Town Health International Investments Limited
康健國際投資有限公司

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

Annual Report 2010

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

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

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*

BOARD COMMITTEES

Audit Committee

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

Remuneration Committee

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

COMPANY SECRETARY

Mr. Wong Seung Ming, *CPA, FCCA*

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 IN HONG KONG

6th Floor, Town Health Technology Centre
10-12 Yuen Shun Circuit
Siu Lek Yuen
Shatin, New Territories
Hong Kong

PRINCIPAL BANKER

Dah Sing Bank 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

CHAIRPERSON'S STATEMENT

On behalf of Town Health International Investments Limited (the "Company" or together with its subsidiaries, the "Group"), I am pleased to present this annual report for the year ended 31st December, 2010 to our shareholders.

DIVIDEND

The board of directors of the Company is pleased to recommend the payment of a final dividend of HK$0.05 per share for the year (2009: Nil) to shareholders whose names appear on the register of members of the Company on 25th May, 2011. The proposed final dividend will be paid on 13th June, 2011 following the approval at the annual general meeting.

BUSINESS REVIEW

In 2010, we saw the satisfactory results of newly developed business structure and model that was established in late 2009. The Group continues to provide comprehensive and quality healthcare services to the public and through its asset investments business, offers shareholders with good investment returns and diversifies the business risk.

For the year under review, a profit of approximately HK$104,399,000 was recorded. The Group's consolidated profit attributable to owners of the Company was HK$94,621,000, representing a substantial increase when compared with the previous financial year.

Healthy Growth of Healthcare and Related Services Business

The healthcare and dental services business remained the key revenue driver for the Group. The Group has developed an extensive network of over 90 clinics in Hong Kong providing general outpatient care and multidisciplinary healthcare services. The healthcare services cover family medicine and specialty medicine, dentistry, paramedical services and preventive healthcare services. The Group continues to strengthen its market-leading position, expand its clientele and broaden its specialist outpatient services. During the year, the Group's healthcare and dental services division achieved a turnover of approximately HK$291,083,000 (1.4.2009 to 31.12.2009: HK$231,955,000), accounting for approximately 94.68% of the Group's revenue.

During the year, the Group has launched the Town Health Medical Network Services Limited ("THMN") to provide high quality and affordable integrated medical services to corporate clients, covering a full range of medical services. THMN enjoys the significant advantages of a vast clinic network having over 100 self-owned clinics and other facilities providing integrated healthcare services in Hong Kong and the Pearl River Delta Region of the Peoples' Republic of China (the "PRC").

In the PRC, the project with Ping An Insurance Group and the Sun Yat-sen University for the provision of management and consultancy services to poly-clinics, medical diagnostic centre and other integrated healthcare services in Guangdong Province has been developing satisfactorily.

Steady Development of Pharmaceutical Businesses

In Hong Kong, the Group has successfully launched new brand of health supplements under "th's life" (康健新活) brand in 2010. The brand offers a range of quality health supplements which have been developed with professional technology and manufactured under high quality control. Besides chain clinics of the Group, the th's life products will be available in large chain distribution networks in the near future.

In the PRC, the government announced guidelines for healthcare reform in April 2009. The main goal was to provide universal health care to the country's 1.3 billion residents. The PRC planned to invest US$125 billion on health care between 2009 and 2011.

BUSINESS REVIEW *(Continued)*

Steady Development of Pharmaceutical Businesses *(Continued)*

The PRC's medical spending over the past five years is double of its massive gross domestic product (GDP) growth rate. According to industry researcher Intercontinental Marketing Services Health, the PRC is expected to become the world's third-largest prescription drug market by 2011 and the PRC's medical spending is expected to grow at 22% a year through 2013.

During the year, the Group has implemented and restructured its mainland pharmaceutical business to grasp the booming opportunities brought by the PRC medical reform plan.

In January 2010, the Group disposed of the entire equity interest in 海南泓銳醫藥有限公司 (unofficial English translation being Hainan Hong Rui Pharmaceutical Co. Ltd.) which was principally engaged in the distribution of pharmaceutical products in the PRC due to its unsatisfactory financial and operational performances. In March 2010, the Group acquired the entire issued share capital of Jet Rich Investment Limited, a company incorporated in Hong Kong whose sole asset is the entire equity interest in 北京創新美凱科技開發有限公司 (unofficial English translation being Beijing Chuang Xin Mei Kai Technology Development Company Limited) ("Beijing Chuang Xin"), a wholly foreign owned enterprise established in the PRC. Beijing Chuang Xin is principally engaged in technology development and promotion of medicines for cardio-cerebrovascular, anti-tumour, diabetes and hepatic-related diseases.

Meanwhile, the Group holds 48% interest of 貴州百祥制藥有限責任公司 (unofficial English translation being Guizhou Bai Xiang Pharmaceutical Co., Ltd.), a Sino-foreign equity joint venture which is principally engaged in the manufacture and sale of pharmaceutical products in the PRC. It distributes its products mainly through its hospital network in the PRC.

We are optimistic about the growth prospect of the PRC pharmaceutical business sector and will further consolidate our foothold in the PRC.

Sound Investment Returns on Asset Investment-Related Business

The Group's investment portfolio includes 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 business risks. This has also maximized our returns on investment. All investment activities are carried out under prudent risk management and the Group will cautiously monitor its investment performance.

In April 2010, the Group subscribed for 54,000,000 new shares (equivalent to 9,000,000 shares before distribution of bonus shares) and acquired 11,400,000 shares (equivalent to 1,900,000 shares before distribution of bonus shares) of Bonjour Holdings Limited ("Bonjour") (stock code: 653). Bonjour and its subsidiaries are principally engaged in the retail and wholesale of brand name beauty and healthcare products, as well as the operation of beauty and health salons in Hong Kong and the PRC. The Group is expected to benefit from the synergy created with Bonjour in healthcare and related businesses.

In November 2010, the Group purchased convertible notes in the principal amount of HK$19,250,000 issued by ePRO Limited (stock code: 8086) at a consideration of HK$150,000,000. Upon conversion in full of the conversion rights attached to such convertible notes at the prevailing conversion price, a total of 385,000,000 shares of HK$0.01 each in the share capital of ePRO Limited will be allotted and issued to the Group. The Group anticipates that the investments will generate positive recurring returns and dividends to the Group.

During the year, revenue generated from the securities trading and investments business amounted to approximately HK$1,118,515,000, representing approximately 78.44% of the Group's total gross proceeds from continuing operations.

OUTLOOK

Enhancing Healthcare and Related Services Business

The Group has spearheaded the healthcare and related services industry in Hong Kong. Leveraging its professional team and enriched resources, the Group will achieve sustainable growth for its healthcare and related services sector in the local market. Meanwhile, the project with Ping An Insurance Group and the Sun Yat-sen University for the provision of management and consultancy services to poly-clinics, medical diagnostic centre and other integrated healthcare services in Guangdong Province, the PRC is running smoothly and further expansion will be executed prudently.

Acceleration of Pharmaceutical Business

According to the research organization Emerging Markets Direct (EMD)'s China Pharmaceutical Industry Report 1H11 in January 2011, the PRC's pharmaceutical market has been growing rapidly to become the fourth-largest in the world in terms of size. The over-the-counter pharmaceuticals market is a growing segment in the Chinese pharmaceutical industry and is set to double its market share by 2014.

The PRC's massive aging population, strong economic development, urbanisation, as well as the increasing number of its population covered by the country's universal health care all contribute to making the PRC a very appealing pharmaceutical market. Thus, the Group will seek to capture the upside potential in the pharmaceutical industry through its associated companies, such as the distribution of Chinese herbal medicine, western medicine, chemical raw pharmaceutical, antibiotics, biomedicine and other pharmaceutical products.

In addition, the Group will continue to promote and market th's life brand to grasp the growing health supplements market in Hong Kong. Initially, the products will be introduced to the market through the Group's extensive chain clinics, and later, mass marketing through various large chain distribution networks to promote th's life to become a well-known brand in Hong Kong.

Compelling Investment Strategy

The Group's investment returns were sound for the year under review. Leading by a team of seasoned management and professionals, the Group has successfully seized the investment opportunities and maximized benefits for the shareholders.

Although optimism in the global economy is growing, many economists believe the U.S. Federal Reserve is expected to keep interest rates low this year until the jobless rate decreases or the inflation rate gets too high. Therefore, the Group holds a positive view towards the local property market and asset investments and will continue to diversify its investment portfolio through a prudent approach.

We are optimistic about the long-term prospects of the healthcare and related services, pharmaceutical 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
Chairperson

Hong Kong, 24th March, 2011

RESULTS

Town Health International Investments Limited (the "Company") and its subsidiaries (collectively the "Group") achieved satisfactory results for the year under review. Revenue rose by 25.44% to HK$307,447,000 (for the nine months ended 31st December, 2009: HK$245,100,000). The growth was driven by both the Group's core operations and investment business.

Gross profit margin for the year was 32.98% (for the nine months ended 31st December, 2009: 37.24%). The decrease in gross profit margin was due to the increase in competition in the healthcare and dental services industry.

Basic earnings per share was HK$0.14. This was up from a basic loss per share of HK$0.08 for the nine months ended 31st December, 2009.

Profit attributable to owners of the Company for the year was approximately HK$94,621,000 (for the nine months ended 31st December, 2009: Loss of HK$23,587,000). The board of directors of the Company has recommended a final dividend of HK$0.05 per share (2009: Nil) for the year ended 31st December, 2010.

REVIEW OF OPERATIONS

Healthcare and Medical Services

During the year, the Group's provision of healthcare and dental services achieved healthy performance. Turnover increased by 25.49% to HK$291,083,000. The business recorded a profit of HK$14,236,000 compared with HK$19,802,000 for the nine months ended 31st December, 2009, representing a 28.11% decrease. The demand for medical services continues to grow and it is largely due to the increasing popularity of medical insurance.

Asset Investments

During the year, gross proceeds generated from the securities trading and investments business amounted to HK$1,118,515,000, representing approximately 78.44% of the Group's total gross proceeds from operations. The segment profit generated HK$240,692,000, representing approximately 84.62% of the Group's total segment profit. The Group will continue to adopt a prudent investment strategy and create value for shareholders.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31st December, 2010, the Group held bank balances and cash of approximately HK$369,510,000 (2009: approximately HK$155,306,000). The Group had bank borrowings of approximately HK$95,000,000 which are all repayable within one year (2009: approximately HK$12,548,000). Net current assets amounted to approximately HK$760,431,000 (2009: approximately HK$298,015,000). Current ratio (defined as total current assets divided by total current liabilities) was 4.74 (2009: 3.16).

As at 31st December, 2010, gearing ratio (defined as total bank borrowing divided by equity attributable to owners of the Company) was 6.12% (2009: 1.12%). 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 People's Republic of China in relation to Renminbi is stable throughout the year, the Group considers that the potential foreign exchange exposure of the Group is limited.

CAPITAL STRUCTURE

As at 31st December, 2010, the Group had equity attributable to owners of the Company of HK$1,551,501,000 (2009: HK$1,120,871,000).

HUMAN RESOURCES

As at 31st December, 2010, the Group employed 557 people (2009: 787). Total employee costs for the year ended 31st December, 2010, including directors' emoluments, amounted to HK$232,923,000 (2009: HK$159,574,000).

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

CONTINGENT LIABILITIES

As at 31st December, 2010, the Group had no significant contingent liabilities.

PLEDGE OF ASSETS

As at 31st December, 2010, certain prepaid lease payments, property, plant and equipment and investment properties of the Group with the carrying value of nil (2009: HK$25,728,000), HK$113,750,000 (2009: HK$41,442,000) and HK$137,150,000 (2009: HK$41,975,000), respectively, and bank deposits of HK$5,012,000 (2009: HK$5,005,000) were pledged to secure general banking facilities granted to the Group.

CAPITAL COMMITMENTS

As at 31st December, 2010, the Group had no capital expenditure contracted for but not provided in the financial statements.

