with clients in order to understand their healthcare service needs, and actively sourcing quality clients. During the Year, Dr. Vio acquired new corporate clients and new service contracts which further increased its market shares. In addition, the Group actively integrated its business resources, further expanded the healthcare service network and strengthened its specialty medical service capabilities so as to provide more specialty medical service points for Dr. Vio's clients. All these enhanced Dr. Vio's scale and competitiveness in the managed care market. At the same time, the Group has optimised Dr. Vio's information technology system, which not only enables Dr. Vio to better manage its medical service providers and control medical cost, but also allows Dr. Vio's clients to conduct electronic payment and make insurance claims which would simplify various claim procedures such as expense approval, settlement and payment in order to provide clients with a more efficient managed care platform and further enhance clients' satisfaction.

Healthcare service business

During the Year, the Group's healthcare service business recorded a steady development. During the Year, the Group's medical and dental clinic chain business witnessed a stable growth; and with the implementation of stringent cost control, the Group's gross profit of outpatient and dental services has improved.

During the Year, the Group's specialty medical business recorded strong revenue growth and became the Group's new source of revenue growth. The Group proactively expanded the development of specialties clinics. The Group's otolaryngology specialty centre in Tsim Sha Tsui and an integrated specialty centre in Yuen Long started operation during the Year. The Group has further consolidated its medical resources by integrating its specialty centres with Dr. Vio's medical network, which increased specialist referral cases and created better synergies between its own specialty clinics and Dr. Vio's business. During the Year, the Group proactively recruited outstanding doctors to strengthen its medical team. The healthcare and dental service business of the Group contributed approximately HK$460,468,000 (2015: HK$392,416,000) to the Group's revenue during the Year, which constituted approximately 45.52% (2015: 47.34%) of the Group's total revenue from continuing operations.

Medical tourism between the PRC and Hong Kong

The PRC-HK medical tourism is a long term development strategy for the Group. During the Year, the Group proactively optimised its marketing channels, including websites, mobile apps in China and Hong Kong, Wechat account and service hotline centres, which strengthened the PRC-HK medical tourism platform. In addition, the Group strengthened its cooperation with China Life Insurance (Group) Company ("**China Life Group**"), including "616 Customer Festival" and the campaign "遊禮享", to provide Hong Kong medical tourism services to its customers. During the Year, a total of 216 China Life Group's customers experienced the Group's medical tourism services. At the same time, the Group started the cooperation with other business partners to promote the Group's Hong Kong medical tourism services to their users and customers.

Beauty and cosmetic medicine business

During the Year, the Group's beauty and cosmetic medicine business was adversely affected by the economic downturn. As such, a revenue decline was recorded which resulted in a loss of approximately HK$15,203,000 for the Year. Having considered that it would be more efficient and effective to collaborate with other strategic partners of substantial business scales and operational efficiency rather than developing beauty and cosmetic medicine business on its own, during the Year, the Group disposed of its entire interest in Bonjour Beauty International Limited and its subsidiaries, representing the entire beauty and cosmetic medicine business of the Group as at 31 December 2016. Further details of such disposal are set out in the circular of the Company dated 23 February 2017.

Hospital management services in the PRC

During the Year, after the completion of acquisition and capital injection, the Group holds 60% equity interest in 南陽祥瑞醫院管理諮詢有限公司 (Nanyang Xiangrui Hospital Management Advisory Co. Ltd.) ("**Nanyang Xiangrui**") which provides hospital management services to 南陽南石醫院 (Nanshi Hospital of Nanyang) ("**Nanshi Hospital**") and 南陽市官莊工區南石醫院 (Nanyang City Guanzhuang Gongqu Nanshi Hospital).

Nanshi Hospital is a Class A Tertiary Hospital with more than 1,000 beds in Henan Province. With a total floor areas of approximately 60,000 square metres and approximately 1,250 personnel, the hospital includes over 300 doctors, around 200 medical technicians and around 500 nurses. Nanshi Hospital has a number of specialist departments, namely burn and plastic surgery, neurosurgery and neurological medicine, cardiology, intensive care and emergency and general medicine and rehabilitation departments, among which the burn care and plastic surgery department has been hailed as the key national hospital for specialised clinical burn care and plastic surgery.

