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 2018

FINANCIAL HIGHLIGHTS

For the year ended 31 December 2018:

– The Group recorded revenue from continuing operations of approximately HK$1,121,736,000 (2017: approximately HK$1,108,724,000).

– The Group recorded a profit for the Year of approximately HK$85,509,000 (2017: loss of approximately HK$75,679,000).

As at 31 December 2018:

– The Group held bank balances and cash of approximately HK$1,720,425,000 (2017: approximately HK$1,391,559,000).

– The Group had a current ratio (defined as total current assets divided by total current liabilities) of 8.26 (2017: 6.12) and a gearing ratio (defined as total bank borrowings divided by equity attributable to owners of the Company) of 0.46% (2017: 0.49%).

The Board recommended the payment of a final dividend of HK0.25 cent per share for the Year (2017: Nil).

FINAL RESULTS

The Board is pleased to announce the audited consolidated results of the Company and its subsidiaries for the Year, together with the comparative figures for the previous year, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	**2018** *HK$'000*	2017 *HK$'000*
Continuing operations			
Revenue	*3*	**1,121,736**	1,108,724
Cost of sales		**(749,157)**	(746,755)
Gross profit		**372,579**	361,969
Other income	*5*	**69,572**	80,527
Administrative expenses		**(365,279)**	(331,583)
Other gains and losses, net	*6*	**21,467**	(179,397)
Finance costs	*7*	**(688)**	(722)
Share of results of associates		**34,782**	17,851
Share of results of joint ventures		**(17,430)**	(20,020)
Profit (loss) before tax		**115,003**	(71,375)
Income tax expenses	*8*	**(29,494)**	(25,985)
Profit (loss) for the year from continuing operations	*9*	**85,509**	(97,360)
Discontinued operations			
Profit for the year from discontinued operations	*10*	**–**	21,681
Profit (loss) for the year		**85,509**	(75,679)

	2018	2017
	HK$'000	*HK$'000*
Other comprehensive (expense) income for the year		
Item that will not be reclassified to profit or loss:		
Fair value gain on movements in equity instruments at fair value through other comprehensive income	**6,208**	–
Items that may be reclassified subsequently to profit or loss:		
Exchange differences arising on the translation of foreign operations	**(47,794)**	54,893
Share of other comprehensive income of associates and joint ventures	**(4,041)**	1,837
Reclassification of translation reserve to profit or loss arising from discontinued operations	**–**	601
Fair value gain on available-for-sale investments	**–**	31,625
	(45,627)	88,956
Total comprehensive income for the year	**39,882**	13,277
Profit (loss) for the year attributable to:		
Owners of the Company		
– from continuing operations	**64,014**	(129,426)
– from discontinued operations	**–**	21,681
Non-controlling interests	**21,495**	32,066
	85,509	(75,679)

	Note	**2018**	2017
		HK$'000	*HK$'000*
Total comprehensive income attributable to:			
Owners of the Company		**30,679**	(33,795)
Non-controlling interests		**9,203**	47,072
		39,882	13,277
Earnings (loss) per share *(HK cent(s))*	*12*		
For continuing and discontinued operations			
– Basic		**0.85**	(1.41)
– Diluted		**0.85**	(1.41)
For continuing operations			
– Basic		**0.85**	(1.69)
– Diluted		**0.85**	(1.69)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	2018 HK$'000	2017 HK$'000
NON-CURRENT ASSETS			
Investment properties		**606,566**	597,601
Property, plant and equipment		**377,379**	343,166
Loans receivable		**5,109**	5,998
Goodwill		**489,109**	502,127
Intangible assets		**349,364**	368,134
Interests in associates		**298,706**	268,675
Interests in joint ventures		**2,442**	17,594
Financial assets at fair value through profit or loss		**68,171**	37,840
Equity instruments at fair value through other comprehensive income		**85,190**	–
Available-for-sale investments		**–**	286,329
Promissory notes		**330,000**	330,000
Deposits made for acquisition of property, plant and equipment		**–**	8,165
		2,612,036	2,765,629
CURRENT ASSETS			
Inventories		**25,625**	24,585
Trade and other receivables	*13*	**262,166**	241,325
Financial assets at fair value through profit or loss		**7,805**	–
Held for trading investments		**–**	16,726
Loans receivable		**856**	163,594
Amounts due from associates		**2,975**	6,730
Amounts due from non-controlling interests		**–**	64
Tax recoverable		**1,180**	867
Fixed bank deposit		**–**	64,358
Bank balances and cash		**1,720,425**	1,391,559
		2,021,032	1,909,808

	Notes	2018 HK$'000	2017 HK$'000
CURRENT LIABILITIES			
Trade and other payables	*14*	**150,859**	222,140
Amount due to an investee		**305**	308
Amounts due to non-controlling interests		**47,685**	47,101
Bank borrowings	*15*	**18,756**	19,777
Tax payable		**26,947**	22,552
		244,552	311,878
NET CURRENT ASSETS		**1,776,480**	1,597,930
TOTAL ASSETS LESS CURRENT LIABILITIES		**4,388,516**	4,363,559
NON-CURRENT LIABILITY			
Deferred tax liabilities		**44,418**	49,079
		4,344,098	4,314,480
CAPITAL AND RESERVES			
Share capital	*16*	**75,261**	75,261
Reserves		**3,996,010**	3,962,142
Equity attributable to owners of the Company		**4,071,271**	4,037,403
Non-controlling interests		**272,827**	277,077
Total equity		**4,344,098**	4,314,480

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL

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

The Company's shares are listed on the Stock Exchange.

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

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

2. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs

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

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

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
IFRIC-Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 "Financial Instruments" with HKFRS 4 "Insurance Contracts"
Amendments to HKFRS 15	Classification to HKFRS 15 Revenue from Contracts with Customers
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014-2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

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

2.1 HKFRS 15 "Revenue from Contracts with Customers"

The Group has applied HKFRS 15 for the first time in the current year. HKFRS 15 superseded HKAS 18 "Revenue", HKAS 11 "Construction Contracts" and the related interpretations.

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this Standard recognised at the date of initial application, 1 January 2018. Any difference at the date of initial application is recognised in the opening accumulated profits (or other components of equity, as appropriate) and comparative information has not been restated. Furthermore, in accordance with the transition provisions in HKFRS 15, the Group has elected to apply the Standard retrospectively only to contracts that are not completed at 1 January 2018. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18 and HKAS 11 and the related interpretations.

The Group recognises revenue from the following major sources which arise from contracts with customers:

- Hong Kong medical services
- Hong Kong managed care business
- Mainland hospital management and medical services
- Securities and properties investments and treasury management
- Others

Information about the Group's performance obligations and the accounting policies resulting from application of HKFRS 15 will be disclosed in the consolidated financial statements for the year ended 31 December 2018.

Summary of effects arising from initial application of HKFRS 15

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1 January 2018. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported at 31 December 2017	**Reclassification**	**Carrying amounts under HKFRS 15 at 1 January 2018**
	HK$'000	*HK$'000*	*HK$'000*
Trade and other payables			
• Deferred income	2,935	(2,935)	–
• Deposits received	4,235	(4,235)	–
• Contract liabilities	–	7,170	7,170

As at 1 January 2018, deferred income amounting to approximately HK$2,935,000 and certain deposits received amounting to approximately HK$4,235,000 in respect of sales contracts signed with customers previously included in trade and other payables were reclassified to contract liabilities which are included in trade and other payables.

The application of HKFRS 15 has had no material impact on the Group's accumulated profits as at 1 January 2018.