EXECUTIVE DIRECTORS

Miss Choi Ka Yee, Crystal, aged 30, Chairperson of Town Health International Investments Limited (the "Company"), has been an executive director and the Chairperson 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 chairperson of Youth Professionals Committee of the Association of Hong Kong Professionals, the chairperson 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 and E. Lite (Choi's) Holdings 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 47, Chief Executive Officer of the Company as well as the founder of the Company and its subsidiaries (collectively 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. Dr. Cho is a director of Broad Idea International Limited, a company which is interested in approximately 8.94% issued shares in 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 47, 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 Hao Tian Resources Group Limited (formerly known as 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 56, 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 practising solicitor for more than 13 years in Hong Kong specialized in commercial, corporate finance and investment laws and practice in Hong Kong and the People's Republic of China (the "PRC"). Mr. Lee is currently a director and the legal representative of a subsidiary of the Company and also a director, the general manager and the legal representative 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 65, 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. He also holds a PhD in Business Management from Harbin Institute of Technology, the PRC and a Honorary Degree of Doctor of Business Administration from The Hong Kong Polytechnic University. 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 a member of the University Court, 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 a director of Broad Idea International Limited, a company which is interested in approximately 8.94% issued shares in the Company. Dr. Choi is the father of Miss Choi Ka Yee, Crystal, Chairperson of the Company.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chan Kam Chiu, aged 58, has been an independent non-executive director of the Company since July 2002. Mr. Chan has engaged in the catering industry for over 33 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. Ho Kwok Wah, George, aged 52, has been an independent non-executive director of the Company since September 2004. Mr. Ho is a practising certified public accountant in Hong Kong. He is the proprietor of George K. W. Ho & Co., Certified Public Accountants and possesses over 22 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 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.

Mr. Wai Kwok Hung, *SBS, JP*, aged 56, 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 an independent non-executive director of Great Harvest Maeta Group Holdings Limited (stock code: 3683). Mr. Wai is also a member of the audit committee of the Company and the chairman of the remuneration committee of the Company.

SENIOR MANAGEMENT

Mr. Siu Kam Chau, aged 46, joined the Group in November 2004 and is currently the Head of Corporate Finance Department of the Group. Mr. Siu holds a bachelor degree in accountancy from the City University of Hong Kong. Mr. Siu is a fellow member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants. He is also a Certified Public Accountant (practising) in Hong Kong. Mr. Siu has over 21 years of experience in accounting, auditing, company secretarial and corporate finance functions. He is in charge of the Group's overall corporate finance activities including fund raising exercises, mergers and acquisitions, and corporate strategy and restructuring. He is currently an independent non-executive director of China New Economy Fund Limited (stock code: 80) and Wang On Group Limited (stock code: 1222).

Mr. Wong Seung Ming, aged 39, Financial Controller and Company Secretary of the Company. 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 16 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.

Dr. Chan Wing Lok, Brian, aged 46, graduated from The University of Hong Kong and holds the qualifications of MBBS (HK), DCH (RCP&SI), and DPD (Cardiff). He joined the Group in 1991 and is currently responsible for the Group's clinic operational management and business development, and the enhancement and maintenance of the Group's service quality.

Dr. So Chi Kin, aged 43, graduated from The University of Hong Kong and holds the qualification of BDS (HK). He joined the Group in April 1991 and is currently responsible for the development and management of the Group's dental clinic business as well as enhancement of professional dental service standards.

Dr. Yau Yi Kwong, aged 48, graduated from The University of Hong Kong and holds the qualifications of BDS (HK) and DGDP (UK). He is currently responsible for the Group's dental clinic management and is the Group's organizer of continuous dental education and is committed to enhancing the overall standard of our dental services.

CHANGES IN INFORMATION OF DIRECTORS

Pursuant to Rule 13.51(B) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, the changes in information of directors of the Company since the date of the interim report of the Company for the six months ended 30th June, 2010 are set out below:

Name of Director	**Details of Changes**
Miss Choi Ka Yee, Crystal	Total emoluments increased by HK$600,000 to HK$700,000 compared with 2009*
Dr. Cho Kwai Chee	Total emoluments increased by HK$2,663,000 to HK$15,532,000 compared with 2009*
Dr. Hui Ka Wah, Ronnie, *JP*	Total emoluments increased by HK$8,320,000 to HK$9,130,000 compared with 2009*
Mr. Lee Chik Yuet	Total emoluments increased by HK$2,440,300 to HK$2,690,300 compared with 2009*
Dr. Choi Chee Ming, *GBS, JP*	Held a Honorary Degree of Doctor of Business Administration from The Hong Kong Polytechnic University on 3rd November, 2010 and appointed as a member of the University Court, The Hong Kong Polytechnic University on 22nd March, 2011
Mr. Chan Kam Chiu	Total emoluments increased by HK$18,600 to HK$57,600 compared with 2009*
Mr. Ho Kwok Wah, George	Total emoluments increased by HK$48,000 to HK$96,000 compared with 2009*
Mr. Wai Kwok Hung, *SBS, JP*	Total emoluments increased by HK$29,000 to HK$72,000 compared with 2009*

* For the nine months ended 31st December, 2009 because of the change of financial year end date of the Company

The directors (the "Directors") of Town Health International Investments Limited (the "Company") have pleasure in submitting to shareholders their report and the audited consolidated financial statements for the year ended 31st December, 2010.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding and the activities of its principal subsidiaries and associates are set out in notes 53 and 27 respectively to the consolidated financial statements.

The analysis of the turnover and results by principal activities and geographical locations of the operations of the Company and its subsidiaries (collectively the "Group") during the year are set out in notes 8 and 9 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31st December, 2010 are set out in the consolidated statement of comprehensive income on pages 23 to 24 of this annual report.

DIVIDEND

No interim dividend for the year ended 31st December, 2010 was paid and the board of Directors recommends the declaration of a final dividend at the rate of HK$0.05 per share payable on Monday, 13th June, 2011 following the approval at the annual general meeting to shareholders whose names appear on the register of members of the Company on Wednesday, 25th May, 2011. The register of members of the Company will be closed from Thursday, 19th May, 2011 to Wednesday, 25th May, 2011, both days inclusive.

RESERVES

Particulars of the movements in the reserves of the Company and the Group during the year are set out on page 27 of this annual report and in note 52 to the consolidated financial statements.

CHARITABLE DONATIONS

Donations to charitable organisations by the Group during the year amounted to HK$2,336,000 (2009: HK$508,280).

PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

During the year, the Group acquired property, plant and equipment of HK$89,237,000 for the expansion of its business.

Particulars of the movements of property, plant and equipment and investment properties are set out in notes 22 and 21 to the consolidated financial statements.

SHARE CAPITAL

Details of the share capital of the Company are set out in note 43 to the consolidated financial statements.

DIRECTORS

The board of Directors during the year and up to the date of this annual report are:

Executive Directors:

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

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*

In accordance with bye-law 99 of the bye-laws of the Company (the "Bye-Laws") and pursuant to the code provision A.4.2 of Appendix 14 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), Miss Choi Ka Yee, Crystal, Dr. Cho Kwai Chee and Dr. Choi Chee Ming, *GBS, JP*, will retire by rotation at the forthcoming annual general meeting and, being eligible, will offer themselves for re-election.

The Directors' biographical details are set out on pages 8 to 9 of this annual report.

INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received annual 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.

INTEREST IN CONTRACTS

No contracts of significance in relation to the businesses of the Company and its subsidiaries to which the Company or a subsidiary was a party in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' SERVICE CONTRACTS

Mr. Chan Kam Chiu, Mr. Ho Kwok Wah, George and Mr. Wai Kwok Hung, *SBS, JP* have been appointed for a term of two years expiring on 1st June, 2012. They are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Bye-Laws and Appendix 14 to the Listing Rules.

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

SHARE OPTION SCHEMES

Particulars of the share option schemes are set out in note 44 to the consolidated financial statements.

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

As at 31st December, 2010, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures 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:

Long positions in the shares of the Company

Name of Director	Capacity	Nature of interest	Number of shares of the Company held	Approximate % of shareholding of the Company
Dr. Cho Kwai Chee	Interest of a controlled corporation	Corporate interest	81,488,523 (note)	8.94%
Dr. Choi Chee Ming, *GBS, JP*	Interest of a controlled corporation	Corporate interest	81,488,523 (note)	8.94%

Note: Such shares were held 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 held 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, 2010, none of the Directors or chief executives of the Company or their respective associates had any interest or short position in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDER'S/OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31st December, 2010, the following persons (other than the Directors or chief executives of the Company) had interests or short positions in the shares or underlying shares of the Company which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

Long positions in the shares of the Company

Name	Capacity	Number of shares of the Company held	Approximate % of shareholding of the Company
Broad Idea International Limited ("Broad Idea")	Beneficial owner	81,488,523 (Note 1)	8.94%
CITIC Securities Co., Ltd. ("CITIC Securities")	Interest of a controlled corporation	125,000,000 (Note 2)	13.72%
CITIC Securities International Company Limited ("CITIC International")	Interest of a controlled corporation	125,000,000 (Note 2)	13.72%
Dragon Stream Investments Limited ("Dragon Stream")	Beneficial owner	125,000,000 (Note 2)	13.72%

Notes:

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

2. Dragon Stream is a wholly-owned subsidiary of CITIC International, which in turn is a wholly-owned subsidiary of CITIC Securities. By virtue of the SFO, CITIC Securities and CITIC International were deemed to be interested in the 125,000,000 shares of the Company held by Dragon Stream.

Save as disclosed above, the Company has not been notified of any interest or short position in the shares or underlying shares of the Company as at 31st December, 2010 which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

None of the Directors nor their respective associates had an interest in a business, apart from the businesses of the Group, which competes or is likely to compete, either directly or indirectly, with the businesses of the Group pursuant to Rule 8.10 of the Listing Rules.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed above, at no time during the year was the Company, its subsidiaries, its fellow subsidiaries or its holding companies, a party to any arrangement to enable the Directors or chief executives of the Company or their respective spouse or children under 18 years of age to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

MANAGEMENT CONTRACTS

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

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

During the year, neither the Company nor any of its subsidiaries has purchased or sold any of the Company's listed securities. In addition, the Company has not redeemed any of its listed securities during the year.

PRE-EMPTIVE RIGHTS

There was no provisions for pre-emptive rights under the Bye-Laws, or the laws of Bermuda, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 112 of this annual report.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, less than 30% of the Group's sales and less than 30% of the Group's purchases were attributable to the Group's five largest customers combined and five largest suppliers combined respectively.

PUBLIC FLOAT

As at the date of this annual report, based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained a sufficient prescribed amount of public float as required under the Listing Rules.

AUDITORS

The consolidated financial statements of the Group have been audited by Deloitte Touche Tohmatsu, who will retire and, being eligible, will offer themselves for re-appointment. A resolution for the re-appointment of Deloitte Touche Tohmatsu as auditors of the Company is to be proposed at the forthcoming annual general meeting.

On behalf of the Board

Choi Ka Yee, Crystal
Chairperson
Hong Kong, 24th March, 2011

The board (the "Board") of directors (the "Directors") of Town Health International Investments Limited (the "Company") is committed to maintaining a good corporate governance standard. The Board believes that a good corporate governance standard will provide a framework for the Company and its subsidiaries (collectively 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 year ended 31st December, 2010.

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 year.

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 Chairperson of the Company, Dr. Cho Kwai Chee, Dr. Hui Ka Wah, Ronnie, *JP* and Mr. Lee Chik Yuet. Dr. Choi Chee Ming, *GBS, JP* is the non-executive Director and Vice-Chairman of the Company. Three other members are independent non-executive Directors, namely Mr. Chan Kam Chiu, Mr. Ho Kwok Wah, George and Mr. Wai Kwok Hung, *SBS, JP*. The biographical details of the Directors are set out in the section headed "Biographical Details of Directors and Senior Management" on pages 8 to 10 of this annual report.