During the Year, the Group has proactively started assisting in reforming the supply chain management system, operations management system, information management system, physician remuneration scheme, financial management system and infrastructure management system at Nanshi Hospital, so as to enhance its management standardisation and transparency, and improve internal operation efficiency and management efficiency. In respect of the supply chain management, the Group reorganised its suppliers of pharmaceuticals and consumables, implemented e-procurement platform, strengthened the supervision of drug use, and optimised the procurement procedure of pharmaceuticals and consumables to increase operational effectiveness. In respect of the physician remuneration scheme, the Group provided suggestions and Nanshi Hospital adopted a comprehensive salary scheme, which substantially raised doctors' remuneration according to their clinical work and significantly improved their income. Meanwhile, Nanshi Hospital implemented a new assessment and incentive scheme with an aim to incentivise contribution and improve quality of medical services. The new program assesses the doctors' work performance based on their service quality and takes it as the basis for consideration of the doctors' performance bonuses and promotions. During the Year, the Group gained full support of the new scheme among physicians of Nanshi Hospital and strengthened workplace motivation. In respect of operational management, the Group proactively assisted in developing new services scope and introduced Hong Kong style medical services to Nanshi Hospital. During the Year, the Group commenced the renovation work of D&G clinic, cosmetic medicine centre and health check centre at Nanshi Hospital that aimed to provide a modern and comfortable clinical environment. In addition to the marketing plan formulated by the Group's Hong Kong professional team, the Group also conducted professional training for Nanshi Hospital's doctors at the Group's cosmetic medicine centre in Hong Kong and health check centre in Guangzhou in order to enhance their service standard and technical skills. In respect of infrastructure building, in pursuing international standard of medical services, the Group introduced an internationally renowned Hong Kong based architect to participate in the design and development of the new hospital building at Nanshi Hospital. The new 800-bed medical building shall have an estimated floor area of over 80,000 square meters with 20 stories tall. It would be equipped with advanced medical and surgical centre, high-end health check and medical diagnosis equipment. The new hospital would expand the scale of intensive care units and obstetrics and gynaecology services and provide the hospital with new VIP rooms for premium healthcare services. Meanwhile, Nanshi Hospital is undergoing a phase-based renovation in the existing hospital building to create a better service environment. Moreover, the Group also explored opportunities to work with the Nanyang branch of China Life Group. During the Year, the Group launched the health check campaign for the clients of China Life Group, which would enhance the Group's reputation and awareness in the domestic market.

Chain health management centre

In recent years, the Chinese Government has actively sought to develop community healthcare services. In view of this, the Group would collaborate with China Life Group to develop chain health management centres with chain clinical services that will introduce Hong Kong style clinical services in China. China Life Group's sales agents and customers in the PRC and Hong Kong will be the chain health management centre's target customers and such sales agents will introduce the Group's holistic health management services, including specialist clinical services (covering chronic and serious illnesses), health check (including annual check-up and DNA tests), anti-ageing services (including high-end dental services, cosmetic medicine, osteoporosis and heavy metal detoxification treatments) and lifestyle management services (dietary management, weight management, and sports management, etc.) to their customers. In the coming year, the Group would enter into an agreement with the China Life Group Hong Kong Branch to set up its first health management center in Wan Chai office building, which collaborates well with the medical tourism services, to provide one-stop and holistic medical services to those China Life Group's customers coming from the PRC to Hong Kong. In the future, the Group hopes to bring this Hong Kong business model into major cities in China in order to expand the collaboration work in the Mainland with China Life Group, enhance the synergistic effect between health insurance products and health management services, and strengthen the cooperation between the Group and China Life Group.

High-end dental services

To facilitate the development of high-end dental and orthodontic business in China, the Group's first training flagship centre which is located at the PRC has started operation in the second half of the Year. The flagship centre, which is led by the Group's Hong Kong dental management team, is a platform for high-end professional training of orthodontic treatments and dental surgeries, offering Invisalign orthodontic training programs to the dentists in China. During the Year, the Group had provided Invisalign orthodontic training programs to more than one hundred dentists in China and further increased its efforts in development of sales and marketing channels. It would strive to increase its market penetration and brand awareness by promoting the services to China Life Group's customers and employees in Hangzhou.

Hangzhou hospital management services

During the Year, with regard to the Group's slow progress on upgrading and expanding the hospital services at a Hangzhou hospital; and its financial performance being far from satisfactory, on 4 November 2016, the Group sold this sector so as to reallocate the Group's resources for other higher potential investments with an aim to enhance the return to the shareholders of the Company, further details of which are set out in the announcement of the Company dated 4 November 2016.