2.2 HKFRS 9 "Financial Instruments"

In the current year, the Group has applied HKFRS 9 "Financial Instruments" and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities and 2) expected credit losses ("**ECL**") for financial assets.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9, i.e. applied the classification and measurement requirements (including impairment under ECL model) retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018. The difference between carrying amounts as at 31 December 2017 and the carrying amounts as at 1 January 2018 are recognised in the opening accumulated profits and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 "Financial Instruments: Recognition and Measurement".

Accounting policies resulting from application of HKFRS 9 will be disclosed in the consolidated financial statements for the year ended 31 December 2018.

Summary of effects arising from initial application of HKFRS 9

The table below illustrates the classification and measurement of financial assets and financial liabilities and other items subject to ECL under HKFRS 9 and HKAS 39 at the date of initial application, 1 January 2018.

	Available-for-sale investments *HK$'000*	Held for trading investments *HK$'000*	Equity instruments at FVTOCI *HK$'000*	Financial assets at FVTPL *HK$'000*	Investment revaluation reserves *HK$'000*	Accumulated profits *HK$'000*
Closing balance at 31 December 2017 – HKAS 39	286,329	16,726	–	37,840	(23,386)	(570,804)
Effect arising from initial application of HKFRS 9						
Reclassification						
• From available-for-sale investments	(286,329)	–	216,721	69,608	21,468	(21,468)
• From held for trading investments	–	(16,726)	–	16,726	–	–
Remeasurement						
• From cost less impairment to fair value	–	–	2,538	1,867	(2,538)	(1,867)
Opening balance as at 1 January 2018	–	–	219,259	126,041	(4,456)	(594,139)

(a) Available-for-sale ("AFS") investments

*From AFS investments to equity instruments at fair value through other comprehensive income ("**FVTOCI**")*

At the date of initial application of HKFRS 9, the Group elected to present in other comprehensive income for the fair value changes of certain equity instruments previously classified as AFS investments. These investments are not held for trading and not expected to be sold in the foreseeable future, and their carrying amount of approximately HK$216,721,000 as at 31 December 2017 were reclassified from AFS investments to equity instruments at FVTOCI, of which approximately HK$96,546,000 related to unquoted equity investments previously measured at cost less impairment under HKAS 39. The fair value gain of approximately HK$2,538,000 relating to those unquoted equity investments previously carried at cost less impairment were adjusted to equity instruments at FVTOCI and investment revaluation reserves as at 1 January 2018. In addition, impairment losses previously recognised of approximately HK$21,468,000 were transferred from accumulated profits to investment revaluation reserves as at 1 January 2018.

*From AFS investments to financial assets at fair value through profit or loss ("**FVTPL**")*

At the date of initial application of HKFRS 9, the Group reclassified certain unlisted bond fund of carrying values amounting to approximately HK$61,103,000 and unlisted equity fund of approximately HK$8,505,000 from AFS investments to financial assets at FVTPL. The fair value gain of approximately HK$1,867,000 relating to these investments previously carried at cost less impairment were adjusted to financial assets at FVTPL and accumulated profits as at 1 January 2018.

(b) Held for trading investments

Financial assets at FVTPL of approximately HK$16,726,000 are held for trading which are required to be classified as financial assets at FVTPL under HKFRS 9. There was no impact on the amounts recognised in relation to these assets from the application of HKFRS 9.

(c) Impairment under ECL model

In relation to the impairment of financial assets, HKFRS 9 requires an ECL model, as opposed to an incurred credit loss model under HKAS 39. The ECL model requires an entity to account for ECL and changes in those ECL 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.

In the current year, the Group has applied HKFRS 9 simplified approach to measure ECL using lifetime ECL for trade receivables. To measure the ECL, trade receivables have been grouped based on shared credit risk characteristics.

Loss allowance for other financial assets at amortised cost, which mainly comprise of promissory notes, loans receivable, other receivables, fixed bank deposit and bank balances and cash, are measured based on 12-month ECL basis and there had been no significant increase in credit risk since initial recognition.

As at 1 January 2018, no additional credit loss allowance has been recognised against accumulated profits as the estimated allowance under the ECL model was not materially different to that under HKAS 39.

Impacts on opening consolidated statement of financial position arising from the application of all new standards

As a result of the changes in the Group's accounting policies above, the opening consolidated statement of financial position had to be restated. The following table shows the adjustments recognised for each of the line items affected. Line items that were not affected by the changes have not been included.

	At 31 December 2017 *HK$'000*	Impact on initial application HKFRS 15 *HK$'000*	Impact on initial application HKFRS 9 *HK$'000*	At 1 January 2018 *HK$'000*
Non-current assets				
Available-for-sale investments	286,329	–	(286,329)	–
Equity instruments at FVTOCI	–	–	219,259	219,259
Financial assets at FVTPL	37,840	–	71,475	109,315
Current assets				
Held for trading investments	16,726	–	(16,726)	–
Financial assets at FVTPL	–	–	16,726	16,726
Current liabilities				
Deferred income	2,935	(2,935)	–	–
Deposits received	4,235	(4,235)	–	–
Contract liabilities	–	7,170	–	7,170
Capital and reserves				
Investment revaluation reserves	(23,386)	–	18,930	(4,456)
Accumulated profits	(570,804)	–	(23,335)	(594,139)

New or revised standards and interpretations that have been issued but not yet effective

<u>HKFRS</u>	
HKFRS 16	*Leases*[1]
HKFRS 17	*Insurance Contracts*[4]
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatments*[1]
Amendments to HKFRS 3	*Definition of a Business*[5]
Amendments to HKFRS 9	*Prepayment Features with Negative Compensation*[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 1 and HKAS 8	*Amendments to definition to Material*[2]
Amendments to HKAS 19	*Plan Amendment, Curtailment or Settlement*[1]
Amendments to HKAS 28	*Long-term Interests in Associates and Joint Ventures*[1]
Amendments to HKFRSs	*Annual Improvements to HKFRSs 2015-2017 Cycle*[1]

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

[2] Effective the annual periods beginning on or after 1 January 2020

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

[4] Effective for annual periods beginning on or after 1 January 2021

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

Except for the new and amendments to HKFRSs mentioned below, the Directors anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

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.

In addition, HKFRS 16 requires sales and leaseback transactions to be determined based on the requirements of HKFRS 15 as to whether the transfer of the relevant asset should be accounted as a sale. HKFRS 16 also includes requirements relating to subleases and lease modifications.

Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

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

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

Other than certain requirements which are also applicable to lessor, 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 2018, the Group as lessee had non-cancellable operating lease commitments of approximately HK$105,722,000 (2017: approximately HK$113,460,000). A preliminary assessment indicates that these arrangements will meet the definition of a lease. Upon the application of HKFRS 16, the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases. In addition, the application of new requirements may result changes in measurement, presentation and disclosure as indicated above. However, it is not practicable to provide a reasonable estimate of the financial effect until the Directors complete a detailed review.

3. REVENUE

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

Continuing operations

	2018	2017
	HK$'000	*HK$'000*
Hong Kong medical services		
– Medical services	**450,334**	426,821
– Dental services	**62,355**	60,966
	512,689	487,787
Hong Kong managed care business	**467,802**	439,784
Mainland hospital management and medical services	**111,746**	161,916
Properties investments		
– Rental income	**16,670**	17,434
Miscellaneous healthcare related services	**12,829**	1,803
Total	**1,121,736**	1,108,724
Timing of revenue recognition		
At point in time	**1,002,660**	1,012,095
Over time	**119,076**	96,629
	1,121,736	1,108,724

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

4. SEGMENT INFORMATION

During the year ended 31 December 2017, there were five reportable and operating segments, namely provision of healthcare and dental services, managed care business, investments in securities and properties and treasury management, hospital management and consulting services business and others, which were based on the different types of major businesses. During the year ended 31 December 2018, the chief operating decision maker, being the chief executive officer ("**CEO**"), reassessed the current business units of the Group and changed the basis upon which the Group is organised and managed. The CEO considered that the locations of operations of the different types of businesses are more relevant for the purposes of resources allocation and assessment of segment performance.