The Board held four regular meetings during the year. The Board is responsible for the formulation of the Group's business strategies and overall policies, and monitoring the performance of the management. 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.

Chairperson and Chief Executive Officer

Miss Choi Ka Yee, Crystal is the Chairperson 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 Chairperson 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, Mr. Ho Kwok Wah, George and Mr. Wai Kwok Hung, *SBS, JP* have been appointed for a term of two years expiring on 1st June, 2012. 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 (the "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 year. The Remuneration Committee reviewed the remuneration policy of the Company, assessed the performance of the executive Directors and senior management and recommended specific remuneration packages of the Directors and senior management to the Board.

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 year ended 31st December, 2010, fee for statutory audit for the Group amounts to approximately HK$1,851,000. 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 year was approximately HK$120,000.

Audit Committee

The Board has established an audit committee (the "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. Ho Kwok Wah, George and Mr. Wai Kwok Hung, *SBS, JP*. The Audit Committee held two meetings during the year. 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 year are set out below:

	Number of meetings attended/held		
Director	**Board**	**Audit Committee**	**Remuneration Committee**
Executive Directors			
Miss Choi Ka Yee, Crystal	4/4	N/A	N/A
Dr. Cho Kwai Chee	4/4	N/A	1/1
Dr. Hui Ka Wah, Ronnie, *JP*	4/4	N/A	N/A
Mr. Lee Chik Yuet	4/4	N/A	N/A
Non-executive Director			
Dr. Choi Chee Ming, *GBS, JP*	0/4	N/A	N/A
Independent non-executive Directors			
Mr. Chan Kam Chiu	4/4	2/2	1/1
Mr. Ho Kwok Wah, George	4/4	2/2	1/1
Mr. Wai Kwok Hung, *SBS, JP*	4/4	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 profit and cash flows for the year ended 31st December, 2010. 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 Auditor's Report" on pages 21 to 22 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, reviews 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 year, separate resolutions were proposed at the general meetings of the Company for each substantial issue, including the re-election of Directors.

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

Deloitte.
德勤

TO THE MEMBERS OF
TOWN HEALTH INTERNATIONAL INVESTMENTS LIMITED
康健國際投資有限公司
(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 Investments Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 23 to 111, which comprise the consolidated statement of financial position as at 31st December, 2010 and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with 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, and for such internal control as the directors determine is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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 about 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 of the consolidated financial statements that give a true and fair view 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, 2010, and of the Group's profit and cash flows for the year 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
24th March, 2011

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31st December, 2010

	Notes	1.1.2010 to 31.12.2010 HK$'000	1.4.2009 to 31.12.2009 HK$'000
Continuing operations			
Gross proceeds from continuing operations	8 & 9	**1,425,962**	620,084
Revenue	8	**307,447**	245,100
Cost of sales		**(206,044)**	(153,820)
Gross profit		**101,403**	91,280
Other income	10	**38,219**	13,742
Administrative expenses			
– Others		**(190,347)**	(142,440)
– Share-based payment expenses		**(29,538)**	(4,831)
Other expenses, gains and losses	11	**263,315**	20,383
Finance costs	12	**(869)**	(157)
Gain on deemed disposal/disposal of an associate	13	**100**	1,437
Gain on disposal of subsidiaries	46	**1,853**	141
Share of results of associates		**(37,161)**	(7,497)
Increase in fair value of investment properties	21	**25,568**	11,727
Profit (loss) before tax		**172,543**	(16,215)
Income tax expenses	16	**(45,595)**	(5,766)
Profit (loss) for the year/period from continuing operations		**126,948**	(21,981)
Discontinued operations			
(Loss) profit for the year/period from discontinued operations	17	**(22,549)**	9,758
Profit (loss) for the year/period	18	**104,399**	(12,223)
Other comprehensive (expense) income for the year/period			
Reclassification adjustments for the accumulative gain included in profit or loss upon disposal of available-for-sale investments		**(27,456)**	–
Fair value (loss) gain on available-for-sale financial assets		**(130,667)**	205,539
Total comprehensive (expense) income for the year/period		**(53,724)**	193,316

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31st December, 2010

	Notes	**1.1.2010 to 31.12.2010 HK$'000**	1.4.2009 to 31.12.2009 HK$'000
Profit (loss) for the year/period attributable to:			
Owners of the Company			
Profit (loss) for the year/period from continuing operations		**124,669**	(26,646)
(Loss) profit for the year/period from discontinued operations		**(30,048)**	3,059
Profit (loss) for the year/period attributable to owners of the Company		**94,621**	(23,587)
Non-controlling interests			
Profit for the year/period from continuing operations		**2,279**	4,665
Profit for the year/period from discontinued operations		**7,499**	6,699
Profit for the year/period attributable to non-controlling interests		**9,778**	11,364
		104,399	(12,223)
Total comprehensive (expense) income attributable to:			
Owners of the Company		**(63,502)**	181,952
Non-controlling interests		**9,778**	11,364
		(53,724)	193,316
Earnings (loss) per share (HK$)	20		
– Basic		**0.14**	(0.08)
– Diluted		**0.14**	(0.08)
From continuing operations (HK$)			
– Basic		**0.18**	(0.09)
– Diluted		**0.18**	(0.09)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31st December, 2010

	Notes	31.12.2010 HK$'000	31.12.2009 HK$'000 (restated)	1.4.2009 HK$'000 (restated)
NON-CURRENT ASSETS				
Investment properties	21	**191,950**	132,975	39,215
Property, plant and equipment	22	**197,285**	174,652	29,169
Prepaid lease payments	23	**–**	25,175	–
Loans receivable	24	**29,365**	31,260	18,476
Goodwill	25	**7,463**	63,838	36,064
Other intangible assets	26	**4,602**	15,824	9,372
Interests in associates	27	**262,535**	172,535	118,402
Available-for-sale investments	28	**113,376**	275,129	39,916
Deposits paid on acquisition of property, plant and equipment		**–**	–	2,200
Deposit paid on acquisition of interest in a subsidiary		**–**	–	51,255
		806,576	891,388	344,069
CURRENT ASSETS				
Inventories	29	**8,550**	44,463	8,687
Trade and other receivables	30	**58,395**	100,169	43,593
Prepaid lease payments	23	**–**	553	–
Held for trading investments	31	**459,861**	110,514	33,708
Loans receivable	24	**16,890**	1,730	6,094
Amounts due from associates	32	**43,447**	3,997	9,025
Amounts due from investees	33	**10**	182	1,741
Amount due from a related party	34	**–**	5	458
Amounts due from non-controlling interests of subsidiaries	35	**–**	–	464
Tax recoverable		**1,836**	5,945	4,490
Pledged bank deposits	36	**5,012**	5,005	5,000
Bank balances and cash	37	**369,510**	155,306	484,549
		963,511	427,869	597,809
Assets classified as held for sale	38	**–**	8,025	–
		963,511	435,894	597,809

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31st December, 2010

	Notes	31.12.2010 HK$'000	31.12.2009 HK$'000 (restated)	1.4.2009 HK$'000 (restated)
CURRENT LIABILITIES				
Trade and other payables	39	**51,924**	96,235	24,171
Amounts due to associates	32	**10,620**	–	–
Amount due to an investee	33	**339**	303	2,244
Amounts due to non-controlling interests of subsidiaries	35	**2,693**	2,693	4,165
Amount due to a related party	40	**1**	–	16
Bank borrowing	41	**95,000**	12,548	–
Tax payable		**42,503**	13,050	10,446
		203,080	124,829	41,042
Liabilities associated with assets classified as held for sale	38	**–**	13,050	–
		203,080	137,879	41,042
NET CURRENT ASSETS		**760,431**	298,015	556,767
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,567,007**	1,189,403	900,836
NON-CURRENT LIABILITY				
Deferred tax liabilities	42	**9,849**	5,603	3,738
		1,557,158	1,183,800	897,098
CAPITAL AND RESERVES				
Share capital	43	**9,112**	3,237	296,805
Reserves		**1,542,389**	1,117,634	595,303
Equity attributable to owners of the Company		**1,551,501**	1,120,871	892,108
Non-controlling interests		**5,657**	62,929	4,990
Total equity		**1,557,158**	1,183,800	897,098

The consolidated financial statements on pages 23 to 111 were approved and authorised for issue by the Board of Directors on 24th March, 2011 and are signed on its behalf by:

Choi Ka Yee, Crystal
DIRECTOR

Cho Kwai Chee
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31st December, 2010

	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 (loss)** HK$'000 (Note iv)	**Total** HK$'000	**Non-controlling interests** HK$'000	**Total** HK$'000
At 1st April, 2009	296,805	632,909	–	10,033	62,677	–	2,738	175,737	(288,791)	892,108	4,990	897,098
(Loss) profit 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	–	–	–	–	–	–	–	4,831	–	4,831	–	4,831
Dividend paid to non-controlling interests	–	–	–	–	–	–	–	–	–	–	(826)	(826)
Acquisition of subsidiaries (note 45)	–	–	–	–	–	–	–	–	–	–	57,157	57,157
Acquisition of additional interest in a subsidiary	–	–	–	–	–	–	–	–	–	–	(4,107)	(4,107)
Disposal of subsidiaries (note 46)	–	–	–	–	–	–	–	–	–	–	(5,649)	(5,649)
Share consolidation (note 43)	(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
Profit for the year	–	–	–	–	–	–	–	–	94,621	94,621	9,778	104,399
Reclassification adjustments for the cumulative gain included in profit or loss upon disposal of available-for-sale investments	–	–	–	–	–	(27,456)	–	–	–	(27,456)	–	(27,456)
Fair value loss on available-for-sale investments	–	–	–	–	–	(130,667)	–	–	–	(130,667)	–	(130,667)
Total comprehensive income (expense) for the year	–	–	–	–	–	(158,123)	–	–	94,621	(63,502)	9,778	(53,724)
Recognition of equity-settled share-based payment	–	–	–	–	–	–	–	29,538	–	29,538	–	29,538
Dividend paid to non-controlling interests	–	–	–	–	–	–	–	–	–	–	(948)	(948)
Disposal of partial interest in a subsidiary	–	–	–	–	–	–	–	–	645	645	255	900
Disposal of subsidiaries (note 46)	–	–	–	–	–	–	–	–	–	–	(66,357)	(66,357)
Shares issued (note 43)	5,875	458,074	–	–	–	–	–	–	–	463,949	–	463,949
At 31st December, 2010	9,112	508,715	9,020	10,033	62,677	47,416	2,738	210,106	691,684	1,551,501	5,657	1,557,158

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 (loss) includes the amount of paid up capital cancelled upon the completion of capital reduction in May 2009.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31st December, 2010

	1.1.2010 to 31.12.2010 HK$'000	1.4.2009 to 31.12.2009 HK$'000 (restated)
OPERATING ACTIVITIES		
Profit (loss) before tax from continuing operations	**172,543**	(16,215)
(Loss) profit for the year/period from discontinued operations	**(22,549)**	9,758
Income tax expense from discontinued operations	**2,402**	5,005
	152,396	(1,452)
Adjustments for:		
Interest income	**(8,834)**	(1,854)
Dividend income from unlisted investments classified as available-for-sale investments	**(202)**	(579)
Impairment loss in respect of:		
– goodwill arising on acquisition of associates	**–**	12,000
– goodwill arising on acquisition of subsidiaries, and medical and dental practices	**17,390**	26,332
Depreciation of property, plant and equipment	**19,894**	8,170
Gain on fair value changes on held for trading investments	**(252,614)**	(59,204)
Impairment loss recognised on trade receivable	**–**	1,997
Reversal of impairment loss on trade receivables	**(635)**	(1,508)
Loss on disposal of property, plant and equipment	**1,047**	1,028
Release of prepaid lease payments	**484**	323
Amortisation of intangible assets	**3,005**	2,576
Increase in fair value of investment properties	**(25,568)**	(11,727)
Share of results of associates	**37,161**	7,497
Share-based payment expenses	**29,538**	4,831
Finance costs	**869**	872
Reclassification adjustments on disposal of available-for-sale investments	**(27,456)**	–
Loss (gain) on disposal of subsidiaries	**36,024**	(141)
Gain on deemed disposal/disposal of an associate	**(100)**	(1,437)
Operating cash outflow before movements in working capital	**(17,601)**	(12,276)
Increase in inventories	**(1,854)**	(5,279)
(Increase) decrease in trade and other receivables	**(68,349)**	12,096
(Increase) decrease in amounts due from associates	**(28,830)**	5,028
Decrease in amounts due from investees	**172**	1,559
Decrease in amounts due from non-controlling interest of subsidiaries	**–**	464
Decrease in amount due from a related party	**5**	453
Increase in held for trading investments	**(96,733)**	(17,602)
Increase in trade and other payables	**2,702**	5,738
Cash used in operations	**(210,488)**	(9,819)
Income tax paid	**(7,926)**	(5,849)
NET CASH USED IN OPERATING ACTIVITIES	**(218,414)**	(15,668)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31st December, 2010