Investment in strategic partnership

During the Year, the Group acquired 20% interests in Auspicious Idea Corporate Development Limited, which is engaged in the provision of beauty and cosmetic medicine services under the brand of "The Beauty Medical" in Hong Kong and the PRC, to form a strategic partnership to develop beauty and cosmetic medicine business together, including setting up of medical cosmetic centres in Mainland China and Hong Kong, and to work closely with China Life Group to provide anti-ageing services and one-stop medical service at the new chain health management centres.

OUTLOOK

Looking forward, the Group will continue to focus on developing its quality healthcare businesses both in China and Hong Kong. The Group will deepen the strategic partnership with domestic and industry partners. With international healthcare service standards and management system, the Group will expand its healthcare business in China and proactively introduce Hong Kong style healthcare services into the China market with a vision to become the leading healthcare services operator in China.

Hong Kong

The Group will continue with its strategies of "Vertical integration, Horizontal expansion, Optimizing network coverage and Comprehensive development" to improve its Hong Kong business. The Group will focus on developing its core medical businesses, e.g. general medical service, dental services and specialty services and strengthen the interaction among different business sectors to create synergies. Meanwhile, the Group will leverage its advantages of vertically integrated medical industry chain to increase the interactions between Dr. Vio and its specialty services, further expand its specialty network and increase service points, in order to enhance Dr. Vio's market competitiveness and enlarge its market shares. With an aim to providing more convenient and comprehensive healthcare services, the Group is proactively looking for a suitable location to build an integrated medical centre for developing a one-stop medical service including general practices, specialty, health check and dental services.

With the increasing healthcare awareness and demand in specialty medical services among Hong Kong citizens, the Group expects the specialty medical business will become the new growth driver in its Hong Kong business. After years of work, the Group currently has a number of specialty centres, including orthopaedic, endocrinology, nephrology, cardiology, ophthalmology, reproductive medicine, otorhinolaryngology, general surgery and other specialty services, etc. The Group will further integrate the medical network and increase intra-group referrals within its medical network, so as to accelerate the development of specialty services and its income growth. Besides, in order to speed up the development of specialty medical services, the Group will continue to explore potential targets for acquisitions to enhance its core competitiveness and maintain its industry leading position.

As to medical tourism, the Group will continue to expand its marketing channels, explore cooperation with each provincial branch of China Life Group, introduce the medical tourism services and arrange medical tourism service for their customers. The Group will proactively participate in campaigns of product development and enhance customer's loyalty through Hong Kong medical tourism services and also create a stronger synergy with China Life Group. Meanwhile, the Group plans to develop virtual medical services. The customers in China will be able to obtain a second medical opinion from Hong Kong practitioners through telemedicine. The Group will arrange for the mainland customers medical services in Hong Kong, high-end medical laboratory diagnosis and in-patient services, and overseas treatment referral where necessary.

China

The future development strategy for the Group is to actively develop the PRC medical business, expedite the implementation of various hospital management measures, including optimising the operations, introducing Hong Kong healthcare management system and reforming the hospitals under management in order to deliver value-added services to the mainland citizens. The Group aimed to set Nanshi Hospital as a benchmark of its healthcare business in mainland China.

To achieve the goals, the Group has been dedicated to optimising supply chain management, reforming outpatient clinics, improving infrastructure and providing quality community medical services. Firstly, the Group will further optimise the supply chain management and review the supply chain process from time to time in order to further optimise the supply chain systems. Secondly, after the reform of beauty and cosmetic medicine and health check department of Nanshi Hospital has been completed, the Group will assist Nanshi Hospital in launching the packaged health check services and beauty and cosmetic medicine services, so as to introduce Hong Kong style medical services to promote the services to the community. The Group will assist Nanshi Hospital in setting up Hong Kong style beauty centre in order to expand the its customer base and increase the number of referrals for beauty and cosmetic medicine services. The Group will work with the Nanyang branch of China Life Group to introduce beauty and cosmetic medicine services and health check services for their clients to speed up market penetration.

