Town Health International Holdings Company Limited
康 健 國 際 控 股 有 限 公 司*

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

Annual Report
for the financial year ended 31 December 2009

*For identification purpose only

CONTENTS

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Miss Choi Ka Yee, Crystal *(Chairman)*
Dr. Cho Kwai Chee *(Chief Executive Officer)*
Mr. Lee Chik Yuet
Dr. Hui Ka Wah, Ronnie, *JP*

Non-executive Director

Dr. Choi Chee Ming, *GBS, JP (Vice-Chairman)*

Independent Non-executive Directors

Mr. Chan Kam Chiu
Mr. Ho Kwok Wah,George
Mr. Wai Kwok Hung, *SBS, JP*

COMPANY SECRETARY

Mr. Wong Seung Ming *CPA, FCCA*

AUDIT COMMITTEE

Mr. Chan Kam Chiu *(Chairman)*
Mr. Ho Kwok Wah, George
Mr. Wai Kwok Hung, *SBS, JP*

AUDITORS

Deloitte Touche Tohmatsu
Certified Public Accountants

REGISTERED OFFICE

Canon's Court
22 Victoria Street
Hamilton HM12
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Shop 37, Level 3
Hilton Plaza Commercial Centre
3-9 Shatin Centre Street
Shatin, New Territories
Hong Kong

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
Dah Sing Bank Limited
Hang Seng Bank Limited
The Hongkong and Shanghai Banking Corporation Limited

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Appleby Management (Bermuda) Limited
Argyle House
41A Cedar Avenue
Hamilton HM 12
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Tengis Limited
26/F, Tesbury Centre
28 Queen's Road East
Hong Kong

WEBSITE

www.townhealth.com

On behalf of Town Health International Holdings Company Limited ("Town Health" or the "Company" or together with its subsidiaries, the "Group"), I am pleased to present this annual report for the period ended 31st December, 2009 to our shareholders.

BUSINESS REVIEW

2009 was another year of steady growth. For the period under review, a turnover of approximately HK$456,826,000 was recorded. The Group's consolidated loss after tax was approximately HK$12,223,000, representing a decrease of 98% from the previous twelve months ended 31st March, 2009.

Steady Contribution of Healthcare & Medical Services

The provision of private healthcare and dental services business remained steady and was the key revenue driver for the Group during the period under review. Over the years, "Town Health" has become a well-known brand name in Hong Kong as an integrated healthcare service provider for the general public. The Group continues to strengthen its market-leading position by expanding its clientele and broadening its specialist outpatient services.

Expansion of Healthcare and Pharmaceutical Business

During the period under review, the Group had further acquired 49% interest of the issued share capital of First Oriental Medical Technology Group Limited ("FOMT" together with its subsidiaries the "FOMT Group"). Since then, FOMT had become a wholly-owned subsidiary of the Company. FOMT Group is principally engaged in the production of radioactive isotopes used for medical diagnostic purposes, which had been sold to the major hospitals and healthcare institutions in Hong Kong. The Group further disposed of 51% interest in the FOMT Group to Hong Kong Health Check and Laboratory Holdings Company Limited (now known as China Gogreen Assets Investment Limited) (stock code: 397) in exchange for 49% interest in its subsidiary known as Luck Key Investment Limited. Luck Key Investment Limited together with its subsidiaries are principally engaged in the provision of health check and health care related services. The Group believes that the above acquisitions provide the Group with a good opportunity to further enhance its earning capability in the near future.

In addition, the pace of development of the Group's healthcare and pharmaceutical business in the PRC is satisfactory. China's State Council, or Cabinet, passed a long awaited medical reform plan in 2009, which promised to spend RMB850 billion by 2011 to provide universal medical services to the country's 1.3 billion population, making medical services more accessible and affordable for ordinary people. One of the measures in the reform plan is to subsidize insurance premiums so that at least 90% of the population has basic medical coverage by then. We are optimistic about the growth prospect of the PRC business sector.

Taking into consideration the promising outlook of the PRC medical market and the increasing income levels of the households in the PRC, the Group grasped the golden opportunity to further consolidate its foothold in the PRC medical market, in particular the pharmaceutical market.

In May 2009, the Group acquired the entire issued share capital of Good Pace International Limited ("Good Pace") at an aggregate consideration of HK$29 million. Good Pace owns 51% of the registered capital of Guizhou Bai Xiang Pharmaceutical Co., Ltd., a Sino-foreign equity joint venture which principally engages in the manufacture and sale of pharmaceutical products and it distributes its products mainly through hospital network in the PRC. It is anticipated that the acquisition will bring positive impact on the operations in the PRC and financial performance of the Group.

Substantial Returns on Asset Investment-Related Business

The investment returns were encouraging for the period under review. With our insightful investment plans as well as our Group's solid financial base, the Group has successfully seized the investment opportunities and maximized benefits for our shareholders.

The Group's investment portfolio included investments in listed and unlisted securities as well as retail and office properties in prime locations. The diverse portfolio has helped to spread and lower risks. This has also maximized our returns on investment, in addition to our medical healthcare business.

OUTLOOK

Consolidate Healthcare & Medical Services Business

The Group is dedicated to achieving sustainable growth for its healthcare and medical services sector in the future. In 2010, its management and consultancy services to poly-clinics and health check centre in Guangdong Province have started business and further expansion plan will be rolled out sequentially. Apart from the management and consultancy business for medical institutes, the Group will develop other healthcare-related businesses in the future, including pharmaceuticals and health food business.

In light of the booming PRC pharmaceutical market due to an aging population, increasing health awareness of Chinese citizens and the rising income levels of households, the Group will seek to capture the up-side potential in the pharmaceutical industry through its subsidiary, Max Goodrich International Limited. Max Goodrich International Limited and its subsidiaries are principally engaged in the distribution of Chinese herbal medicine, western medicine, chemical raw pharmaceutical, antibiotics, biomedicine and other pharmaceutical products. Above and beyond, in order to strengthen the Group's technology development in drugs manufacturing in the PRC, in March 2010, Good Pace acquired the entire issued share capital of Jet Rich Investment Limited, the sole asset of which is the entire equity interest of a wholly foreign-owned enterprise in the PRC, the business scope of the latter is technology development and promotion of medicines for cardio-cerebrovascular, anti-tumour, diabetes and curing hepatic-related diseases.

Besides seizing the opportunity in the mainland pharmaceutical industry, the Group will also pay much of its attention on the local health food market. The health food market in Hong Kong has grown rapidly in recent years. Despite a wide range of health food products available in the local market, the quality of health food still varies greatly. A series of heath food products will be unveiled by our Group under the brand name, "th's life" ("康健新活") in the near term. Initially, the products will be introduced to the market through the Group's widely distributed chain clinics, and later, mass promotion and marketing through various large chain distribution networks will be followed to promote "th's life" ("康健新活") to become a well-known brand in Hong Kong. Building on the strength of our reputation, professional knowledge and extensive client base, we believe that the health food business will reap good profits for the Group in the long term.

For Hong Kong's healthcare and medical services business, we will put utmost efforts in ensuring professionalism and the business will be led by a team of medical and seasoned business professionals.

Prudent Diversification of Businesses

In recent years, the Group has been facing increasing pressure in rental costs in Hong Kong. The local property market has been booming and the Group holds a positive view towards the property market and asset investments. The Group will continue to diversify its investment into the property market through a prudent approach. By investing in property market, especially the retail shops, the Group could, to certain extent, effectively hedge its risk exposure in future increase of rental costs. Also, the Group could enjoy the future valuation gain of its property investment. In addition, the Group will invest in listed and unlisted securities to diversify business risk.

To raise sufficient fund for further investment, on 23rd February, 2010, the Company has announced its proposal to place, through an independent placing agent on a best efforts basis, a maximum of 587,500,000 placing shares to not fewer than six placees at a price of HK$0.81 per placing share. The maximum net proceeds from the placing will be approximately HK$463.88 million, a substantial portion of which are intended to be used by the Group for asset investment with stable and good return.

OUTLOOK *(Continued)*

Change of the Company’s Name

In 2010, the name of the Company will be changed from “Town Health International Holdings Company Limited” to “Town Health International Investments Limited” and to register a secondary name “康健國際投資有限公司”. The existing Chinese name of the Company “康健國際控股有限公司” (which was adopted for identification only) will no longer be used.

The Group considers the change in company name could better reflect the plan to diversify its business into investment and asset management businesses. This also provides the Group with a new corporate identity and image which could benefit the Group as a whole.

In addition, the Group has acquired a full-block building in Shatin as its headquarters. It will be officially opened in 2010 and it is expected that by centralizing all the various divisions, productivity and operating efficiency could be enhanced, and also the sense of belongings of our employees could be much improved.

2010 will be a year of steady growth. We are optimistic about the long-term prospects of the healthcare and asset investment businesses. We would like to thank all shareholders, investors, clients and employees for their support, and we will continue to explore investment opportunities and further our business growth in the future.

Choi Ka Yee, Crystal
Chairman

Hong Kong, 23rd April, 2010

FINANCIAL REVIEW

The Group's revenue rose 33% to HK$456,826,000, reflecting steady organic growth. Top-line growth was driven primarily by the sales of healthcare and pharmaceutical products. Gross profit margin for the year was 30%, representing a decrease from 47% last year. The decrease in gross profit margin was mainly due to the lower gross profit margin arisen from the business of sales of healthcare and pharmaceutical products.

Basic loss per share was HK$0.08. This was up from a loss per share of HK$3.11 9 months ago.

In view of the active development of the Group's core businesses and potential acquisitions or expansion, the Board does not recommend the payment of dividend for the period ended 31st December, 2009.

REVIEW OF OPERATIONS

During the period under review, the Group's core businesses of provision of healthcare and dental services and the sales of healthcare and pharmaceutical products achieved healthy growth. The business made a profit of HK$39,575,000 for the 9 months ended 31st December, 2009, compared with HK$46,621,000 for the year ended 31st March, 2009. Revenue increased by 36% to HK$443,681,000. This reflects the increase in demand for the market of healthcare and pharmaceutical services.

The Group's clinic chain is maintaining its leadership position in the increasingly competitive healthcare market thanks to the continuous dedication of our staff in providing professional and quality medical and specialty services.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31st December, 2009, the Group held cash and bank balances of approximately HK$155,306,000 (31st March, 2009: approximately HK$484,549,000). The Group had bank borrowing of approximately HK$12,548,000 which are all repayable within one year (31st March, 2009: Nil). Net current assets amounted to approximately HK$298,257,000 (31st March, 2009: approximately HK$557,009,000). Current ratio (defined as total current assets divided by total current liabilities) was 3.2 (31st March, 2009: 14.6).

As at 31st December, 2009, gearing ratio (defined as total bank borrowing divided by equity attributable to owners of the Company) was 1.1% (31st March, 2009: Nil). Major currencies used for the Group's transactions were Hong Kong Dollars, Renminbi and US Dollars. As Hong Kong Dollars are pegged to the US Dollars and the fiscal policy of the Central Government of the PRC in relation to Renminbi is stable throughout the period, the Group considers that the potential foreign exchange exposure of the Group is limited.

CAPITAL STRUCTURE

As at 31st December, 2009, the Group had equity attributable to owners of the Company of HK$1,120,871,000 (31st March, 2009: HK$892,108,000).

EMPLOYEES AND REMUNERATION POLICIES

As at 31st December, 2009, the Group had 787 full time employees, 76% of whom were located in Hong Kong. The Group remunerates its employees mainly based on industry practices and individual performance and experience. On top of the regular remuneration, discretionary bonus and share options may be granted to selected staff by reference to the Group's performance as well as the individual's performance. Other benefits, such as medical and retirement benefits and training programs, are also provided.

CONTINGENT LIABILITIES

At 31st December, 2009, the Group had no significant contingent liabilities.

PLEDGE OF ASSETS

As at 31st December, 2009, certain prepaid lease payments, property, plant and equipment and investment properties of the Group with the carrying value of approximately HK$25,729,000 (31st March, 2009: Nil), HK$41,442,000 (31st March, 2009: HK$3,915,000) and HK$41,975,000 (31st March, 2009: HK$20,015,000), respectively, and bank deposits of HK$5,005,000 (31st March, 2009: HK$5,000,000) were pledged to secure general bank facilities granted to the Group.

CAPITAL COMMITMENTS

At 31st December, 2009, the Group had no capital expenditure contracted for but not provided in the financial statements (31st March, 2009: HK$100,309,000).

COMPETING INTERESTS

None of the directors, substantial shareholders or controlling shareholders of the Company (as defined in the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") has an interest in a business which competes or may compete with the business of the Group during the period.

AUDIT COMMITTEE

The audit committee currently comprises three independent non-executive directors, namely Mr. Chan Kam Chiu, Mr. Ho Kwok Wah, George and Mr. Wai Kwok Hung, SBS, JP. The audit committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed the internal control and financial reporting matters including the review of the audited financial statements of the Group for the nine months ended 31st December, 2009.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by directors of the Company. Having made specific enquiry of all directors of the Company, all directors of the Company confirmed that they had complied with the required standard set out in the Model Code adopted by the Company throughout the period.

EXECUTIVE DIRECTORS

Miss Choi Ka Yee, Crystal, aged 29, Chairman of the Company, has been an executive director and Chairman of the Company since May 2006 and October 2006 respectively. Miss Choi graduated from Boston College in the United States of America with a bachelor degree of science in Accountancy. She also holds a master degree in Corporate Finance from The Hong Kong Polytechnic University. Miss Choi has extensive knowledge in accounting and corporate finance. Miss Choi is a member of the Chinese People's Political Consultative Conference Jieyang, Guangdong Province, general committee member of the Chamber of Hong Kong Listed Companies, the vice chairman of Youth Professionals Committee of the Association of Hong Kong Professionals, the chairman of United We Stand Foundation Limited and a director of Health Check Charity Funds Limited. Miss Choi joined the Company in April 2005 as the director of the corporate finance department. She is also a director of Early Light International (Holdings) Limited, E. Lite (Choi's) Holdings Limited and E. Lite Property Management Limited. Miss Choi was an executive director of China Gogreen Assets Investment Limited (stock code: 397) from March 2006 to October 2009. She is the daughter of Dr. Choi Chee Ming, GBS, JP, the non-executive director and Vice-chairman of the Company.

Dr. Cho Kwai Chee, aged 46, Chief Executive Officer of the Company as well as the founder of the Group. Dr. Cho graduated from The University of Hong Kong and holds the qualifications of MBBS (HK), FHKCFP, FRACGP, DCH (London), DCH (RCP&SI), DCH (Glasgow) and DPD (Cardiff). He is also the permanent president of Hong Kong Shatin Industries and Commerce Association Limited, the district president of Yau Tsim District of Scout Association of Hong Kong, the vice president of the Association of Hong Kong Professionals, the vice chairman of United We Stand Foundation Limited and a director of Health Check Charity Funds Limited. Dr. Cho founded the Group in December 1989 and now is responsible for directing the Group's overall business and development strategies. He is also a director of a number of subsidiaries of the Company and a director of Broad Idea International Limited, a substantial shareholder of the Company. Dr. Cho was an executive director of China Gogreen Assets Investment Limited (stock code: 397) from July 2007 to October 2009. He is a member of the remuneration committee of the Company.

Dr. Hui Ka Wah, Ronnie, *JP*, aged 46, has been an executive director of the Company since November 2007. Dr. Hui graduated from The University of Hong Kong and holds the qualifications of MBBS (HK), MRCP (UK), DCH (Ireland), DCH (Glasgow), FHKAM (Paed) and FHKC Paed. He is a specialist in Paediatrics and is the principal of a private medical clinic in Hong Kong since 1991. Dr. Hui is also a CFA Charterholder and holds a MBA degree conferred by Universitas 21 Global. He is a director of a number of subsidiaries of the Company. Dr. Hui is currently an independent non-executive director of SunCorp Technologies Limited (stock code: 1063) and Winbox International (Holdings) Limited (stock code: 474). He was an executive director of China Gogreen Assets Investment Limited (stock code: 397) from July 2007 to August 2009 and the chairman and chief executive officer of China Natural Investment Company Limited (stock code: 8250) from December 2007 to November 2009. Dr. Hui was also an independent non-executive director of CASH Financial Services Group Limited (stock code: 510) from October 2007 to October 2008 and CIAM Group Limited (stock code: 378) from September 2004 to July 2008.

Mr. Lee Chik Yuet, aged 55, has been an executive director of the Company since October 2009. Mr. Lee graduated from The Chinese University of Hong Kong with a bachelor degree in Social Science. He also holds a bachelor degree and a master degree in Laws from The University of Hong Kong. He was an executive director and the deputy chairman of China Gogreen Assets Investment Limited (stock code: 397) from March 2007 to October 2009. Prior to that, Mr. Lee had been a practicing solicitor for more than 13 years in Hong Kong specialized in commercial, corporate finance and investment laws and practice in Hong Kong and the PRC. Mr. Lee is currently a director and the legal representative of a subsidiary of the Company and also a director and the general manager of an associated company of the Company in the PRC. Mr. Lee is also a director of other subsidiaries of the Company.

NON- EXECUTIVE DIRECTOR

Dr. Choi Chee Ming, *GBS, JP*, aged 64, has been the Vice-chairman and non-executive director of the Company since February 2006. Dr. Choi holds a master degree in Business Administration from Newport University in the United States of America and a bachelor degree in Business Administration from Sussex College of Technology in the United Kingdom. He also holds a PhD in Business Management from Harbin Institute of Technology, the PRC. Dr. Choi is the chairman of Early Light International (Holdings) Limited and has extensive business interests in the manufacturing industry and the property sector. He is the honorary president of the Toys Manufacturer's Association of Hong Kong, honorary president of the Hong Kong Young Industrialists Council and council member of The Hong Kong Polytechnic University. Dr. Choi is also a member of the National Committee of the Chinese People's Political Consultative Conference. He is currently a non-executive director and vice chairman of Regal Hotels International Holdings Limited (stock code: 78). Dr. Choi is the father of Miss Choi Ka Yee, Crystal, Chairman of the Company.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chan Kam Chiu, aged 57, has been an independent non-executive director of the Company since July 2002. Mr. Chan has engaged in the catering industry for over 32 years. He has also involved in entertainment, property and investment project in the recent years. Mr. Chan is the founding chairman of Hong Kong Shatin Industries & Commerce Association Limited and currently a member of the Committee of the Chinese People's Political Consultative Conference of Qingxin County, Guangdong Province and a member of the Committee of the Chinese People's Political Consultative Conference of Guangzhou Li Wan. He is also an honorary president and director of Shatin Sports Association Limited since 1992. Mr. Chan was a Hong Kong district affairs advisor to Xinhua News Agency for the period from January 1995 to June 1997. He was awarded the "Chief Executive's Commendation for Community Service" in July 2004. Mr. Chan is also the chairman of the audit committee of the Company and a member of the remuneration committee of the Company.

Mr. Wai Kwok Hung, *SBS, JP*, aged 55, has been an independent non-executive director of the Company since July 2002. Mr. Wai is the chairman of the Shatin District Council. He is a councillor of the Shatin District Council since 1988. Mr. Wai is currently a vice-president of Shatin Sports Association Limited. He is also a member of the audit committee of the Company and the chairman of the remuneration committee of the Company.

Mr. Ho Kwok Wah, George, aged 52, has been an independent non-executive director of the Company since September 2004. Mr. Ho is a practicing certified public accountant in Hong Kong. He is the proprietor of George K. W. Ho & Co., Certified Public Accountants and possesses over 21 years' professional experience in accounting, auditing, tax planning and business advisory. Mr. Ho is a director of The Taxation Institute of Hong Kong and the Hong Kong Commerce and Industry Associations Limited. He is also an independent non-executive director of Belle International Holdings Company Limited (stock code: 1880) and Sundart International Holdings Limited (stock code: 2288). Mr. Ho is also a member of the audit committee of the Company and a member of the remuneration committee of the Company.

SENIOR MANAGEMENT

Dr. So Chi Kin, Dental Director of the Group. Dr. So graduated from The University of Hong Kong and holds the qualification of BDS (HK). He joined the Group in April 1991. Dr. So is responsible for the development and management of the dental practices of the Group, and also the improvement of the Group's professional dental services.

Dr. Yau Yi Kwong, Dental Director of the Group. Dr. Yau graduated from The University of Hong Kong and holds the qualification of BDS (HK) and DGDP (UK). He is responsible for the management of the dental practices. He is also organizing the continued professional education for the dental practitioners of the Group, with an aim to enhance the overall professional standard of the dental services.

Dr. Chan Wing Lok, Brian, Medical Director of the Group. Dr. Chan graduated from The University of Hong Kong and holds the qualifications of MBBS (HKU) DCH (RCP&SI), and DPD (Cardiff). He joined the Group in 1991 and is responsible for the training and supervision of the medical practitioners of the Group, so as to enhance and sustain the Group's professional services quality.

Mr. Wong Seung Ming, Financial Controller and Company Secretary of the Group. Mr. Wong holds a bachelor degree in Accountancy from the City University of Hong Kong. He is a fellow member of the Association of Chartered Certified Accountants and a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants. Mr. Wong has over 15 years of experience in accounting, auditing and financial management and previously worked in an international accounting firm and several listed and unlisted groups. He joined the Group in March 2006.

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

CORPORATE GOVERNANCE PRACTICES

The Company has adopted the code provisions in the Code on Corporate Governance Practices (the "Code") set out in Appendix 14 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The Company has complied with all the applicable code provisions in the Code throughout the period from 1st April, 2009 to 31st December, 2009 (the "Period").

Directors' Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by the Directors. Having made specific enquiry of all Directors, the Directors have complied with the required standard set out in the Model Code throughout the Period.

Board of Directors

As at the date of this annual report, the Board comprises eight members, four of which are executive Directors, namely Miss Choi Ka Yee, Crystal who is the Chairman of the Board, Dr. Cho Kwai Chee, Mr. Lee Chik Yuet and Dr. Hui Ka Wah, Ronnie, JP. Dr. Choi Chee Ming, GBS, JP is the non-executive Director and Vice-chairman. Three other members are independent non-executive Directors, namely Mr. Chan Kam Chiu, Mr. Wai Kwok Hung, SBS, JP and Mr. Ho Kwok Wah, George. The biographical details of the Directors are set out in the section headed "Profiles of Directors and Senior Management" on pages 8 to 10 of this annual report.

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

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

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

Chairman and Chief Executive Officer

Miss Choi Ka Yee, Crystal is the Chairman of the Company and Dr. Cho Kwai Chee is the Chief Executive Officer of the Company, and they have segregated and clearly defined roles. The Chairman provides leadership for the Board. The Chief Executive Officer has responsibility for the Group's overall business and development strategies, and daily management generally.

Independent Non-Executive Directors

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

Mr. Chan Kam Chiu and Mr. Wai Kwok Hung, SBS, JP have been appointed for a term of two years expiring on 29th July, 2010, and Mr. Ho Kwok Wah, George has been appointed for a term of two years expiring on 27th September, 2010. Dr. Choi Chee Ming, GBS, JP does not have any service contract with the Company nor will he receive any remuneration from acting as a non-executive Director. They are subject to retirement by rotation and re-election at the annual general meeting of the Company at least once every three years in accordance with the bye-laws of the Company (the "Bye-Laws").

Remuneration Committee

The Board has established a Remuneration Committee with specific written terms of reference in accordance with the provisions set out in the Code. The principal duties of the Remuneration Committee are to formulate the Company's remuneration policy and recommend remuneration packages of the Directors and senior management to the Board for approval. The Company's remuneration policy is to provide a competitive level of remuneration in accordance with current market conditions to attract and motivate the Directors and staff for their contribution.