	Notes	1.1.2010 to 31.12.2010 HK$'000	1.4.2009 to 31.12.2009 HK$'000 (restated)
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		**(89,237)**	(78,621)
Purchase of available-for-sale investments		**(47,070)**	(69,364)
Investment in associates		**(46,936)**	(12,008)
Advances of loans receivables		**(19,980)**	(20,538)
Purchase of investment properties		**(72,615)**	(82,033)
Proceeds on disposal of assets held for sale		**(5,025)**	–
Disposal of subsidiaries	46	**(4,799)**	(1,367)
Increase in pledged bank deposits		**(7)**	(5)
Proceeds from disposal of available-for-sale investments		**78,156**	39,690
Proceeds on disposal of investment properties		**60,375**	–
Dividend received from unlisted investments classified as available-for-sale investments		**202**	579
Interest received		**8,834**	1,854
Repayment of loans receivable		**6,715**	12,118
Dividend received from associates		**5,008**	375
Proceeds from disposal of property, plant and equipment		**1,746**	260
Proceeds on disposal of partial interest in a subsidiary		**900**	–
Acquisition of subsidiaries	45	**7**	(103,898)
Proceeds from disposal of an associate		**–**	2,190
NET CASH USED IN INVESTING ACTIVITIES		**(123,726)**	(310,768)
FINANCING ACTIVITIES			
Proceeds from issue of shares		**475,875**	–
New bank borrowing raised		**100,000**	11,340
Advance from (repayment to) an investee		**36**	(1,941)
Advance from (repayment to) a related company		**1**	(16)
Expenses paid in connection with issue of shares		**(11,926)**	–
Repayment of bank borrowing		**(5,825)**	–
Dividend paid to non-controlling interests of subsidiaries		**(948)**	(826)
Interest paid		**(869)**	(872)
Payment on shares repurchased		**–**	(9,020)
Repayment to non-controlling interests of subsidiaries		**–**	(1,472)
NET CASH FROM (USED IN) FINANCING ACTIVITIES		**556,344**	(2,807)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**214,204**	(329,243)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR/PERIOD		**155,306**	484,549
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR/PERIOD, representing by bank balances and cash		**369,510**	155,306

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.

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

The addresses of the registered office and principal place of business of the Company are disclosed in the Corporate Information of the report.

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 53 and 27 respectively.

2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

During the period ended 31st December, 2009, 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 having financial year end on 31st December. Such alignment will facilitate the preparation of the Group's consolidated financial statements. Accordingly, 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 nine months period from 1st April, 2009 to 31st December, 2009 and therefore may not be comparable with amounts shown for the current year.

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

In the current year, the Group has applied the following new and revised Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

HKFRS 2 (Amendments)	Group Cash-settled Share-based Payment Transactions
HKFRS 3 (as revised in 2008)	Business Combinations
HKAS 27 (as revised in 2008)	Consolidated and Separate Financial Statements
HKAS 39 (Amendments)	Eligible Hedged Items
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009
HKFRSs (Amendments)	Amendments to HKFRS 5 as part of Improvements to HKFRSs issued in 2008
HK(IFRIC) – Int 17	Distributions of Non-cash Assets to Owners
HK – Int 5	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

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

Except for described below, the application of the new and revised Standards and Interpretations in the current year has had no material effect on the amounts reported in these consolidated financial statements and/or disclosures set out in these consolidated financial statements.

The application of HKFRS 3, HKAS 27 and HKAS 28 has resulted in changes in the Group's accounting policies but has had no impact on the consolidated financial statements of the Group for the current and prior periods.

Amendments to HKAS 17 Leases

As part of Improvements to HKFRSs issued in 2009, HKAS 17 Leases has been amended in relation to the classification of leasehold land. Before the amendments to HKAS 17, the Group was required to classify leasehold land as operating leases and to present leasehold land as prepaid lease payments in the consolidated statement of financial position. The amendments to HKAS 17 have removed such a requirement. The amendments require that the classification of leasehold land should be based on the general principles set out in HKAS 17, that is, whether or not substantially all the risks and rewards incidental to ownership of a leased asset have been transferred to the lessee.

In accordance with the transitional provisions set out in the amendments to HKAS 17, the Group reassessed the classification of unexpired leasehold land as at 1st January, 2010 based on information that existed at the inception of the leases. Leasehold land that qualifies for finance lease classification has been reclassified from prepaid lease payment to property, plant, and equipment retrospectively. This resulted in prepaid lease payments with the carrying amounts of HK$9,267,000 and HK$9,085,000 as at 1st April, 2009 and 31st December, 2009 respectively being reclassified to property, plant and equipment.

As at 31st December, 2010, leasehold land that qualifies for finance lease classification with the carrying amount of approximately HK$8,598,000 has been included in property, plant and equipment. The application of the amendments to HKAS 17 has had no impact on the reported profit or loss for the current and prior years.

The effects of the above changes in accounting policies on the financial positions of the Group as at 1st April, 2009 and 31st December, 2009 are as follows:

	As at 1.4.2009 (originally stated) HK$'000	Adjustments HK$'000	As at 1.4.2009 (restated) HK$'000	As at 31.12.2009 (originally stated) HK$'000	Adjustments HK$'000	As at 31.12.2009 (restated) HK$'000
Property, plant and equipment	19,902	9,267	29,169	165,567	9,085	174,652
Prepaid lease payment – non-current	9,025	(9,025)	–	34,018	(8,843)	25,175
Prepaid lease payment – current	242	(242)	–	795	(242)	553
	29,169	–	29,169	200,380	–	200,380

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

Hong Kong Interpretation 5 Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

Hong Kong Interpretation 5 Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause ("HK Int 5") clarifies that term loans that include a clause that gives the lender the unconditional right to call the loans at any time ("repayment on demand clause") should be classified by the borrower as current liabilities. The Group has applied HK Int 5 for the first time in the current year. Hong Kong Interpretation 5 requires retrospective application.

In order to comply with the requirements set out in HK Int 5, the Group has changed its accounting policy on classification of term loans with a repayment on demand clause. In the past, the classification of such term loans were determined based on the agreed scheduled repayment dates set out in the loan agreements. Under HK Int 5, term loans with a repayment on demand clause are classified as current liabilities.

As at 31st December, 2010, bank borrowing that is repayable within one year after the end of the reporting period but contain a repayment on demand clause with the aggregate carrying amount of HK$95,000,000. No such clause noted for bank borrowing as at 31st December,2009.

In order to comply with the requirements set out in HK Int 5, the bank borrowing that contain a repayment on demand clause has been reclassified from less than three months to on demand as at 31st December, 2010 under the liquidity risk and interest rate risk table shown in note 7b.

Since the bank borrowing that contain a repayment on demand clause is classified as current liabilities. The application of HK Int 5 has had no impact on the statement of financial positions and reported profit or loss for the current and prior years.

Such term loans have been presented in the earliest time band in the maturity analysis for financial liabilities (see note 7 for details).

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

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2010[1]
HKFRS 7 (Amendments)	Disclosures – Transfers of Financial Assets[3]
HKFRS 9	Financial Instruments[4]
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets[5]
HKAS 24 (as revised in 2009)	Related Party Disclosures[6]
HKAS 32 (Amendments)	Classification of Rights Issues[7]
HK(IFRIC) – Int 14 (Amendments)	Prepayments of a Minimum Funding Requirement[6]
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments[2]

1 Effective for annual periods beginning on or after 1st July, 2010 or 1st January, 2011, as appropriate.
2 Effective for annual periods beginning on or after 1st July, 2010.
3 Effective for annual periods beginning on or after 1st July, 2011.
4 Effective for annual periods beginning on or after 1st January, 2013.
5 Effective for annual periods beginning on or after 1st January, 2012.
6 Effective for annual periods beginning on or after 1st January, 2011.
7 Effective for annual periods beginning on or after 1st February, 2010.

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

HKFRS 9 Financial Instruments (as issued in November 2009) introduces new requirements for the classification and measurement of financial assets. HKFRS 9 Financial Instruments (as revised in November 2010) adds requirements for financial liabilities and for derecognition.

- Under HKFRS 9, all recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement are subsequently measured at either amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.

- In relation to financial liabilities, the significant change relates to financial liabilities that are designated as at fair value through profit or loss. Specifically, under HKFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the presentation of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

HKFRS 9 is effective for annual periods beginning on or after 1st January, 2013, with earlier application permitted. Based on the Group's financial assets and financial liabilities as at 31st December, 2010, the directors anticipate that the application of HKFRS 9 may affect the classification and measurement of the Group's available-for-sales investments on the consolidated financial statements.

The amendments to HKAS 12 titled Deferred Tax: Recovery of Underlying Assets mainly deal with the measurement of deferred tax for investment properties that are measured using the fair value model in accordance with HKAS 40 Investment Property. Based on the amendments, for the purposes of measuring deferred tax liabilities and deferred tax assets for investment properties measured using the fair value model, the carrying amounts of the investment properties are presumed to be recovered through sale, unless the presumption is rebutted in certain circumstances. Based on the Group's investment properties as at 31st December, 2010, the directors anticipate that the application of the amendments to HKAS 12 may have an impact on deferred tax recognised for investment properties that are measured using the fair value model, it may result in the decrease in deferred tax liabilities in which the amount will be recognised in profit and loss and the application is retrospective.

The directors anticipate that the application of the other new and revised standards or interpretations will have no material impact on the consolidated financial statements.

4. SIGNIFICANT ACCOUNTING POLICIES

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

The consolidated financial statements have been prepared on the historical cost basis except for the investment properties and certain financial instruments that are measured at fair values, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for goods.

The significant accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (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 in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein.

Allocation of total comprehensive income to non-controlling interests

Total comprehensive income and expense of a subsidiary is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. Prior to 1st January, 2010, losses applicable to the non-controlling interests in excess of the non-controlling interests in the subsidiary's equity were allocated against the interests of the Group except to the extent that the non-controlling interests had a binding obligation and were able to make an additional investment to cover the losses.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in existing subsidiaries on or after 1st January, 2010

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Basis of consolidation *(Continued)*

Changes in the Group's ownership interests in existing subsidiaries (Continued)

Changes in the Group's ownership interests in existing subsidiaries on or after 1st January, 2010 *(Continued)*

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Where certain assets of the subsidiary are measured at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Company had directly disposed of the related assets (i.e. reclassified to profit or loss or transferred directly to retained earnings). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39 Financial Instruments: Recognition and Measurement or, when applicable, the cost on initial recognition of an investment in an associate or a jointly controlled entity.

Changes in the Group's ownership interests in existing subsidiaries prior to 1st January, 2010

Increases in interests in existing subsidiaries were treated in the same manner as the acquisition of subsidiaries, with goodwill or a bargain purchase gain being recognised where appropriate. For decreases in interests in subsidiaries, regardless of whether the disposals would result in the Group losing control over the subsidiaries, the difference between the consideration received and the adjustment to the non-controlling interests was recognised in profit or loss.