The Group expects the cosmetic medicine services and health check services will effectively expand its high end customer base and increase the service volume of Nanshi Hospital, and will bring new source of income to the hospital. In addition, the Group believes that a good hospital does not only focus on professional healthcare services, but also needs to have good hospital environment and facilities. Therefore, the Group is proactively conducting the renovation work in Nanshi hospital, focusing on the lobby, outpatient clinics, ophthalmology, dental, surgery, otology departments and day care surgical centres in order to offer a more comfortable environment for the patients. Meanwhile, the Group will expedite the construction work of the new hospital building which is scheduled to commence in 2017. The Group will apply international standard management system, cost control mechanism, tender mechanism and construction monitoring scheme to ensure that the construction works would be completed smoothly and cost-effectively.

Besides, in order to expand the outpatient service volumes and its customer base, the Group will set up an integrated clinic and ten community clinics at Nanyang city of Henan Province. Those clinics will be operated with Hong Kong clinic-style with standardised interior designs, services and management to provide efficient and high standard healthcare services for the citizens in Nanyang. The integrated clinic will be the same as the health management centre which the Group is to develop both in Hong Kong and the PRC offering specialty medical, health check, high-end dental and cosmetic medicine services. The community clinics will provide healthcare services for managing long-term illness in down town and serve to refer patients to Nanshi Hospital for follow-up treatments if necessary. With support of a large-scale Tertiary Hospital, the integrated clinic and community clinics will have doctor resources and direct admission right, and therefore can provide comprehensive healthcare services to the citizens in the city, and will gradually establish a network of community health services.

To better seize development opportunities in the China's healthcare market, the Group will proactively develop chain health management centres with China Life Group. The Group expects to set up chain health management centres in Beijing, Shanghai, Shenzhen and Shanxi. These centers will introduce holistic healthcare services for the staff, sales agent and customers of China Life Group, mainly focusing on four categories of services, including health check, medical, lifestyle management and anti-ageing services. The Group wishes to adopt the Hong Kong standard health management model in the PRC market, and share with China Life Group's customers its Hong Kong style healthcare services, to strengthen the collaboration between commercial health insurance and health management business, and further create the synergies between the Group and China Life Group to achieve a win-win situation.

In respect of the dental business in China, the Group expects the lnvisalign orthodontic training and services flagship centre will increase the number of training programs for mainland dentists and target to offer training programs for 400 dentists in China. The Group will recruit outstanding dentists through the training programs for this flagship centre and the future chain health management centres. To facilitate the business development in China, the flagship centre will provide high-end orthodontic and Invisalign orthodontic training programs to the dentists of Nanshi Hospital and its integrated clinic. Since the flagship centre is at the initial development stage, the Group will continue to enhance its marketing efforts and build up its brand name. In addition to conducting seminars and marketing campaigns, the Group will strive to enlarge the customer base by providing free services and offering discounts to the staff, senior management and customers of China Life Group.

Investment strategies and treasury management

The Group has completed the acquisition of interest in Nanyang Xiangru and the disposal of interest in Wise Lead Holdings Limited, which owns interest in Huayao Medical Group Limited, a company principally engaged in the operation of a hospital in Hangzhou, and also the disposal of interest in New Ray during the Year and will continue to adopt a prudent strategy to maintain adequate capital to meet its future business needs. The Group will maintain a prudent approach for future acquisitions of relevant projects and ensure a solid and long-term development strategy which will significantly improve its operation revenue.

From a global prospective, macroeconomic uncertainties, together with fragile market sentiment, could potentially lead to a less sustainable recovery as volatilities in the equity, commodity and currency markets are likely to persist in 2017. Despite the uncertainties, the key fundamentals of the Group as a whole remain solid and will enable the Group to increase its profitability in the long run. Strict financial discipline in managing its core businesses and prudent capital management on all investment activities will allow the Group to pursue its growth strategy while maintaining its current healthy liquidity and debt profile.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2016, the Group held bank balances and cash of approximately HK$1,447,756,000 (2015: HK$1,826,679,000). The Group had bank borrowings which represented a mortgage loan of approximately HK$20,835,000 (2015: HK$21,887,000) of which approximately HK$1,082,000 (2015: HK$1,056,000) are repayable within one year. Details of bank borrowings of the Group are set out in note 15 to the consolidated financial statements.