As at the date of this annual report, the Remuneration Committee comprises three independent non-executive Directors, namely Mr. Wai Kwok Hung, SBS, JP, as the Chairman of the Remuneration Committee, Mr. Chan Kam Chiu and Mr. Ho Kwok Wah, George, and an executive Director, Dr. Cho Kwai Chee.

The Remuneration Committee held one meeting during the Period. The Remuneration Committee reviewed the remuneration policy of the Company, assessed the performance of the executive Directors and senior management and recommended specific remuneration packages of the Directors and senior management to the Board.

Directors' Appointment and Re-election

The Company has not established a nomination committee. The Board as a whole is responsible for the appointment of its members. In considering the appointment of a new Director, the Board will take into account the qualification, ability, working experience, leadership and professional ethics of the candidates. The Board is also responsible for the nomination of appropriate person for election by shareholders at the general meeting, either to fill a casual vacancy or as an addition to the Board.

According to the Bye-Laws, any Director appointed by the Board either to fill a casual vacancy or as an addition to the Board shall hold office only until the next following annual general meeting of the Company and who shall then be eligible for re-election at such meeting.

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

Auditors' Remuneration

The auditors, Deloitte Touche Tohmatsu, provide both statutory audit and non-audit services to the Group. For the period ended 31st December, 2009, fee for statutory audit for the Group amounts to approximately HK$2,115,000. Non-audit services include tax compliance and planning, agreed upon procedures on review of financial statements and transactions, etc. Total fee paid by the Group for non-audit services during the Period was approximately HK$288,000.

Audit Committee

The Board has established an Audit Committee with written terms of reference in accordance with the provisions set out in the Code. The principal duties of the Audit Committee is to review the Company's annual results and accounts and interim results and to provide advice and comments thereon to the Board. The Audit Committee will also be responsible for reviewing and supervising the Group's financial reporting and internal control procedures.

The Audit Committee comprises three independent non-executive Directors, namely Mr. Chan Kam Chiu as the Chairman of the Audit Committee, Mr. Wai Kwok Hung, SBS, JP and Mr. Ho Kwok Wah, George. The Audit Committee held two meetings during the Period. One of the meetings was attended by the Company's external auditors so that the members of the Audit Committee could exchange their views and concerns with the auditors. The Audit Committee reviewed the annual and interim results of the Group and made recommendations to the Board and the management in respect of the Group's financial reporting and internal control procedures.

Attendance of Directors at Meetings

The attendance of the Directors at the meetings of the Board, the Audit Committee and the Remuneration Committee during the Period are set out below:

	Number of meetings attended/held		
Director	Board	Audit Committee	Remuneration Committee
Executive Directors			
Miss Choi Ka Yee, Crystal	3/3	N/A	N/A
Dr. Cho Kwai Chee	3/3	N/A	1/1
Mr. Lee Chik Yuet (appointed on 15th October, 2009)	0/1	N/A	N/A
Dr. Hui Ka Wah, Ronnie, *JP*	3/3	N/A	N/A
Non-executive Director			
Dr. Choi Chee Ming, *GBS, JP*	0/3	N/A	N/A
Independent non-executive Directors			
Mr. Chan Kam Chiu	3/3	2/2	1/1
Mr. Wai Kwok Hung, *SBS, JP*	3/3	2/2	1/1
Mr. Ho Kwok Wah, George	3/3	2/2	1/1

Accountability and Audit

The Directors acknowledge their responsibility for preparing the financial statements of the Group which give a true and fair view of the state of affairs of the Group and of the loss and cash flows for the period ended 31st December, 2009. The Directors have prepared the financial statements of the Group on a going concern basis, and have selected appropriate accounting policies and applied them consistently, with applicable disclosures required under the Listing Rules and pursuant to the relevant statutory requirements.

The statement issued by the auditors of the Company, Deloitte Touche Tohmatsu, regarding their reporting responsibilities is set out in the section headed "Independent Auditors' Report" on pages 25 to 26 of this annual report.

Internal Controls

The Board has the overall responsibility for internal control of the Group, including risk management, and sets appropriate policies having regard to the objectives of the Group. The Board, through the Audit Committee, review the effectiveness of the Group's system of financial and non-financial controls. The system of internal control is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable but not absolute assurance against material misstatement or loss. Controls are monitored by management review.

COMMUNICATION WITH SHAREHOLDERS

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

During the Period, separate resolutions were proposed at the general meetings of the Company for each substantial issue, including the re-election of Directors.

The Chairman explained the procedures for conducting a poll at the beginning of each general meeting of the Company held during the Period. The results of the poll were published on the websites of the Stock Exchange and the Company respectively.

The directors of the Company (the "Directors") present their report and the audited consolidated financial statements for the nine months ended 31st December, 2009.

During the financial period, the reporting period end date of the Group was changed from 31st March to 31st December because the Directors determined to bring the annual reporting period end date of the Group in line with that of the subsidiaries acquired as set out in note 48 to the consolidated financial statements, which were incorporated in the People's Republic of China (the "PRC").

Accordingly, the consolidated financial statements for the period cover the nine-month period from 1st April, 2009 to 31st December, 2009 (the "Period"). The corresponding comparative amounts shown for the consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows and related notes cover a twelve-month period from 1st April, 2008 to 31st March, 2009 and therefore may not be comparable with the amounts shown for the period.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The activities of its principal subsidiaries and associates are set out in notes 57 and 26 respectively to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the nine months ended 31st December, 2009 are set out in the consolidated statement of comprehensive income on pages 27 to 28 of this annual report.

The directors do not recommend the payment of a final dividend for the nine months ended 31st December, 2009 (1st April, 2008 to 31st March, 2009: Nil).

FIVE-YEAR FINANCIAL SUMMARY

A summary of the published results, assets and liabilities of the Group for the last five financial years is set out on page 136 of this annual report.

DONATIONS

Charitable donations made by the Group during the Period amounted to HK$508,280.

SUBSIDIARIES AND ASSOCIATES

Details of acquisition and disposal of subsidiaries and associates during the Period are set out in notes 48, 49 and 13 to the consolidated financial statements, respectively.

Details of the Company's principal subsidiaries and associates as at 31st December, 2009 are set out in notes 57 and 26 to the consolidated financial statements, respectively.

INVESTMENT PROPERTIES

During the Period, the Group revalued all of its investment properties at the period end date. The net increase in fair value of investment properties, which has been credited to the consolidated statement of comprehensive income, amounted to HK$11,727,000.

Details of movements in the investment properties of the Group are set out in note 20 to the consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

During the Period, the Group acquired property, plant and equipment of HK$80,821,000 for the expansion of its business.

Details of movements in the property, plant and equipment of the Group during the Period are set out in note 21 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in the share capital of the Company during the Period are set out in note 46 to the consolidated financial statements.

CHANGE OF DOMICILE

The Company has been deregistered from the Cayman Islands and redomiciled in Bermuda as an exempted company under the laws of Bermuda. The change of domicile became effective on 5th May, 2009.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the bye-laws of the Company (the "Bye-laws") and the laws of Bermuda.

RESERVES

Details of movement in the reserves of the Group and the Company during the Period are set out on page 32 of this annual report and in note 56 to the consolidated financial statements.

SHARE OPTIONS

Particulars of the Company's share option schemes are set out in note 47 to the consolidated financial statements.

DIRECTORS

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

Executive Directors:

Miss Choi Ka Yee, Crystal *(Chairman)*
Dr. Cho Kwai Chee *(Chief Executive Officer)*
Dr. Hui Ka Wah, Ronnie, *JP*
Mr. Lee Chik Yuet (Appointed on 15th October, 2009)

Non-executive Director:

Dr. Choi Chee Ming, *GBS, JP (Vice-chairman)*

Independent non-executive Directors:

Mr. Chan Kam Chiu
Mr. Wai Kwok Hung, *SBS, JP*
Mr. Ho Kwok Wah, George

In accordance with bye-law 99 of the Bye-laws, Dr. Hui Ka Wah, Ronnie, JP, Mr. Chan Kam Chiu, Mr. Ho Kwok Wah, George and Mr. Wai Kwok Hung, SBS, JP, will retire from office by rotation at the forthcoming annual general meeting of the Company and, being eligible, will offer themselves for re-election.

The biographical details of the Directors as at the date of this report are set out in the section headed "Profiles of Directors and Senior Management" on page 8 to 10 of this annual report.

EMOLUMENTS OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

Details of emoluments of Directors and the five highest paid individuals of the Group are set out in notes 14 and 15 to the consolidated financial statements.

DIRECTORS' SERVICES CONTRACTS

Mr. Chan Kam Chiu and Mr. Wai Kwok Hung, SBS, JP, have been appointed for a term of two years expiring on 29th July, 2010, and Mr. Ho Kwok Wah, George has been appointed for a term of two years expiring on 27th September, 2010. They are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Bye-laws.

Save as disclosed above, none of the Directors who are proposed for re-election at the forthcoming annual general meeting of the Company has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation other than statutory compensation.

INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received a written confirmation of independence from each of the independent non-executive Directors pursuant to rule 3.13 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The Company considers that each of the independent non-executive Directors is independent.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31st December, 2009, the interests and short positions of the Directors and the chief executive and their associates in the shares and underlying shares of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), were as follows:

The Company

Long position in ordinary shares of HK$0.01 each

Name of Director	Capacity	Number of shares held	Approximate % of the issued share capital of the Company as at 31st December, 2009
Dr. Cho Kwai Chee	Held by controlled corporation (note)	81,488,523	25.17%
Dr. Choi Chee Ming, *GBS, JP*	Held by controlled corporation (note)	81,488,523	25.17%

Note: These 81,488,523 shares are owned by Broad Idea International Limited. Dr. Cho Kwai Chee and Dr. Choi Chee Ming, GBS, JP are deemed to be interested in the 81,488,523 shares owned by Broad Idea International Limited under Part XV of the SFO given that they are beneficially interested in 50.1% and 49.9% of the issued share capital of Broad Idea International Limited respectively.

Save as disclosed above, as at 31st December, 2009, none of the Directors, the chief executive of the Company, nor their associates had any interests or short positions in the shares and underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under Sections 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS

As at 31st December, 2009, other than the interests disclosed above in respect of certain directors and the chief executive of the Company, the following shareholder had interests or short positions in the shares of the Company which were recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

Long position in ordinary shares of HK$0.01 each

Name of shareholder	Capacity	Number of ordinary shares held	Approximate % of the Company's issued share capital as at 31st December, 2009
Broad Idea International Limited	Beneficial owner (note)	81,488,523	25.17%

Note: Broad Idea International Limited is interested in the 81,488,523 shares under Part XV of the SFO. Broad Idea International Limited is beneficially owned by Dr. Cho Kwai Chee as to 50.1% and Dr. Choi Chee Ming, GBS, JP as to 49.9%.

Save as disclosed above, the Company has not been notified of any interest or short position in the shares of the Company as at 31st December, 2009 which has been recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

MAJOR CUSTOMERS AND SUPPLIERS

For the financial year ended 31st December, 2009, the percentage of turnover attributable to the Group's five largest customers is less than 23% of the Group's total turnovers. The five largest suppliers of the Group and the largest supplier accounted for approximately 34% and 15% of the Group's total purchases respectively.

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

DIRECTOR'S INTEREST IN COMPETING BUSINESS

None of the Directors was interested in any business apart from the Group's business which competed or was likely to compete, either directly or indirectly, with the business of the Group during the Period.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the section headed "Share Options" above, at no time during the Period was the Company or any of its subsidiaries a party to any arrangement to enable the Directors or their spouse or children under 18 years of age to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

CONTINUING CONNECTED TRANSACTIONS AND CONNECTED TRANSACTIONS

The following continuing connected transactions and connected transactions were recorded during the Period and are subject to reporting and disclosure requirements under Chapter 14A of the Listing Rules.

(A) Noble Pioneer Limited ("Noble Pioneer"), a wholly-owned subsidiary of the Company, entered into certain tenancy agreements with (i) Shining Bright Development Limited ("Shining Bright"), a company wholly-owned by Dr. Lau Anthony Hun Jin ("Dr. Lau"), who is a director of Noble Pioneer, and (ii) Dr. Lau.

The following are the principal terms of the tenancy agreements:

(i) Rent paid to Shining Bright

(1) Property: 1/F, Locwood Court, Kingswood Villas, No.1 Tin Wu Road, Tin Shui Wai, New Territories, Hong Kong
Term: 1st October, 2007 to 31st March, 2010
Rent: HK$39,000 per month (exclusive of rates and maintenance charges, but inclusive of government rent)

(2) Property: 7/F, Valiant Industrial Centre, Nos. 2-12 Au Pui Wan Street, Shatin, New Territories, Hong Kong
Term: 1st October, 2007 to 31st March, 2010
Rent: HK$20,000 per month (exclusive of rates and maintenance charges, but inclusive of government rent)

(3) Property: No. 67 Pak Tai Street, Kowloon, Hong Kong
Term: 1st October, 2007 to 6th July, 2009
Rent: HK$25,000 per month (exclusive of rates, maintenance charges and government rent)

(4) Property: Chu Po Building, Nos. 117-125 Wo Tong Tsui Street, Kwai Chung, New Territories, Hong Kong
Term: 1st October, 2007 to 31st May, 2009
Rent: HK$28,000 per month (exclusive of rates, maintenance charges and government rent)
Term: 1st June, 2009 to 31st August, 2009
Rent: HK$20,000 per month (exclusive of rates, maintenance charges and government rent)

(5) Property: Tong An Mansion, No. 60-70 Tseuk Luk Street, Kowloon, Hong Kong
Term: 1st September, 2007 to 14th April, 2009
Rent: HK$40,000 per month (inclusive of rates, maintenance charges and government rent)
Term: 15th April, 2009 to 30th June, 2009
Rent: HK$30,000 per month (inclusive of rates, maintenance charges and government rent)

CONTINUING CONNECTED TRANSACTIONS AND CONNECTED TRANSACTIONS *(Continued)*

(A) *(Continued)*

(ii) Rent paid to Dr. Lau

(1)	Property:	Lung Fung Shopping Centre, Lung Sum Road, Sheung Shui, New Territories, Hong Kong
	Term:	1st September, 2007 to14th July, 2009
	Rent:	HK$51,000 per month (exclusive of rates, maintenance charges and government rent)
(2)	Property:	2/F, Fu Tai Shopping Centre, Fu Tai Estate, New Territories, Hong Kong
	Term:	1st September, 2007 to 15th February, 2010
	Rent:	HK$27,000 per month (inclusive of maintenance charges and government rent, but exclusive of rates and air-conditioning charges)

The aggregated rentals paid by the Group to Shining Bright under the above tenancy agreements for the nine-month period from 1st April, 2009 to 31st December, 2009 are HK$821,504. The aggregated rentals paid by the Group to Dr. Lau under the above tenancy agreements for the nine-month period from 1st April, 2009 to 31st December, 2009 are HK$408,193.

(B) The Group entered into a service agreement with Dr. Hui Ka Wah, Ronnie, JP ("Dr. Hui"), an executive Director. Pursuant to the service agreement, Dr. Hui agreed to appoint the Group to provide management services to him for an initial term of one year commenced from 1st April, 2008 and renewable automatically for successive terms of one year each commencing from the day next after the expiry of the initial term of the appointment. Dr. Hui shall pay to the Group a monthly service fee of HK$80,000.

(C) On 1st June, 2009, Health Walk Limited, an indirect wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with a vendor to acquire 27% interest of First Oriental Medical Technology Group Limited and its subsidiaries ("First Oriental Group") at a total consideration of HK$32 million, which was satisfied by the issue of 21,361,815 new shares of the Company. As (i) the vendor is a substantial shareholder of a non-wholly owned subsidiary of the Company and (ii) the ultimate beneficial owner of the vendor, Ms. Leung Yuet Kwan, Belinda, is the wife of Mr. Ng Yau Sing who was one of the founders and has been a director of each of the member companies of the First Oriental Group, the vendor is a connected person of the Company under the Listing Rules.

(D) On 15th October, 2009, Health Walk Limited entered into another sale and purchase agreement with a vendor to acquire 22% interest of First Oriental Group at a consideration of HK$19 million, which was satisfied by the issue of 14,548,238 new shares of the Company. As (i) the vendor is a substantial shareholder of a non-wholly owned subsidiary of the Company and (ii) the ultimate beneficial owner of the vendor, Ms. Tsui Mai Ling, Margaret, is the wife of Dr. Yeung Wah Hin, Alex, who is a director of each of the members of the First Oriental Group, the vendor is a connected person of the Company under the Listing Rules.

CONTINUING CONNECTED TRANSACTIONS AND CONNECTED TRANSACTIONS *(Continued)*

The independent non-executive Directors have reviewed the continuing connected transactions carried out under the aforesaid (i) tenancy agreements with Shining Bright and Dr. Lau and (ii) service agreement with Dr. Hui (the "Transactions") and confirmed that the Transactions have been entered into by the Group in its ordinary and usual course of business, on normal commercial terms, and in accordance with the interests of the Company and its shareholders as a whole.

The independent auditors of the Company has provided a letter to the board of Directors confirming that the Transactions:–

(i) have received the approval of the board of Directors;

(ii) are in accordance with the pricing policies of the Group; and

(iii) have been conducted on terms in accordance with the terms of the relevant agreements governing the transactions.

DIRECTORS' INTEREST IN CONTRACTS OF SIGNIFICANCE

Save as disclosed under the paragraph headed "Continuing Connected Transactions and Connected Transactions" above, no contracts of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which any Director had a material interest, whether directly and indirectly, subsisted at the end of the Period or at any time during the Period.

MANAGEMENT CONTRACTS

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

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

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

CORPORATE GOVERNANCE

Principal corporate governance practices adopted by the Company are set out in the Corporate Governance Report on pages 11 to 15 of this annual report.

EMPLOYEES AND REMUNERATION POLICIES

As at 31st December, 2009, the Group had 787 employees, 76% of whom were located in Hong Kong. The Group remunerates its employees mainly based on industry practices and individual performance and experience. On top of the regular remuneration, discretionary bonus and share options may be granted to selected staff by reference to the Group's performance as well as each individual's performance. Other benefits, such as medical and retirement benefits and training programs, are also provided.

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

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

The Company has adopted a share option scheme, share options may be granted to eligible persons. Details of the scheme are set out in note 47 to the consolidated financial statements.

EVENTS AFTER THE REPORTING PERIOD

Details of the significant events occurring after the balance sheet date are set out in note 55 to the consolidated financial statements.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, there is sufficient public float of not less than 25% of the Company's issued shares as required under the Listing Rules as at the date of this report.

AUDITORS

A resolution will be submitted to the forthcoming annual general meeting to re-appoint Messrs. Deloitte Touche Tohmatsu as auditors of the Company.

On behalf of the Board

Choi Ka Yee, Crystal
Chairman
Hong Kong, 23rd April, 2010

Deloitte.
德勤

TO THE MEMBERS OF
TOWN HEALTH INTERNATIONAL HOLDINGS COMPANY LIMITED
康健國際控股有限公司
(previously incorporated in the Cayman Islands and now registered in Bermuda with limited liability)

We have audited the consolidated financial statements of Town Health International Holdings Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 27 to 135, which comprise the consolidated statement of financial position as at 31st December, 2009 and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the nine months then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31st December, 2009 and of the Group's loss and cash flows for the nine months then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
23rd April, 2010

Consolidated Statement of Comprehensive Income

For the nine months ended 31st December, 2009

	Notes	(Nine months) 1.4.2009 to 31.12.2009 HK$'000	(Twelve months) 1.4.2008 to 31.3.2009 HK$'000
Revenue	8	**456,826**	342,212
Cost of sales		**(321,812)**	(182,109)
Gross profit		**135,014**	160,103
Other income	10	**15,094**	30,237
Administrative expenses			
– Others		**(172,048)**	(163,091)
– Share-based payment expenses		**(4,831)**	(198,750)
Other expenses, gains and losses	11	**20,383**	(187,093)
Finance costs	12	**(872)**	(5,822)
Gain (loss) on disposal/deemed disposal of an associate	13	**1,437**	(6,471)
Gain (loss) on disposal of subsidiaries	49	**141**	(861)
Gain on disposal of assets held for sale	49	**–**	426
Share of results of associates		**(7,497)**	(7,750)
Share of result of a jointly controlled entity	27	**–**	(203,581)
Loss on fair value changes of conversion options and early redemption features embedded in convertible bonds	38	**–**	(107,665)
Gain on early redemption of convertible bonds	28	**–**	54,867
Increase (decrease) in fair value of investment properties	20	**11,727**	(2,960)
Discount on acquisition of a subsidiary	48	**–**	27
Loss before tax		**(1,452)**	(638,384)
Income tax expenses	16	**(10,771)**	(5,663)
Loss for the period/year	17	**(12,223)**	(644,047)
Loss for the period/year attributable to:			
Owner of the Company		**(23,587)**	(652,507)
Minority interests		**11,364**	8,460
		(12,223)	(644,047)
Loss per share	19		
– Basic		**HK$(0.08)**	HK$(3.11)
– Diluted		**HK$(0.08)**	HK$(3.11)

Consolidated Statement of Comprehensive Income

For the nine months ended 31st December, 2009

	(Nine months) 1.4.2009 to 31.12.2009 HK$'000	(Twelve months) 1.4.2008 to 31.3.2009 HK$'000
Other comprehensive income (expenses)		
Exchange differences arising on translation	–	177
Fair value gain (loss) on available-for-sale financial assets	**205,539**	(158,694)
Recognition of impairment loss on available-for-sale investments	–	37,403
Reclassified to profit or loss on disposal of available-for-sale investments	–	3,603
Share of other comprehensive income of associates and a jointly controlled entity	–	4,909
Other comprehensive income (expenses) for the period/year	**205,539**	(112,602)
Total comprehensive income (expenses) for the period/year	**193,316**	(756,649)
Total comprehensive income (expenses) attributable to:		
Owners of the Company	**181,952**	(765,109)
Minority interests	**11,364**	8,460
	193,316	(756,649)

	Notes	31.12.2009 HK$'000	31.3.2009 HK$'000
Non-current assets			
Investment properties	20	**132,975**	39,215
Property, plant and equipment	21	**165,567**	19,902
Prepaid lease payments	22	**34,018**	9,025
Loans receivable	23	**31,260**	18,476
Goodwill	24	**63,838**	36,064
Intangible assets	25	**15,824**	9,372
Interests in associates	26	**172,535**	118,402
Interest in a jointly controlled entity	27	**–**	–
Available-for-sale investments	28	**275,129**	39,916
Deposits paid on acquisition of property, plant and equipment	29	**–**	2,200
Deposit paid on acquisition of interest in a subsidiary	30	**–**	51,255
		891,146	343,827
Current assets			
Inventories	31	**44,463**	8,687
Trade and other receivables	32	**100,169**	43,593
Prepaid lease payments	22	**795**	242
Held for trading investments	33	**110,514**	33,708
Loans receivable	23	**1,730**	6,094
Amounts due from associates	34	**3,997**	9,025
Amounts due from investees	35	**182**	1,741
Amount due from a related party	36	**5**	458
Amounts due from minority shareholders of subsidiaries	37	**–**	464
Tax recoverable		**5,945**	4,490
Pledged bank deposits	39	**5,005**	5,000
Bank balances and cash	40	**155,306**	484,549
		428,111	598,051
Assets classified as held for sale	41	**8,025**	–
		436,136	598,051