Business combinations

Business combinations that took place on or after 1st January, 2010

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition related costs are generally recognised in profit or loss as incurred.

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

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

- liabilities or equity instruments related to share-based payment transactions of the acquiree or the replacement of an acquiree's share-based payment transactions with share-based payment transactions of the Group are measured in accordance with HKFRS 2 Share-based Payment at the acquisition date; and

- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combinations *(Continued)*

Business combinations that took place on or after 1st January, 2010 (Continued)

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value or another measurement basis required by another Standard.

Where the consideration the Group transfers in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and considered as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments being made against goodwill or gain on bargain purchase. Measurement period adjustments are adjustments that arise from additional information obtained during the measurement period about facts and circumstances that existed as of the acquisition date. Measurement period does not exceed one year from the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with HKAS 39, or HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

Changes in the value of the previously held equity interest recognised in other comprehensive income and accumulated in equity before the acquisition date are reclassified to profit or loss when the Group obtains control over the acquiree.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combinations *(Continued)*

Business combinations that took place prior to 1st January, 2010

Acquisition of businesses was accounted for using the purchase method. The cost of the acquisition was 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 met the relevant conditions for recognition were generally recognised at their fair value at the acquisition date.

Goodwill arising on acquisition was recognised as an asset and initially measured at cost, being the excess of the cost of the acquisition over the Group's interest in the recognised amounts of the identifiable assets, liabilities and contingent liabilities recognised. If, after assessment, the Group's interest in the recognised amounts of the acquiree's identifiable assets, liabilities and contingent liabilities exceeded the cost of the acquisition, the excess was recognised immediately in profit or loss.

The minority interest in the acquiree was initially measured at the minority interest's proportionate share of the recognised amounts of the assets, liabilities and contingent liabilities of the acquiree.

Contingent consideration was recognised, if and only if, the contingent consideration was probable and could be measured reliably. Subsequent adjustments to contingent consideration were recognised against the cost of the acquisition.

Business combinations achieved in stages were accounted for as separate steps. Goodwill was determined at each step. Any additional acquisition did not affect the previously recognised goodwill.

Goodwill

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

For the purposes of impairment testing, goodwill is allocated to each of the cash-generating units (or groups of cash-generating units), that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently whenever there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit, 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 in the consolidated statement of comprehensive income. An impairment loss recognised for goodwill is not reversed in subsequent periods.

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments 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 investee 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 initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise in the Group's share of the profit or loss and other comprehensive income of the associates. 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. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

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 an associate recognised at the date of acquisition is recognised as goodwill, which is included within the carrying amount of the investment.

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

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 *Impairment of Assets* as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount, any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

From 1st January, 2010 onwards, upon disposal of an associate that results in the Group losing significant influence over that associate, any retained investment is measured at fair value at that date and the fair value is regarded as its fair value on initial recognition as a financial asset in accordance with HKAS 39. The difference between the previous carrying amount of the associate attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when it loses significant influence over that associate.

When a group entity transacts with its associate, profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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 non-current asset is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

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.

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

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

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably. 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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition *(Continued)*

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' rights to receive payment have been established (provided that it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably).

Property, plant and equipment

Property, plant and equipment including land and 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, if any.

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

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

Investment properties

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

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values 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.

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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Intangible assets

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair values (which is regarded as their cost) 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 method.

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 lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed. Contingent rentals arising under operating leases are recognised as expenses in the periods in which they are incurred.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leasing *(Continued)*

Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis except for those that are classified and accounted for as investment properties under the fair value model. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment, unless it is clear that both elements are operating leases, in which case the entire lease is classified as an operating lease.

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 the respective 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 retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

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

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's operations in other parts of the PRC are translated into the presentation currency of the Group (i.e. 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).

From 1st January, 2010 onwards, on the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a jointly controlled entity that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss. In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of associates or jointly controlled entities that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currencies *(Continued)*

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 the 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. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profit will be available against which those 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.

The carrying amount of deferred tax assets is reviewed at the end of the 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 assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is recognised in 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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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 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.

Interest 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 remeasurement 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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets (Continued)

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.

Available-for-sale financial assets are measured at fair value at the end of the 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 of financial assets below).

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 the reporting period (see accounting policy on impairment of financial assets below).

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/a related party/non-controlling interests 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 of financial assets below).

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of the 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
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets (Continued)

Impairment of financial assets *(Continued)*

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.

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, amounts due from associates and amounts due from investees, 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 or amounts due from associates or amounts due from investees 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 loss 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 other comprehensive income and accumulated in investment revaluation reserve. 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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by a group entity 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.

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, amount(s) due to associates/non-controlling interests 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.

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 in its entirety, 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.

On derecognition of a financial asset other than in its entirety (e.g. when the Group retains an option to repurchase part of a transferred asset or retains a residual interest that does not result in the retention of substantially all the risks and rewards of ownership and the Group retains control), the Group allocates the previous carrying amount of the financial asset between the part it continues to recognise under continuing involvement, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

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 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.

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 judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

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

Impairment of goodwill

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, 2010 and 31st December, 2009 and the details of the impairment test are disclosed in note 25.

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

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, 2010, the carrying amount of loans receivable amounted to HK$46,255,000 (2009: HK$32,990,000).

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.

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 redemption of existing debt.

7. FINANCIAL INSTRUMENTS

7a. Categories of financial instruments

	31.12.2010	31.12.2009
	HK$'000	HK$'000
Financial assets		
Held for trading investments	**459,861**	110,514
Available-for-sale investments	**113,376**	275,129
Loans and receivables (including cash and cash equivalents)	**488,400**	260,620
Financial liabilities		
Amortised cost	**120,368**	79,259

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/a related party/non-controlling interests of subsidiaries, pledged bank deposits, bank balances and cash, 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.

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 loans receivable for both periods and fixed-rate bank borrowing for the period ended 31st December, 2009. 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 bank borrowing 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 20 basis points (2009: 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.

7. FINANCIAL INSTRUMENTS *(Continued)*

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

Market risk (Continued)

(i) Interest rate risk *(Continued)*

Sensitivity analysis *(Continued)*

If interest rates had been 20 basis points (2009: 50 basis points) higher/lower and all other variables were held constant, the Group's profit for the year ended 31st December, 2010 would decrease/increase by HK$159,000 (nine months ended 31st December, 2009: HK$Nil). This is mainly attributable to the Group's exposure to interest rates on its variable-rate bank borrowings.

The basis points applied in the sensitivity analysis is decreased to 20 basis points in current year of which management considered that is more representable in current financial market.

(ii) Price risk on listed securities

The Group is exposed to equity price risk through its investments in listed 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.

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

– profit for the year ended 31st December, 2010 would increase/decrease by HK$1,920,000 (nine months ended 31st December, 2009: loss would decrease/increase by HK$548,000) 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$330,000 (nine months ended 31st December, 2009: investments revaluation reserve/recognition of impairment loss on available-for-sale investment would increase by HK$1,375,000) for the Group as a result of the changes in fair value of available-for-sale investments.

Credit risk

As at 31st December, 2010, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

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 the 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.

7. FINANCIAL INSTRUMENTS *(Continued)*

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

Credit risk (Continued)

The Group's concentration of credit risk by geographical locations is mainly in Hong Kong and the PRC, which accounted for 100% (2009: 38%) and Nil (2009: 62%) of the total trade receivables as at 31st December, 2010 respectively. The Group has concentration of credit risk by customer as 76% (2009: 34%) and 46% (2009: 14%) of the total trade receivables were due from the Group's five largest customers and largest customer respectively. As at 31st December, 2010, the Group also has concentration of credit risk on loans receivable due from four individuals amounting to HK$31,306,000 and an employee amounting to HK$5,370,000 (2009: four individuals amounting to HK$16,886,000 and an employee amounting to HK$5,606,000), 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.

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 non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. Specifically, bank loans with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates.

The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curve at the end of the reporting period.

Liquidity and interest risk tables

	Weighted average effective interest rate	On demand HK$'000	Less than 3 months HK$'000	3-6 months HK$'000	6 months to 1 year HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31.12.2010 HK$'000
31st December, 2010							
Non-derivative financial liabilities:							
Trade and other payables	–	–	11,715	–	–	11,715	11,715
Amounts due to non-controlling interests of subsidiaries	–	2,693	–	–	–	2,693	2,693
Amount due to an investee	–	339	–	–	–	339	339
Amounts due to associates	–	–	10,620	–	–	10,620	10,620
Amount due to a related party	–	1	–	–	–	1	1
Variable rate bank borrowing	1.80%	95,442	–	–	–	95,442	95,000
		98,475	22,335	–	–	120,810	120,368

7. FINANCIAL INSTRUMENTS *(Continued)*

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

Liquidity risk (Continued)

Liquidity and interest risk tables *(Continued)*

	Weighted average effective interest rate	On demand HK$'000	Less than 3 months HK$'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 non-controlling interest 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
		2,996	77,173	–	–	80,169	79,259

Bank loans with a repayment on demand clause are included in the "on demand" time band in the above maturity analysis. As at 31st December, 2010, the aggregate undiscounted principal amounts of these bank loans amounted to HK$95,000,000. Taking into account the Group's financial position, the directors do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The directors believe that such bank loans will be repaid within after the reporting date in accordance with the scheduled repayment dates set out in the loan agreements. At that time, the aggregate principal and interest cash outflows will amount to HK$95,442,000.

Maturity Analyses – Terms loans subject to a repayment on demand clause based on scheduled repayments

	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
31st December, 2010					
Variable rate bank borrowing	1.80%	95,442	–	–	95,442

7. FINANCIAL INSTRUMENTS *(Continued)*

7c. Fair value

The fair values of financial assets (including available-for-sale investments stated in fair value and held for trading investments) are determined as follows:

- the fair value of financial assets with standard terms and conditions and traded in active liquid markets are determined with reference to quoted market price.

- the fair value of other financial assets and financial liabilities (excluding derivative instruments) is determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised costs in the consolidated financial statements approximate their fair values.

Fair value measurements recognised in the consolidated statement of financial position

As at 31st December, 2010 and 2009, all of the Group's financial instruments at fair value through profit and loss were measured using fair value measurements which derived from quoted prices (unadjusted) in active market for identical assets or liabilities.

8. REVENUE

Continuing operations

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

	1.1.2010 to 31.12.2010 HK$'000	1.4.2009 to 31.12.2009 HK$'000
Provision of healthcare and dental services (note)	**291,083**	231,955
Properties	**2,601**	–
Others	**13,763**	13,145
Revenue	**307,447**	245,100
Gross proceeds from sale of securities	**1,118,515**	374,984
Gross proceeds from continuing operations	**1,425,962**	620,084

Note: It mainly represents the revenue from healthcare services.

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 and the segment information is organised by the business activities.