As at 31 December 2016, the Group's net current assets amounted to approximately HK$2,177,942,000 (2015: HK$2,054,216,000) and the Group had a current ratio (defined as total current assets divided by total current liabilities) of 4.96 (2015: 4.23). As at 31 December 2016, the Group's gearing ratio (defined as total bank borrowings divided by equity attributable to owners of the Company) was 0.48% (2015: 0.48%). The Group considers the level of liabilities of a company reflects its financial health. The Group strives to keep the level of borrowings at minimum and to maintain ample internal resources to support its business operations, not only to reduce interest burden, but also to enable the Group to respond to changes and capture business opportunities in a timely manner when they arise. As such, both current ratio and gearing ratio are useful to assess the Group's financial positions. While higher current ratio reflects sufficiency of the Group's assets and the capability of the Group to meet its debt repayment obligations, lower gearing ratio represents lesser reliance on debt financing and greater financial stability of the Group. During the Year, the Group's liquidity position was well-managed and the Group's financial resources were sufficient to support its business operations. Where necessary, the Group may also consider other fund raising activities when opportunity arises under favourable market conditions.

Major currencies used for the Group's transactions were Hong Kong Dollars, Renminbi and United States Dollars. As Hong Kong Dollars are pegged to the United States Dollars and the fiscal policy of the Central Government of the PRC in relation to Renminbi 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 2016, the Group had equity attributable to owners of the Company of approximately HK$4,371,576,000 (2015: HK$4,530,792,000).

HUMAN RESOURCES

As at 31 December 2016, the Group employed 1,567 staff (2015: 1,402 staff). Total employee costs for the Year from continuing and discontinued operations, including directors' emoluments, amounted to approximately HK$717,901,000 (2015: HK$650,177,000). The salary and benefit levels of the employees of the Group are competitive and individual performance is rewarded through the Group's salary, bonus system and share option schemes. Remuneration packages are reviewed annually.

CONTINGENT LIABILITIES

As at 31 December 2016, the Group had no significant contingent liabilities (2015: Nil).

PLEDGE OF ASSETS

As at 31 December 2016, certain property, plant and equipment and investment properties of the Group with carrying values of approximately HK$125,201,000 and HK$531,225,000, respectively, were pledged to secure general banking facilities granted to the Group.

CAPITAL COMMITMENTS

As at 31 December 2016, the Group had capital expenditure contracted for but not provided in the financial statements in respect of the acquisition of investment properties and property, plant and equipment of approximately HK$50,921,000 (2015: HK$204,328,000) and as at 31 December 2015 the acquisition of a subsidiary at maximum consideration commitment of approximately HK$1,380,835,000 (2016: nil). The Group intends to meet those capital commitments through its internal resources.

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

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the Year.

DIVIDEND

Subsequent to the end of the reporting period, the Board recommended the payment of a final dividend ("**Final Dividend**") of HK0.28 cent per ordinary share for the year ended 31 December 2016 (2015: HK0.98 cent per ordinary share) to the shareholders of the Company ("**Shareholders**") which is subject to Shareholders' approval at the forthcoming annual general meeting to be held on Friday, 16 June 2017 ("**AGM**"). Subject to the approval of the Shareholders at the AGM, it is expected that the Final Dividend will be paid on or around Friday, 21 July 2017 to the Shareholders whose names appear on the register of members of the Company on Friday, 30 June 2017.

CLOSURE OF REGISTER OF MEMBERS

To ascertain the Shareholders' entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Monday, 12 June 2017 to Friday, 16 June 2017, both days inclusive, during which no transfer of shares of the Company will be effected. In order to qualify for the entitlement to attend and vote at the AGM, all transfers of shares of the Company accompanied by the relevant shares certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong by 4:30 p.m. on Friday, 9 June 2017.

For the purpose of determining the entitlement to the proposed Final Dividend for the year ended 31 December 2016, the register of members of the Company will be closed from Tuesday, 27 June 2017 to Friday, 30 June 2017, both dates inclusive, during which no transfer of shares of the Company will be effected. In order to qualify for entitlement to the proposed Final Dividend, all transfers of shares of the Company accompanied by the relevant shares certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong by 4:30 p.m. on Monday, 26 June 2017.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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 ("**CG Code**") contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**").

During the year ended 31 December 2016, 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 Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("**Model Code**") set out in Appendix 10 to the Listing Rules as the Company's code of conduct regarding Directors' securities transactions. Having made specific enquiry of all Directors, all the Directors have complied with the required standard set out in the Model Code throughout the year under review.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The consolidated financial statements of the Company and its subsidiaries for the year ended 31 December 2016 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 2016 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

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

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

Hong Kong, 29 March 2017

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