Specifically, the Group's new operating and reportable segments for the year ended 31 December 2018 are as follows:

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

The "Hong Kong medical services", "Hong Kong managed care business" and "securities and properties investments and treasury management" segments are the same as the "provision of healthcare and dental services", "managed care business" and "investments in securities and properties and treasury management" segments reported in the previous year's consolidated financial statements. The "hospital management and consulting services business" and "others" segments reported in the previous year's consolidated financial statements have been regrouped and reorganised into the "mainland hospital management and medical services" and "others" segments in the current year.

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

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

Segment revenues and results

For the year ended 31 December 2018

Continuing operations

	Hong Kong medical services	Hong Kong managed care business	Mainland hospital management and medical services	Securities and properties investments and treasury management	Others	Elimination	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue							
External sales	**512,689**	**467,802**	**111,746**	**16,670**	**12,829**	**–**	**1,121,736**
Inter-segment sales	**40,481**	**–**	**–**	**9,340**	**–**	**(49,821)**	**–**
	553,170	**467,802**	**111,746**	**26,010**	**12,829**	**(49,821)**	**1,121,736**
Segment results	**37,778**	**48,485**	**29,423**	**106,892**	**(29,337)**	**–**	**193,241**
Unallocated other income							**9,724**
Finance costs							**(688)**
Unallocated other gains and losses							**(34,149)**
Unallocated corporate expenses							**(53,125)**
Profit before tax							**115,003**

For the year ended 31 December 2017

Continuing operations

	Hong Kong medical services *HK$'000*	Hong Kong managed care business *HK$'000*	Mainland hospital management and medical services *HK$'000*	Securities and properties investments and treasury management *HK$'000*	Others *HK$'000*	Elimination *HK$'000*	Total *HK$'000*
Revenue							
External sales	487,787	439,784	161,916	17,434	1,803	–	1,108,724
Inter-segment sales	24,211	–	–	6,868	–	(31,079)	–
	511,998	439,784	161,916	24,302	1,803	(31,079)	1,108,724
Segment results	36,966	48,195	36,677	(149,985)	(37,877)	–	(66,024)
Unallocated other income							14,380
Finance costs							(722)
Unallocated other gains and losses							29,311
Unallocated corporate expenses							(48,320)
Loss before tax							(71,375)

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

Revenue from provision of miscellaneous services

Provision of miscellaneous services are mainly related to provision of health management services and other healthcare related services. No analysis of revenue from provision of miscellaneous services is presented as the management of the Group considers the cost to develop it would be excessive.

Other segment information

For the year ended 31 December 2018

	Hong Kong medical services *HK$'000*	Hong Kong managed care business *HK$'000*	Mainland hospital management and medical services *HK$'000*	Securities and properties investments and treasury management *HK$'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:								
Interest income	–	–	–	(53,178)	–	(53,178)	–	(53,178)
Dividend income	(2,625)	–	–	(4,045)	–	(6,670)	–	(6,670)
Reversal of impairment loss recognised in other receivables	–	–	–	(2,258)	–	(2,258)	–	(2,258)
Increase in fair value on investment properties	–	–	–	(25,665)	–	(25,665)	–	(25,665)
Reversal of impairment loss on promissory notes	–	–	–	(30,000)	–	(30,000)	–	(30,000)
Share of results of associates	(14,771)	–	186	–	(20,197)	(34,782)	–	(34,782)
Share of results of joint ventures	–	–	14	–	17,416	17,430	–	17,430
Depreciation of property, plant and equipment	14,892	3,154	2,734	15,891	9,647	46,318	456	46,774
Amortisation of intangible assets	–	7,251	3,310	–	–	10,561	–	10,561
Loss on disposal of property, plant and equipment	345	–	–	(10)	–	335	153	488
Amounts included in the information regularly provided to the CEO:								
Additions to property, plant and equipment	11,554	2,473	72,927	201	172	87,327	525	87,852

For the year ended 31 December 2017

	Hong Kong medical services HK$'000	Hong Kong managed care business HK$'000	Mainland hospital management and medical services HK$'000	Securities and properties investments and treasury management HK$'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:								
Interest income	–	–	–	(58,898)	–	(58,898)	–	(58,898)
Dividend income	(2,450)	–	–	(4,799)	–	(7,249)	–	(7,249)
Impairment loss recognised in other receivables	–	–	–	2,258	–	2,258	–	2,258
Impairment loss recognised in available-for-sale investments	–	–	–	13,919	–	13,919	–	13,919
Increase in fair value on investment properties	–	–	–	(76,129)	–	(76,129)	–	(76,129)
Loss on fair value changes on held for trading investments	–	–	–	53,243	–	53,243	–	53,243
Impairment loss on promissory notes	–	–	–	233,705	–	233,705	–	233,705
Share of results of associates	(19,528)	–	–	–	1,677	(17,851)	–	(17,851)
Share of results of joint venture	–	–	–	–	20,020	20,020	–	20,020
Depreciation of property, plant and equipment	16,095	2,168	11,792	14,780	3,432	48,267	230	48,497
Amortisation of intangible assets	–	7,252	3,274	–	–	10,526	–	10,526
Impairment loss recognised on trade receivables	4,103	–	–	–	–	4,103	–	4,103
Loss on disposal of property, plant and equipment	261	–	–	–	–	261	–	261
Amounts included in the information regularly provided to the CEO:								
Additions to property, plant and equipment	39,453	6,219	7,123	2,716	35,989	91,500	758	92,258

Geographical information

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

	2018	2017
	HK$'000	*HK$'000*
Other regions of the PRC	**111,746**	161,916
Hong Kong	**1,009,990**	946,808
	1,121,736	1,108,724

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

	Carrying amount of non-current assets	
	2018	2017
	HK$'000	*HK$'000*
Other regions of the PRC	**496,506**	495,698
Hong Kong	**1,627,060**	1,601,599
Non-current assets *(Note)*	**2,123,566**	2,097,297

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

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

5. OTHER INCOME

	2018	2017
	HK$'000	*HK$'000*
Continuing operations		
Interest income	**53,178**	58,898
Dividend income from equity instruments at FVTOCI:		
– Relating to investment derecognised during the year	**3,953**	–
– Relating to investments held at the end of the reporting period	**2,675**	–
Dividend income from financial assets at FVTPL	**42**	–
Dividend income from investments classified as AFS investments	**–**	7,249
Rental income	**4,594**	4,706
Sundry income	**5,130**	9,674
	69,572	80,527

6. OTHER GAINS AND LOSSES, NET

	2018	2017
	HK$'000	*HK$'000*
Continuing operations		
Fair value changes on investment properties	**25,665**	76,129
Exchange gain	**–**	6,891
Fair value changes on financial assets at FVTPL	**(36,956)**	18,980
Loss on fair value changes on held for trading investments	**–**	(53,243)
Gain on disposal of associates	**–**	3,440
Net gain on disposal of subsidiaries	**–**	22,020
Reversal of impairment loss (impairment loss) recognised in respect of:		
– AFS investments	**–**	(13,919)
– promissory notes	**30,000**	(233,705)
– trade receivables	**–**	(4,103)
– other receivables	**2,258**	(2,258)
– amounts due from associates	**–**	121
– amounts due from investees	**500**	250
	21,467	(179,397)

7. FINANCE COSTS

	2018	2017
	HK$'000	*HK$'000*
Continuing operations		
Interest on bank borrowings	**688**	722