In previous periods, the Group reported its primary segment information based on three major operating divisions using the risks and returns approach – (1) provision of healthcare and dental services, (2) sales of healthcare and pharmaceutical products and (3) others. Operation for sales of healthcare and pharmaceutical products were discontinued during current year after major subsidiaries related to this segment disposed during the year. 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, thus the segment information reported does not include any amounts for the discontinued operation, which is described in more detail in note 17 to the consolidated financial statements. During the current year, two new segments, securities trading and properties are established, since the performance of the two segments is growing and regularly reviewed by the Chief Executive Officer for the purpose of resources allocation and performance assessment. 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
- Securities trading – Trading of issued securities
- Properties – Leasing of properties
- Others – Catering, provision of management and administrative services and provision of beauty and skincare services

9. SEGMENT INFORMATION *(Continued)*

Segment revenues and results

For the year ended 31st December, 2010

	Provision of healthcare and dental services HK$'000	Securities trading HK$'000	Properties HK$'000	Others HK$'000	Total HK$'000
GROSS PROCEEDS FROM CONTINUING OPERATIONS – SEGMENT REVENUE FROM EXTERNAL SALES (Note)	291,083	1,118,515	2,601	13,763	1,425,962
RESULTS					
Segment results	14,236	240,692	21,555	7,957	284,440
Other income					38,219
Unallocated corporate expenses					(84,501)
Share-based payment expenses					(29,538)
Finance costs					(869)
Gain on disposal of an associate					100
Gain on disposal of subsidiaries					1,853
Share of results of associates					(37,161)
Profit before tax					172,543
Income tax expenses					(45,595)
Profit for the year (continuing operations)					126,948

9. SEGMENT INFORMATION *(Continued)*

Segment revenues and results *(Continued)*

For the nine months ended 31st December, 2009

	Provision of healthcare and dental services HK$'000	Securities trading HK$'000	Properties HK$'000	Others HK$'000	Total HK$'000
GROSS PROCEEDS FROM CONTINUING OPERATIONS – SEGMENT REVENUE FROM EXTERNAL SALES (Note)	231,955	374,984	–	13,145	620,084
RESULTS					
Segment results	19,802	28,638	10,814	4,149	63,403
Other income					13,742
Unallocated corporate expenses					(70,453)
Share-based payment expenses					(4,831)
Finance costs					(157)
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)
Loss before tax					(16,215)
Income tax expenses					(5,766)
Loss for the period (continuing operations)					(21,981)

Note: Reconciliation of total segment revenue from continuing operations to Group's consolidated revenue from continuing operations:

	1.1.2010 to 31.12.2010 HK$'000	1.4.2009 to 31.12.2009 HK$'000
Gross proceeds from continuing operations	**1,425,962**	620,084
Less: Gross proceeds from securities trading	**(1,118,515)**	(374,984)
Consolidated revenue from continuing operations	**307,447**	245,100

9. SEGMENT INFORMATION *(Continued)*

Segment revenues and results *(Continued)*

The accounting policies of the reporting segments are the same as the Group's accounting policies described in note 4. Segment profit represents the profit earned by each segment without allocation of central administration costs, directors' salaries, share of results of associates, other income, gain on deemed disposal/disposal of an associate, subsidiaries, share-based payment expenses, impairment loss recognised in respect of interests in associates and finance costs. This is the measure reported to the Chief Executive Officer for the purposes of resources allocation and performance assessment.

Other segment information

For the year ended 31st December, 2010

	Provision of healthcare and dental services HK$'000	Securities trading HK$'000	Properties 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	3,472	–	2,698	4,316	10,486	76,760	87,246
Depreciation of property, plant and equipment	3,704	–	330	9,760	13,794	4,965	18,759
Increase in fair value of investment properties	–	–	19,904	5,664	25,568	–	25,568
Impairment loss recognised in respect of:							
– goodwill arising on acquisition of subsidiaries, and medical and dental practices	17,390	–	–	–	17,390	–	17,390

9. SEGMENT INFORMATION *(Continued)*

Other segment information *(Continued)*

For the nine months ended 31st December, 2009

	Provision of healthcare and dental services HK$'000	Securities trading HK$'000	Properties 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	5,867	–	–	–	5,867	128,388	134,255
Depreciation of property, plant and equipment	5,160	–	182	80	5,422	690	6,112
Increase in fair value of investment properties	–	–	10,814	913	11,727	–	11,727
Impairment loss recognised in respect of:							
– goodwill arising on acquisition of subsidiaries, and medical and dental practices	2,315	–	–	2,762	5,077	–	5,077
– trade receivables	1,997	–	–	–	1,997	–	1,997

Geographical information

The Group's operations are located in Hong Kong. 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.

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 of continuing operations, irrespective of the origin of the goods/services:

	Non-current assets		Revenue	
	31.12.2010 HK$'000	31.12.2009 HK$'000 (restated)	**1.1.2010 to 31.12.2010 HK$'000**	1.4.2009 to 31.12.2009 HK$'000
Hong Kong	**693,200**	467,794	**307,447**	245,100
PRC	**–**	148,465	**–**	–
	693,200	616,259	**307,447**	245,100

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

10. OTHER INCOME

Continuing operations

	1.1.2010 to 31.12.2010 HK$'000	1.4.2009 to 31.12.2009 HK$'000
Interest income	**8,747**	1,562
Dividend income from listed investments classified as held for trading investments	**9,621**	–
Dividend income from unlisted investments classified as available-for-sale investments	**202**	579
Rental income	**7,752**	6,303
Sundry income	**11,897**	5,298
	38,219	13,742

11. OTHER EXPENSES, GAINS AND LOSSES

Continuing operations

	1.1.2010 to 31.12.2010 HK$'000	1.4.2009 to 31.12.2009 HK$'000
Gain on fair value changes on held for trading investments	**252,614**	59,204
(Impairment loss) reversal of impairment loss recognised in respect of:		
– goodwill arising on acquisition of subsidiaries, and medical and dental practices	**(17,390)**	(26,332)
– interests in associates	**–**	(12,000)
– trade receivables	**635**	(489)
Gain on disposal of investment classified as available-for-sale	**27,456**	–
	263,315	20,383

12. FINANCE COSTS

Continuing operations

	1.1.2010 to 31.12.2010 HK$'000	1.4.2009 to 31.12.2009 HK$'000
Interest on bank borrowings wholly repayable within five years	**869**	157

13. GAIN ON DEEMED DISPOSAL/DISPOSAL OF AN ASSOCIATE

Continuing operations

	1.1.2010 to 31.12.2010 HK$'000	1.4.2009 to 31.12.2009 HK$'000
Gain on disposal of an associate	**–**	1,437
Gain on deemed disposal of partial interest in an associate	**100**	–
	100	1,437

The Group held 49% interest in Luck Key Investment Limited ("Luck Key"). On 15th October, 2009 , the Group disposed of 100% interest in the Health Walk Limited and its subsidiaries to Hong Kong Health Check and Laboratory Holdings Company Limited (now known as China Gogreen Assets Investment Limited) (stock code: 397) ("Hong Kong Health Check") in exchange for 49% equity interest in its subsidiary known as Luck Key. Luck Key together with its subsidiaries are principally engaged in the provision of health check and health care related services. Following the Subscription Agreement entered by Luck Key and the subscriber in relation to the allotment and issue of Subscription Shares, the Group's interest was diluted from 49% to 46.01% on 5th October, 2010. During the year ended 31st December, 2010, a deemed disposal gain of HK$100,000 was resulted and credited to the consolidated statement of comprehensive income.

During the nine months ended 31st December, 2009, the Group had disposed its investment 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.

14. DIRECTORS' EMOLUMENTS

During the year/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 year/period.

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

For the year ended 31st December, 2010

	Fees HK$'000	Salaries and other benefits (excluding share-based payment expenses) HK$'000	Share-based payment expenses HK$'000	Retirement benefits scheme contributions HK$'000	Total emoluments HK$'000
Executive directors					
Miss Choi Ka Yee, Crystal	–	700	–	–	700
Dr. Cho Kwai Chee	–	15,520	–	12	15,532
Dr. Hui Ka Wah, Ronnie, *JP*	–	9,130	–	–	9,130
Mr. Lee Chik Yuet	–	2,678	407	12	3,097
	–	28,028	407	24	28,459
Non-executive directors					
Mr. Chan Kam Chiu	58	–	30	–	88
Mr. Ho Kwok Wah, George	96	–	30	–	126
Mr. Wai Kwok Hung, *SBS, JP*	72	–	41	–	113
Dr. Choi Chee Ming, *GBS, JP*	–	–	–	–	–
	226	–	101	–	327
Total	226	28,028	508	24	28,786

14. DIRECTORS' EMOLUMENTS *(Continued)*

For the nine months ended 31st December, 2009

	Fees HK$'000	Salaries and other benefits (excluding share-based payment expenses) HK$'000	Share-based payment expenses 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
Dr. Hui Ka Wah, Ronnie, *JP*	–	810	–	–	810
Mr. Lee Chik Yuet (Note)	–	248	–	2	250
	–	14,015	–	14	14,029
Non-executive directors					
Mr. Chan Kam Chiu	39	–	–	–	39
Mr. Ho Kwok Wah, George	48	–	–	–	48
Mr. Wai Kwok Hung, *SBS, JP*	43	–	–	–	43
Dr. Choi Chee Ming, *GBS, JP*	–	–	–	–	–
	130	–	–	–	130
Total	130	14,015	–	14	14,159

Note: Mr. Lee Chik Yuet was appointed as director of the Company on 15th October, 2009.

15. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, three (1.4.2009 to 31.12.2009: one) of them is an executive director of the Company whose emoluments are included in note 14 above. The emoluments of the remaining two (1.4.2009 to 31.12.2009: four) individuals were as follows:

	1.1.2010 to 31.12.2010 HK$'000	1.4.2009 to 31.12.2009 HK$'000
Salaries and other allowances	**5,269**	6,832
Performance bonus (Note)	**1,806**	2,830
Retirement benefits scheme contributions	**24**	36
	7,099	9,698

15. EMPLOYEES' EMOLUMENTS *(Continued)*

Their emoluments were within the following bands:

	1.1.2010 to 31.12.2010 Number of employees	1.4.2009 to 31.12.2009 Number of employees
HK$2,000,001 to HK$2,500,000	**–**	3
HK$2,500,001 to HK$3,000,000	**–**	1
Over HK$3,000,000	**2**	–
	2	4

During the year/period, 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 practicing.

16. INCOME TAX EXPENSES

Continuing operations

	1.1.2010 to 31.12.2010 HK$'000	1.4.2009 to 31.12.2009 HK$'000
Tax charge comprises:		
Current tax		
– Hong Kong Profits Tax	**41,243**	4,270
– Under (over) provision in prior period/years	**106**	(369)
	41,349	3,901
Deferred tax (note 42)		
– Current year/period	**4,246**	1,865
	4,246	1,865
	45,595	5,766

16. INCOME TAX EXPENSES *(Continued)*

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for the year/period.

Details of deferred taxation are set out in note 42.

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

	1.1.2010 to 31.12.2010 HK$'000	1.4.2009 to 31.12.2009 HK$'000
Profit (loss) before tax (from continuing operations)	**172,543**	(16,215)
Tax at the domestic income tax rate of 16.5% (1.4.2009 to 31.12.2009: 16.5%)	**28,470**	(2,675)
Tax effect of expenses not deductible for tax purpose	**8,617**	7,402
Tax effect of income not taxable for tax purpose	**(4,459)**	(1,435)
Tax effect of tax losses not recognised	**7,877**	5,185
Tax effect of share of results of associates	**6,132**	1,237
Utilisation of tax losses not previously recognised	**(1,055)**	(3,579)
Utilisation of deductible temporary difference not previously recognised	**(93)**	–
Under (over) provision in prior period/years	**106**	(369)
Income tax expenses for the year/period (relating to continuing operations)	**45,595**	5,766

17. DISCONTINUED OPERATIONS

On 26th April, 2010, 18th August, 2010 and 17th December, 2010, the Group entered into sale agreements to dispose of subsidiaries, Max Goodrich International Limited ("Max Goodrich"), Kingston Group Holdings Limited ("Kingston") and Good Pace International Limited (now known as Best Pharmaceutical Limited) ("Good Pace"), respectively which carried out substantially by all of the Group's sale of healthcare and pharmaceutical products operations. The disposal was effected in order to generate cash flows for the expansion of the Group's other businesses. The disposal was completed on 11th June, 2010, 31st July, 2010 and 17th December, 2010 respectively, on which dates control over Max Goodrich, Kingston and Good Pace passed to the acquirer.