Consolidated Statement of Financial Position

At 31st December, 2009

	Notes	31.12.2009 HK$'000	31.3.2009 HK$'000
Current liabilities			
Trade and other payables	42	**96,235**	24,171
Amount due to an investee	35	**303**	2,244
Amounts due to minority shareholders of subsidiaries	37	**2,693**	4,165
Amount due to a related party	43	**–**	16
Bank borrowing – due within one year	44	**12,548**	–
Tax payable		**13,050**	10,446
		124,829	41,042
Liabilities associated with assets classified as held for sale	41	**13,050**	–
		137,879	41,042
Net current assets		**298,257**	557,009
Total assets less current liabilities		**1,189,403**	900,836
Non-current liability			
Deferred tax liabilities	45	**5,603**	3,738
		1,183,800	897,098
Capital and reserves			
Share capital	46	**3,237**	296,805
Reserves		**1,117,634**	595,303
Equity attributable to owners of the Company		**1,120,871**	892,108
Minority interests		**62,929**	4,990
Total equity		**1,183,800**	897,098

The consolidated financial statements on pages 27 to 135 were approved and authorised for issue by the Board of Directors on 23rd April,2010 and are signed on its behalf by:

Choi Ka Yee, Crystal
Director

Cho Kwai Chee
Director

	Attributable to owners of the Company											
	Share capital HK$'000	Share premium HK$'000	Capital redemption reserve HK$'000 (Note iii)	Capital reserve HK$'000 (Note i)	Distributable reserve HK$'000 (Note ii)	Investment revaluation reserve HK$'000	Translation reserve HK$'000	Share options reserve HK$'000	Accumulated profits (losses) HK$'000 (Note iv)	Total HK$'000	Minority interests HK$'000	Total HK$'000
At 1st April, 2008	169,679	398,068	–	10,033	62,677	54,668	12	5,290	363,716	1,064,143	15,113	1,079,256
Loss for the year	–	–	–	–	–	–	–	–	(652,507)	(652,507)	8,460	(644,047)
Exchange differences arising on translation	–	–	–	–	–	–	177	–	–	177	–	177
Fair value loss on available-for-sale financial assets	–	–	–	–	–	(158,694)	–	–	–	(158,694)	–	(158,694)
Recognition of impairment loss on available-for-sale investments	–	–	–	–	–	37,403	–	–	–	37,403	–	37,403
Reclassified to profit or loss on disposal of available-for-sale investments	–	–	–	–	–	3,603	–	–	–	3,603	–	3,603
Share of investment revaluation reserve of associates and a jointly controlled entity	–	–	–	–	–	2,360	–	–	–	2,360	–	2,360
Share of exchange differences arising on translation of associates and a jointly controlled entity	–	–	–	–	–	–	2,549	–	–	2,549	–	2,549
Total comprehensive (expense) income for the year	–	–	–	–	–	(115,328)	2,726	–	(652,507)	(765,109)	8,460	(756,649)
Shares issued	79,300	124,650	–	–	–	–	–	–	–	203,950	–	203,950
Transfer to profit or loss on early redemption of convertible bonds	–	–	–	–	–	60,660	–	–	–	60,660	–	60,660
Transaction costs attributable to issue of shares	–	(5,992)	–	–	–	–	–	–	–	(5,992)	–	(5,992)
Exercise of share options	47,826	116,183	–	–	–	–	–	(28,303)	–	135,706	–	135,706
Recognition of equity-settled share-based payment expenses	–	–	–	–	–	–	–	198,750	–	198,750	–	198,750
Dividend paid to minority interests	–	–	–	–	–	–	–	–	–	–	(17,626)	(17,626)
Acquisition of a subsidiary (note 48)	–	–	–	–	–	–	–	–	–	–	45	45
Acquisition of additional interests in subsidiaries	–	–	–	–	–	–	–	–	–	–	(1,149)	(1,149)
Capital contribution from minority shareholder of a subsidiary	–	–	–	–	–	–	–	–	–	–	147	147
At 31st March, 2009	296,805	632,909	–	10,033	62,677	–	2,738	175,737	(288,791)	892,108	4,990	897,098

Consolidated Statement of Changes in Equity

For the nine months ended 31st December, 2009

	Attributable to owners of the Company											
	Share capital HK$'000	Share premium HK$'000	Capital redemption reserve HK$'000 (Note iii)	Capital reserve HK$'000 (Note i)	Distributable reserve HK$'000 (Note ii)	Investment revaluation reserve HK$'000	Translation reserve HK$'000	Share options reserve HK$'000	Accumulated profits (losses) HK$'000 (Note iv)	Total HK$'000	Minority interests HK$'000	Total HK$'000
Loss for the period	–	–	–	–	–	–	–	–	(23,587)	(23,587)	11,364	(12,223)
Fair value gain on available-for-sale investments	–	–	–	–	–	205,539	–	–	–	205,539	–	205,539
Total comprehensive income (expense) for the period	–	–	–	–	–	205,539	–	–	(23,587)	181,952	11,364	193,316
Shares issued upon acquisition of additional interests in a subsidiary	359	50,641	–	–	–	–	–	–	–	51,000	–	51,000
Recognition of equity-settled share-based payment expenses	–	–	–	–	–	–	–	4,831	–	4,831	–	4,831
Dividend paid to minority interests	–	–	–	–	–	–	–	–	–	–	(826)	(826)
Acquisition of subsidiaries (note 48)	–	–	–	–	–	–	–	–	–	–	57,157	57,157
Acquisition of additional interest in a subsidiary	–	–	–	–	–	–	–	–	–	–	(4,107)	(4,107)
Disposal of subsidiaries (note 49)	–	–	–	–	–	–	–	–	–	–	(5,649)	(5,649)
Share consolidation (note 46)	(284,907)	(632,909)	–	–	–	–	–	–	917,816	–	–	–
Shares repurchased and cancelled	(9,020)	–	9,020	–	–	–	–	–	(9,020)	(9,020)	–	(9,020)
At 31st December, 2009	**3,237**	**50,641**	**9,020**	**10,033**	**62,677**	**205,539**	**2,738**	**180,568**	**596,418**	**1,120,871**	**62,929**	**1,183,800**

Notes:

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

(ii) The distributable reserve of the Group represents the amount arising from the reduction of share capital net of dividend paid.

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

(iv) Accumulated profits (losses) includes the amount of paid up capital cancelled upon the completion of capital reduction in May 2009.

Consolidated Statement of Cash Flows

For the nine months ended 31st December, 2009

	(Nine months) 1.4.2009 to 31.12.2009 HK$'000	(Twelve months) 1.4.2008 to 31.3.2009 HK$'000
OPERATING ACTIVITIES		
Loss before tax	**(1,452)**	(638,384)
Adjustments for:		
Interest income	**(1,854)**	(22,698)
Dividend income from unlisted investments	**(579)**	(45)
Loss on conversion options and early redemption features embedded in convertible bonds	**–**	107,665
Impairment loss in respect of:		
– goodwill arising on acquisition of associates	**12,000**	83,133
– goodwill arising on acquisition of subsidiaries, and medical and dental practices	**26,332**	28,364
– available-for-sale investments	**–**	37,403
– amounts due from associates	**–**	16,441
– amounts due from investees	**–**	1,663
Depreciation of property, plant and equipment	**7,988**	9,848
(Gain) loss in fair value changes on held for trading investments	**(59,204)**	16,739
Impairment loss (reversal of impairment loss) on trade receivables	**489**	(253)
Loss on disposal of property, plant and equipment	**1,028**	591
Release of prepaid lease payments	**505**	242
Amortisation of intangible assets	**2,576**	2,665
(Increase) decrease in fair value of investment properties	**(11,727)**	2,960
Share of results of associates	**7,497**	7,750
Share of result of a jointly controlled entity	**–**	203,581
Share-based payment expenses	**4,831**	198,750
Finance costs	**872**	5,822
(Gain) loss on disposal of subsidiaries	**(141)**	861
Gain on disposal of assets held for sale	**–**	(426)
(Gain) loss on disposal/deemed disposal of associates	**(1,437)**	6,471
Gain on early redemption of convertible bonds	**–**	(54,867)
Loss on disposal of available-for-sale investments	**–**	3,603
Discount on acquisition of a subsidiary	**–**	(27)
Operating cash (outflow) inflow before movements in working capital	**(12,276)**	17,852
(Increase) decrease in inventories	**(5,279)**	607
Decrease (increase) in trade and other receivables	**12,091**	(3,218)
Decrease (increase) in amounts due from associates	**5,028**	(6,679)
Decrease (increase) in amounts due from investees	**1,559**	(823)
Decrease in amounts due from minority shareholders of subsidiaries	**464**	1,801
Decrease in amounts due from related parties	**453**	635
Increase in held for trading investments	**(17,602)**	(50,447)
Increase (decrease) in trade and other payables	**5,738**	(3,969)
Cash used in operations	**(9,824)**	(44,241)
Income tax paid	**(5,849)**	(12,121)
NET CASH USED IN OPERATING ACTIVITIES	**(15,673)**	(56,362)

Consolidated Statement of Cash Flows

For the nine months ended 31st December, 2009

	Notes	**(Nine months) 1.4.2009 to 31.12.2009 HK$'000**	(Twelve months) 1.4.2008 to 31.3.2009 HK$'000
INVESTING ACTIVITIES			
Acquisition of subsidiaries	48	**(103,898)**	(9,849)
Purchase of investment properties		**(82,033)**	–
Purchase of property, plant and equipment		**(78,621)**	(8,559)
Purchase of available-for-sale investments		**(69,364)**	(55,537)
Advances of loans receivables		**(20,538)**	(25,260)
Investment in associates		**(12,008)**	(114,900)
Disposal of subsidiaries	49	**(1,367)**	231
Proceeds from disposal of available-for-sale investments		**39,690**	4,515
Repayment of loans receivable		**12,118**	690
Proceeds from disposal of an associate		**2,190**	–
Interest received		**1,854**	2,416
Dividend received from unlisted investments		**579**	45
Dividend received from associates		**375**	1,642
Proceeds from disposal of property, plant and equipment		**260**	306
Deposits paid on acquisition of interest in a subsidiary		**–**	(51,255)
Acquisition of additional interests in subsidiaries		**–**	(1,788)
Proceeds from early redemption of available-for-sale investments		**–**	372,540
Repayment from a jointly controlled entity		**–**	33,706
Dividend receivable from a jointly controlled entity		**–**	32,061
Proceeds from disposal of assets held for sales	49	**–**	12,000
Release of pledged bank deposits		**–**	5,000
NET CASH (USED IN) FROM INVESTING ACTIVITIES		**(310,763)**	198,004

	(Nine months) 1.4.2009 to 31.12.2009 HK$'000	(Twelve months) 1.4.2008 to 31.3.2009 HK$'000
FINANCING ACTIVITIES		
Payment on shares repurchased	**(9,020)**	–
(Repayment to) advance from an investee	**(1,941)**	984
(Repayment to) advance from minority shareholders of subsidiaries	**(1,472)**	12,454
Repayment of bank borrowing	**–**	(180,241)
Interest paid	**(872)**	(5,822)
Dividend paid to minority shareholders of subsidiaries	**(826)**	(17,626)
Repayment to a related company	**(16)**	(50,104)
New bank borrowing raised	**11,340**	90,000
Proceeds from issue of shares	**–**	339,656
Capital contributed by minority shareholder of a subsidiary	**–**	147
Expenses paid in connection with issue of shares	**–**	(5,992)
NET CASH (USED IN) FROM FINANCING ACTIVITIES	**(2,807)**	183,456
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	**(329,243)**	325,098
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**–**	177
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD/YEAR	**484,549**	159,274
CASH AND CASH EQUIVALENTS AT END OF PERIOD/YEAR, representing by bank balances and cash	**155,306**	484,549

1. GENERAL

The Company was formerly an exempted company with limited liability incorporated in the Cayman Islands. On 5th May, 2009, the Company de-registered from the Cayman Islands and registered in Bermuda as an exempted company under the laws of Bermuda. In August 2008, the Company transferred the listing of its shares from the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") to the Main Board of the Stock Exchange.

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

The addresses of the registered office and principal place of business of the Company are disclosed in the corporation information section.

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

The Company is an investment holding company. The principal activities of its subsidiaries and associates are set out in notes 57 and 26 respectively.

2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

During the current financial period, the reporting date of the Group was changed from 31st March to 31st December because the directors of the Group determine to bring the annual reporting date of the Group in line with that of the statutory year end date of certain PRC operating subsidiaries acquired during the period having financial year end on 31st December. Such alignment will facilitate the preparation of the Group's consolidated financial statements. Accordingly, the consolidated financial statements for the current period cover the nine months' period ended 31st December, 2009. The corresponding comparative amounts shown for the consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows and related notes cover a twelve months period from 1st April, 2008 to 31st March, 2009 and therefore may not be comparable with amounts shown for the current period.

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

In the current period, the Group has applied the following amendments and interpretations ("new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") which are or have become effective.

HKAS 1 (Revised 2007)	Presentation of Financial Statements
HKAS 23 (Revised 2007)	Borrowing Costs
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments
HKFRS 8	Operating Segments
HK(IFRIC) – Int 9 & HKAS 39 (Amendments)	Embedded Derivatives
HK(IFRIC) – Int 13	Customer Loyalty Programmes
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estate
HK(IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation
HK(IFRIC) – Int 18	Transfers of Assets from Customers
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2008, except for the amendment to HKFRS 5 that is effective for annual periods beginning or after 1st July, 2009
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009 in relation to the amendment to paragraph 80 of HKAS 39

Except HKAS 1 (Revised 2007) has introduced terminology changes (including revised titles for the financial statements) and changes in the format and content of the financial statements, the adoption of the new and revised HKFRSs has had no material effect on the financial statements of the Company for the current or prior accounting periods.

The Group has not early applied the following new and revised Standards, Amendments or Interpretations that have been issued but are not yet effective.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of Improvements to HKFRSs 2008[1]
HKFRSs (Amendments)	Improvements to HKFRSs 2009[2]
HKAS 24 (Revised)	Related Party Disclosures[6]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[1]
HKAS 32 (Amendment)	Classification of Rights Issues[4]
HKAS 39 (Amendment)	Eligible Hedged Items[1]
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters[3]
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters[5]
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payments Transactions[3]
HKFRS 3 (Revised)	Business Combinations[1]
HKFRS 9	Financial Instruments[7]
HK(IFRIC) – Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement[6]
HK(IFRIC) – Int 17	Distributions of Non-cash Assets to Owners[1]
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments[5]

1 Effective for annual periods beginning on or after 1st July, 2009.
2 Amendments that are effective for annual periods beginning on or after 1st July, 2009 and 1st January, 2010, as appropriate.
3 Effective for annual periods beginning on or after 1st January, 2010.
4 Effective for annual periods beginning on or after 1st February, 2010.
5 Effective for annual periods beginning on or after 1st July, 2010.
6 Effective for annual periods beginning on or after 1st January, 2011.
7 Effective for annual periods beginning on or after 1st January, 2013.

The application of HKFRS 3 (Revised) may affect the Group's accounting for business combination for which the acquisition date is on or after 1st January, 2010. HKAS 27 (Revised) will affect the accounting treatment for changes in the Group's ownership interest in a subsidiary.

HKFRS 9 Financial Instruments introduces new requirements for the classification and measurement of financial assets and will be effective from 1st January, 2013, with earlier application permitted. The Standard requires all recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement to be measured at either amortised cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at fair value. The application of HKFRS 9 might affect the classification and measurement of the Group's financial assets.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

The directors of the Company anticipate that the application of the other new and revised Standards, Amendments or Interpretations will have no material impact on the consolidated financial statements.

4. SIGNIFICANT ACCOUNTING POLICIES

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

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

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Minority interests in the net assets of consolidated subsidiaries are presented separately from the Group's equity therein. Minority interests in the net assets consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combinations

The acquisition of businesses is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under HKFRS 3 Business Combinations are recognised at their fair values at the acquisition date, except for non-current assets that are classified as held for sale in accordance with HKFRS 5 Non-Current Assets Held for Sale and Discontinued Operations, which are measured at fair value less costs to sell.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

Goodwill

Goodwill arising on acquisition of a business is carried at cost less any accumulated impairment losses and is presented separately in the consolidated statement of financial position.

For the purposes of impairment testing, goodwill arising from an acquisition of subsidiary is allocated to each of the relevant cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the acquisition. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss for goodwill is not reversed in subsequent periods.

On subsequent disposal of the relevant cash-generating unit, the attributable amount of goodwill capitalised is included in the determination of the amount of profit or loss on disposal.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Interests in associates

An associate is an entity over which the investor has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investees but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Where the financial statements of an associate used in applying the equity method prepared are of a different reporting date from that of the Group, adjustments are made for the effects of significant transactions or events that occur between that date and the date of the Group's consolidated financial statements. Under the equity method, investments in associates are carried in the consolidated statement of financial position at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associate, less any identified impairment loss. When the Group's share of losses of an associate equals or exceeds its interest in that associate, the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

Goodwill arising on acquisitions prior to 1st January, 2005

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets and liabilities of the associate recognised at the date of acquisition is recognised as goodwill. From 1st January, 2005 onwards, the Group has discontinued amortisation of goodwill and such goodwill is included within the carrying amount of the investment and is not tested for impairment separately. Instead, the entire carrying amount of the investment is tested for impairment as a single asset. Any impairment loss recognised is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment in the associate. Any reversal of impairment loss is recognised to the extent that the recoverable amount of the investment subsequently increases.

Goodwill arising on acquisitions on or after 1st January, 2005

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is not tested for impairment separately. Instead, the entire carrying amount of the investment is tested for impairment as a single asset. Any impairment loss recognised is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment in the associate. Any reversal of impairment loss is recognised to the extent that the recoverable amount of the investment subsequently increases.

Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment is recognised immediately in profit or loss.

Where a group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Interests in jointly controlled entities

Joint venture arrangements that involve the establishment of a separate entity in which ventures have joint control over the economic activity of the entity are referred to as jointly controlled entities.

Jointly controlled entities are accounted for using the equity method

The results and assets and liabilities of jointly controlled entities are incorporated in the consolidated financial statements using the equity method of accounting. Under the equity method, investments in jointly controlled entities are carried in the consolidated statement of financial position at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the jointly controlled entities, less any identified impairment loss. When the Group's share of losses of a jointly controlled entity equals or exceeds its interest in that jointly controlled entity (which includes any long-term interests that, in substance, form part of the Group's net investment in the jointly controlled entity), the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that jointly controlled entity.

Non-current assets held for sale

Non-current assets or disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition.

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

Revenue recognition

Revenue is measured at the fair values of consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts and sales related taxes.

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

Management and administrative service fee income in relation to provision of healthcare services is recognised when services are rendered.

Beauty and skincare services income is recognised when the related services are rendered.

Sales of healthcare and pharmaceutical products are recognised when goods are delivered and title has passed.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition *(Continued)*

Sales revenue from restaurant operations are recognised when services are rendered to customers.

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

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

Dividend income from investments is recognised when the shareholders' right to receive payment has been established.

Property, plant and equipment

Property, plant and equipment including buildings held for use in the production or supply of goods or services, or for administrative purposes are stated at cost less subsequent accumulated depreciation and accumulated impairment losses.

Depreciation is provided to write off the cost of items of property, plant and equipment over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the period in which the item is derecognised.

Investment properties

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

On initial recognition, investment properties are measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values using the fair value model. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise.

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Intangible assets

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are identified and recognised separately from goodwill where they satisfy the definition of an intangible asset and their fair values can be measured reliably. The cost of such intangible assets is their fair value at the acquisition date.

Subsequent to initial recognition, intangible assets with finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives. Alternatively, intangible assets with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses (see the accounting policy in respect of impairment losses on tangible and intangible assets below).

Impairment losses on tangible and intangible assets other than goodwill

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exist, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the first-in, first-out basis.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leasing

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

The Group as lessor

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

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

Leasehold land and building

The land and building elements of a lease of land and building are considered separately for the purpose of lease classification, unless the lease payments cannot be allocated reliably between the land and building elements, in which case, the entire lease is generally treated as a finance lease and accounted for as property, plant and equipment. To the extent the allocation of lease payments can be made reliably, leasehold interests in land are accounted for as operating leases and amortised over the lease term on a straight-line basis except for those that are classified and accounted for as investment properties under the fair value model.

Retirement benefit costs

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

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in its functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are re-translated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currencies *(Continued)*

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's operations in other parts of the PRC are translated into the presentation currency of the Group (i.e. Hong Kong dollars) at the rate of exchange prevailing at the end of the reporting period, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (the translation reserve).

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation on or after 1st January 2005 are treated as assets and liabilities of that foreign operation and retranslated at the rate of exchange prevailing at the end of the reporting period. Exchange differences arising are recognised in the translation reserve.

Taxation

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation *(Continued)*

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

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is recognised in to profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity respectively.

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified into one of the three categories, including financial assets at fair value through profit or loss ("FVTPL"), available-for-sale financial assets and loans and receivables. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets (Continued)

Effective interest method *(Continued)*

Income is recognised on an effective interest basis for debt instruments.

Financial assets at fair value through profit or loss

Financial assets at FVTPL represents financial assets held for trading.

A financial asset is classified as held for trading if:

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

Financial assets at FVTPL are measured at fair value, with changes in fair value arising from remeasurment recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial assets.

Loans and receivables

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

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at FVTPL, loans and receivables or held-to-maturity investments. The Group designated debt host element of convertible bonds and certain unlisted investment as available-for-sale financial assets.

Available-for-sale financial assets are measured at fair value at the end of each reporting period. Changes in fair value are recognised in other comprehensive income and accumulated in investment revaluation reserve, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss (see accounting policy on impairment loss on financial assets below).

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets (Continued)

Available-for-sale financial assets *(Continued)*

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

Impairment of financial assets

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

For an available-for-sale equity investment, a significant or prolonged define in the fair value of that investment below its cost is considered to be objective evidence of impairment.

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

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

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 60 to 240 days, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, an impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets (Continued)

Impairment of financial assets *(Continued)*

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

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

Impairment losses on available-for-sale equity investments will not be reversed in profit or loss in subsequent periods. Any increase in fair value subsequent to impairment loss is recognised directly in equity. For available-for-sale unquoted equity investment carried at cost, impairment losses recognised are not reversed in subsequent periods. For available-for-sale debt investments, impairment losses are subsequently reversed if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

Effective interest rate

For debt instruments carried at amortised cost, a new effective interest rate is determined at the date of reclassification. If the group subsequently increases its estimate of the recoverability of future cash flows, the effect of the increase is recognised as an adjustment to the effective interest rate from the date of change, such that the effect of the increase in recoverability is recognised over the expected remaining life of the debt instrument.

Financial liabilities and equity

Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity (Continued)

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Interest expense is recognised on an effective interest basis.

Financial liabilities

Financial liabilities, including trade and other payables, amounts due to minority shareholders of subsidiaries/an investee/a related party and bank borrowing, are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Embedded derivatives

Derivatives embedded in non-derivative host contracts are separated from the relevant hosts and deemed as held-for-trading when the economic characteristic and risks of the embedded derivatives are not closely related to those of the host contracts, and the combined contracts are not measured at fair value though profit or loss.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Equity-settled share-based payment transactions

Share options granted to employees

The fair value of services received from employees determined by reference to the fair value of share options granted at the grant date is recognised as an expense in full at the grant date when the share options granted vest immediately, with a corresponding increase in equity (share options reserve).

At the end of the reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the estimates during the vesting period, if any, is recognised in profit or loss, with a corresponding adjustment to share options reserve.

At the time when the share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will continue to be held in share options reserve.

Share options granted to suppliers/consultants

Share options issued in exchange for goods or services are measured at the fair values of the goods or services received, unless that fair value cannot be reliably measured, in which case the goods or services received are measured by reference to the fair value of the share options granted. The fair values of the goods or services received are recognised as expenses, with a corresponding increase in equity (share options reserve), when the Group obtains the goods or when the counterparties render services, unless the goods or services qualify for recognition as assets.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

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

5. KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating units and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. The carrying amount of goodwill at 31st December, 2009 and 31st March, 2009 and the details of the impairment test are disclosed in note 24.