8. INCOME TAX EXPENSES

	2018	2017
	HK$'000	*HK$'000*
Continuing operations		
Tax charge comprises:		
Current tax		
– Hong Kong Profits Tax	**15,563**	16,222
– PRC Enterprise Income Tax	**17,317**	16,833
	32,880	33,055
(Over) underprovision in prior years		
– Overprovision of Hong Kong Profits Tax	**(809)**	(2,589)
– Under (over)provision of PRC Enterprises Income Tax	**32**	(2,179)
	(777)	(4,768)
	32,103	28,287
Deferred tax		
– Current year	**(2,609)**	(2,302)
	29,494	25,985

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

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

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

	2018	2017
	HK$'000	*HK$'000*
Profit (loss) for the year from continuing operations has been arrived at after charging:		
Staff costs		
– Directors' remuneration	**12,874**	11,936
– Other staff's salaries, bonus and other benefits	**620,451**	598,132
– Other staff's retirement benefits scheme contributions	**7,130**	6,054
	640,455	616,122
Auditors' remuneration	**3,663**	3,483
Cost of inventories recognised as expenses	**126,572**	135,662
Depreciation of property, plant and equipment recognised in administrative expenses	**44,869**	38,642
Depreciation of property, plant and equipment recognised in cost of sales	**1,905**	9,855
Total depreciation of property, plant and equipment	**46,774**	48,497
Loss on disposal of property, plant and equipment	**488**	261
Amortisation of intangible assets (included in administrative expenses)	**10,561**	10,526
and after crediting:		
Gross rental income from investment properties	**16,670**	17,434
Less: Direct operating expenses of properties that generated rental income	**(1,532)**	(3,202)
Net rental income from investment properties	**15,138**	14,232

10. DISCONTINUED OPERATIONS/DISPOSAL GROUP HELD FOR SALE

(i) Description

On 30 December 2016, the Group entered into a sale and purchase agreement with a related party to dispose of the entire issued share capital of Bonjour Beauty International Limited and its subsidiaries (the "**Bonjour Beauty Group**") at a consideration of HK$430,000,000, which was settled by cash consideration of HK$100,000,000 and a promissory note issued by the purchaser, with a face value of aggregate amount of HK$330,000,000. As at the date of the sale and purchase agreement, the purchaser is a company controlled by a then director of the Company who resigned as a Director on the same date.

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

(ii) Financial performance and cash flow information

The profit for the period from the Bonjour Beauty Group is set out below.

	1 January 2017 to 13 April 2017 *HK$'000*
Revenue	48,759
Cost of sales	(16,041)
Gross profit	32,718
Other income	1,761
Administrative expenses	(50,624)
Loss before tax	(16,145)
Income tax expenses	(400)
Loss after income tax of discontinued operation	(16,545)
Gain on disposal of subsidiaries	38,226
Profit from discontinued operations	21,681
Exchange differences on translation of discontinued operations	601
Other comprehensive income from discontinued operations	**601**

(iii) Details of the disposal of the subsidiaries

Profit for the year from discontinued operations include the following:

	2017
	HK$'000
Auditor's remuneration	–
Amortisation of intangible assets (included in administrative expenses)	268
Cost of inventories recognised as expense	3,809
Depreciation of property, plant and equipment	3,603
Interest income	1,725
Operating lease payments in respect of rented premises	17,271
Staff costs	31,063

11. DIVIDENDS

	2018	2017
	HK$'000	*HK$'000*
Dividends recognised as distribution during the year		
– Final dividend of HK$nil per ordinary share for the year ended 31 December 2017 (2017: 2016 final dividend – HK0.28 cent)	**–**	21,074
	–	21,074

On 28 March 2019, the Directors recommended the payment of a final dividend of HK0.25 cent per share for the year ended 31 December 2018 (2017: The Board did not recommend the payment of a final dividend).

12. EARNINGS (LOSS) PER SHARE

For continuing operations

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

Earnings (loss) for the purpose of basic and diluted earnings (loss) per share

	2018	2017
	HK$'000	*HK$'000*
Profit (loss) for the year from continuing operations attributable to owners of the Company	**64,014**	(129,426)

Number of shares

	2018	2017
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	**7,526,134,452**	7,619,647,526

For continuing and discontinued operations

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

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

	2018	2017
	HK$'000	*HK$'000*
Profit (loss) for the year from continuing and discontinued operations attributable to owners of the Company	**64,014**	(107,745)

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

For discontinued operations

Basic earnings per share for the discontinued operations was HK0.28 cent per share and diluted earnings per share for the discontinued operations was HK0.28 cent per share for the year ended 31 December 2017, based on the profit for the year from the discontinued operations and the denominators used are the same as those detailed above for both basic and diluted earnings per share.

13. TRADE AND OTHER RECEIVABLES

	2018	2017
	HK$'000	*HK$'000*
Trade receivables	**158,648**	162,900
Less: Allowance for doubtful debts	**–**	(5,289)
Total trade receivables, net of allowance	**158,648**	157,611
Deposits	**40,469**	47,060
Other receivables	**48,813**	29,582
Prepayments	**14,236**	7,072
	262,166	241,325

Most of the patients of the medical and dental practices settle in cash. Payments arising from use of medical cards by patients will normally be settled within 180 to 240 days whilst settlement by corporate customers for the Group's managed care operation is from 60 to 180 days. The Group allows an average credit period of 60 to 240 days to its trade customers under other business activities.

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

	2018	2017
	HK$'000	*HK$'000*
0 – 60 days	**145,287**	120,953
61 – 120 days	**10,619**	24,096
121 – 180 days	**1,964**	12,143
181 – 240 days	**778**	419
	158,648	157,611

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

As at 31 December 2018, no trade receivables are past due at the end of the reporting period for which the Group has not provided for impairment loss.

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

Movement in the allowance for doubtful debts:

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

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

14. TRADE AND OTHER PAYABLES

	2018	2017
	HK$'000	*HK$'000*
Trade payables	**36,997**	56,691
Other payables	**12,993**	80,079
Deposits received	**5,333**	9,243
Contract liabilities	**11,885**	–
Deferred income	**–**	2,935
Accruals	**83,651**	73,192
	150,859	222,140

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

	2018	2017
	HK$'000	*HK$'000*
0 – 60 days	**34,635**	39,746
61 – 120 days	**1,648**	5,305
Over 121 days	**714**	11,640
	36,997	56,691

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

15. BANK BORROWINGS

	2018	2017
	HK$'000	*HK$'000*
Secured:		
Mortgage loan	**18,756**	19,777

The bank borrowings are repayable as follows:

On demand and within one year	**1,137**	1,109
In more than one year but not more than two years	**1,165**	1,137
In more than two years but not more than three years	**1,194**	1,165
In more than three years but not more than four years	**1,224**	1,194
In more than four years but not more than five years	**1,254**	1,224
Over five years	**12,782**	13,948
	18,756	19,777
Less: Amounts due within one year shown under current liabilities	**(1,137)**	(1,109)
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)	**(17,619)**	(18,668)
	–	–

As at 31 December 2018, the bank borrowings of the Group carry variable interest rates at HIBOR+2.25% per annum (2017: variable interest rate from HIBOR+2.25% per annum).

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

16. SHARE CAPITAL

	Number of shares	Amount
		HK$'000
Ordinary shares of HK$0.01 each		
Authorised:		
At 1 January 2017, 31 December 2017 and 2018	30,000,000,000	300,000
Issued and fully paid:		
At 1 January 2017	7,761,298,452	77,613
Shares repurchased and cancelled *(Note)*	(235,164,000)	(2,352)
At 31 December 2017 and 2018	**7,526,134,452**	**75,261**

Note:

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

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

The above ordinary shares were cancelled upon repurchase.