The (loss)/profit for the year/period from the discontinued operations is analysed as follows:

	1.1.2010 to 31.12.2010 HK$'000	1.4.2009 to 31.12.2009 HK$'000
Profit of sale of healthcare and pharmaceutical operations for the year/period	**15,328**	9,758
Loss on disposal of sale of healthcare and pharmaceutical operations (see note 46)	**(37,877)**	–
	(22,549)	9,758

17. DISCONTINUED OPERATIONS *(Continued)*

The results of the sale of healthcare and pharmaceutical products operations have been included in the consolidated statement of comprehensive income, represents results from 1st January, 2010 to the completion date of disposal of respective subsidiaries ("respective period end date") were as follows:

	Max Goodrich		Kingston		Good Pace		Total	
	Period ended 31.5.2010 HK$'000	Period ended 31.12.2009 HK$'000	**Period ended 31.7.2010 HK$'000**	Period ended 31.12.2009 HK$'000	**Period ended 30.11.2010 HK$'000**	Period ended 31.12.2009 HK$'000	**2010 HK$'000**	2009 HK$'000
Revenue	**71,419**	176,809	**5,098**	4,240	**136,932**	30,677	**213,449**	211,726
Cost of sales	**(62,408)**	(153,915)	**(1,383)**	(1,263)	**(81,923)**	(12,814)	**(145,714)**	(167,992)
Administrative expenses	**(3,676)**	(9,442)	**(6,408)**	(5,932)	**(41,330)**	(14,234)	**(51,414)**	(29,608)
Finance costs	**–**	(288)	**–**	–	**(211)**	(427)	**(211)**	(715)
Other income	**74**	517	**180**	416	**1,366**	419	**1,620**	1,352
Profit (loss) before tax	**5,409**	13,681	**(2,513)**	(2,539)	**14,834**	3,621	**17,730**	14,763
Income tax expense	**(941)**	(4,080)	**–**	–	**(1,461)**	(925)	**(2,402)**	(5,005)
Profit (loss) for the period	**4,468**	9,601	**(2,513)**	(2,539)	**13,373**	2,696	**15,328**	9,758

17. DISCONTINUED OPERATIONS *(Continued)*

	Max Goodrich		Kingston		Good Pace	
	Period ended 31.5.2010 HK$'000	Period ended 31.12.2009 HK$'000	**Period ended 31.7.2010 HK$'000**	Period ended 31.12.2009 HK$'000	**Period ended 30.11.2010 HK$'000**	Period ended 31.12.2009 HK$'000
Profit (loss) for the period from discontinued operations include the following:						
Staff costs						
– Other staff's salaries, bonus and other benefits	**840**	2,074	**2,286**	1,777	**2,019**	1,233
– Other staff's retirement benefits scheme contributions	**102**	56	**128**	34	**286**	135
	942	2,130	**2,414**	1,811	**2,305**	1,368
Auditor's remuneration	**35**	151	**–**	11	**79**	4
Additions to property, plant and equipment	**1,291**	13,570	**156**	390	**782**	20,078
Cost of inventories recognised as expenses	**62,408**	153,915	**1,383**	1,263	**81,924**	9,370
Depreciation of property, plant and equipment	**470**	830	**78**	70	**587**	1,158
Release of prepaid lease payments	**–**	–	**–**	–	**484**	323
Amortisation of intangible assets	**–**	–	**–**	–	**829**	298
Impairment loss recognised in respect of goodwill arising on acquisition of subsidiaries	**–**	2,576	**–**	11,679	**–**	7,000
and after crediting:						
Interest income on bank deposit	**74**	287	**–**	1	**13**	4

The carrying amounts of the assets and liabilities of the above disposed subsidiaries at the date of disposal are disclosed in note 46 to the consolidated financial statements.

During the year, Max Goodrich, Good Pace and Kingston paid HK$23 million (2009: contributed HK$57 million) to the Group's net operating cash flows, paid HK$22 million (2009: paid HK$22 million) in respect of investing activities and contributed HK$15 million (2009: contributed HK$35 million) in respect of financing activities.

18. PROFIT (LOSS) FOR THE YEAR/PERIOD

	1.1.2010 to 31.12.2010 HK$'000	1.4.2009 to 31.12.2009 HK$'000
Profit (loss) for the year/period has been arrived at after charging:		
Continuing operations		
Staff costs		
– Directors' remuneration (note 14)	28,786	14,159
– Other staff's salaries, bonus and other benefits	194,099	144,732
– Other staff's retirement benefits scheme contributions	906	683
– Share-based payment expenses (note 44(b))	8,624	–
	232,415	159,574
Auditor's remuneration	1,851	1,949
Cost of inventories recognised as expenses	29,897	8,369
Depreciation of property, plant and equipment	18,759	5,930
Loss on disposal of property, plant and equipment	1,047	1,028
Amortisation of intangible assets (included in administrative expenses)	2,176	2,278
Share of tax of associates (included in share of results of associates)	2,068	261
Share-based payment expenses recognised on options granted to:		
平安信託投資有限責任公司 (unofficial English translation being Ping An Trust & Investment Company Limited) ("Ping An Trust") (note 44(c))	–	4,831
Ping An of China Securities (Hong Kong) Company Limited (note 44(c))	20,406	–
and after crediting:		
Gross rental income from investment properties	7,752	6,303
Less: Direct operating expense that generated rental income	–	(22)
Net rental income from investment properties	7,752	6,281

19. DIVIDENDS

The final dividend of HK$0.05 in respect of the year ended 31st December, 2010 (2009: nil) per share has been proposed by the directors of the Company and is subject to approval by the shareholders of the Company.

20. EARNINGS (LOSS) PER SHARE

For continuing and discontinued operations

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

	1.1.2010 to 31.12.2010 HK$'000	1.4.2009 to 31.12.2009 HK$'000
Earnings (loss)		
Earnings (loss) for the purposes of basic and diluted earnings (loss) per share:		
Profit (loss) for the year/period attributable to owners of the Company	**94,621**	(23,587)

Number of shares

	1.1.2010 to 31.12.2010	1.4.2009 to 31.12.2009
Weighted average number of ordinary shares for the purpose of basic earnings (loss) per share	**695,307,039**	303,288,815
Effect of dilutive potential ordinary shares:		
Share options	**2,752,523**	–
Weighted average number of ordinary shares for the purpose of diluted earnings (loss) per share	**698,059,562**	303,288,815

The weighted average number of ordinary shares for the purpose of basic and diluted earnings (loss) per share for the period ended 31st December, 2009 has been adjusted for the share consolidation on 25th May, 2009. Details of the transaction are set out in note 43(a).

The calculation of the diluted earnings (loss) per share for the period ended 31st December, 2009 did 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. EARNINGS (LOSS) PER SHARE *(Continued)*

From continuing operations

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

Earnings (loss) figures are calculated as follows:

	1.1.2010 to 31.12.2010 HK$'000	1.4.2009 to 31.12.2009 HK$'000
Profit (loss) for the year/period attributable to owners of the Company	**94,621**	(23,587)
Less:		
(Loss) profit for the year/period from discontinued operations	**(30,048)**	3,059
Profit (loss) for the purpose of basic earnings (loss) per share from continuing operations	**124,669**	(26,646)

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

From discontinued operations

Basic loss per share for the discontinued operations is HK$0.04 per share (2009: earning HK$0.01 per share) and diluted loss per share for the discontinued operations is HK$0.04 per share (2009: earning HK$0.01 per share), based on the loss for the period from the discontinued operations of approximately HK$30,048,000 (2009: earning HK$3,059,000) and the denominators detailed above for both basic and diluted earnings per share.

21. INVESTMENT PROPERTIES

	HK$'000
FAIR VALUE	
At 1st April, 2009	39,215
Additions	82,033
Increase in fair value recognised in profit or loss	11,727
At 31st December, 2009	132,975
Additions	72,615
Disposals	(60,375)
Transfer from property, plant and equipment (note 22)	21,167
Increase in fair value recognised in profit or loss	25,568
At 31st December, 2010	**191,950**

The fair value of the Group's investment properties at 31st December, 2010 and 2009 have been arrived at on the basis of a valuation carried out on that day by DTZ Debenham Tie Leung Limited, independent qualified 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$137,150,000 (2009: HK$41,975,000) to secure general banking facilities granted to the Group.

22. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and Buildings HK$'000	Leasehold improvements HK$'000	Furniture and fixtures HK$'000	Motor vehicles HK$'000	Tools and equipment HK$'000	Total HK$'000
COST						
At 1st April, 2009	12,185	39,620	1,668	1,721	33,851	89,045
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	145,413	41,789	1,722	7,182	21,812	217,918
Additions	1,963	73,531	3,881	2,596	7,266	89,237
Acquisition of subsidiaries	–	–	46	–	192	238
Disposals	(2,106)	(4,814)	(574)	–	(4,363)	(11,857)
Disposal of subsidiaries	(7,385)	(434)	(826)	(5,735)	(13,343)	(27,723)
Transfer to investment property (note 21)	(21,167)	–	–	–	–	(21,167)
At 31st December, 2010	**116,718**	**110,072**	**4,249**	**4,043**	**11,564**	**246,646**
ACCUMULATED DEPRECIATION						
At 1st April, 2009	1,257	33,316	998	956	23,349	59,876
Charge for the period	523	2,912	268	899	3,568	8,170
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	802	34,936	986	1,631	4,911	43,266
Charge for the year	7,296	6,990	635	1,014	3,959	19,894
Eliminated on disposals	(846)	(4,144)	(457)	–	(3,617)	(9,064)
Eliminated on disposal of subsidiaries	(536)	(542)	(353)	(1,182)	(2,122)	(4,735)
At 31st December, 2010	**6,716**	**37,240**	**811**	**1,463**	**3,131**	**49,361**
CARRYING VALUES						
At 31st December, 2010	**110,002**	**72,832**	**3,438**	**2,580**	**8,433**	**197,285**
At 31st December, 2009	144,611	6,853	736	5,551	16,901	174,652
At 1st April, 2009	10,928	6,304	670	765	10,502	29,169

22. 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:

Leasehold land and 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 carrying value of leasehold land represents land in Hong Kong with medium-term lease.

The Group has pledged certain property, plant and equipment having carrying values of approximately HK$113,750,000 (2009: HK$41,442,000) to secure general banking facilities granted to the Group.

23. PREPAID LEASE PAYMENTS

	31.12.2010 HK$'000	31.12.2009 HK$'000	1.4.2009 HK$'000
The Group's prepaid lease payments comprise leasehold interest in land under medium-term lease outside Hong Kong	**–**	25,728	–
Analysed for reporting purposes as:			
Current assets	**–**	553	–
Non-current assets	**–**	25,175	–
	–	25,728	–

24. LOANS RECEIVABLE

	31.12.2010 HK$'000	31.12.2009 HK$'000
Fixed-rate loans receivable	46,255	32,990
Analysed for reporting purposes as:		
Non-current portion (receivable after 12 months)	29,365	31,260
Current portion (receivable within 12 months)	16,890	1,730
	46,255	32,990

The range of effective interest rate (which are fixed rates, also equal to contractual interest rates) on the Group's loans receivable are 0.5% to 8.5% (2009: 1.5% to 6%) 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.

No loans receivable is past due but not impaired.

25. GOODWILL

	Subsidiaries	Medical and dental practices	Total
	HK$'000	HK$'000	HK$'000
COST			
At 1st April, 2009	65,844	28,505	94,349
Arising on acquisition of subsidiaries (note 45)	62,473	–	62,473
Arising on acquisition of additional interest in a subsidiary	46,893	–	46,893
Transfer	(55,260)	–	(55,260)
At 31st December, 2009	119,950	28,505	148,455
Arising on acquisition of subsidiaries (note 45)	275	–	275
Eliminated on disposal	(68,868)	–	(68,868)
At 31st December, 2010	**51,357**	**28,505**	**79,862**
IMPAIRMENT			
At 1st April, 2009	38,876	19,409	58,285
Impairment loss recognised during the period	25,594	738	26,332
At 31st December, 2009	64,470	20,147	84,617
Impairment loss recognised during the year	14,558	2,832	17,390
Eliminated on disposal	(29,608)	–	(29,608)
At 31st December, 2010	**49,420**	**22,979**	**72,399**
CARRYING VALUES			
At 31st December, 2010	**1,937**	**5,526**	**7,463**
At 31st December, 2009	55,480	8,358	63,838
At 1st April, 2009	26,968	9,096	36,064

25. 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, 2010 allocated to these units are as follows:

	31.12.2010 HK$'000	31.12.2009 HK$'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")	**4,872**	7,704
Noble Pioneer Limited ("Noble Pioneer")	**1,938**	11,686
Nu/Hart Hair Solutions Limited ("Nu/Hart")	**–**	639
Fair Jade Group Limited ("Fair Jade")	**–**	768
Town Health Healthcare Services Limited (formerly known as "Hoarder Rich Investments Limited") ("Town Health Healthcare")	**–**	1,190
Wise Best International Limited ("Wise Best") (Note)	**–**	–
	7,463	22,640
Trading of healthcare and pharmaceutical products ("Division B"):		
Max Goodrich	**–**	31,169
Good Pace	**–**	8,091
Audio Health Hearing Care (Shatin) Limited ("Audio Health")	**–**	1,938
	–	41,198
Provision of beauty and skincare services ("Division C")		
Dermagic Skin Treatment Centre Company Limited ("Dermagic")	**–**	–
	7,463	63,838

Note: Goodwill arising as a result of the acquisition was approximately HK$275,000 which was impaired during the year ended 31st December, 2010.