Impairment loss on loans receivable

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

In determining whether allowance for bad and doubtful debts is required, the Group takes into consideration the aged status and likelihood of collection. Specific allowance is only made for the loans receivable that are unlikely to be collected and is recognised on the difference between the carrying amount of loans receivable and the present value of estimated future cash flow discounted using the original effective interest rate. Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31st December, 2009, the carrying amount of loans receivable amounted to HK$32,990,000 (31st March 2009: HK$24,570,000).

Impairment loss on trade receivables

The policy for allowance for bad or doubtful debts of the Group is based on the evaluation of collectability of accounts and on management's estimate. In determining whether impairment is required, the Group takes into consideration the likelihood of collection of debts on an individual as well as on a collective basis, including the Group's past experience of collecting payments. Specific allowance is only made for receivables that are unlikely to be collected and is recognised on the difference between the estimated future cash flow expected to receive discounted using the original interest rate and the carrying value.

Allowance for obsolete inventories

The management of the Group reviews the aged analysis at the end of each reporting period and identified the slow-moving inventory items that are no longer suitable for use in production or sale. The management estimates the net realisable value for finished goods based primarily on the latest invoice prices and current market conditions. In addition, the Group carries out an inventory review on a product-by-product basis at the end of the reporting period and makes the necessary allowance for obsolete items.

6. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior period.

The capital structure of the Group consists of borrowings and equity attributable to equity holders of the Company, comprising issued share capital, reserves and accumulated profits.

The directors of the Company review the capital structure regularly. As part of this review, the directors consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure through the payment of dividends, new share issues as well as the issue of new debt or the repayment of existing debt.

7. FINANCIAL INSTRUMENTS

7a. Categories of financial instruments

	31.12.2009 **HK$'000**	31.3.2009 HK$'000
Financial assets		
Fair value through profit or loss ("FVTPL")	**110,514**	33,708
Available-for-sale investments	**275,129**	39,916
Loans and receivables (including cash and cash equivalents)	**229,360**	549,895
Financial liabilities		
Amortised cost	**79,259**	13,683

7b. Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, loans receivable, amounts due from (to) associates/investees/ related parties/minority shareholders of subsidiaries, pledged bank deposits, bank balances, trade and other payables, bank borrowing, available-for-sale investments and held for trading investments. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (interest rate risk and other price risks), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

7. FINANCIAL INSTRUMENTS *(Continued)*

7b. Financial risk management objectives and policies *(Continued)*

Market risk

There has been no change to the Group's exposure to market risks or the manner in which it manages and measures the risks.

(i) Interest rate risk

The Group is exposed to fair value interest rate risk in relation to the fixed-rate bank borrowing and loans receivable. The Group currently does not have any interest rate hedging policy. The Group monitors the interest rate risk exposure closely and may enter any hedging activities if the need arises.

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for variable-rate saving deposits at the end of the reporting period. The analysis is prepared assuming the amounts outstanding at the end of the reporting period were outstanding for the whole period. A 50 basis points increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's loss for the nine months ended 31st December, 2009 would decrease/increase by HK$770,000 (1.4.2008 to 31.3.2009: HK$2,400,000). This is mainly attributable to the Group's exposure to interest rates on its variable-rate saving deposits.

(ii) Price risk on listed securities

The Group is exposed to equity price risk through its investments in equity securities classified as either available-for-sale investments or held for trading investments. The Group's equity price risk is mainly concentrated on listed equity instruments quoted in the respective Stock Exchanges. The management manages this exposure by closely monitoring the price risk and maintaining a portfolio of investments with different risks.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to equity price risks on quoted equity instruments at the reporting date.

7. FINANCIAL INSTRUMENTS *(Continued)*

7b. Financial risk management objectives and policies *(Continued)*

Market risk (Continued)

(ii) Price risk on listed securities (Continued)

Sensitivity analysis *(Continued)*

If the prices of the respective equity instruments had been 5% higher/lower:

– loss for the nine months ended 31st December, 2009 would decrease/increase by HK$548,000 (1.4.2008 to 31.3.2009: HK$1,407,000) as a result of the changes in fair value of financial assets at fair value through profit or loss.

– investments revaluation reserve would increase/decrease by HK$1,375,000 (1.4.2008 to 31.3.2009: investments revaluation reserve recognition of impairment loss on available-for-sale investment would increase by HK$1,985,000) for the Group as a result of the changes in fair value of available-for-sale investments.

Credit risk

As at 31st December, 2009, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to perform an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The Group's concentration of credit risk by geographical locations is mainly in Hong Kong and the PRC, which accounted for 38% (31st March, 2009: 100%) and 62% (31st March, 2009: Nil) of the total trade receivables as at 31st December, 2009 respectively. The Group has concentration of credit risk by customer as 34% (31st March, 2009: 57%) and 14% (31st March, 2009: 42%) of the total trade receivables were due from the Group's five largest customers and largest customer respectively. As at 31st December, 2009, the Group also has concentration of credit risk on loans receivable due from four individuals amounting to HK$16,886,000 and four employees amounting to HK$16,104,000 (31st March, 2009: four individuals amounting to HK$17,641,000 and an employee amounting to HK$6,929,000), with good credit and repayment history.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

7. FINANCIAL INSTRUMENTS *(Continued)*

7b. Financial risk management objectives and policies *(Continued)*

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank borrowings and ensures compliance with loan covenants.

The following table details the Group's remaining contractual maturity for its financial liabilities. For non-derivative financial liabilities, the table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

Liquidity and interest risk tables

	Weighted average effective interest rate	Less than 3 months HK$'000	3-6 months HK$'000	6 months to 1 year HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31.12.2009 HK$'000
31st December, 2009						
Non-derivative financial liabilities:						
Trade and other payables	–	63,715	–	–	63,715	63,715
Amounts due to minority shareholders of subsidiaries	–	2,693	–	–	2,693	2,693
Amount due to an investee	–	303	–	–	303	303
Fixed rate bank borrowing	7.25%	13,458	–	–	13,458	12,548
		80,169	–	–	80,169	79,259

	Weighted average effective interest rate	Less than 3 months HK$'000	3-6 months HK$'000	6 months to 1 year HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31.3.2009 HK$'000
31st March, 2009						
Non-derivative financial liabilities:						
Trade and other payables	–	7,258	–	–	7,258	7,258
Amounts due to minority shareholders of subsidiaries	–	4,165	–	–	4,165	4,165
Amount due to a related party	–	16	–	–	16	16
Amount due to an investee	–	2,244	–	–	2,244	2,244
		13,683	–	–	13,683	13,683

7. FINANCIAL INSTRUMENTS *(Continued)*

7c. Fair value

The fair values of financial assets and financial liabilities are determined as follows:

- the fair values of financial assets with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market bid price; and

- the fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices or rates from observable current market transactions as input.

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at either amortised cost or fair value through profit or loss in the consolidated financial statements approximate their fair values.

Fair value measurements recognised in the consolidated statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities;

- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices);

- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

As at 31st December, 2009, all of the Group's financial instruments at fair value through profit and loss were measured using Level 1 fair value measurements.

8. REVENUE

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

	1.4.2009 to 31.12.2009 HK$'000	1.4.2008 to 31.3.2009 HK$'000
Provision of healthcare and dental services	**211,720**	289,389
Sales of healthcare and pharmaceutical products	**231,961**	35,853
Others	**13,145**	16,970
	456,826	342,212

9. SEGMENT INFORMATION

The Group has adopted HKFRS 8 Operating Segments with effect from 1st January, 2009. HKFRS 8 is a disclosure standard that requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the Chief Executive Officer for the purpose of allocating resources to segments and assessing their performance. In contrast, the predecessor Standard (HKAS 14 Segment Reporting) required an entity to identify two sets of segments (business and geographical) using a risks and returns approach. In the past, the Group's primary reporting format was business segments by operating divisions. The application of HKFRS 8 has not resulted in a redesignation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14. Nor has the adoption of HKFRS 8 changed the basis of measurement of segment profit or loss.

In previous years, the Group reported its primary segment information based on four major operating divisions using the risks and returns approach – (1) provision of healthcare and dental services, (2) sales of healthcare and pharmaceutical products, (3) provision of beauty and skincare services and (4) others. However, the scale of operation for provision of beauty and skincare services is diminishing in the current period and information reported to chief operating decision makers, the Chief Executive Officer, for the purpose of resources allocation and performance assessment focuses more specifically on each type of major businesses and no longer includes discrete financial information for this segment. Therefore, the Group's operating and reportable segments under HKFRS 8 are as follows:

- Provision of healthcare and dental services – Operations of the Group's medical and dental practices.
- Sales of healthcare and pharmaceutical products – Sales of healthcare and pharmaceutical products including radioactive isotopes for medical uses.
- Others – Catering, provision of management and administrative services, provision of beauty and skincare services, property investment and securities investments and trading.

Information regarding the above segments is reported below. Amounts reported for the prior year have been restated to conform to the requirements of HKFRS 8.

9. SEGMENT INFORMATION *(Continued)*

Segment revenue and results

For the nine months ended 31st December, 2009

	Provision of healthcare and dental services HK$'000	Sales of healthcare and pharmaceutical products HK$'000	Others HK$'000	Total HK$'000
REVENUE FROM EXTERNAL CUSTOMERS	211,720	231,961	13,145	456,826
RESULTS				
Segment results	10,896	28,679	30,238	69,813
Other income				15,094
Unallocated corporate expenses				(74,464)
Share-based payment expenses				(4,831)
Finance costs				(872)
Gain on disposal of an associate				1,437
Gain on disposal of subsidiaries				141
Share of results of associates				(7,497)
Impairment loss in respect of interests in associates				(12,000)
Increase in fair value of investment properties				11,727
Loss before tax				(1,452)
Income tax expenses				(10,771)
Loss for the period				(12,223)

9. SEGMENT INFORMATION *(Continued)*

Segment revenue and results *(Continued)*

For the year ended 31st March, 2009

	Provision of healthcare and dental services HK$'000	Sales of healthcare and pharmaceutical products HK$'000	Others HK$'000	Total HK$'000
REVENUE FROM EXTERNAL CUSTOMERS	289,389	35,853	16,970	342,212
RESULTS				
Segment results	25,975	20,646	(8,800)	37,821
Other income				30,237
Unallocated corporate expenses				(145,177)
Share-based payment expenses				(198,750)
Finance costs				(5,822)
Loss on deemed disposal of an associate				(6,471)
Share of results of associates				(7,750)
Share of result of a jointly controlled entity				(203,581)
Impairment loss in respect of interests in associates				(83,133)
Loss on fair value changes of conversion options and early redemption features embedded in convertible bonds				(107,665)
Gain on early redemption of convertible bonds				54,867
Decrease in fair value of investment properties				(2,960)
Loss before tax				(638,384)
Income tax expenses				(5,663)
Loss for the year				(644,047)

The accounting policies of the reporting segments are the same as the Group's accounting policies described in note 4. Segment profit (loss) represents the profit earned by (loss from) each segment without allocation of central administration costs, directors' salaries, share of results of associates and a jointly controlled entity, investment income, loss on fair value changes of conversion options and early redemption features embedded in convertible bonds, gain on early redemption of convertible bonds, fair value change of investment properties, share-based payment expenses, impairment loss recognised in respect of interests in associates and finance costs. This is the measure reported to the Chief Operating Officer for the purposes of resources allocation and performance assessment.

9. SEGMENT INFORMATION *(Continued)*

Other segment information

For the nine months ended 31st December, 2009

	Provision of healthcare and dental services HK$'000	Sales of healthcare and pharmaceutical products HK$'000	Others HK$'000	Total for segments HK$'000	Unallocated HK$'000	Total HK$'000
Amounts included in the measure of segment profit or loss or segment assets:						
Additions to non-current assets						
– property, plant and equipment	2,164	37,169	–	39,333	128,960	168,293
– prepaid lease payments	–	25,729	–	25,729	–	25,729
Depreciation of property, plant and equipment	4,753	2,465	80	7,298	690	7,988
Impairment loss recognised in respect of:						
– goodwill arising on acquisition of subsidiaries, and medical and dental practices	2,315	21,255	2,762	26,332	–	26,332
– trade receivables	1,997	–	–	1,997	–	1,997
Release of prepaid lease payments	182	323	–	505	–	505

9. SEGMENT INFORMATION *(Continued)*

Other segment information *(Continued)*

For the year ended 31st March, 2009

	Provision of healthcare and dental services HK$'000	Sales of healthcare and pharmaceutical products HK$'000	Others HK$'000	Total for segments HK$'000	Unallocated HK$'000	Total HK$'000
Amounts included in the measure of segment profit or loss or segment assets:						
Additions to property, plant and equipment	2,130	240	2,937	5,307	–	5,307
Depreciation of property, plant and equipment	8,949	108	791	9,848	–	9,848
Impairment loss recognised in respect of:						
– goodwill arising on acquisition of subsidiaries, and medical and dental practices	21,696	1,078	5,590	28,364	–	28,364
– amounts due from associates	16,441	–	–	16,441	–	16,441
– amounts due from investees	1,663	–	–	1,663	–	1,663
– trade and other receivables	342	–	–	342	–	342
Release of prepaid lease payments	242	–	–	242	–	242

9. SEGMENT INFORMATION *(Continued)*

Geographical information

The Group's operations are located in Hong Kong and the PRC. The Group's revenue from external customers based on location of customers and information about its non-current assets excluding available-for-sale investments by geographical location of the assets and operation of the associates are situated in Hong Kong and the PRC. Provision of healthcare and dental services are carried out in Hong Kong. Sales of healthcare and pharmaceutical products are carried out in the PRC and Hong Kong.

The following table provides an analysis of the Group's non-current assets (excluding financial assets) by location of assets and revenue by geographical location of customers, irrespective of the origin of the goods/services:

	Non-current assets		**Revenue**	
			(Nine months) 1.4.2009 to	(Twelve months) 1.4.2008 to
	31.12.2009	31.3.2009	**31.12.2009**	31.3.2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong	**467,552**	250,456	**249,341**	342,212
PRC	**148,465**	53,455	**207,485**	–
	616,017	303,911	**456,826**	342,212

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

10. OTHER INCOME

	(Nine months) 1.4.2009 to 31.12.2009	(Twelve months) 1.4.2008 to 31.3.2009
	HK$'000	HK$'000
Interest income on bank deposits	**1,854**	2,416
Interest income on debt securities classified as available-for-sale investments	**–**	20,282
Dividend income from unlisted investments classified as available-for-sale investments	**579**	45
Rental income	**6,303**	5,294
Sundry income	**6,358**	2,200
	15,094	30,237

11. OTHER EXPENSES, GAINS AND LOSSES

	(Nine months) 1.4.2009 to 31.12.2009 HK$'000	(Twelve months) 1.4.2008 to 31.3.2009 HK$'000
Gain (loss) on fair value changes on held-for-trading investments	**59,204**	(16,739)
Loss on disposal of available-for-sale investments	**–**	(3,603)
Reversal of impairment loss (impairment loss) recognised in respect of:		
– available-for-sale investments	**–**	(37,403)
– interests in associates	**(12,000)**	(83,133)
– goodwill arising on acquisition of subsidiaries, and medical and dental practices	**(26,332)**	(28,364)
– amounts due from associates	**–**	(16,441)
– amounts due from investees	**–**	(1,663)
– trade receivables	**(489)**	253
	20,383	(187,093)

12. FINANCE COSTS

	(Nine months) 1.4.2009 to 31.12.2009 HK$'000	(Twelve months) 1.4.2008 to 31.3.2009 HK$'000
Interest on:		
– Bank borrowings wholly repayable within five years	**872**	5,666
– Bank overdrafts	**–**	73
– Amount due to a related party	**–**	83
	872	5,822

13. GAIN (LOSS) ON DISPOSAL/DEEMED DISPOSAL OF AN ASSOCIATE

	(Nine months) 1.4.2009 to 31.12.2009 HK$'000	(Twelve months) 1.4.2008 to 31.3.2009 HK$'000
Gain on disposal of an associate	1,437	–
Loss on deemed disposal of an associate	–	(6,471)
	1,437	(6,471)

During the nine months ended 31st December, 2009, the Group had disposed its investments in an associate to an independent third party and gain on disposal of associate amounting to HK$1,437,000 was credited to the consolidated statement of comprehensive income.

As set out in note 26, upon partial conversion of the Convertible Bond I during the year ended 31st March, 2008, the Group held 12.52% interest in Hong Kong Health Check. Following the issue of new shares by Hong Kong Health Check, the Group's interest was diluted from 12.52% to 10.7% on 31st March, 2008 and further diluted to 3.62% on 18th September, 2008. During the year ended 31st March, 2009, a deemed disposal loss of HK$6,471,000 was resulted and credited to the consolidated statement of comprehensive income.

14. DIRECTORS' EMOLUMENTS

During the period, no emoluments were paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors has waived any emoluments during the period.

Details of emoluments of individual executive and non-executive and independent non-executive directors are set out as below:

For the nine months ended 31st December, 2009

	Fees HK$'000	Salaries and other benefits HK$'000	Retirement benefits scheme contributions HK$'000	Total emoluments HK$'000
Executive directors				
Miss Choi Ka Yee, Crystal	–	100	–	100
Dr. Cho Kwai Chee	–	12,857	12	12,869
Mr. Lee Chik Yuet (note i)	–	248	2	250
Dr. Hui Ka Wah, Ronnie, *JP*	–	810	–	810
	–	14,015	14	14,029
Non-executive directors				
Mr. Chan Kam Chiu	39	–	–	39
Mr. Wai Kwok Hung, *SBS, JP*	43	–	–	43
Mr. Ho Kwok Wah, George	48	–	–	48
Dr. Choi Chee Ming, *GBS, JP*	–	–	–	–
	130	–	–	130
Total	130	14,015	14	14,159

14. DIRECTORS' EMOLUMENTS *(Continued)*

For the year ended 31st March, 2009

	Fees HK$'000	Salaries and other benefits HK$'000	Retirement benefits scheme contributions HK$'000	Total emoluments HK$'000
Executive directors				
Miss Choi Ka Yee, Crystal	–	4,050	–	4,050
Dr. Cho Kwai Chee	–	9,813	12	9,825
Mr. Cho Kwai Yee, Kevin (note ii)	–	1,303	–	1,303
Dr. Fung Yiu Tong, Bennet (note ii)	–	1,735	–	1,735
Dr. Hui Ka Wah, Ronnie, *JP*	600	–	–	600
	600	16,901	12	17,513
Non-executive directors				
Mr. Chan Kam Chiu	50	–	–	50
Mr. Wai Kwok Hung, *SBS, JP*	50	–	–	50
Mr. Ho Kwok Wah, George	44	–	–	44
Dr. Choi Chee Ming, *GBS, JP*	–	–	–	–
	144	–	–	144
Total	744	16,901	12	17,657

Notes:

(i) Mr. Lee Chik Yuet was appointed as director of the Company on 15th October, 2009.

(ii) Mr. Cho Kwai Yee, Kevin and Dr. Fung Yiu Tong, Bennet resigned as directors of the Company on 19th September, 2008.

15. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, one of them is an executive Director whose emoluments are included in note 14 above (1.4.2008 to 31.3.2009: four). The emoluments of the remaining four (1.4.2008 to 31.3.2009: one) individuals were as follows:

	(Nine months) 1.4.2009 to 31.12.2009 HK$'000	(Twelve months) 1.4.2008 to 31.3.2009 HK$'000
Salaries and other allowances	**6,832**	984
Performance bonus (note)	**2,830**	524
Retirement benefits scheme contributions	**36**	12
Share-based payment expenses	**–**	1,258
	9,698	2,778

Their emoluments were within the following bands:

	(Nine months) 1.4.2009 to 31.12.2009 Number of employees	(Twelve months) 1.4.2008 to 31.3.2009 Number of employees
HK$2,000,001 to HK$2,500,000	**3**	–
HK$2,500,001 to HK$3,000,000	**1**	1
	4	1

During the period/year, no emoluments were paid by the Group to the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

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

16. INCOME TAX EXPENSES

	(Nine months) 1.4.2009 to 31.12.2009 HK$'000	(Twelve months) 1.4.2008 to 31.3.2009 HK$'000
Tax charge comprises:		
Current tax		
– Hong Kong Profits Tax	**4,269**	5,849
– PRC Enterprise Income Tax ("EIT")	**5,006**	–
– (Over) underprovision in prior periods/years	**(369)**	654
	8,906	6,503
Deferred tax (note 45)		
– Current period/year	**1,865**	(576)
– Attributable to a change in tax rate	**–**	(264)
	1,865	(840)
	10,771	5,663

On 26th June, 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 which reduced corporate profits tax rate from 17.5% to 16.5% effective from the year of assessment 2008/2009. Therefore, Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for the period/year.

Details of deferred tax are set out in note 45.

16. INCOME TAX EXPENSES *(Continued)*

The charge for the period/year can be reconciled to the loss before tax per the consolidated statement of comprehensive income as follows:

	(Nine months) 1.4.2009 to 31.12.2009 HK$'000	(Twelve months) 1.4.2008 to 31.3.2009 HK$'000
Loss before tax	**(1,452)**	(638,384)
Tax at the domestic income tax rate of 16.5%	**(240)**	(105,333)
Tax effect of expenses that are not deductible in determining taxable profit	**9,283**	83,051
Tax effect of income that are not taxable in determining taxable profit	**(2,235)**	(12,863)
Tax effect of tax losses not recognised	**5,185**	6,073
Tax effect of share of results of associates	**1,237**	1,279
Tax effect of share of result of a jointly controlled entity	**–**	33,591
Tax effect of deductible temporary differences not recognised	**(43)**	130
Tax effect of different tax rate of subsidiaries operating in other jurisdiction	**1,532**	–
Utilisation of tax losses not previously recognised	**(3,579)**	(655)
(Over) underprovision in prior periods/years	**(369)**	654
Effect of change in tax rate for deferred tax	**–**	(264)
Income tax expenses for the period/year	**10,771**	5,663

17. LOSS FOR THE PERIOD/YEAR

	(Nine months) 1.4.2009 to 31.12.2009 HK$'000	(Twelve months) 1.4.2008 to 31.3.2009 HK$'000
Loss for the period/year has been arrived at after charging:		
Staff costs		
– Directors' remuneration (note 14)	**14,159**	17,657
– Other staff's salaries, bonus and other benefits	**149,816**	162,415
– Other staff's retirement benefits scheme contributions	**2,061**	2,230
– Share-based payment expenses	**–**	24,659
	166,036	206,961
Auditor's remuneration	**2,115**	1,746
Cost of inventories recognised as expenses	**172,917**	6,253
Depreciation of property, plant and equipment	**7,988**	9,848
Loss on disposal of property, plant and equipment	**1,028**	591
Release of prepaid lease payments	**505**	242
Amortisation of intangible assets (included in administrative expenses)	**2,576**	2,665
Share of tax of associates (included in share of results of associates)	**261**	304
Share-based payment expenses recognised on options granted to Ping An Trust & Investment Company Limited (note 47(c))	**4,831**	174,091
and after crediting:		
Gross rental income from investment properties	**6,303**	5,294
Less: Direct operating expense that generated rental income	**(22)**	(25)
Net rental income from investment properties	**6,281**	5,269
Net gain on foreign exchange	**–**	65

18. DIVIDENDS

No dividend was paid or declared during the nine months ended 31st December, 2009 and year ended 31st March, 2009, nor has any dividend been proposed since the end of the reporting period.