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

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

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

During the Year, the Group's revenue increased by approximately 1.17% to approximately HK$1,121,736,000 (2017: approximately HK$1,108,724,000) and the Group recorded a profit of approximately HK$85,509,000 (2017: loss of approximately HK$75,679,000). The increase in profit was mainly attributable to the net increase in other gains and losses which was set off by the increase in administrative expenses. The Group's gross profit margin for the Year was approximately 33.21% (2017: approximately 32.65%).

Other gains and losses

During the Year, the Group recognised a net gain in respect of other gains and losses of approximately HK$21,467,000 (2017: net loss of approximately HK$179,397,000).

Reversal of impairment losses recognised in respect of promissory notes and other receivables

The Group recorded reversal of impairment losses in respect of the promissory notes of HK$30,000,000 and other receivables of approximately HK$2,258,000 (being the interest accrued on the promissory note) for the Year (while impairment losses of approximately HK$233,705,000 in respect of promissory notes and approximately HK$2,258,000 in respect of other receivables were recorded for the year ended 31 December 2017). Such reversal of impairment losses are due to repayment of the promissory note in the principal amount of HK$30,000,000 issued by a corporation which is a third party independent of the Company and its connected persons (as defined in the Listing Rules) in favour of the Group for partial settlement of the consideration of the Group's disposal of shares of New Ray Medicine International Holding Limited, whose shares are listed on the Main Board (Stock code: 6108), and interest accrued thereon in the aggregate amount of approximately HK$33,058,000 in July 2018.

Fair value changes on investment properties

The Group recorded a fair value gain on investment properties of approximately HK$25,665,000 for the Year (2017: approximately HK$76,129,000). During the Year, the fair value gain was contributed by the increase in fair value of a number of the Group's properties (while the fair value gain recorded for the year ended 31 December 2017 was mainly contributed by the Group's property in Shatin as the property, being an industrial building, was approved with conditions for commercial uses for a period expiring on 30 June 2047).

Fair value loss on financial assets at fair value through profit or loss/held for trading investments

During the Year, the Group recorded a fair value loss of approximately HK$8,921,000 (2017: approximately HK$53,243,000) in respect of the Group's investment in the securities of China Parenting, whose shares are listed on the Main Board (Stock code: 1736), which was previously classified as held for trading investments during the year ended 31 December 2017. As at 31 December 2018, the Group's investment in China Parenting is classified as financial assets at fair value through profit or loss.

Administrative expenses

During the Year, the Group recognised administrative expenses of approximately HK$365,279,000 (2017: approximately HK$331,583,000). Such increase was mainly due to the increase in legal and professional fee and also depreciation and rent, rates and building management fee as a result of opening of two health management centres in Hong Kong.

BUSINESS REVIEW

Suspension of Trading and Progress Update on Resumption of Trading

As at the date of this announcement, trading in the Shares remains suspended. As disclosed in the Company's announcement dated 18 December 2017, the Board has established an independent board committee, comprising all the independent non-executive Directors, to conduct an independent investigation into the issues and matters arising from or relating to the trading suspension, to make recommendations to the Board on appropriate actions to be taken, and to work towards the goal of having the Shares resumed trading on the Stock Exchange. In February 2018, the independent board committee engaged an independent forensic accountant to conduct a forensic investigation into the issues and matters arising from or relating to the trading suspension and other related issues. The forensic investigation has been completed and reported to the independent board committee. As disclosed in the Company's announcement dated 31 January 2019, as a result of communication with the SFC, the independent board committee has engaged the independent forensic accountant to conduct further inquiry and investigation into relevant matters and to make recommendations to the Board accordingly. The Company will continue to monitor and report the progress of such further investigation.

As disclosed in the Company's announcements dated 11 July 2018, 1 August 2018, 5 November 2018 and 31 January 2019, respectively, the interim results announcement of the Company for the six months ended 30 June 2018 dated 28 August 2018 and the interim report of the Company for the six months ended 30 June 2018 published on 21 September 2018, the Company has made representations to the SFC to address the SFC's concerns on the Group and to seek the SFC's re-consideration on its direction. The Company is striving to resume the trading of its Shares on the Stock Exchange and will continue to communicate with the SFC in this regard, but at this stage, the Company is unable to provide a concrete timetable on the next steps in connection with the trading resumption. The Company will continue to keep the Shareholders and potential investors of the Company informed of the progress on the trading resumption.

Healthcare Service Network of the Group

As at 31 December 2018, the Group had 498 multi-disciplinary healthcare service points, including 283 general practices service points, 84 specialist service points, 35 dental service points and 96 auxiliary service points. As at 31 December 2018, the Group had 698 medical doctors, dentists and auxiliary service providers (including 424 general practitioners, 225 specialists and 49 dentists), who provided healthcare services through its network of self-operated and affiliated medical centres of the Group.

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

	As at 31 December 2018
Medical services	**367**
General practices services	283
Specialist medical services	84
Dental services	**35**
Auxiliary services	**96**
Physiotherapy services	50
Medical imaging and laboratory services	27
Chinese medicine services	17
Health management services	2
Total:	**498**

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

	As at 31 December 2018
Medical services	**93**
General practices services	52
Specialist medical services	41
Dental services	**13**
Auxiliary services	**22**
Medical imaging and laboratory services	13
Physiotherapy services	7
Health management services	2
Total:	**128**

Business in Hong Kong

Third-Party Administrator Business – Vio

The third-party administrator business of the Group has maintained steady growth and recorded single-digit percentage of growth in revenue. During the Year, Vio's self-operated integrated medical centre in Central has been relocated to another prime site in Central. The new facility is more spacious and provides customers with comprehensive medical services in a comfortable environment. Facing intense market competition and rising rental and labor costs, the net profit margin has been squeezed. The Group expects to maintain the current double-digit pre-tax profit margin level in the future. The Group also expects that by leveraging the network administrator business, Vio could refer customers to the Group's self-operated specialist clinics, and thus be able to generate business synergies.

During the Year, income generated from the Group's Hong Kong managed care business was approximately HK$467,802,000 (2017: approximately HK$439,784,000), representing approximately 41.70% of the Group's revenue for year (2017: approximately 39.67%); and net profit margin has remained relatively stable, marking the leading industry position.

Self-operated Medical and Dental Service Business

During the Year, the Group operated a total of 52 general practice medical centres, 41 specialist centres and 13 dental clinics. The Group's self-operated clinics chain business has been growing steadily. While the general practice and dental clinics business has met the bottleneck in its development, the specialist clinics business has been enjoying rapid growth. The Group has expanded its service points of specialist medical services to capture a bigger market share. The newly covered regions of service have been extended to Central District and Jordan District, demonstrating that the brand of the Group's Hong Kong specialist business has been well-established. During the Year, the Group continued to further enhance its strategic integration of the industry chain of medical services by incorporating its self-operated medical service centres into the medical service network managed by Vio, hence to integrate the upstream and downstream business segments and create synergies to the Group. However, due to a shortage of doctors and nursing professionals which leads to an increase in labor costs, the overall profit margin has been under pressure.

During the Year, income generated from the Group's Hong Kong medical and dental service business was approximately HK$512,689,000 (2017: approximately HK$487,787,000), representing approximately 45.70% of the Group's total revenue for the Year (2017: approximately 44.00%).

Health Management Centres

During the Year, the Group has worked closely with China Life Group to develop chain health management centres in Hong Kong and the PRC. The health management centres which are located at the China Life Group's building in Wan Chai and Tsim Sha Tsui are still at the beginning of development and have not yet been profitable. During the Year, the Group further deepened the co-operation between its insurance partner and the health management centres. The insurance agents of China Life Group have been trained to become health management consultants so as to provide personalised services to customers, improve the service quality of insurance sales, and promote the sales of health care services of health management centres, resulting in the creation of business synergies. The in-depth cooperation model between the Group and China Life Group is still under exploration. In addition, the operation and IT systems of the health management centres have been successfully developed, which could maintain personalised health records for customers that contain key health information, medical records, health check-up reports and assessment reports. It helps closely monitor and evaluate users' health status and provide users with personalised health advice and guidance. In mid-2018, residents from Mainland China flocked to Hong Kong to receive 9-valent human papillomavirus vaccine (HPV), resulting in a shortage of vaccines in Hong Kong. As such, the business of the Group's health management centres was adversely affected and the centres were unable to accommodate more customers, posing negative impact on the income for the Year. Subsequently, at the end of 2018, the pharmaceutical factory resumed supply of vaccines, and the Group's customers for vaccination service have increased steadily.

Cosmetic and Beauty Business

The cosmetic and beauty business segment of the Group, under the brand of "The Beauty", has jointly established a centre with the Group's health management centre in Tsim Sha Tsui in 2017, so as to develop cross selling and drive up consumption on both sides. The Group introduced advanced medical beauty and high energy cosmetic instruments certified by the Food and Drug Administration of the United States to provide more advanced and safe treatments to customers. Leveraging on its comprehensive network of specialists and with the help of the health management services, the Group's cosmetic and beauty business has enhanced its competitiveness, and hence further strengthened the synergies generated by cross-referrals among different business segments. The beauty business segment of "The Beauty" in Hong Kong has undergoing a series of corporate restructuring early last year, resulting in improving of the operation efficiency and significant reduction in costs. The business volume of Hong Kong business has been affected but regained stable growth thereafter whereas the profit in the Mainland has achieved double-digit percentage rapid growth in the Year.

During the Year, "The Beauty" has recruited a total of 3 full-time or part-time doctors. Its medical network in Hong Kong, Shenzhen and Shanghai have 9, 7 and 3 centres respectively. During the Year, the revenue of "The Beauty" was approximately HK$289,443,000 (2017: approximately HK$247,482,000).

Business in the Mainland

Hospital Management and Consulting Services Business in the PRC

During the Year, the Group has continued to focus on developing the healthcare business in the Mainland. During the Year, the overall revenue of Nanshi Hospital has increased by approximately 20% and the business revenue for patient care of Nanshi Hospital has grown satisfactorily. The inpatient bed turnover rate has been speeded up and the average length of stay per patient has been shortened to 10.6 days, increasing the capacity of inpatients admission. During the Year, the Group has increased doctor and nursing staff's salaries and offered incentive scheme based on their performance and workload in order to maintain the competitiveness in attracting talented healthcare professional in the region and encourage the doctors to provide high-quality healthcare services. The salary adjustment and incentive scheme led to an increase of approximately 22% in labor cost as compared to 2017. As such, the net profit margin decreased as compared to 2017. However, after the adjustment of salary and implementation of incentive scheme, the Group expects the labor cost in the future to remain stable.

The usage of inpatient beds of Nanshi Hospital has exceeded its maximum capacity. In order to solve the problem of overcapacity, the construction of the new hospital block has been undergoing apace and was in rapid development, and is expected to be completed by 2020. By then, the total floor area of Nanshi Hospital will be expanded to approximately 150,000 sq.m. and the capacity will be increased to approximately 2,000 beds. It will be equipped with international standard surgery centres, intensive care units, high-end obstetrics and gynecology VIP wards and other high-end medical facilities. The new hospital block is expected to greatly expand the service capacity of the hospital and enhance its service standard. Nanshi Hospital will also develop a new rehabilitation hospital in the near proximity with a total floor area of 5,500 sq.m. in 2019. Patients who need long term rehabilitation care or postoperative care will be transferred from Nanshi Hospital to the newly established rehabilitation hospital, so as to release more impatient beds for Nanshi Hospital and accelerate the bed turnover rate. Furthermore, the Group acquired a high-end commercial building with a total floor area of 3,000 sq.m. in the high-end commercial district of Nanyang City during the Year. The building will be developed into a high-end eye hospital. The Group expects that the rehabilitation hospital and the eye hospital will be able to contribute revenue to Nanshi Hospital and the Group respectively starting from 2020.

The Group strives to develop different businesses under Nanyang Xiangrui, the Group's hospital management subsidiary, so as to provide comprehensive and professional management services to hospitals managed by the Group. These include marketing services, property management, medical consumables and equipment procurement services. In the future, the Group will expand the business of its hospital management to introduce Hong Kong-style healthcare management services to other hospitals in the PRC.

High-end Health Check Business

The revenue of Sixth Hospital's high-end imaging diagnostic centre managed by Yikang in Guangzhou has increased rapidly by approximately 25% due to rapid business growth. However, the cooperation agreement between Yikang and Sixth Hospital does not conclude on the extension period of cooperation, which may lead to uncertainties their future cooperation. As such, Yikang and other subsidiaries of the Company have been exploring other business opportunities in Southern China. The high-end clinic, Ganghe Clinic, which has been launched in the downtown region of Futian, Shenzhen, provides high-end outpatient clinic services. Furthermore, Yikang will develop a high-end health-check centre and imaging diagnostic centre with an expected total floor area of 6,000 sq.m. in Zhongshan, Guangzhou, together with United Imaging and Guangzhou Dixing Real Estate Development Company, to collaboratively explore high-end imaging diagnostic centre and health management centre business in the region.

High-end Dental Services

The business of Yamei dental clinic in Hangzhou has been on track. During the Year, the overall revenue of the dental clinic has more than doubled and the loss gradually decreased. The Group has enhanced its brand awareness and attracted new customers through effective marketing strategy, including the use of both online and offline promotion channels. However, as Invisalign corporation has started to provide training for dentists in Greater China independently, the dental training business of Yamei has been invariably affected. In the future, the Group will focus on expanding the professional dentists team so as to provide high-end Invisalign and other dental services to the public.

Chain Health Management Centres

The newly developed health management centre, located in Jinan's office building of the Shandong Branch of China Life Group. It is currently under construction and is expected to start operation in mid-2019. The combination of health management services and China Life Group's insurance business will create huge and robust synergies. The Group expects to provide comprehensive services and high-end healthcare solutions for China Life Group's clients and will strive to raise their awareness in preventive care and promote national health. At the same time, leveraging on the electronic information systems which collect and analyse customers' data, as well as health tracking notification function, the Group is committed to providing custom-made professional and personalised health management services to the clients of China Life Group.

Chain Medical Beauty Centres

During the Year, the PRC business of "The Beauty" has been growing rapidly. Currently, there are 7 centres in Shenzhen and 3 centres in Shanghai respectively. During the Year, the cash sales of the medical beauty business in the Mainland grew by approximately 20%, and the minimally invasive medical beauty services has become the key revenue growth driver. In addition, the first wholly-owned medical beauty clinic in the Mainland of "The Beauty" has commenced operation in the Futian District, Shenzhen in the end of 2017, which helps the Group to further develop the medical beauty market in the Mainland.

During the Year, the Group had entered into a JV Agreement with Taigang Medical in Taiyuan City in relation to the formation of a joint venture to develop medical beauty and other high-end healthcare services in Taiyuan city of Shanxi Province. The Group expects that the plastic surgery hospital will be completed in mid-2019, offering medical beauty, high-end dental and health management services to the public. The Joint Venture will provide a good opportunity for the Group to introduce professional and reliable Hong Kong brand of medical beauty services into the Mainland market. The Group believes that this will be a significant development milestone for the Group's medical beauty business in the Mainland.

Other investments

As at 31 December 2018, the Group held 7,707.27 shares in Heemin Capital – Class A Shares with an aggregate subscription price of US$7,884,000 (equivalent to HK$61,103,000). Heemin Capital is principally engaged in global fund investment. As at 31 December 2018, the fair value of the Group's investment in Heemin Capital is approximately HK$64,480,000. As at 31 December 2018, the Group's investment in Heemin Capital constituted approximately 85% of the balance of the financial assets at fair value through profit or loss which was previously classified as available-for-sale investments as at 31 December 2017.