19. LOSS PER SHARE

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

	(Nine months) 1.4.2009 to 31.12.2009 HK$'000	(Twelve months) 1.4.2008 to 31.3.2009 HK$'000
Loss		
Loss for the purposes of basic and diluted loss per share:		
Loss for the period/year attributable to owners of the Company	**(23,587)**	(652,507)

Number of shares

	(Nine months) 1.4.2009 to 31.12.2009	(Twelve months) 1.4.2008 to 31.3.2009
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	**303,288,815**	209,965,968

The weighted average number of ordinary shares for the purposes of basic and diluted loss per share has been adjusted for the share consolidation on 25th May, 2009. Details of the transaction are set out in note 46(b).

The calculation of the diluted loss per share does not assume the exercise of share options nor conversion of the outstanding convertible bonds issued by an associate of the Company as their exercise would result in a decrease in the loss per share.

20. INVESTMENT PROPERTIES

	HK$'000
FAIR VALUE	
At 1st April, 2008	42,175
Decrease in fair value recognised in the consolidated statement of comprehensive income	(2,960)
At 31st March, 2009	39,215
Additions during the period	82,033
Increase in fair value recognised in the consolidated statement of comprehensive income	11,727
At 31st December, 2009	**132,975**

The fair value of the Group's investment properties at the end of the reporting period was arrived at on the basis of a valuation carried out on that day by DTZ Debenham Tie Leung Limited, independent professional valuers not connected with the Group. DTZ Debenham Tie Leung Limited, is a member of the Hong Kong Institute of Surveyors. The valuation was arrived at by reference to market evidence of transaction prices for similar properties.

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

The Group has pledged certain investment properties of carrying values of approximately HK$41,975,000 (31st March, 2009: HK$20,015,000) to secure general banking facilities granted to the Group.

21. PROPERTY, PLANT AND EQUIPMENT

	Buildings HK$'000	Leasehold improvements HK$'000	Furniture and fixtures HK$'000	Motor vehicles HK$'000	Tools and equipment HK$'000	Total HK$'000
COST						
At 1st April, 2008	2,437	39,793	1,544	1,928	32,352	78,054
Additions	–	1,863	184	226	1,140	3,413
Acquisition of subsidiaries	–	377	21	–	1,496	1,894
Disposals	–	(2,413)	(81)	(433)	(1,137)	(4,064)
At 31st March, 2009	2,437	39,620	1,668	1,721	33,851	79,297
Additions	67,702	3,462	270	2,386	7,001	80,821
Acquisition of subsidiaries	71,286	333	114	3,628	12,111	87,472
Disposals	–	(1,419)	(45)	–	(4,475)	(5,939)
Disposal of subsidiaries	(5,760)	(207)	(285)	(553)	(26,676)	(33,481)
At 31st December, 2009	**135,665**	**41,789**	**1,722**	**7,182**	**21,812**	**208,170**
ACCUMULATED DEPRECIATION						
At 1st April, 2008	651	29,487	723	908	20,945	52,714
Charge for the year	125	5,549	325	385	3,464	9,848
Eliminated on disposals	–	(1,720)	(50)	(337)	(1,060)	(3,167)
At 31st March, 2009	776	33,316	998	956	23,349	59,395
Charge for the period	341	2,912	268	899	3,568	7,988
Eliminated on disposals	–	(1,237)	(35)	–	(3,379)	(4,651)
Eliminated on disposal of subsidiaries	(978)	(55)	(245)	(224)	(18,627)	(20,129)
At 31st December, 2009	**139**	**34,936**	**986**	**1,631**	**4,911**	**42,603**
CARRYING VALUES						
At 31st December, 2009	**135,526**	**6,853**	**736**	**5,551**	**16,901**	**165,567**
At 31st March, 2009	1,661	6,304	670	765	10,502	19,902

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

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

Buildings	5%
Leasehold improvements	3 years or over the term of the lease, if shorter
Furniture and fixtures	20%
Motor vehicles	20%
Tools and equipment	10 – $33^1/_3$%

The Group has pledged certain property, plant and equipment having carrying values of approximately HK$41,442,000 (31st March, 2009: HK$3,915,000) to secure general banking facilities granted to the Group.

22. PREPAID LEASE PAYMENTS

	31.12.2009	31.3.2009
	HK$'000	HK$'000
The Group's prepaid lease payments comprise leasehold interest in land under medium-term lease in:		
Hong Kong	**9,085**	9,267
Outside Hong Kong	**25,728**	–
	34,813	9,267
Analysed for reporting purposes as:		
Current assets	**795**	242
Non-current assets	**34,018**	9,025
	34,813	9,267

23. LOANS RECEIVABLE

	31.12.2009 HK$'000	31.3.2009 HK$'000
Fixed-rate loans receivable	**32,990**	24,570
Analysed for reporting purposes as:		
Non-current portion (receivable after 12 months)	**31,260**	18,476
Current portion (receivable within 12 months)	**1,730**	6,094
	32,990	24,570

The range of effective interest rate (which are fixed rates, also equal to contractual interest rates) on the Group's loans receivable are 1.5% to 6% (1.4.2008 to 31.3.2009: 1.5% to 2.25%) per annum.

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

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

The loans receivable at the end of the reporting date have good credit quality. Management believes that no impairment allowance is necessary in respect of these loans receivable as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The borrowers have good reputation in the medical industry and they have good repayment history. The Group does not hold any collateral over these balances.

Aging of loans receivable which are past due but not impaired:

	31.12.2009 HK$'000	31.3.2009 HK$'000
91-120 days	**–**	150

24. GOODWILL

	Subsidiaries HK$'000	Medical and dental practices HK$'000	Total HK$'000
COST			
At 1st April, 2008	56,853	28,505	85,358
Arising on acquisition of subsidiaries (note 48)	8,352	–	8,352
Arising on acquisition of additional interest in subsidiaries	639	–	639
At 31st March, 2009	65,844	28,505	94,349
Arising on acquisition of subsidiaries (note 48)	62,473	–	62,473
Arising on acquisition of additional interest in a subsidiary	46,893	–	46,893
Transfer (note 49)	(55,260)	–	(55,260)
At 31st December, 2009	**119,950**	**28,505**	**148,455**
IMPAIRMENT			
At 1st April, 2008	13,935	15,986	29,921
Impairment loss recognised	24,941	3,423	28,364
At 31st March, 2009	38,876	19,409	58,285
Impairment loss recognised	25,594	738	26,332
At 31st December, 2009	**64,470**	**20,147**	**84,617**
CARRYING VALUES			
At 31st December, 2009	**55,480**	**8,358**	**63,838**
At 31st March, 2009	26,968	9,096	36,064

24. GOODWILL *(Continued)*

For the purposes of impairment testing, goodwill have been allocated to various individual cash-generating units (CGUs) in 3 divisions of the Group, namely, healthcare and dental services, trading of healthcare and pharmaceutical products and provision of beauty and skincare services. The carrying amounts of goodwill (net of accumulated impairment losses) as at 31st December, 2009 allocated to these units are as follows:

	31.12.2009 **HK$'000**	31.3.2009 HK$'000
Healthcare and dental services ("Division A"):		
Town Health Dental Limited ("Town Health Dental")	**653**	653
Town Health Medical & Dental Services Limited ("Town Health M&D")	**7,704**	8,442
Noble Pioneer Limited ("Noble Pioneer")	**11,686**	13,263
Nu/Hart Hair Solutions Limited ("Nu/Hart")	**639**	639
Fair Jade Group Limited ("Fair Jade")	**768**	–
Hoarder Rich Investment Limited ("Hoarder Rich")	**1,190**	–
	22,640	22,997
Trading of healthcare and pharmaceutical products ("Division B"):		
First Oriental Medical Technology Group Limited and its subsidiaries (the "First Oriental Group")	**–**	8,367
Kingston Group Limited and its subsidiaries ("Kingston")	**–**	–
Max Goodrich International Limited and its subsidiaries ("Max Goodrich")	**31,169**	–
Good Pace International Limited and its subsidiaries ("Good Pace")	**8,091**	–
Audio Health Hearing Care (Shatin) Limited ("Audio Health")	**1,938**	1,938
	41,198	10,305
Provision of beauty and skincare services ("Division C"):		
Dermagic Skin Treatment Centre Limited ("Dermagic")	**–**	2,762
	63,838	36,064

24. GOODWILL *(Continued)*

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

Division A

The recoverable amounts of CGUs of medical and dental practices have been determined based on value in use calculations. Those calculations use cash flow projections based on financial budgets approved by management covering a period of 5 years, and cash flows beyond 5 years are extrapolated by assuming no growth rate and discount rate of 12.3% (1.4.2008 to 31.3.2009: 12.3%). Another key assumption for the value in use calculations is the budgeted gross margin, which is determined based on the CGU's past performance and management's expectations for the market development.

During the nine months ended 31st December, 2009, the Group recognised an impairment loss of approximately HK$2,315,000 (1.4.2008 to 31.3.2009: HK$21,696,000) in relation to goodwill to CGUs of Town Health M&D and Noble Pioneer in healthcare and dental services division due to the poor performance of certain medical and dental practices included in the Units.

Division B

The recoverable amounts of the CGUs of trading in healthcare and pharmaceutical products division are based on value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes to selling prices and direct costs during the period. Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGU. The growth rates are based on industry growth forecasts and CGU's past performances. Changes in selling prices and direct costs are based on past practices and expectations of future changes in the market.

The cash flow forecasts for the CGU of trading in healthcare and pharmaceutical products is derived from the most recent financial budgets for the next 5 years which is approved by management and cash flows beyond 5 years are extrapolated by assuming no growth rate using a discount rate of 11.4% (31st March, 2009: 11.4%). Cash flow projections during the budget period for the CGU are based on the expected gross margins during the budget period and a raw material price inflation during the budget period. Budgeted gross margins and raw material price inflation have been determined based on past performance and management's expectations for the market development.

24. GOODWILL *(Continued)*

Division B *(Continued)*

During the nine months ended 31st December, 2009, the Group recognised an impairment loss of approximately HK$21,255,000 (31st March, 2009: HK$1,078,000) in relation to goodwill to CGU of Max Goodrich, Good Pace and Kingston in trading of healthcare and pharmaceutical products due to adverse market change in the industries. The business was acquired during the period, details of which are set out in note 48.

Division C

The recoverable amount of CGU of provision of beauty and skincare services is based on value in use calculations. The calculation use cash flow projections are based on financial budgets approved by management covering a period of 5 years, and cash flows beyond 5 years are extrapolated by assuming no growth rate and discount rate of 12.5%. Cash flow projections during the budget period for the CGU are also based on the expected gross margins during the budget period, which is determined based on the management's expectations for the market development.

During the nine months ended 31st December, 2009, the Group recognised an impairment loss of HK$2,762,000 in relation to goodwill to CGU of Dermagic in provision of beauty and skincare services division due to adverse market change in the industry.

25. INTANGIBLE ASSETS

	Service agreement HK$'000	Trade name HK$'000	Business relationship with medical card sponsors HK$'000	Patent HK$'000	Total HK$'000
COST					
At 1st April, 2008	1,820	5,977	3,709	–	11,506
Acquired on acquisition of a subsidiary (note 48)	–	1,864	–	–	1,864
At 31st March, 2009	1,820	7,841	3,709	–	13,370
Acquired on acquisition of a subsidiary (note 48)	–	–	–	9,028	9,028
At 31st December, 2009	**1,820**	**7,841**	**3,709**	**9,028**	**22,398**
AMORTISATION					
At 1st April, 2008	364	598	371	–	1,333
Charge for the year	728	1,195	742	–	2,665
At 31st March, 2009	1,092	1,793	1,113	–	3,998
Charge for the period	546	1,176	556	298	2,576
At 31st December, 2009	**1,638**	**2,969**	**1,669**	**298**	**6,574**
CARRYING VALUES					
At 31st December, 2009	**182**	**4,872**	**2,040**	**8,730**	**15,824**
At 31st March, 2009	728	6,048	2,596	–	9,372

25. INTANGIBLE ASSETS *(Continued)*

The above intangible assets have definite useful lives and are amortised on a straight-line basis over the following periods:

Service agreement	2 1/2 years
Trade name	5 years
Business relationship with medical card sponsors	5 years
Patent	14 – 20 years

26. INTERESTS IN ASSOCIATES

	31.12.2009 HK$'000	31.3.2009 HK$'000
Cost less accumulated impairment of investments in unlisted associates	**177,614**	115,633
Share of post-acquisition profits, net of dividend received	**(7,817)**	31
Share of post-acquisition reserves	**2,738**	2,738
	172,535	118,402

Included in the cost of investments in associates was goodwill of HK$52,135,000 (31st March, 2009: Nil) arising on acquisition of associates.

During the nine months ended 31st December, 2009, the directors of the Company reviewed the carrying value of the Group's associates in view of the poor performance of certain associates. The recoverable amounts of these associates are determined based on value in use calculations, with reference to the estimated cash flows in the coming five years and cash flow beyond 5 years are extrapolated by assuming no growth rate and using discount rates of ranging from 10.5% to 12% (1.4.2008 to 31.3.2009: 10.5% to 12%). Accordingly, impairment loss of approximately HK$12,000,000 (1.4.2008 to 31.3.2009: HK$83,133,000) was identified on those associates with poor performance and charged to the consolidated statement of comprehensive income.

26. INTERESTS IN ASSOCIATES *(Continued)*

The summarised financial information in respect of the Group's associates is set out below:

	(Nine months) 1.4.2009 to 31.12.2009 HK$'000	(Twelve months) 1.4.2008 to 31.3.2009 HK$'000
Total assets	**590,505**	280,793
Total liabilities	**(251,034)**	(52,486)
Net assets	**339,471**	228,307
Group's share of net assets of associates (note i and ii)	**120,400**	118,402
Revenue (note i)	**57,945**	2,535
Profit (loss) for the period/year (note i)	**14,965**	(167,372)
Group's share of results of associates for the period/year	**(7,497)**	(7,750)

Notes:

(i) During the current financial period, the reporting date of the Group was changed from 31st March to 31st December. As the reporting date of some of the associates was 31st March, the Directors of the Company have adjusted for significant transactions of these associates between the financial year end of the associates 31st December, 2009.

(ii) At 31st December, 2009, 廣州中大控股有限公司 ("廣州中大"), a shareholder of an associate had not paid up capital contribution of RMB50 million (approximately HK$56 million) in accordance with the conditional framework agreement ("Framework Agreement") entered on 29th March, 2008 with a wholly-owned subsidiary of Hong Kong Health Check and Ping An Trust & Investment Company Limited (see note 26(b)).

26. INTERESTS IN ASSOCIATES *(Continued)*

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

	(Nine months) 1.4.2009 to 31.12.2009 HK$'000	(Twelve months) 1.4.2008 to 31.3.2009 HK$'000
Unrecognised share of losses of associates for the period/year	**–**	–
Accumulated unrecognised share of losses of associates	**(6,184)**	(5,755)

At 1st April 2008, the Group held equity interest of 10.7% in Hong Kong Health Check and Laboratory Holdings Limited ("Hong Kong Health Check"), a company listed in the Main Board of the Hong Kong Stock Exchange. As at 1st April, 2008, the Group also held the following convertible bonds issued by Hong Kong Health Check.

– HK$40,000,000 convertible bonds at a conversion price of HK$0.041 ("Convertible Bonds I")
– HK$300,000,000 convertible bonds at a conversion price of HK$0.25 ("Convertible Bonds III")

Apart from Convertible Bonds I and Convertible Bonds III, convertible bonds as shown below issued by Hong Kong Health Check are held by third parties as at 1st April 2008:

– HK$40,000,000 convertible bonds at a conversion price of HK$0.041 ("Convertible Bonds II")
– HK$170,000,000 convertible bonds at a conversion price of HK$0.25 ("Convertible Bonds IV")

If the Convertible Bonds I, Convertible Bonds II, Convertible Bonds III and Convertible Bonds IV were fully converted, the Group would obtain 39.5% ownership interest in Hong Kong Health Check. The directors considered that the Group had power to participate in the financial and operating policy decisions of Hong Kong Health Check. The equity interest in it was therefore considered as an associate of the Group as at 1st April, 2008.

On 3rd June, 2008, Hong Kong Health Check partially redeemed HK$80,000,000 of the Convertible Bonds III.

On 18th September, 2008, Hong Kong Health Check acquired 80.43% equity interest in Core Healthcare Investment Holdings Limited ("Core Healthcare") by the issuance of 8,482,507,980 ordinary shares. The Group's equity interest in Hong Kong Health Check was then diluted from 10.7% to 3.62%. Upon the conversion of the remaining amount of the Convertible Bonds I and Convertible Bonds III, the Group would obtain 15.28% ownership interest in Hong Kong Health Check. The directors considered the Group ceased to have power to participate in the financial and operating policy decisions of Hong Kong Health Check, the equity interest in it was therefore reclassified from interest in an associate to an available-for-sale investment. The carrying amount of the investment in Hong Kong Health Check at that date of HK$29,790,000 was reclassified to available-for-sale investment which is measured at fair value.

26. INTERESTS IN ASSOCIATES *(Continued)*

Accordingly, the Group equity accounted for the interest in Hong Kong Health Check as an associate and shared 10.7% in the results and changes in shareholders' equity in Hong Kong Health Check during the period from 1st April, 2008 to 18th September, 2008.

On 29th September, 2008 and 13th October, 2008, Hong Kong Health Check further redeemed the remaining Convertible Bonds III of HK$220,000,000 and Convertible Bonds I of HK$40,000,000 respectively. The Group did not hold any convertible bonds issued by Hong Kong Health Check during the nine months ended 31st December, 2009 and as at the end of the year ended 31st March, 2009.

Details of the Group's principal associates at 31st December, 2009 and 31st March, 2009 are as follows:

Name of company	Form of business structure	Place of incorporation/ establishment	Attributable proportion of nominal value of issued/registered capital held by the Group		Principal activities
			31st December, 2009	31st March, 2009	
Advance Bond Limited	Incorporated	Hong Kong	**49%**	49%	Operation of medical clinics in Hong Kong
Goldwell Investment Holdings Limited	Incorporated	Hong Kong	**49%**	49%	Operation of medical clinics in Hong Kong
Union Crown International Limited	Incorporated	Hong Kong	**25%**	25%	Provision of medical diagnostic services
Luck Key Investment Limited ("Luck Key")	Incorporated	British Virgin Islands	**49% (note a)**	–	Operation of health check and medical diagnostic centres
廣州宜康連鎖診所有限公司 (Guangzhou Yikang Medical Clinics Limited) ("Yikang")	Established	PRC	**40% (note b)**	40%	Operation of medical clinics in PRC
杭州寶芝琳科技有限公司 (Hangzhou Po Chi Lam Bio-technology Company Limited) ("Po Chi Lam")	Established	PRC	**40% (note c)**	–	Trading of healthcare products in Hong Kong and the PRC

26. INTERESTS IN ASSOCIATES *(Continued)*

Notes:

(a) The Group entered into a sale and purchase agreement on 15th October, 2009 with Luck Key, a wholly-owned subsidiary of Hong Kong Health Check in disposing its 100% equity interest in Health Walk Limited ("Health Walk"), the Group's wholly-owned subsidiary. The consideration is satisfied by 3,822 shares of Luck Key, representing 49% of its equity interest. Details are set out in note 49(b).

Luck Key was established in British Virgin Islands during the nine months ended 31st December, 2009, and is principally engaged in operation and management of health check and medical diagnostic centres in Hong Kong.

(b) The Directors believe that the healthcare market in the PRC provides abundant business opportunities for the Group in the future. The Group entered into the Framework Agreement on 29th March, 2008 with a wholly-owned subsidiary of Hong Kong Health Check and Ping An Trust & Investment Company Limited, a wholly-owned subsidiary of Ping An Trust Insurance (Group) Company of China Limited, business partner of the Company, regarding an exclusive cooperation right to develop and manage chain clinics in Guangdong Province, in particular in Pearl River Delta area through setting up a joint venture, Yikang, with 廣州中大, a limited liability company established by the Sun Yat-sen University in the PRC.

Yikang was established in the PRC during the year ended 31st March, 2009, and is principally engaged in operation and management of medical institutes, including but not limited to development of medical institutes, community clinics and chain clinic in Guangdong Province of the PRC.

At 31st March, 2009, the Framework Agreement became unconditional and the Group had paid up capital contribution of RMB100 million (approximately HK$110 million) in accordance with the Framework Agreement.

(c) Po Chi Lam is established in the PRC during the period, and is principally engaged in trading of healthcare products in Hong Kong and the PRC.

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

27. INTEREST IN A JOINTLY CONTROLLED ENTITY

The cost of unlisted investment in a jointly controlled entity is HK$8. As at 31st December, 2009 and 31st March, 2009, the Group has interest in the following jointly controlled entity:

Name of entity	Form of business structure	Place of incorporation	Principal place of operation	Class of share held	Proportion of nominal value of issued capital held by the Group %	Proportion of voting power held %	Principal activity
Precious Success Group Limited	Incorporated	British Virgin Islands	Hong Kong	Ordinary	50%	50%	Investment holding

The summarised financial information in respect of the Group's jointly controlled entity which is accounted for using the equity method is set out below:

	(Nine months) 1.4.2009 to 31.12.2009 HK$'000	(Twelve months) 1.4.2008 to 31.3.2009 HK$'000
Current assets, comprising embedded derivatives component of Convertible Bonds V (Note)	–	5
Current liabilities	–	5
Group's share of net assets of jointly controlled entity	–	–
Income (Note)	–	18,990
Expenses (Note)	–	426,151
Group's share of losses of a jointly controlled entity for the period/year	–	(203,581)

27. INTEREST IN A JOINTLY CONTROLLED ENTITY *(Continued)*

Note:

During the year ended 31st March, 2008, the Group and Hong Kong Health Check formed the above jointly controlled entity to subscribe the Convertible Bonds V with an aggregate principal amount of HK$150,000,000 from Core Healthcare Investment Holdings Limited ("Core Healthcare") with a conversion price of HK$0.019. The Convertible Bonds V carried interest at 1% per annum payable yearly with maturity on 30th January, 2012. Core Healthcare is a public limited company with its shares listed on the Stock Exchange. The share price as at year ended 31st March, 2008 was HK$0.13. Details of the valuation of the Convertible Bonds V is set out in note 28.

A gain on the conversion option recognised and credited to income statement of the jointly controlled entity during the year ended 31st March, 2008 amounting to approximately HK$469,564,000 represents the difference between the fair values of the embedded derivatives at date of subscription of the Convertible Bonds V and the fair value of the conversion options at 31st March, 2008.

During the year ended 31st March, 2009, the Convertible Bonds V held by the jointly controlled entity were early redeemed by Core Healthcare pursuant to a supplementary agreement signed on 18th February, 2009 in which Core Healthcare obtain and exercised on early redemption right to the Convertible Bonds V. A loss on redemption amounting to approximately HK$33,007,000 was recognised and debited to income statement of the jointly controlled entity. A loss on the conversion option was recognised and debited to statement of comprehensive income of the jointly controlled entity amounting to approximately HK$393,139,000 represented the decrease in fair values of the embedded derivatives at the date of redemption.

28. AVAILABLE-FOR-SALE INVESTMENTS

Available-for-sale investments comprise:

	31.12.2009	31.3.2009
	HK$'000	HK$'000
Listed securities:		
– Equity securities	**274,903**	39,690
Unlisted securities:		
– Equity securities (note a)	**226**	226
– Convertible debt securities (note b)	**–**	–
Total	**275,129**	39,916

Notes:

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

28. AVAILABLE-FOR-SALE INVESTMENTS *(Continued)*

Notes: *(Continued)*

(b) (i) As at 31st March, 2008, the Group held the Convertible Bonds I, which carried interest of 1% per annum payable semi-annually with maturity on 22nd February, 2010. The Group can exercise the conversion option at anytime until the maturity date. The conversion price is HK$0.041 per share. The Convertible Bonds I can be redeemed at 100% of the respective outstanding principal amount, together with their unpaid interest on maturity date. Hong Kong Health Check is a public limited company with its shares listed on the Stock Exchange.