As at 31 December 2018, the Group held approximately 17.67% of HCMPS with an investment amount of approximately HK$86,585,000. HCMPS and its subsidiaries are principally engaged in the provision of contracted medical schemes for integrated medical and healthcare check-up services. Based on the latest unaudited combined financial information for the year ended 31 December 2018 of HCMPS, it recorded a profit of approximately HK$25 million. The Group is of the view that the ageing population and the increasing demand for corporate medical solutions services in Hong Kong are favourable to the continuing development of HCMPS's business. As at 31 December 2018, the Group's investment in HCMPS constituted approximately 90% of the balance of equity instruments at fair value through other comprehensive income which was previously classified as available-for-sale investments as at 31 December 2017.

The Group prudently and carefully selects promising investments which are duly assessed and analysed by the management of the Group. After taking into account the prospects of the business and the respective financial performance of the investments, the Group submitted the redemption notice to redeem all the shares in Heemin Capital in February 2019 and the redemption date will be 1 April 2019. The Group as at the date of this announcement intended to continue to hold the remaining investments in its present portfolio.

OUTLOOK

Going forward, the Group will maintain its leading position in the healthcare market of Hong Kong and step up efforts to expand its healthcare business in the PRC. With favorable policy reforms of the healthcare system by the PRC government, aging population, longer life expectancy, higher health consciousness, and increasing per capita consumption, the demand for high-quality healthcare services in the PRC has been increased. The Group will take advantage of its healthcare brand, its operation model and its extensive management experience to develop its PRC healthcare business, aiming to become the leading corporation in healthcare industry.

Hong Kong

Regarding its self-operated healthcare services business, the Group has employed various measures to solve the problem of elevating labor costs due to a shortage of doctors and nursing professionals in Hong Kong. The Group will leverage its management system to improve operational efficiency, while maintaining a steady development of the general practice and dental clinics business. At the same time, the specialist clinics business is achieving good growth. The Group will strive to attract talented medical specialists to join and will expand its service scope, so as to capture new market share. However, as Hong Kong healthcare market is highly saturated, it would be quite difficult for the Group to achieve rapid business growth under the intensively competitive environment.

In respect to the third-party administrator business, the Group will continue to enhance the service standard of Vio and actively seek for new service contracts in Hong Kong. The Group expects that the current cost structure has been successfully controlled, and the pre-tax profit margin of the business could be maintained at a double-digit percentage level in the near future.

Referring to the health management centre business, the Group will continue to facilitate the co-operation between the health management centres with its insurance partners. The health management centre situated at China Life Group's building in Wan Chai will further its collaboration with China Life Group, in order to mobilise the China Life Group's sales team, to promote sales of health management products, and to provide more value-added services to China Life Group's high-end customers, hence creating mutual benefits to both parties. In addition to maintaining the sales channels in Hong Kong, the health management centre will proactively develop sales channels in the PRC market.

Regarding the future development of its cosmetic and medical beauty business segment, the Group expects a stable development of its Hong Kong business, and strives to maintain a continual rapid growth of its PRC cosmetic and medical beauty business. The Group will establish a telephone customer service centre in Mainland China, aiming to leverage the customer hotline platform to develop sales channels, and to build “The Beauty” brand.

The Mainland

The demand for high-end healthcare services has been increasing in the Mainland. Leveraging on its competitive edges, the Group has captured the business opportunities in the Mainland and will continue to excel and seize a bigger market share.

Regarding the hospital management business in the Mainland, the new block of Nanshi Hospital is under construction, and is expected to become the development milestone of Nanshi Hospital. In addition, the Group will develop the newly acquired commercial building into a comprehensive high-end eye hospital. The Group has incorporated its subsidiaries in the Mainland to provide professional hospital management services on different fields, namely professional marketing services, hospital property management services, and medical equipment and consumables procurement services. The Group has obtained required trading licenses for procurement of medical consumables and medical equipment. Besides Nanshi Hospital, the Group expects to further expand its hospital management business to other hospitals in Nanyang city.

Referring to the high-end dental business, the Group targets to implement an incentive scheme so as to build up a professional team. The Group will continue to focus on offering high-end dental services to the public.

As for the business of health management centre, the Group’s first PRC health management centre, located at Jinan’ office building of the Shandong Branch of China Life Group, is under construction and is expected to commence operation by mid of 2019. The Group strives to collaborate with China Life Group to integrate insurance and health management services, generating synergies for both parties.

Regarding the business of medical beauty centres, the Group will cooperate with Taigang Medical in Taiyuan City to build a plastic surgery hospital, which will be completed by mid-2019. This will further strengthen the Group’s medical beauty business in the Mainland and expand its service network.

FORMATION OF JOINT VENTURE

On 1 August 2017, Town Health M&B, an indirect wholly-owned subsidiary of the Company, entered into the Cooperation Agreement with Taigang Medical in relation to formation of the Joint Venture to develop beauty and cosmetic medicine institutions and related business in Taiyuan City of Shanxi Province, the PRC. Pursuant to the Cooperation Agreement, a formal agreement would be entered into between the parties to provide further details on the establishment of the Joint Venture.

On 13 September 2018, Town Health M&B and Taigang Medical entered into the JV Agreement, being the formal agreement in relation to the establishment of the Joint Venture. The JV Agreement shall come into effect after being approved by the relevant PRC authorities.

Subsequent to the signing of the Cooperation Agreement and as at the date of the JV Agreement, Taigang Medical was owned as to 50% by China Life Shanghai, a subsidiary of China Life Insurance. As at the date of the JV Agreement, China Life Insurance held approximately 23.72% of the Shares and was a connected person of the Company. As such, Taigang Medical, being a company controlled by China Life Insurance, was a connected person of the Company and the formation of the Joint Venture with Taigang Medical under the JV Agreement constituted a connected transaction for the Company.

The Joint Venture was to be established to develop beauty and cosmetic medicine institutions and related business in Taiyuan City of Shanxi Province, the PRC.

Town Health M&B and Taigang Medical shall make capital contributions of RMB30,000,000 and RMB20,000,000 to the Joint Venture respectively, and the Joint Venture shall be owned as to 60% by Town Health M&B and 40% by Taigang Medical in accordance with their respective capital contributions. The respective capital commitments of Town Health M&B and Taigang Medical shall be paid up within 30 years of the date of issuance of the business licence of the Joint Venture.

The Joint Venture would become a subsidiary of the Company and the financial results of the Joint Venture would be consolidated into the financial statements of the Company.

The Joint Venture has a term of operation of 30 years and its business scope shall include provision of medical services as permitted under its medical institution practising licence(s), lifestyle beauty and sale of cosmetic products.

Further details of the formation of the Joint Venture are set out in the Company's announcement dated 13 September 2018.

LIQUIDITY AND FINANCIAL RESOURCES

The Group adopts a prudent cash and financial management policy. As at 31 December 2018, the Group held bank balances and cash of approximately HK$1,720,425,000 (2017: HK$1,391,559,000). In order to achieve better cost control and minimise the costs of funds, the Group's treasury activities are centralised and substantial cash is generally deposited with banks in Hong Kong and denominated mostly in HK$. As at 31 December 2018, the Group had bank borrowings which represented a mortgage loan of approximately HK$18,756,000 (2017: HK$19,777,000) of which approximately HK$1,137,000 (2017: HK$1,109,000) are repayable within one year. As at 31 December 2018, the Group had no committed borrowing facilities.

As at 31 December 2018, the Group's net current assets amounted to approximately HK$1,776,480,000 (2017: HK$1,597,930,000) and the Group had a current ratio (defined as total current assets divided by total current liabilities) of 8.26 (2017: 6.12). As at 31 December 2018, the Group's gearing ratio (defined as total bank borrowings divided by equity attributable to owners of the Company) was 0.46% (2017: 0.49%). The Group considers the level of liabilities of a company reflects its financial health. The Group strives to keep the level of borrowings at minimum and to maintain ample internal resources to support its business operations, not only to reduce interest burden, but also to enable the Group to respond to changes and capture business opportunities in a timely manner when they arise. As such, both current ratio and gearing ratio are useful to assess the Group's financial positions. While higher current ratio reflects sufficiency of the Group's assets and the capability of the Group to meet its debt repayment obligations, lower gearing ratio represents lesser reliance on debt financing and greater financial stability of the Group. During the Year, the Group's liquidity position was well-managed and the Group's financial resources were sufficient to support its business operations. Where necessary, the Group may also consider other fund raising activities when opportunity arises under favourable market conditions.

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

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

CAPITAL STRUCTURE

As at 31 December 2018, the Group had equity attributable to owners of the Company of approximately HK$4,071,271,000 (2017: HK$4,037,403,000).

HUMAN RESOURCES AND TRAINING SCHEME

As at 31 December 2018, the Group employed 1,091 staff (2017: 1,245 staff). Total employee costs for the Year, including directors' remuneration, amounted to approximately HK$640,455,000 (2017: HK$647,185,000). The salary and benefit levels of the employees of the Group are competitive and individual performance is rewarded through the Group's salary and bonus system. Remuneration packages are reviewed annually.

Training is valued as essential to the personal growth of employees, which also ensures and improves the Group's customer services. Apart from the strict code of conduct that all employees shall follow, employees are also provided with customised trainings and handbooks with respect to their specialities.

CONTINGENT LIABILITIES

As at 31 December 2018, the Group had no significant contingent liabilities (2017: Nil).

PLEDGE OF ASSETS

As at 31 December 2018, a leasehold land and building of approximately HK$49,169,000 was pledged to secure the Group's mortgage loan.

CAPITAL COMMITMENTS

As at 31 December 2017, the Group had capital expenditure contracted for but not provided in the financial statements in respect of the acquisition of property, plant and equipment of approximately HK$13,649,000 (2018: Nil). The Group met those capital commitments through its internal resources.

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

During the Year, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the listed shares of the Company.

DIVIDEND

Subsequent to the end of the reporting period, the Board recommended the payment of a final dividend ("**Final Dividend**") of HK0.25 cent per Share for the Year (2017: Nil) to the Shareholders which is subject to Shareholders' approval at the forthcoming AGM.

The payment of the Final Dividend will be made to the Shareholders whose names appear on the register of members of the Company on a record date which will be announced by the Company in due course.

CLOSURE OF REGISTER OF MEMBERS

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

COMPLIANCE WITH THE CG CODE

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

During the Year, the Company complied with the respective code provisions of the CG Code then in force.

COMPLIANCE WITH THE MODEL CODE

The Company has adopted the Model Code as the Company's code of conduct regarding Directors' securities transactions. Having made specific enquiry of all Directors, all the Directors have complied with the required standard set out in the Model Code throughout the Year.

AUDITORS

Moore Stephens CPA Limited was appointed as the new auditors of the Group with effect from 15 February 2018 upon resignation of Deloitte Touche Tohmatsu. Resolution was passed at the AGM held on 29 June 2018 to re-appoint Moore Stephens CPA Limited as the auditors of the Company until the conclusion of the next AGM.

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

REVIEW BY AUDIT COMMITTEE

The audited consolidated financial statements of the Group for the Year have been reviewed by the audit committee of the Board.

SCOPE OF WORK OF MOORE STEPHENS CPA LIMITED

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 as set out in the preliminary announcement have been agreed by the Group's auditor, Moore Stephens CPA Limited, to the amounts set out in the Group's audited consolidated financial statements for the Year. The work performed by Moore Stephens CPA Limited 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 Moore Stephens CPA Limited on the preliminary 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, 28 March 2019

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

GLOSSARY

AGM	annual general meeting of the Company
Board	the board of Directors
CG Code	Corporate Governance Code as contained in Appendix 14 to the Listing Rules
China Life Group	China Life Insurance and its subsidiaries
China Life Insurance	中國人壽保險(集團)公司 (in English for identification purpose only, China Life Insurance (Group) Company)
China Life Shanghai	國壽成達(上海)健康產業股權投資中心(有限合夥) (in English for identification purpose only, China Life Chengda (Shanghai) Health Industry Equity Investment Centre (Limited Partnership))
China or Mainland China or PRC	the People's Republic of China excluding, for the purpose of this annual report only, Hong Kong, the Macao Special Administrative Region of the People's Republic of China and Taiwan
China Parenting	China Parenting Network Holdings Limited
Company or Town Health	Town Health International Medical Group Limited, a company incorporated in the Cayman Islands and continued in Bermuda with limited liability whose Shares are listed on the Main Board
Cooperation Agreement	the cooperation agreement dated 1 August 2017 and entered into between Town Health M&B and Taigang Medical
Director(s)	the director(s) of the Company
EIT Law	the Law of PRC on Enterprise Income Tax

Ganghe Clinic	港和診所 (in English for identification purpose only, Ganghe Clinic)
Group	the Company and its subsidiaries
HCMPS	HCMPS Healthcare Holdings Limited
Heemin Capital	Heemin Capital Enhanced Yield Bond Fund
HIBOR	Hong Kong Interbank Official Rate
HK$	Hong Kong Dollars, the lawful currency of Hong Kong
HKAS	Hong Kong Accounting Standards
HKFRS	Hong Kong Financial Reporting Standards
Hong Kong	Hong Kong Special Administrative Region of the PRC
Joint Venture	山西太鋼康健整形美容醫院有限公司 (in English for identification purpose only, Shanxi Taigang Town Health Beauty Surgery Hospital Co., Ltd.), the joint venture to be established by Town Health M&B and Taigang Medical pursuant to the JV Agreement
JV Agreement	the joint venture agreement dated 13 September 2018 and entered into between Town Health M&B and Taigang Medical, together with the articles of the Joint Venture
Listing Rules	the Rules Governing the Listing of Securities on the Stock Exchange
Main Board	the Main Board of the Stock Exchange
Model Code	Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules

Nanshi Hospital	南陽南石醫院 (in English for identification purpose only, Nanshi Hospital of Nanyang)
Nanyang Xiangrui	南陽祥瑞醫院管理諮詢有限公司 (in English for identification purpose only, Nanyang Xiangrui Hospital Management Advisory Co. Ltd.), a subsidiary of the Company
RMB	Renminbi, the lawful currency of the PRC
SFC	Securities and Futures Commission of Hong Kong
Share(s)	ordinary share(s) of HK$0.01 each in the share capital of the Company
Shareholders	the shareholders of the Company
Sixth Hospital	中山大學附屬第六醫院 (in English for identification purpose only, The Sixth Affiliated Hospital of Sun Yat-Sen University)
Stock Exchange	The Stock Exchange of Hong Kong Limited
Taigang Medical	山西太鋼醫療有限公司 (in English for identification purpose only, Shanxi Taigang Medical Co. Ltd.)
Town Health M&B	Hong Kong Town Health Medical & Beauty Limited, a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company

US$	United States Dollars, the lawful currency of the United States of America
Vio	Dr. Vio & Partners Limited, a subsidiary of the Company
Yamei	杭州康健雅美口腔門診部有限公司 (in English for identification purpose only, Hangzhou Town Health Yamei Dental Centre Company Limited), a subsidiary of the Company
Year	year ended 31 December 2018
Yikang	廣州宜康醫療管理有限公司 (in English for identification purpose only, Guangzhou Yikang Medical Management Limited), a subsidiary of the Company