The Convertible Bonds I held by the Group and the convertible bonds (the "Convertible Bonds II") of an aggregate principal amount of HK$40,000,000 at a conversion price of HK$0.041 issued to third parties, if converted, will give the Group 35.75% voting power over Hong Kong Health Check. Based on management's assessment, the exercisable Convertible Bonds I provided the Group the potential voting rights in Hong Kong Health Check which in turn provide the Group the ability to exercise significant influence on Hong Kong Health Check. In preparing the consolidated financial statements of the Group, results and assets and liabilities of Hong Kong Health Check were equity accounted for in accordance with Hong Kong Accounting Standard 28 Investment in Associates. Since the Group had no equity interest in Hong Kong Health Check, no results and assets and liabilities were shared by the Group.

Hong Kong Health Check ceased to be a subsidiary of the Group in 3rd October, 2006 following the issuance of the Convertible Bonds II. As the economic characteristics and risks of the embedded conversion option and the issuer's early redemption option are not closely related to those of the host contract, they are separately accounted for as derivatives and measured at fair value. The Group had classified all the debt element of the convertible bonds as available-for-sale investment. The fair values of the debt element and the derivatives are determined by the directors of the Company with reference to the valuation performed by Greater China Appraisal Limited. The changes in fair value of the debt element and the derivatives were charged to equity and consolidated statement of comprehensive income, respectively. Income was recognised on the effective interest basis for debt element and was included in other income of consolidated statement of comprehensive income.

During the year ended 31st March, 2009, Hong Kong Health Check changed its intention to early redeem the Convertible Bonds I and therefore, there was a change in estimation arising from the redemption feature of the Convertible Bonds I of HK$5,392,000 and was charged to the consolidated statement of comprehensive income.

The gain upon subscription of Convertible Bonds I in respect of the derivative elements prior to 3rd October, 2006, was not taken up as Hong Kong Health Check was consolidated as a subsidiary of the Group.

During the year ended 31st March, 2008, the Group converted HK$20,000,000 of the Convertible Bonds I into 487,804,878 shares in Hong Kong Health Check, representing 10.7% equity interest in Hong Kong Health Check. Accordingly, 10.7% on results and assets and liabilities of Hong Kong Health Check were shared by the Group.

28. AVAILABLE-FOR-SALE INVESTMENTS *(Continued)*

Notes: *(Continued)*

(b) (i) *(Continued)*

Upon such conversion, fair value of HK$17,340,000 debt element and HK$82,944,000 conversion element of the Convertible Bonds I were then transferred to interests in associates.

On 13th October, 2008, Hong Kong Health Check redeemed the remaining HK$40,000,000 of the Convertible Bonds I at a consideration of HK$41,055,000. A gain on early redemption of HK$3,659,000 was then recognised during the year ended 31st March, 2009.

As explained in note 2, Hong Kong Health Check ceased to be an associate of the Group following the redemption of HK$40,000,000 of the Convertible Bonds I during the year ended 31st March, 2009.

The movement of the fair values of the components of Convertible Bonds I is set out below.

	Debt element HK$'000	Conversion option element HK$'000	Early redemption element HK$'000	Total HK$'000
As at 1st April, 2008	36,312	63,444	–	99,756
Effective interest income	3,381	–	–	3,381
Decrease in fair value	(6,209)	(58,052)	(5,392)	(69,653)
Early redemption during the year	(33,484)	(5,392)	5,392	(33,484)
As at 31st March and 31st December, 2009	–	–	–	–

The gain on fair value change of debt element of Convertible Bonds I recognised and credited to equity was amounted to Nil (1.4.2008 to 31.3.2009: HK$6,209,000).

At 31st March, 2009, the effective interest rate for the debt element of Convertible Bonds I was 17.94% per annum.

28. AVAILABLE-FOR-SALE INVESTMENTS *(Continued)*

Notes: *(Continued)*

(b) (ii) On 2nd August, 2007, the Group subscribed the Convertible Bonds III with an aggregate principal amount of HK$500,000,000 from Hong Kong Health Check at a conversion price of HK$0.25 at interest of 2% per annum payable half-yearly with maturity on 1st August, 2011. The conversion price is HK$0.25 per share. Convertible Bonds III can be redeemed at 105% of the respective outstanding principal amount, together with their unpaid interest on maturity date. Hong Kong Health Check is entitled at its sole discretion to early redeemed Convertible Bonds III from time to time or at any amount equal to 105% of the principal amount.

On 17th September, 2007, the Convertible Bonds III with aggregate principal amount of HK$200,000,000 was redeemed by Hong Kong Health Check at a consideration of HK$210,000,000. A gain on early redemption of HK$28,314,000 was then recognised during the year ended 31st March, 2008.

On 3rd June, 2008 and 29th September, 2008, the Convertible Bonds III with aggregate principal of HK$80,000,000 and HK$220,000,000 were redeemed by Hong Kong Health Check at a consideration of HK$85,346,000 and HK$236,123,000, respectively. An aggregate amount of gain on early redemption of HK$53,811,000 was then recognised during the year ended 31st March, 2009.

The movement of the fair values of the components of Convertible Bonds III since 6th August, 2007 is set out below:

	Debt element HK$'000	Conversion option element HK$'000	Early redemption element HK$'000	Total HK$'000
As at 1st April, 2008	257,452	29,211	(14,555)	272,108
Effective interest income	15,460	–	–	15,460
Decrease in fair value	(60,075)	(12,865)	(1,115)	(74,055)
Early redemption during the year	(212,837)	(16,346)	15,670	(213,513)
As at 31st March and 31st December, 2009	**–**	**–**	**–**	**–**

The loss on fair value change of debt component of Convertible Bonds III recognised and credited to equity during the year amounted to Nil (1.4.2008 to 31.3.2009: HK$60,075,000).

At 31st March, 2009, the effective interest rate for the debt element of Convertible Bonds III was ranging from 14.48% to 17.10% per annum.

28. AVAILABLE-FOR-SALE INVESTMENTS *(Continued)*

Notes: *(Continued)*

(b) (iii) During the year ended 31st March, 2008, the Group also acquired the Convertible Bonds V issued by Core Healthcare with principal amount of HK$10,000,000 from the Group's jointly controlled entity on 28th March, 2008 at a consideration of HK$41,819,000. The consideration was settled by the amount due from a jointly controlled entity. Core Heathcare is a public limited company with its shares listed on the GEM Board. The Convertible Bonds V carry interest at 1% per annum payable per annum with maturity on 30th January, 2012. The Group can exercise the conversion option at anytime until maturity date. The conversion price is HK$0.19 per share. Unless previously redeemed or converted or purchased and cancelled, Core Healthcare shall redeem the convertible bonds at 100% of the principal amount at maturity date.

On 30th March, 2009, the Convertible Bonds V with aggregate principal amount of HK$10,000,000 was redeemed by Core Healthcare at a consideration of HK$10,016,000. A loss on early redemption of HK$2,603,000 was then recognised during the year ended 31st March, 2009.

The movement of the fair values of the components of Convertible Bonds V is set out below:

	Debt element HK$'000	Conversion option element HK$'000	Early redemption element HK$'000	Total HK$'000
As at 1st April 2008	7,425	33,994	–	41,419
Effective interest income	1,441	–	–	1,441
Decrease in fair value	(2,603)	(19,022)	(11,219)	(32,844)
Early redemption during the year	(6,263)	(14,972)	11,219	(10,016)
As at 31st March and 31st December, 2009	–	–	–	–

28. AVAILABLE-FOR-SALE INVESTMENTS *(Continued)*

Notes: *(Continued)*

(b) (iii) *(Continued)*

The methods and assumptions applied for the valuation of the convertible bonds are as follows:

(1) Valuation of debt component

The fair value of debt element was calculated based on the present value of contractually determined stream of future cash flows discounted at the required yield, which was determined with reference to the credit rating of the convertible bonds issuer and remaining time to maturity. The effective interest rate of the debt component of each convertible bond at date of subscription, 31st March, 2008 and date of early redemption are as follows:

	Convertible Bonds I	Convertible Bonds III	Convertible Bonds V
Date of subscription	8.65%	8.06%	9.37%
At 31st March, 2008	7.92%	6.82%	10.59%
At date of early redemption	17.94%	14.48% to 17.10%	19.41%

(2) Valuation of conversion option element

Binomial model is used for valuation of conversion option element of Convertible Bonds I and III. The inputs into the model of each convertible bond as at date of subscription and each of the year ended 31st March, 2008 and date of early redemption, if applicable was as follows:

Convertible Bonds I	3rd October, 2006	31st March, 2008	13th October, 2008 (date of early redemption)
Stock price	HK$0.108	HK$0.133	HK$0.024
Conversion price	HK$0.04	HK$0.04	HK$0.04
Volatility	33.12%	66.65%	85.24%
Dividend yield	–	–	–
Option life	3.4 years	2.6 years	1.36 years
Risk free rate	3.80%	1.24%	0.963%

28. AVAILABLE-FOR-SALE INVESTMENTS *(Continued)*

Notes: *(Continued)*

(b) (iii) *(Continued)*

(2) Valuation of conversion option element *(Continued)*

Convertible Bonds III	2nd August, 2007	31st March, 2008	3rd June, 2008 and 29th September, 2008 (date of early redemption)
Stock price	HK$0.34	HK$0.133	HK$0.104 to HK$0.042
Conversion price	HK$0.25	HK$0.25	HK$0.25
Volatility	58.28%	66.65%	79.86% to 82.08%
Dividend yield	–	–	–
Option life	4 years	3.34 years	3.16 to 2.84 years
Risk free rate	4.27%	1.84%	2.421% to 2.365%

For the year ended 31st March, 2008, Black-Scholes model was used for valuation of conversion option element of Convertible Bonds V. Binomial model is used for valuation of conversion option element of Convertible Bonds V at date of early redemption during the year ended 31st March, 2009. The inputs into the model of the Convertible Bonds of Core Healthcare are as follows:

Convertible Bonds V	31st January, 2008	31st March, 2008	30th March, 2009 (date of early redemption)
Stock price	HK$0.105	HK$0.148	HK$0.038
Conversion price (note)	HK$0.19	HK$0.19	HK$0.019
Volatility	88.85%	88.85%	105.09%
Dividend yield	–	–	–
Option life	4 years	4 years	2.84 years
Risk free rate	1.92%	1.84%	1.117%

Note:

On 28th December, 2007, the board of directors of Core Healthcare proposed that each of the issued and unissued shares of HK$0.01 each in the share capital of Core Healthcare would be subdivided into 10 shares of HK$0.001 each. The resolution was passed by shareholders and became effective since 18th January, 2008. The conversion price of the convertible bond was then changed to HK$0.019 per share.

Volatility of the stock price was estimated by the average annualised standard deviations of the continuously compounded rates of return on several comparable companies of the stock price of Hong Kong Health Check and Core Healthcare.

28. AVAILABLE-FOR-SALE INVESTMENTS *(Continued)*

Notes: *(Continued)*

(b) (iii) *(Continued)*

(3) Valuation of early redemption element

The fair value of the early redemption element is the difference in the values of conversion option with the early redemption and without the early redemption.

The effective interest rate for the unlisted debt securities was ranging from 6.59% to 8.29% per annum.

29. DEPOSITS PAID ON ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT

As at 31st March, 2009, the deposit was paid by the Group in connection with the acquisition of a property in Hong Kong in which the transaction was completed during the nine months ended 31st December, 2009.

30. DEPOSIT PAID ON ACQUISITION OF INTEREST IN A SUBSIDIARY

As at 31st March, 2009, the deposit was paid by the Group in connection with the acquisition of 51% equity interest in a subsidiary which holds a group of PRC companies which are engaged in distribution and sale of pharmaceutical products in the PRC. The acquisition was completed in April 2009 (see note 48).

The related capital commitment was set out in note 51.

31. INVENTORIES

	31.12.2009	31.3.2009
	HK$'000	HK$'000
Pharmaceutical supplies	**43,018**	6,867
Healthcare equipment	**985**	834
Dental materials and supplies	**460**	606
Isotope for medical uses	**–**	380
	44,463	8,687

32. TRADE AND OTHER RECEIVABLES

	31.12.2009 HK$'000	31.3.2009 HK$'000
Trade receivables (note a)	**43,889**	14,883
Less: allowance for doubtful debts (note b)	**(1,810)**	(1,321)
Total trade receivables, net of allowance	**42,079**	13,562
Deposits	**28,818**	15,786
Advances to suppliers	**18,484**	–
Other receivables	**2,572**	10,526
Prepayments	**8,216**	3,719
	100,169	43,593

Notes:

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

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

	31.12.2009 HK$'000	31.3.2009 HK$'000
0 – 60 days	**33,096**	8,836
61 – 120 days	**6,811**	3,963
121 – 180 days	**2,841**	1,995
181 – 240 days (Note b)	**193**	15
241 – 360 days (Note b)	**948**	74
	43,889	14,883

32. TRADE AND OTHER RECEIVABLES *(Continued)*

Notes: *(Continued)*

b. These trade receivables relate to a number of independent customers that have a good track record with the Group. The management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit risk and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

Ageing of trade receivables which are past due but not impaired:

	31.12.2009 HK$'000	31.3.2009 HK$'000
61 – 120 days	**193**	15
121 – 180 days	**948**	74
Total	**1,141**	89

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:

	31.12.2009 HK$'000	31.3.2009 HK$'000
Balance at the beginning of the period/year	**1,321**	1,574
Impairment losses recognised on receivables	**1,997**	342
Write back of impairment loss	**(1,508)**	(595)
Balance at the end of the period/year	**1,810**	1,321

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.

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

33. HELD FOR TRADING INVESTMENTS

	31.12.2009 HK$'000	31.3.2009 HK$'000
Fair value		
– Listed equity securities in Hong Kong	**110,514**	33,708

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

34. AMOUNTS DUE FROM ASSOCIATES

The amounts are unsecured, interest-free and aged within 60 days.

	31.12.2009 HK$'000	31.3.2009 HK$'000
Movement in accumulated allowances:		
Balance at the beginning of the period/year	**22,628**	6,187
Transfer (Note)	**(10,294)**	–
Impairment losses recognised	**–**	16,441
Balance at the end of the period/year	**12,334**	22,628

Note: Allowance for amount due from an associate was reclassified as allowance for amounts due from subsidiaries upon acquisition of additional interest in an associate which became a subsidiary during the year.

35. AMOUNTS DUE FROM (TO) INVESTEES

The amounts are unsecured, interest-free and repayable on demand.

At 31st December, 2009, the balance of amounts due from investees includes accumulated allowances of HK$1,663,000 (31st March, 2009: HK$1,663,000).

36. AMOUNTS DUE FROM A RELATED PARTY

	31.12.2009	31.3.2009
	HK$'000	HK$'000
Kowloon Hearing Services Limited (note a)	**5**	–
First Oriental Nuclear Medicine Limited (note b)	**–**	458
	5	458

Notes:

(a) A company in which Mr. Lai Kwok Fai ("Mr. Lai") is a director and shareholder. Mr. Lai is also a director of Audio Health, a non-wholly owned subsidiary of the Company. The maximum balance during the period is HK$5,000 (1.4.2008 to 31.3.2009: Nil).

(b) A company in which Dr. Yeung Wah Hin, Alex ("Dr. Yeung") is a director and shareholder. Dr. Yeung is also a director of First Oriental Cycloton Limited, a non-wholly owned subsidiary of the Company. The maximum balance during the period is HK$458,000 (1.4.2008 to 31.3.2009: HK$797,000).

The balances are unsecured, interest-free and repayable on demand.

37. AMOUNTS DUE FROM (TO) MINORITY SHAREHOLDERS OF SUBSIDIARIES

The amounts are unsecured, interest-free and repayable on demand.

38. CONVERSION OPTIONS EMBEDDED IN CONVERTIBLE BONDS/EARLY REDEMPTION OPTION EMBEDDED IN CONVERTIBLE BONDS

As at 1st April, 2008, conversion options and early redemption option embedded in convertible bonds represented the conversion option element and early redemption feature of the Convertible Bonds I, III and Convertible Bonds V subscribed by the Group respectively. All of the Convertible Bonds I, III and Convertible Bonds V were early redeemed during the year ended 31st March, 2009.

As explained in note 28, the Group subscribed the Convertible Bonds III of Hong Kong Health Check during the year ended 31st March, 2008, an amount of HK$179,043,000 and HK$91,334,000 were recognised as conversion options and early redemption option embedded in convertible bonds upon the subscription which were measured at fair value at initial recognition and changes in fair value were directly recognised in profit or loss in subsequent period.

The Group also subscribed the Convertible Bonds V of Core Healthcare during the year ended 31st March, 2008, an amount of HK$33,994,000 was recognised as conversion options upon the subscription which was measured at fair value at initial recognition and changes in fair value were directly recognised in profit or loss in subsequent period.

The fair value of conversion option embedded in Convertible Bonds III was based on the Binomial Model using a rate based on the market interest rate and risk premium of 4.98%.

The fair value of conversion option embedded in the Convertible Bonds V was based on the Black-Scholes model using a rate based on the market interest rate and risk premium of 8.75%.

Total loss on fair value changes of the conversion options and early redemption options of Nil (1.4.2008 to 31.3.2009: HK$107,665,000) was recognised in the consolidated statement of comprehensive income which represents the aggregate loss on fair value changes of Nil (1.4.2008 to 31.3.2009: HK$107,665,000) of the derivatives.

39. PLEDGED BANK DEPOSITS

The amount represent deposits pledged to banks to secure general short-term banking facilities granted to the Group. The deposits have been pledged to secure general short-term banking facilities and are therefore classified as current assets.

The deposits carried interest rate which ranged from 3.4% to 3.8% (31st March, 2009: 3.4% to 3.8%) per annum. The pledged bank deposits will be released upon the termination of the general banking facilities.

40. BANK BALANCES AND CASH

Bank balances and cash comprises cash held by the Group and bank balances that bear interest at prevailing market rates ranging from 0.01% to 2.9% (31st March, 2009: 0.01% to 2.9%) per annum and have original maturity of three months or less.

41. ASSETS CLASSIFIED AS HELD FOR SALE

During the period ended 31st December, 2009, the board of directors decided and approved to dispose of a non wholly-owned subsidiary, 海南泓銳醫藥有限公司 (“海南泓銳”) engaged in the trading of pharmaceutical products in the PRC. As the sales was highly probable, the assets and liabilities attributable to 海南泓銳 had been classified as a disposal group held for sale and were presented separately in the consolidated statement of financial position as at 31st December, 2009 (see below). The disposal was completed by 21st January, 2010 and no gain/loss on disposal is resulted.

The major classes of assets and liabilities of 海南泓銳 classified as held for sale at 31st December, 2009 were as follows:

	31.12.2009 **HK$'000**	31.3.2009 HK$'000
Property, plant and equipment	**348**	–
Trade and other receivables (note i)	**7,677**	–
Total assets classified as held for sale	**8,025**	–
Trade and other payables (note ii)	**13,050**	–
Total liabilities classified as held for sale	**13,050**	–

Notes:

(i) Amount included HK$4,284,000 of trade receivables which are all aged within 240 days.

(ii) Amount included HK$392,000 of trade payables which are all aged within 240 days.

42. TRADE AND OTHER PAYABLES

	31.12.2009 HK$'000	31.3.2009 HK$'000
Trade payables (note)	32,917	5,737
Advances from customers	25,965	–
Other payables	4,833	2,750
Accruals	32,520	15,684
	96,235	24,171

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

	31.12.2009 HK$'000	31.3.2009 HK$'000
0 – 60 days	25,990	5,653
61 – 120 days	1,627	84
121 – 240 days	5,152	–
Over 240 days	148	–
	32,917	5,737

43. AMOUNT DUE TO A RELATED PARTY

	31.12.2009 HK$'000	31.3.2009 HK$'000
Kowloon Hearing Services Limited (note)	–	16

Note: A company in which Mr. Lai is a director and shareholder. Mr. Lai is also a director of Audio Health, a non-wholly owned subsidiary of the Company.

The amount was unsecured, interest-free was fully repaid during the period ended 31st December, 2009.

44. BANK BORROWING

	31.12.2009 HK$'000	31.3.2009 HK$'000
Secured bank borrowing repayable within one year or on demand	12,548	–

At 31st December, 2009, the Group has a fixed-rate bank borrowing which carried interest at 7.25% per annum.

The effective interest rate (which is also equal to contracted interest rate) on the Group's borrowing was as follows:

	31.12.2009	31.3.2009
Effective interest rate:		
Fixed-rate borrowing	7.25% per annum	N/A

During the nine months ended 31st December, 2009, the Group obtained a loan from a bank in the amount of HK$12,548,000 (1.4.2008 to 31.3.2009: HK$90,000,000) in which the bank loan was fully repaid in that year).

45. DEFERRED TAX LIABILITIES

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

	Accelerated tax depreciation and revaluation of investment properties	Tax losses	Others	Total
	HK$'000	HK$'000	HK$'000	HK$'000
At 1st April, 2008	4,859	(33)	(248)	4,578
Effect of change in tax rate	(278)	–	14	(264)
(Credit) charge to consolidated statement of comprehensive income for the year	(604)	–	28	(576)
At 31st March, 2009	3,977	(33)	(206)	3,738
Charge to consolidated statement of comprehensive income for the period	1,865	–	–	1,865
At 31st December, 2009	**5,842**	**(33)**	**(206)**	**5,603**

At 31st December, 2009, the Group has unused tax losses of HK$65,390,000 (31st March, 2009: HK$55,857,000) available for offset against future profits. No deferred tax asset has been recognised in respect of such losses (31st March, 2009: HK$200,000 of such losses has been recognised).

No deferred tax asset has been recognised in respect of the remaining tax losses of HK$65,390,000 (31st March, 2009: HK$55,657,000) due to the unpredictability of future profit streams and may be carried forward indefinitely.

At 31st December, 2009, the Group has deductible temporary differences associated with specific provision on trade receivables of HK$1,810,000 (31st March, 2009: HK$1,321,000). No deferred tax asset has been recognised in relation to HK$1,248,000 (31st March, 2009: HK$1,248,000) of such deductible temporary difference as it is uncertain that taxable profit will be available against which the deductible temporary differences can be utilised.

46. SHARE CAPITAL

	Number of shares	Amount
		HK$'000
Authorised:		
As at 1st April, 2008	20,000,000,000	200,000
Increase in authorised share capital (Note a)	10,000,000,000	100,000
As at 31st March, 2009	30,000,000,000	300,000
Share consolidation (Note b)	(29,700,000,000)	–
Share subdivision (Note c)	29,700,000,000	–
As at 31st December, 2009	**30,000,000,000**	**300,000**
Issued and fully paid:		
As at 1st April, 2008	16,967,915,724	169,679
Issue of new shares (Note d)	7,930,000,000	79,300
Exercise of share options (Note e)	4,782,600,000	47,826
As at 31st March, 2009	29,680,515,724	296,805
Shares repurchased and cancelled (Note f)	(902,050,000)	(9,020)
Share consolidation (Note b)	(28,490,681,067)	(284,907)
Issue of consideration shares (Note g)	35,910,053	359
As at 31st December, 2009	**323,694,710**	**3,237**

Notes:

(a) Pursuant to a resolution passed at an extraordinary general meeting on 9th May, 2008, the authorised share capital of the Company was increased from HK$200,000,000 to HK$300,000,000 by the creation of additional 10,000,000,000 ordinary shares of HK$0.01 each.

(b) On 25th May, 2009, every 100 existing shares of HK$0.01 each were consolidated into 1 consolidated share of HK$1.00. The paid-up capital of the Company was reduced to the extent of HK$0.99 on each of the issued consolidated shares such that the nominal value of each issued consolidated share was reduced from HK$1.00 to HK$0.01. The Company's entire share premium of HK$632,090,000 was transferred to the accumulated losses of the Company.

(c) Each authorised but unissued consolidated share was subdivided into 100 new shares of HK$0.01 each.

46. SHARE CAPITAL *(Continued)*

Notes: *(Continued)*

(d) On 25th September, 2008, arrangement was made for a placement to independent private investors of 3,400,000,000 shares of HK$0.01 each in the Company in cash at a price of HK$0.04 per share representing a discount of approximately 17.70% to the closing price of HK$0.0486 per share, as quoted on the Stock Exchange on 25th September, 2008.

On 5th January, 2009, arrangement was made for a placement to independent private investors of 4,530,000,000 shares of HK$0.01 each in the Company in cash at a price of HK$0.015 per share representing a discount of approximately 16.67% to the closing price of HK$0.018 per share, as quoted on the Stock Exchange on 5th January, 2009.

(e) During the year ended 31st March, 2009, 287,600,000, 440,000,000, 1,769,000,000 and 2,286,000,000 share options were exercised at a subscription price of HK$0.111, HK$0.104, HK$0.016 and HK$0.013 per share, respectively, resulting in the issue of 4,782,600,000 ordinary shares of HK$0.01 each in the Company and giving a total cash consideration of approximately HK$135,706,000.

(f) During the nine months ended 31st December, 2009, the Company repurchased a total of 902,050,000 ordinary shares of HK$0.01 each through the Stock Exchange at an aggregate consideration of approximately HK$9,020,000 and all of these shares were cancelled upon repurchase.

Month of repurchase	Number of ordinary shares of HK$0.01 each	Price per share Highest	Price per share Lowest	Aggregate consideration paid
		HK$	HK$	HK$'000
April 2009	902,050,000	0.011	0.010	9,020

The nominal values of the cancelled shares were credited to the capital redemption reserve and the aggregate consideration was paid out of the retained profits.

None of the Company's subsidiaries purchased, sold or redeemed any of the Company's listed securities during the period.

(g) On 1st June, 2009, Health Walk Limited ("Health Walk"), an indirect wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with the vendor (the non-controlling shareholder of the First Oriental Medical Technology Group Limited and its subsidiaries ("First Oriental Group") to acquire a further 27% equity interest of First Oriental Group (then a 51% held subsidiary of the Company), at a total consideration of HK$32 million, which was satisfied by the issue of 21,361,815 shares of the Company ("consideration shares A"). The number of consideration shares A to be issued was calculated by dividing the consideration by the average closing price of one share of the Company as stated on the Stock Exchange's daily quotation sheets for the 5 consecutive trading days ending on the date thereof. The consideration shares A were issued on 8th July, 2009 upon completion of the acquisition.

On 15th October, 2009, Health Walk entered into another sale and purchase agreement with the vendor to acquire the remaining 22% equity interest of First Oriental Group not held by the Group at a consideration of HK$19 million, which was satisfied by the issue of 14,548,238 shares of the Company ("consideration shares B"). The number of consideration shares B to be issued was calculated by dividing the consideration by the average closing price of one share of the Company as stated on the Stock Exchange's daily quotations sheets for the 5 consecutive trading days ending on the date thereof. The consideration shares B were issued on 10th December, 2009 upon completion of the acquisition.

Upon the completion of the above-mentioned acquisitions, the First Oriental Group became a wholly-owned subsidiary of the Company.

47. SHARE-BASED PAYMENT TRANSACTIONS

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

(a) 2002 Scheme

The Company's share option scheme was adopted on 24th April, 2002 (the "2002 Scheme"), for the primary purpose of providing incentives to directors and eligible employees.

Pursuant to a resolution passed at an extraordinary general meeting, the Company adopted the 2002 Scheme, which will expire on 23rd April, 2011, the Company may grant options to the eligible persons falling within the definition prescribed in the 2002 Scheme including directors, employees and consultants etc. of the Company or its subsidiaries to subscribe for shares in the Company at a consideration of HK$1 for each lot of share options granted.

Options granted should be accepted within 21 days from the offer date. Options granted are exercisable during the period commencing on the date of grant and expiring on the date ten years after the date of grant. The maximum number of shares in respect of which options may be granted shall not exceed 10% of the issued share capital of the Company from time to time excluding any shares issued upon the exercise of options granted pursuant to the 2002 Scheme.

The exercise price per share is determined by the directors of the Company, and shall be at least the highest of the closing price of the Company's shares on the date of grant, the average closing price of the shares for the five business days immediately preceding the date of grant or the nominal value of the shares of the Company.

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

(a) 2002 Scheme *(Continued)*

The total number of shares in respect of which options may be granted to an eligible employee under the 2002 Scheme is not permitted to exceed 1% of the aggregate number of shares issued for the time being and issuable under the 2002 Scheme.

Details of the share options granted under the 2002 Scheme to employees of the Company during the period and movement in such holding during the period are as follows:

1.4.2009 to 31.12.2009

				Number of share options		
	Date of grant	**Exercisable period**	**Exercise price per share HK$**	**Outstanding at 1st April, 2009**	**Expired during the period**	**Outstanding at 31st December, 2009**
Employees	**9.10.2007**	**9.10.2007 to 8.10.2017**	**0.111**	**20,000,000**	**–**	**20,000,000**
Employees	**10.7.2008**	**10.7.2008 to 9.7.2009**	**0.104**	**60,000,000**	**(60,000,000)**	**–**
				80,000,000	**(60,000,000)**	**20,000,000**
Exercisable at the end of the period						**20,000,000**
Weighted average exercise price (HK$)				**0.106**	**0.104**	**0.111**

There is no exercise of share options during the period.

1.4.2008 to 31.3.2009

				Number of share options			
	Date of grant	Exercisable period	Exercise price per share HK$	Outstanding at 1st April, 2008	Granted during the year	Exercised during the year	Outstanding at 31st March, 2009
Employees	9.10.2007	9.10.2007 to 8.10.2017	0.111	307,600,000	–	(287,600,000)	20,000,000
Employees	10.7.2008	10.7.2008 to 9.7.2009	0.104	–	500,000,000	(440,000,000)	60,000,000
				307,600,000	500,000,000	(727,600,000)	80,000,000
Exercisable at the end of the year							80,000,000
Weighted average exercise price (HK$)				0.111	0.104	0.107	0.106

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

(a) 2002 Scheme *(Continued)*

In respect of the share options exercised during the year, the weighted average share price at the dates of exercise is HK$0.147 and HK$0.105 for the share options with exercise price per share of HK$0.111 and HK$0.104, respectively.

During the year ended 31st March, 2009, the options were granted on 10th July, 2008. The estimated fair values of the options granted for the year is HK$10,850,000.

During the year ended 31st March, 2009, the weighted average closing price of the Company's shares immediately before the respective dates on which the share options under the 2002 Scheme were exercised was HK$0.125.

The closing price of the Company's share on 10th July, 2008 and 9th October, 2007 immediately before the grant of the share options was HK$0.104 per share and HK$0.10 per share respectively.

Options granted are fully vested at the date of grant.

The fair values were calculated using the Binomial model ("Model"). The inputs into the Model were as follows:

Date of grant	**10th July, 2008**	**9th October, 2007**
Closing share price at the date of grant	HK$0.104	HK$0.100
Exercise price	HK$0.104	HK$0.111
Expected volatility	78.38%	82.45%
Contractual life	1 year	7 years
Risk-free rate	1.800%	4.28%
Fair value per share option	HK$0.0217	HK$0.0172

Expected volatility was determined by using the annualised historical volatility of the Company's share price over the previous one year.

The Group recognised the total expense of nil for the nine months ended 31st December, 2009 (1.4.2008 to 31.3.2009: HK$10,850,000) in relation to share options granted by the Company under the 2002 Scheme.

The fair values were calculated by Greater China Appraisal Limited ("GCAL"), an independent firm of professional valuer not connected with the Group. The Model is one of the commonly used models to estimate the fair value of the options. The value of an option varies with different variables of certain subjective assumptions. Any changes in the variables so adopted may materially affect the estimation of the fair value of an option.

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

(b) 2008 Scheme

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

Upon termination of the 2002 Scheme, no further options may be granted thereunder. However, in respect of the outstanding options, the provisions of the 2002 Scheme shall remain in force. According to the 2008 Scheme, the directors of the Company may grant options to the eligible persons fall within the definition prescribed in the 2008 Scheme including directors, employees and consultants etc. of each member of the Group and entity in which member of the Company holds an equity interest, to subscribe for shares in the Company for a consideration of HK$1 for each lot of share options granted.

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

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

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

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

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

(b) 2008 Scheme *(Continued)*

Details of the share options granted under the 2008 Scheme to employees of the Company during the year and movement in such holding during the year are as follows:

1.4.2008 to 31.3.2009

				Number of share options			
	Date of grant	Exercisable period	Exercise price per share HK$	Outstanding at 1st April, 2008	Granted during the year	Exercised during the year	Outstanding at 31st March, 2009 and 31st December, 2009
Employees	28.10.2008	28.10.2008 to 27.10.2009	0.016	–	1,769,000,000	(1,769,000,000)	–
Employees	4.2.2009	4.2.2009 to 3.2.2010	0.013	–	2,286,000,000	(2,286,000,000)	–
				–	4,055,000,000	(4,055,000,000)	–
Exercisable at the end of the year							–
Weighted average exercise price (HK$)				–	0.014	0.014	–

In respect of the share options exercised during the year, the weighted average share price at the dates of exercise is HK$0.021 and HK$0.016 for the share options with exercise price per share of HK$0.016 and HK$0.013, respectively.

During the year ended 31st March, 2009, the options were granted on 28th October, 2008 and 4th February, 2009. The estimated fair values of the options granted under the 2008 Scheme for the year are HK$6,722,000 and HK$7,087,000, respectively.

During the year ended 31st March, 2009, the weighted average closing price of the Company's shares immediately before the respective dates on which the share options under the 2008 Scheme were exercised was HK$0.016 and HK$0.013 respectively.

The closing price of the Company's share on 28th October, 2008 and 4th February, 2009 immediately before the grant of the share options was HK$0.016 and HK$0.013 per share respectively.

Options granted are fully vested at the date of grant.

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

(b) 2008 Scheme *(Continued)*

The fair values were calculated using the Model. The inputs into the Model were as follows:

Date of grant	4th February, 2009	28th October, 2008
Closing share prices at the dates of grant	HK$0.013	HK$0.016
Exercise prices	HK$0.013	HK$0.016
Expected volatility	119.85%	121.75%
Contractual life	1 year	1 year
Risk-free rate	0.33%	0.73%
Fair value per share option	HK$0.0031	HK$0.0038

Expected volatility was determined by using the annualised historical volatility of the Company's share price over the previous one year.

The Group recognised total expense of nil for the nine months ended 31st December, 2009 (1.4.2008 to 31.3.2009: HK$13,809,000) in relation to share options granted by the Company under the 2008 Scheme.

The fair values were calculated by GCAL. The Model is one of the commonly used models to estimate the fair value of the options. The value of an option varies with different variables of certain subjective assumptions. Any changes in the variables so adopted may materially affect the estimation of the fair value of an option.

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

(c) Ping An Option

Pursuant to a resolution passed at an extraordinary general meeting on 9th May, 2008, the Company granted options to Ping An Trust & Investment Company Limited ("Ping An Trust"), a wholly-owned subsidiary of Ping An Trust Insurance (Group) Company of China Limited ("Ping An Group"), business partner of the Company, the rights to subscribe for up to 3,393,583,143 shares of the Company ("Ping An Option") on 23rd June, 2008, representing approximately 19.99% of the issued share capital of the Company. From 23rd June, 2008 to 22nd February, 2010 (the "Call Option Period"), if the Company issues any new shares, or any convertible bonds, warrants entitling the holders to convert into new shares (the "Dilutive Events"), the Company shall grant further options to Ping An Trust, exercisable up to the expiry of the Call Option Period, entitling it to subscribe for additional shares equal to approximately 19.99% of the new shares.

With the Dilutive Events during the nine month ended 31st December, 2009, the Company granted Ping An Group additional right to subscribe for additional 20,132,360 shares, or up to 3,413,715,503 shares of the Company.

The exercise price per share is determined by the directors of the Company, at HK$0.12 per share or the average closing price of the five consecutive trading days immediately preceding to the exercise of the options, whichever is the lower. The Ping An Option are fully vested at the date of grant, and are exercisable during the period from 23rd June, 2008 to 22nd February, 2010.

No options are exercised under the Ping An Option for the period.

Details of the share options granted under the Ping An Option during the period and movement in such holding during the period are as follows:

1.4.2008 to 31.3.2009

			Number of share options		
Date of grant	Exercisable period	Exercise price per share HK$	Outstanding at 1st April, 2008	Granted during the year	Outstanding at 31st March, 2009
23.6.2008	23.6.2008 to 22.2.2010	0.12	–	3,393,583,143	3,393,583,143
Exercisable at the end of the year					3,393,583,143
Weighted average exercise price (HK$)			–	0.120	0.120

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

(c) Ping An Option *(Continued)*

There is no exercise of share options during the year.

1.4.2009 to 31.12.2009

Date of grant	Exercisable period	Exercise price per share HK$	Number of share options: Outstanding at 1st April, 2008	Granted during the year	Outstanding at 31st March, 2009
23.6.2008	23.6.2008 to 22.2.2010	0.12	3,393,583,143	–	3,393,583,143
1.9.2009	1.9.2009 to 22.2.2010	0.015	–	4,272,362	4,272,362
1.9.2009	1.9.2009 to 22.2.2010	0.015	–	9,059,999	9,059,999
1.9.2009	1.9.2009 to 22.2.2010	0.04	–	6,799,999	6,799,999
			3,393,583,143	20,132,360	3,413,715,503
Exercisable at the end of the year					3,413,715,503
Weighted average exercise price (HK$)			0.120	0.023	0.119

There is no exercise of share options during the period.

Save and except Ping An Trust may transfer the options to any subsidiary of Ping An Group, the options are not transferable in nature.

Since the services provided by Ping An Group cannot be reliably measured, fair value is measured based on the fair value of options granted.

The estimated fair values of Ping An Option granted during the nine months ended 31st December, 2009 are approximately HK$4,831,000 (1.4.2008 to 31.3.2009: HK$198,750,000).

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

(c) Ping An Option *(Continued)*

The fair values were calculated using the Model. The inputs into the Model were as follows:

Date of grant	1st September, 2009	23rd June, 2008
Closing share price at the date of grant	HK$1.36	HK$0.12
Exercise price	HK$0.015 to HK$0.04	HK$0.12
Expected volatility	104.76%	75.23%
Contractual life	0.48 year	1.67 years
Risk-free rate	0.121%	2.504%
Fair value per option	HK$0.0482 to HK$0.3382	HK$0.0513

Expected volatility was determined by using the annualised historical volatility of the Company's share price over the previous one year.

The Group recognised total expense of HK$4,831,000 for the nine months ended 31st December, 2009 (1.4.2008 to 31.3.2009: HK$174,091,000) in relation to Ping An Option granted by the Company.

The fair values were calculated by GCAL. The Model is one of the commonly used models to estimate the fair value of the options. The value of an option varies with different variables of certain subjective assumptions. Any changes in the variables so adopted may materially affect the estimation of the fair values of an option.

48. ACQUISITION OF SUBSIDIARIES

For the nine months ended 31st December, 2009

On 1st April, 2009, the Group acquired 51% equity interest in Max Goodrich, a company incorporated in the BVI, from an independent third party, at a cash consideration of HK$75,879,000. Max Goodrich and its subsidiaries are engaged in the trading of healthcare products in the PRC. This acquisition has been accounted for using the purchase method. The amount of goodwill arising as a result of the acquisition was approximately HK$33,745,000.

On 1st June, 2009, the Group acquired the entire equity interest in Good Pace, a company incorporated in the BVI, from an independent third party, at a cash consideration of HK$29,000,000. Good Pace and its subsidiaries are engaged in the trading of healthcare products in the PRC. This acquisition has been accounted for using the purchase method. The amount of goodwill arising as a result of the acquisition was approximately HK$15,091,000.

On 1st August, 2009, the Group increased its interest in Kingston, a company incorporated in the BVI, from 49% to 100% at a cash consideration of HK$8,000,000. Kingston and its subsidiaries are engaged in the trading of healthcare products in Hong Kong. This acquisition has been accounted for using the purchase method. The amount of goodwill arising as a result of the acquisition was approximately HK$11,679,000.

On 1st April, 2009, the Group acquired 60% equity interest in 台州太法藥業有限公司("台州太法"), a company incorporated in the PRC, from an independent third party, at a consideration of HK$7,678,000. 台州太法 is engaged in the trading of healthcare products in the PRC. This acquisition has been accounted for using the purchase method.

On 1st April, 2009, the Group acquired 100% equity interest in Fair Jade, a company incorporated in the BVI, from an independent third party, at a consideration of HK$26,368,000. Fair Jade and its subsidiaries are engaged in property holding and management in Hong Kong. This acquisition has been accounted for using the purchase method. The amount of goodwill arising as a result of the acquisition was HK$768,000.

48. ACQUISITION OF SUBSIDIARIES *(Continued)*

For the nine months ended 31st December, 2009 *(Continued)*

On 1st April, 2009, the Group acquired the 100% equity interest in Hoarder Rich, a company incorporated in the BVI, from an independent third party, at a consideration of HK$40,870,000. Hoarder Rich and its subsidiaries are engaged in property holding and management in Hong Kong. This acquisition has been accounted for using the purchase method. The amount of goodwill arising as a result of the acquisition was HK$1,190,000.

	Max Goodrich			Good Pace			Kingston	台州太法	Fair Jade	Hoarder Rich	
	Acquiree's carrying amount before combination	Fair value adjustment	Fair value	Acquiree's carrying amount before combination	Fair value adjustment	Fair value	Acquiree's carrying amount before combination (note)	Acquiree's carrying amount before combination (note)	Acquiree's carrying amount before combination (note)	Acquiree's carrying amount before combination (note)	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Net assets acquired:											
Property, plant and equipment	4,619	–	4,619	14,519	–	14,519	380	2,674	25,600	39,680	87,472
Prepaid lease payments	–	–	–	26,051	–	26,051	–	–	–	–	26,051
Intangible assets (note 25)	–	–	–	7,837	1,191	9,028	–	–	–	–	9,028
Inventories	23,993	–	23,993	9,880	–	9,880	2,466	7,729	–	–	44,068
Trade and other receivables	75,156	–	75,156	2,397	–	2,397	2,369	11,912	–	–	91,834
Tax recoverable	–	–	–	–	–	–	–	356	–	–	356
Banks balances and cash	28,800	–	28,800	946	–	946	891	2,005	–	–	32,642
Trade and other payables	(49,764)	–	(49,764)	(20,749)	–	(20,749)	(13,321)	(11,880)	–	–	(95,714)
Tax payable	(188)	–	(188)	(522)	–	(522)	–	–	–	–	(710)
Bank borrowings	–	–	–	(12,548)	–	(12,548)	–	–	–	–	(12,548)
	82,616	–	82,616	27,811	1,191	29,002	(7,215)	12,796	25,600	39,680	182,479
Minority interests			(40,482)			(15,093)	3,536	(5,118)	–	–	(57,157)
Goodwill (note 24)			33,745			15,091	11,679	–	768	1,190	62,473
			75,879			29,000	8,000	7,678	26,368	40,870	187,795

48. ACQUISITION OF SUBSIDIARIES *(Continued)*

For the nine months ended 31st December, 2009 *(Continued)*

	Max Goodrich			Good Pace			Kingston	台州太法	Fair Jade	Hoarder Rich	
	Acquiree's carrying amount before combination HK$'000	Fair value adjustment HK$'000	Fair value HK$'000	Acquiree's carrying amount before combination HK$'000	Fair value adjustment HK$'000	Fair value HK$'000	Acquiree's carrying amount before combination (note) HK$'000	Acquiree's carrying amount before combination (note) HK$'000	Acquiree's carrying amount before combination (note) HK$'000	Acquiree's carrying amount before combination (note) HK$'000	Total HK$'000
Satisfied by:											
Deposit paid on acquisition of interest in a subsidiary			51,255			–	–	–	–	–	51,255
Cash consideration paid			24,624			29,000	8,000	7,678	26,368	40,870	136,540
			75,879			29,000	8,000	7,678	26,368	40,870	187,795
Analysis of net outflow (inflow) of cash and cash equivalents in connection with the acquisition of subsidiaries:											
Cash consideration paid			24,624			29,000	8,000	7,678	26,368	40,870	136,540
Bank balances and cash acquired			(28,800)			(946)	(891)	(2,005)	–	–	(32,642)
Net cash outflow (inflow) in respect of the acquisition of subsidiaries			(4,176)			28,054	7,109	5,673	26,368	40,870	103,898

48. ACQUISITION OF SUBSIDIARIES *(Continued)*

For the nine months ended 31st December, 2009 *(Continued)*

For the expansion of the Group's business, the Group acquired subsidiaries engaged in trading of healthcare products in the PRC. Goodwill is attributable to the anticipated profitability from these subsidiaries.

The subsidiaries acquired during the nine months ended 31st December, 2009 contributed HK$211,726,000 to the Group's revenue and HK$7,293,000 to the Group's profit for the period.

Had the acquisitions during the period ended 31st December, 2009 been completed on 1st April, 2009, the Group's revenue and profit for the period would have been HK$468,983,000 and HK$14,317,000, respectively. This pro forma information is for illustrative purposes only and is not necessarily indicative of the revenue and results of the Group that would actually have been impacted had the acquisitions been completed on 1st April, 2009, nor is it intended to be a projection of future results.

Note: The carrying amount of assets (liabilities) before combination approximates fair values as at the date of acquisition.

For the year ended 31st March, 2009

On 1st September, 2008, the Group increased its interest in Hope Rich Limited ("Hope Rich"), a company incorporated in Hong Kong, from 40% to 80% at a cash consideration of HK$64,000. Hope Rich is engaged in provision of medical services and was previously treated as an associate of the Group. The discount on acquisition arising at a result of the acquisition was HK$27,000.

On 15th December, 2008, the Group acquired 100% equity interest in Dermagic, a company incorporated in Hong Kong, from an independent third party, at a cash consideration of HK$10,000,000. Dermagic is engaged in the provision of skincare and laser treatment services in Hong Kong. The acquisition has been accounted for using the purchase method. The amount of goodwill arising as a result of the acquisition was HK$8,352,000.

48. ACQUISITION OF SUBSIDIARIES *(Continued)*

For the year ended 31st March, 2009 *(Continued)*

The net assets acquired in the transactions, and the discount on acquisition/goodwill arising on acquisitions, were as follows:

	Hope Rich	Dermagic			
	Acquiree's carrying amount before combination (note) HK$'000	Acquiree's carrying amount before combination HK$'000	Fair value adjustment HK$'000	Fair value HK$'000	Total HK$'000
Net assets acquired:					
Property, plant and equipment	1	1,893	–	1,893	1,894
Intangible assets (note 25)	–	–	1,864	1,864	1,864
Inventories	214	294	–	294	508
Trade receivables	75	14	–	14	89
Other receivables	126	743	–	743	869
Bank balances and cash	–	215	–	215	215
Trade payables	(134)	(316)	–	(316)	(450)
Other payables	(55)	(3,059)	–	(3,059)	(3,114)
	227	(216)	1,864	1,648	1,875
Minority interests	(45)			–	(45)
Goodwill (note 24)	–			8,352	8,352
Discount on acquisition	(27)			–	(27)
Total consideration	155			10,000	10,155
Total consideration satisfied by:					
Cash consideration paid	64			10,000	10,064
Share of net assets of an associate	91			–	91
	155			10,000	10,155
Net cash outflow arising on acquisitions:					
Cash consideration paid	(64)			(10,000)	(10,064)
Cash and cash equivalents acquired	–			215	215
	(64)			(9,785)	(9,849)

48. ACQUISITION OF SUBSIDIARIES *(Continued)*

For the year ended 31st March, 2009 *(Continued)*

The goodwill arising on acquisition of Dermagic was attributable to the anticipated profitability of its business. In addition, the consideration paid for the combination effectively included amount in relation to the benefit of assembled workforce amounted to HK$365,000 of Dermagic. This benefit was not recognised separately from goodwill as the amount was not significant.

The subsidiaries acquired during the year ended 31st March, 2009 contributed HK$1,260,000 to the Group's revenue and HK$3,297,000 to the Group's loss for that year.

Had the acquisitions during the year ended 31st March, 2009 been completed on 1st April, 2008, the Group's revenue and loss for the year would have been increased by approximately HK$5,177,000 and HK$2,812,000, respectively. The pro forma information is for illustrative purposes only and is not necessarily an indication of the revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1st April, 2008, nor is it intended to be a projection of future results.

Note: The carrying amount of assets (liabilities) before combination approximates fair values as at the date of acquisition.

49. DISPOSAL OF SUBSIDIARIES

For the nine months ended 31st December, 2009

During the nine months ended 31st December, 2009, the Group had the following disposal of subsidiaries:

(a) In November 2009, the Group disposed of its entire 60% equity interest in台州太法, to an independent third party, at a cash consideration of HK$7,678,000.

(b) On 1st June, 2009, Health Walk, an indirect wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with the vendor to acquire 27% interest of the First Oriental Group at a total consideration of HK$32 million. On 15th October, 2009, Health Walk entered into another sale and purchase agreement with the vendor to acquire 22% interest of the First Oriental Group at a total consideration of HK$19 million. Details of the transactions are set out in note 46

49. DISPOSAL OF SUBSIDIARIES *(Continued)*

For the nine months ended 31st December, 2009 *(Continued)*

(b) *(Continued)*

On 15th October, 2009, the Group entered into a sale and purchase agreement with Luck Key, a wholly-owned subsidiary of Hong Kong Health Check, whereby the Group transferred its 100% equity interest in Health Walk, a wholly-owned subsidiary of the Company, to Luck Key. In return Luck Key issued 3,822 of its shares, representing 49% of Luck Key's equity interest to the Group and Luck Key became an associate to the Company. Upon completion of such transaction, Health Walk will become a wholly-owned subsidiary of Luck Key.

As the fair value of the non-monetory contribution cannot be measured reliably, no gain/loss in disposal of Health Walk is recognised in profit or loss for the nine months ended 31st December, 2009. The corresponding goodwill and net assets of Health Walk became the deemed cost of the Group's 49% interest in associate and is transferred to interests in associates in note 26.

The net assets of the disposed subsidiaries at the date of disposal were as follows:

	台州太法 HK$'000	Health Walk HK$'000	Total HK$'000
NET ASSETS DISPOSED OF			
Property, plant and equipment	10,104	3,248	13,352
Inventories	13,290	281	13,571
Trade and other receivables	12,237	2,411	14,648
Bank balances and cash	777	8,268	9,045
Trade and other payables	(12,508)	(705)	(13,213)
Bank borrowings	(11,340)	–	(11,340)
Tax payable	–	(2,262)	(2,262)
	12,560	11,241	23,801
Minority interests	(5,023)	(626)	(5,649)
Goodwill transferred to interests in associates	–	52,135	52,135
Gain on disposal	141	–	141
Total consideration	7,678	62,750	70,428
Satisfied by:			
Cash	7,678	–	7,678
Interests in associates (note 26)	–	62,750	62,750
	7,678	62,750	70,428
Net cash inflow (outflow) arising on disposal:			
Cash consideration	7,678	–	7,678
Bank balances and cash disposed of	(777)	(8,268)	(9,045)
	6,901	(8,268)	(1,367)

49. DISPOSAL OF SUBSIDIARIES *(Continued)*

For the year ended 31st March, 2009

During the year ended 31st March, 2009, the Group had the following disposal of subsidiaries:

(a) In April 2008, the Group disposed of its entire interest in United First Limited ("United First") to an independent third party for a consideration of HK$3,500,000.

(b) In April 2008, the Group disposed of its entire interest in Healthy International to an independent third party for a consideration of HK$12,000,000. Healthy International was previously classified as a disposal group held for sale of the Group.

(c) In December 2008, the Group disposed of its entire interest in Hong Kong Cyclotron Laboratories Limited ("HKCL") for a consideration of HK$100.

The net assets of the disposed subsidiaries at the date of disposal were as follows:

	United First HK$'000	HKCL HK$'000	Sub-total HK$'000	Healthy International HK$'000	Total HK$'000
NET ASSETS DISPOSED OF					
Deposit paid on acquisition of property, plant and equipment	–	9,793	9,793	–	9,793
Trade and other receivables	4,777	496	5,273	–	5,273
Bank balances and cash	2,708	561	3,269	–	3,269
Assets classified as held for sale	–	–	–	17,895	17,895
Trade and other payables	(5)	–	(5)	–	(5)
Amounts due to shareholders	(2,999)	(10,970)	(13,969)	–	(13,969)
Liabilities associated with assets classified as held for sale	–	–	–	(6,321)	(6,321)
	4,481	(120)	4,361	11,574	15,935
(Loss) gain on disposal	(981)	120	(861)	426	(435)
Total consideration	3,500	–	3,500	12,000	15,500
Satisfied by:					
Cash	3,500	–	3,500	12,000	15,500
Net cash inflow arising on disposal:					
Cash consideration	3,500	–	3,500	12,000	15,500
Bank balances and cash disposed of	(2,708)	(561)	(3,269)	–	(3,269)
	792	(561)	231	12,000	12,231

50. RETIREMENT BENEFITS SCHEME

The Group operates a Mandatory Provident Fund Scheme for all qualifying employees in Hong Kong. The assets of the scheme are held separately from those of the Group, in funds under the control of trustees. The Group contributes 5% of relevant payroll costs to the scheme subject to a maximum of HK$1,000 per month, which contribution is matched by employees.

The employees in the PRC are members of respective state-managed defined contribution retirement benefits schemes operated by the local government. The employer and the employees are obliged to make contributions at a certain percentage of the payroll under rules of the schemes. The only obligation of the Group with respect to the retirement benefit schemes is to make the specified contributions.

The total cost charged to the consolidated statement of comprehensive income of approximately HK$908,000 (1.4.2008 to 31.3.2009: HK$2,230,000) represents contributions payable to the above schemes by the Group during the period.

51. CAPITAL COMMITMENTS

	31.12.2009 HK$'000	31.3.2009 HK$'000
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of		
– acquisition of property, plant and equipment	–	20,000
– investment in a PRC associate	–	56,709
– acquisition of a business	–	23,600

52. OPERATING LEASES

The Group as lessee

	(Nine months) 1.4.2009 to 31.12.2009 HK$'000	(Twelve months) 1.4.2008 to 31.3.2009 HK$'000
Minimum lease payments paid under operating leases in respect of properties during the period/year	**40,235**	47,292

52. OPERATING LEASES *(Continued)*

The Group as lessee *(Continued)*

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

	31.12.2009 HK$'000	31.3.2009 HK$'000
Within one year	25,373	31,847
In the second to fifth year inclusive	14,401	22,326
	39,774	54,173

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

The Group as lessor

During the nine months ended 31st December, 2009, the Group had property rental income of approximately HK$6,303,000 (1.4.2008 to 31.3.2009: HK$5,294,000).

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases with fixed rents in respect of premises which would fall due as follows:

	31.12.2009 HK$'000	31.3.2009 HK$'000
Within one year	3,784	3,609
In the second to fifth year inclusive	1,159	1,799
	4,943	5,408

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

53. PLEDGE OF ASSETS

As at 31st December, 2009, certain prepaid lease payments, property, plant and equipment and investment properties of the Group with the carrying value of approximately HK$25,729,000 (31st March, 2009: Nil), HK$41,442,000 (31st March, 2009: HK$3,915,000) and HK$41,975,000 (31st March, 2009: HK$20,015,000), respectively, and bank deposits of HK$5,005,000 (31st March, 2009: HK$5,000,000) were pledged to secure general banking facilities granted to the Group.

54. RELATED PARTY TRANSACTIONS AND BALANCES

During the period/year, the Group entered into the following significant transactions with related parties:

Name of related party	Nature of transactions	(Nine months) 1.4.2009 to 31.12.2009 HK$'000	(Twelve months) 1.4.2008 to 31.3.2009 HK$'000
Kowloon Hearing Services Limited (note b)	Purchase of healthcare products	40	90
Wise Best International Limited (note a)	Management services fee income	1,559	1,266
Long Faith International Limited (note a)	Management services fee income	–	81
Skin Health & Laser Centre Limited (note a)	Management services fee income	–	258
	Consultancy fee paid	–	737
Hope Rich Limited (note d)	Management services fee income	–	1,240
Mutual Consultants Limited (note a)	Management services fee income	288	822
Advance Bond Limited (note a)	Rental income	621	828
Hong Kong Health Check (note c)	Management services fee income	–	3,414
	Laboratory fee paid	–	233

54. RELATED PARTY TRANSACTIONS AND BALANCES *(Continued)*

Name of related party	Nature of transactions	**(Nine months) 1.4.2009 to 31.12.2009 HK$'000**	(Twelve months) 1.4.2008 to 31.3.2009 HK$'000
Goldwell Investment Holdings Limited (note a)	Dividend income received	**–**	392
Union Crown International Limited (note a)	Dividend income received	**375**	1,000
Essential Health Limited (note a)	Dividend income received	**–**	250
Hong Kong Bariatric and Metabolic Institute Limited (note a)	Management services fee income	**3,726**	844
Hong Kong Traumatology and Orthopaedics Institute Limited (note a)	Management services fee income	**1,890**	426

Notes:

(a) The Group's associates during the period.

(b) A company in which Mr. Lai is a director and shareholder. Mr. Lai is also a director of the Company's subsidiary, Audio Health.

(c) An associate of the Group, which ceased to be an associate during the financial year ended 31st March, 2009.

(d) The Group had further acquired the equity interest in Hope Rich from 40% to 80% on 1st September, 2008 and thereafter Hope Rich became a non-wholly owned subsidiary to the Group as at 31st March, 2009.

Details of balances with related parties as at the end of the reporting period are set out in the consolidated statement of financial position and in notes 34, 35, 36, 37, 43 and 47.

54. RELATED PARTY TRANSACTIONS AND BALANCES *(Continued)*

Compensation of key management personnel

The remuneration of directors and other members of key management during the period/year was as follows:

	(Nine months) 1.4.2009 to 31.12.2009 HK$'000	(Twelve months) 1.4.2008 to 31.3.2009 HK$'000
Short-term benefits	**14,145**	17,645
Post-employment benefits	**14**	12
	14,159	17,657

The remuneration of directors and key executives is determined by the remuneration committee having regard to the performance of individuals and market trends.

Save as disclosed above, there were no other significant transactions with related parties during the period/year or significant balances with them at the end of the period/year.

55. EVENTS AFTER THE REPORTING PERIOD

Subsequent to the end of reporting period, the Group has the following events after the reporting period:

(a) On 21st January, 2010, the Group entered into the sale and purchase agreement to dispose of the entire equity interest in 海南泓鋭 at a consideration of RMB1,000,000 (equivalent to approximately HK$1,140,000). The transaction was completed at the date of this report. Details of these are disclosed in an announcement of the Company dated 22nd January, 2010. The directors of the Company are in the progress of assessing the financial impact.

55. EVENTS AFTER THE REPORTING PERIOD *(Continued)*

(b) On 31st March, 2010, the Group, through Good Pace International Limited, an indirect wholly-owned subsidiary of the Company, entered into the sale and purchase agreement for the acquisition of the entire issued share capital of Jet Rich Investment Limited ("Jet Rich"), a company incorporated in Hong Kong, from an independent third party, at a consideration of HK$10. Jet Rich is an investment holding company. The sole asset of Jet Rich is the entire equity interest in Beijing Chuang Xin Mei Kai Technology Development Company Limited ("Beijing Chuang Xin"), a wholly foreign-owned enterprise established in PRC. Beijing Chuang Xin is inactive upon the date of completion with business scope of technology development and promotion of medicines for cardio-cerebrovascular, anti-tumour, diabetes and curing hepatic-related diseases. With effect from completion of the transaction, the Group is under an obligation to contribute all the registered capital of Beijing Chuang Xin in the amount of Hk$30 million. The transaction was completed at the date of this report. Details of these are disclosed in an announcement of the Company dated 31st March, 2010.

(c) On 7th April, 2010, the Group entered into a subscription agreement ("Subscription Agreement") with Bonjour Holdings Limited ("Bonjour"), an independent third party incorporated in the Cayman Islands with limited liability whose shares are listed on the Stock Exchange, pursuant to which Bonjour has conditionally agreed to allot and issue, and the Company has conditionally agreed to subscribe for 9,000,000 new shares ("Subscription Shares") representing approximately 3.77% of the issued share capital of Bonjour as enlarged by the allotment, at a total consideration of HK$81 million. The transaction was completed at the date of this report. Details of these are disclosed in an announcement of the Company dated 7th April, 2010.

(d) Pursuant to the special general meeting held on 8th April, 2010, the resolution on placing was duly passed in which the Company conditionally agreed to place through an independent placing agent (the "Placing Agent"), on a best efforts basis, a maximum of 587,500,000 new shares (the "Placing Shares") at a price of HK$0.81 per Placing Share during the placing. First tranche of the placing, in which 150,000,000 Placing Shares were placed to not less than six Placees was completed on 22nd April, 2010. The maximum gross proceeds from the placing will be approximately HK$475.88 million. The completion of the placing is subject to the fulfillment and/or waiver of the conditions precedent by the Placing Agent as set out in the placing agreement. Details of these are disclosed in an announcement of the Company dated 23rd February, 2010 and the circular of the Company dated 16th March, 2010.

55. EVENTS AFTER THE REPORTING PERIOD *(Continued)*

(e) Pursuant to the special general meeting held on 8th April, 2010, the resolution was duly passed in which the Company proposed to change the name of the Company from "Town Health International Holdings Company Limited" to "Town Health International Investments Limited" and to register a secondary name "康健國際投資有限公司". Details of these are disclosed in an announcement of the Company dated 26th February, 2010 and the circular of the Company dated 16th March, 2010. Since the change of name is still subject to the approval by the Registrar of Companies in Bermuda as at report date.

56. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	31.12.2009	31.3.2009
	HK$'000	HK$'000
ASSETS AND LIABILITIES		
Total assets	**788,382**	864,461
Total liabilities	**(11,846)**	(79,435)
	776,536	785,026
CAPITAL RESERVES		
Share capital	**3,237**	296,805
Reserves (note)	**773,299**	488,221
	776,536	785,026

56. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(Continued)*

Note:

Reserves

	Share premium HK$'000	Capital redemption reserve HK$'000	Contributed surplus HK$'000	Distributable reserve HK$'000	Share options reserve HK$'000	Accumulated profits (losses) HK$'000	Total HK$'000
At 1st April, 2008	398,068	–	28,180	62,677	5,290	(146,607)	347,608
Placing of new shares	124,650	–	–	–	–	–	124,650
Transaction costs attributable to issue of shares	(5,992)	–	–	–	–	–	(5,992)
Issue of shares upon exercise of share options	116,183	–	–	–	(28,303)	–	87,880
Loss for the year	–	–	–	–	–	(264,675)	(264,675)
Recognition of equity settled share-based payment expenses	–	–	–	–	198,750	–	198,750
At 31st March, 2009	632,909	–	28,180	62,677	175,737	(411,282)	488,221
Loss for the period	–	–	–	–	–	(55,301)	(55,301)
Shares issued	50,641	–	–	–	–	–	50,641
Recognition of equity settled share-based payment expenses	–	–	–	–	4,831	–	4,831
Shares consolidation	(632,909)	–	–	–	–	917,816	284,907
Shares repurchased and cancelled	–	9,020	–	–	–	(9,020)	–
At 31st December, 2009	**50,641**	**9,020**	**28,180**	**62,677**	**180,568**	**442,213**	**773,299**

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

Contributed surplus of the Company represents the difference between the nominal value of HK$350,000 of the ordinary shares issued by the Company and the net asset value of approximately HK$28,530,000 of Town Health (BVI) Limited, a subsidiary acquired through an exchange of shares pursuant to the group reorganisation in April 2000.

On 25th May, 2009, every 100 existing shares of HK$0.01 each were consolidated into 1 consolidated share of HK$1.00. The paid-up capital of the Company was reduced to the extent of HK$0.99 on each of the issued consolidated shares such that the nominal value of each issued consolidated share was reduced from HK$1.00 to HK$0.01. The company's entire share premium of HK$632,909,000 was transferred to the Company's accumulated profits.

57. PRINCIPAL SUBSIDIARIES

Particulars of the Company's principal subsidiaries at 31st December, 2009 and 31st March, 2009 are as follows:

Name of company	Place of incorporation/ form of legal entity	Issued and fully paid share capital/ registered capital	Proportion of nominal value of issued capital/registered capital held by the Company				Principal activities
			31st December, 2009		31st March, 2009		
			Directly	Indirectly	Directly	Indirectly	
Audio Health Hearing Care (Shatin) Limited	Hong Kong/ limited liability company	HK$1,000	–	70%	–	70%	Provision of audio diagnostic tests and sale of hearing-aid devices
Billion Advance Limited	Hong Kong/ limited liability company	HK$100	–	70%	–	70%	Property investment services
Dermagic Skin Treatment Centre Company Limited	Hong Kong/ limited liability company	HK$460	–	100%	–	100%	Provision of beauty and skincare services
First Oriental Cyclotron Limited	Hong Kong/ limited liability company	HK$10,000	–	–	–	94%	Production of isotopes for medical uses
First Oriental Medical Technology Group Limited	British Virgin Islands/ limited liability company	US$1,100	–	–	–	51%	Investment holding
First Oriental Medical Technology Limited	Hong Kong/ limited liability company	HK$1,000,000	–	–	–	51%	Investment holding
Good Pace International Limited	British Virgin Islands/ limited liability company	US$10,000	–	51%	–	–	Trading of healthcare products in the PRC
Max Goodrich International Limited	British Virgin Islands/ limited liability company	US$21,000	–	51%	–	–	Trading of healthcare products in the PRC
Noble Pioneer Limited	Hong Kong/ limited liability company	HK$2	–	100%	–	100%	Provision of medical and dental consultation services
Nu/Hart Hair Solutions Limited	Hong Kong/ limited liability company	HK$100,000	–	56%	–	56%	Operating of a hair transplant centre
Oriental Elite Limited	Hong Kong/ limited liability company	HK$100	–	100%	–	100%	Property investments
Pherson Limited	Hong Kong/ limited liability company	HK$500,000	–	100%	–	100%	Property investments

57. PRINCIPAL SUBSIDIARIES *(Continued)*

Name of company	Place of incorporation/ form of legal entity	Issued and fully paid share capital/ registered capital	Proportion of nominal value of issued capital/registered capital held by the Company				Principal activities
			31st December, 2009		31st March, 2009		
			Directly	Indirectly	Directly	Indirectly	
Silver Ascot Limited	Hong Kong/ limited liability company	HK$3	–	66%	–	66%	Provision of medical and dental consultation
Spring Biotech Limited	British Virgin Islands/ limited liability company	US$1	–	100%	–	100%	Investment holding
Town Health (Asia) Limited	Hong Kong/ limited liability company	HK$2	–	100%	–	100%	Trading of listed securities
Town Health Bio-Medical Technology Limited	British Virgin Islands/ limited liability company	US$1,000	100%	–	100%	–	Investment holding
Town Health (BVI) Limited	British Virgin Islands/ limited liability company	US$1,331,131	100%	–	100%	–	Investment holding
Town Health Children's Land Limited	Hong Kong/ limited liability company	HK$500,000	–	65%	–	65%	Operation of an education centre
Town Health Dental Limited	Hong Kong/ limited liability company	HK$2	–	100%	–	100%	Provision of dental consultation services
Town Health Food and Beverage Culture Company Limited	Hong Kong/ limited liability company	HK$2	–	100%	–	100%	Catering business
Town Health Management and Services Limited	Hong Kong/ limited liability company	HK$2	–	100%	–	100%	Provision of management and administrative services
Town Health Medical & Dental Services Limited	Hong Kong/ limited liability company	HK$2	–	100%	–	100%	Provision of medical services
Town Health Para-medical Services Limited	Hong Kong/ limited liability company	HK$2	–	100%	–	100%	Investment holding

57. PRINCIPAL SUBSIDIARIES *(Continued)*

Name of company	Place of incorporation/ form of legal entity	Issued and fully paid share capital/ registered capital	Proportion of nominal value of issued capital/registered capital held by the Company				Principal activities
			31st December, 2009		31st March, 2009		
			Directly	Indirectly	Directly	Indirectly	
Town Health Corporate Management and Investment Limited (formerly known as Town Health Preventive Healthcare Services Limited)	British Virgin Islands/ limited liability company	US$1	–	100%	–	100%	Investment holding
Town Health Traditional Chinese Medicine Services Limited	Hong Kong/ limited liability company	HK$2	–	100%	–	100%	Trading of listed securities

The above table lists the subsidiaries of the Group which, in the opinion of the directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, results in particulars of excessive length.

None of the subsidiaries had issued any debt securities at the end of the period/year.

Financial Summary

RESULTS

	(Nine months)	(Twelve months)			
	1.4.2009 to 31.12.2009 HK$'000	1.4.2008 to 31.3.2009 HK$'000	1.4.2007 to 31.3.2008 HK$'000	1.4.2006 to 31.3.2007 HK$'000	1.4.2005 to 31.3.2006 HK$'000
Revenue	**456,826**	342,212	338,823	236,554	231,179
(Loss) profit for the period/year from continuing operations	**(12,223)**	(644,047)	260,164	228,908	19,117
(Loss) profit for the period/year from discontinued operation	**–**	–	826	(22,124)	2,331
(Loss) profit for the period/year	**(12,223)**	(644,047)	260,990	206,784	21,448
Attributable to:					
Owners of the Company	**(23,587)**	(652,507)	253,714	214,850	20,030
Minority interests	**11,364**	8,460	7,276	(8,066)	1,418
	(12,223)	(644,047)	260,990	206,784	21,448

ASSETS AND LIABILITIES

	31.12.2009 HK$'000	31.3.2009 HK$'000	31.3.2008 HK$'000	31.3.2007 HK$'000	31.3.2006 HK$'000
Total assets	**1,327,282**	941,878	1,307,477	577,946	397,507
Total liabilities	**(143,482)**	(44,780)	(228,221)	(125,760)	(149,002)
	1,183,800	897,098	1,079,256	452,186	248,505
Assets attributable to					
Owners of the Company	**1,120,871**	892,108	1,064,143	436,587	249,155
Minority interests	**62,929**	4,990	15,113	15,599	(650)
	1,183,800	897,098	1,079,256	452,186	248,505