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

25. GOODWILL *(Continued)*

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% (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 year ended 31st December, 2010, the Group recognised an impairment loss of approximately HK$15,452,000 (nine months ended 31st December, 2009: HK$2,315,000) in relation to goodwill to CGUs of Town Health M&D, Noble Pioneer, Nu/Hart, Fair Jade, Town Health Healthcare and Wise Best 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% (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.

During the year ended 31st December, 2010, impairment loss of approximately HK$1,938,000 recognised (nine months ended 31st December, 2009: HK$21,255,000) in relation to goodwill to CGU in trading of healthcare and pharmaceutical products.

Division C

The recoverable amount of CGU of provision of beauty and skincare services is based on value in use calculations. Full amount of the goodwill was written off as at 31st December, 2009.

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.

26. OTHER 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, 2009	1,820	7,841	3,709	–	13,370
Acquired on acquisition of a subsidiary (note 45)	–	–	–	9,028	9,028
At 31st December, 2009	1,820	7,841	3,709	9,028	22,398
Eliminated on disposal of subsidiaries (note 46)	–	–	–	(9,028)	(9,028)
At 31st December, 2010	**1,820**	**7,841**	**3,709**	**–**	**13,370**
AMORTISATION					
At 1st April, 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
Charge for the year	182	1,568	742	513	3,005
Eliminated on disposal of subsidiaries (note 46)	–	–	–	(811)	(811)
At 31st December, 2010	**1,820**	**4,537**	**2,411**	**–**	**8,768**
CARRYING VALUES					
At 31st December, 2010	**–**	**3,304**	**1,298**	**–**	**4,602**
At 31st December, 2009	182	4,872	2,040	8,730	15,824
At 1st April, 2009	728	6,048	2,596	–	9,372

26. OTHER 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	2½ years
Trade name	5 years
Business relationship with medical card sponsors	5 years
Patent	14 – 20 years

27. INTERESTS IN ASSOCIATES

	31.12.2010 HK$'000	31.12.2009 HK$'000
Cost less accumulated impairment of investments in unlisted associates	**311,195**	177,614
Share of post-acquisition profits, net of dividend received	**(51,398)**	(7,817)
Share of post-acquisition reserves	**2,738**	2,738
	262,535	172,535

Included in the cost of investments in associates was goodwill of HK$35,391,000 (2009: HK$52,135,000) arising on acquisition of associates.

During the year ended 31st December, 2010 and 2009, the directors of the Company reviewed the carrying value of the Group's associates. The entire carrying amount of the investment in associates (including goodwill) is tested for impairment in accordance with HKAS 36 Impairment of Assets as a single asset by comparing its recoverable amount with its carrying amount. Since the recoverable amount is higher when compared with its carrying amount, no impairment loss is recognised during the year ended 31st December, 2010. During the year ended 31st December, 2009, 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% (2009: 10.5% to 12%). Accordingly, impairment loss of approximately HK$12,000,000 was identified on those associates with poor performance and charged to the consolidated statement of comprehensive income for the period ended 31st December, 2009.

27. INTERESTS IN ASSOCIATES *(Continued)*

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

	1.1.2010 to 31.12.2010 HK$'000	1.4.2009 to 31.12.2009 HK$'000
Total assets	**915,039**	590,505
Total liabilities	**(293,674)**	(251,034)
Net assets	**621,365**	339,471
Group's share of net assets of associates (Note i and ii)	**227,144**	120,400
Revenue (Note i)	**286,800**	57,945
Loss for the year/period (Note i)	**77,758**	14,965
Group's share of losses of associates for the year/period (Note iii)	**37,161**	7,497

Notes:

(i) During the nine months ended 31st December, 2009, 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 and 31st December, 2009.

(ii) At 31st December, 2009, 廣州中大投資有限公司 ("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. The Group's share of net assets of associates would be HK$97,065,000 upon the capital contribution by 廣州中大 in accordance with the Framework Agreement.

(iii) Included in the Group's share of losses of associates for the year ended 31st December, 2010, is an impairment of goodwill of an associate amounted to approximately HK$30,200,000 (2009: Nil).

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

	1.1.2010 to 31.12.2010 HK$'000	1.4.2009 to 31.12.2009 HK$'000
Unrecognised share of losses of associates for the year/period	**(726)**	–
Accumulated unrecognised share of losses of associates	**(6,910)**	(6,184)

27. INTERESTS IN ASSOCIATES *(Continued)*

Details of the Group's principal associates at 31st December, 2010 and 31st December, 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, 2010	31st December, 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 ("BVI")	**46%**	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%**	40%	Operation of medical clinics in the PRC
杭州寶芝林科技有限公司 (Hangzhou Po Chi Lam Bio-technology Company Limited) ("Po Chi Lam")	Established	PRC	**38%**	40% (Note b)	Trading of healthcare products in Hong Kong and the PRC
Good Pace	Incorporated	BVI	**48% (Note c)**	–	Investment holding and its subsidiaries engaged in trading of healthcare products in the PRC
Max Goodrich	Incorporated	BVI	**48% (Note c)**	–	Investment holding and its subsidiaries engaged in trading of healthcare products in the PRC

27. 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 46(b).

Luck Key was established in BVI 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) Po Chi Lam was established in the PRC during the nine months ended 31st December, 2009, and is principally engaged in trading of healthcare products in Hong Kong and the PRC.

(c) The Group partially disposed the equity interest in Good Pace and Max Goodrich during the year ended 31st December, 2010 and these became associates of the Group.

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.

The financial year end date for Goldwell Investment Holdings Limited and Union Crown International Limited are 31st March. For the purpose of applying the equity method of accounting, the consolidated financial statements of Goldwell Investment Holdings Limited and Union Crown International Limited for the year ended 31st March, 2010 (Year ended 31st December, 2009) have been used as the Group considers that it is impracticable for Goldwell Investment Holdings Limited and Union Crown International Limited to prepare a separate set of financial statements as of 31st December. Appropriate adjustments have been made accordingly for the effects of significant transactions between that date and 31st December, 2010.

28. AVAILABLE-FOR-SALE INVESTMENTS

Available-for-sale investments comprise:

	31.12.2010 HK$'000	31.12.2009 HK$'000
Listed securities:		
– Equity securities listed in Hong Kong	**66,080**	274,903
Unlisted securities:		
– Equity securities (Note)	**47,296**	226
Total	**113,376**	275,129

Note: 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.

29. INVENTORIES

	31.12.2010 HK$'000	31.12.2009 HK$'000
Pharmaceutical supplies	**6,835**	43,018
Healthcare equipment	**1,007**	985
Dental materials and supplies	**708**	460
	8,550	44,463

30. TRADE AND OTHER RECEIVABLES

	31.12.2010 HK$'000	31.12.2009 HK$'000
Trade receivables	**13,041**	43,889
Less: allowance for doubtful debts	**(1,175)**	(1,810)
Total trade receivables, net of allowance	**11,866**	42,079
Deposits	**28,589**	28,818
Advances to suppliers	**–**	18,484
Other receivables	**12,300**	2,572
Prepayments	**5,640**	8,216
	58,395	100,169

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:

	31.12.2010 HK$'000	31.12.2009 HK$'000
0 – 60 days	**6,912**	33,096
61 – 120 days	**3,744**	6,811
121 – 180 days	**2,310**	2,841
181 – 240 days	**7**	193
241 – 360 days	**68**	948
	13,041	43,889

30. TRADE AND OTHER RECEIVABLES *(Continued)*

These 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.

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

	31.12.2010 **HK$'000**	31.12.2009 HK$'000
181 – 240 days	**7**	193
241 – 360 days	**68**	948
Total	**75**	1,141

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:

	31.12.2010 **HK$'000**	31.12.2009 HK$'000
Balance at the beginning of the year/period	**1,810**	1,321
Impairment losses recognised on receivables	**–**	1,997
Write back of impairment loss	**(635)**	(1,508)
Balance at the end of the year/period	**1,175**	1,810

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

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

31. HELD FOR TRADING INVESTMENTS

	31.12.2010 HK$'000	31.12.2009 HK$'000
Listed equity securities in Hong Kong	**459,861**	110,514

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

On 22nd November, 2010, the Group entered into an agreement and acquired a Convertible Notes with principal amount HK$19,250,000 from an independent third party at a cash consideration of HK$150,000,000. The Group shall have the right to convert the principal amount of the Convertible Notes into ordinary shares of ePRO Limited at the conversion price of HK$0.05 per share. The Group classified these Convertible Notes as held for trading investments.

On 20th December, 2010, the Group exercised the right and converted the full principal amount of the Convertible Notes to the shares under ePRO Limited at the conversion price of HK$0.05 per share. The Group held 385,000,000 shares representing 7.8% equity shares of eRPO Limited upon the completion of the conversion and classified these shares as held for trading investments. The fair value of the eRPO Limited's shares was HK$404,250,000 as at 20th December, 2010.

At the end of the reporting period, the fair value of eRPO Limited's shares was HK$350,350,000. The total gain due to changes in fair value was HK$200,350,000 which was recognised in profit and loss account of the Group during the year ended 31st December, 2010.

Besides transactions related to ePRO Limited mentioned above, the Group recorded HK$52,264,000 (2009: HK$59,204,000) gains due to change in fair value of various held for trading investments which are listed on the Stock Exchange.

32. AMOUNTS DUE FROM (TO) ASSOCIATES

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

	31.12.2010 HK$'000	31.12.2009 HK$'000
Movement in accumulated allowances:		
Balance at the beginning of the year/period	**12,334**	22,628
Transfer	**–**	(10,294)
Balance at the end of the year/period	**12,334**	12,334

33. AMOUNTS DUE FROM INVESTEES/AMOUNT DUE TO AN INVESTEE

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

At 31st December, 2010, the balance of amounts due from investees includes accumulated allowances of HK$1,663,000 (2009: HK$1,663,000).

34. AMOUNT DUE FROM A RELATED PARTY

	31.12.2010 **HK$'000**	31.12.2009 HK$'000
Kowloon Hearing Services Limited (Note)	–	5

Note: 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 subsidiary of the Company. The maximum balance during the year is HK$5,000 (2009: HK$5,000).

The balance is unsecured, interest-free and repayable on demand.

35. AMOUNTS DUE FROM (TO) NON-CONTROLLING INTERESTS OF SUBSIDIARIES

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

36. PLEDGED BANK DEPOSITS

The amounts 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 1.46% to 1.8% (1.4.2009 to 31.12.2009: 3.4% to 3.8%) per annum. The pledged bank deposits will be released upon the termination of the general banking facilities.

37. BANK BALANCES AND CASH

Bank balances and cash comprise cash held by the Group and bank balances that carry interest at market rates ranging from 0.01% to 0.36% (1.4.2009 to 31.12.2009: 0.01% to 2.9%) per annum and have original maturity of three months or less.

38. 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 sale was considered 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.

38. ASSETS CLASSIFIED AS HELD FOR SALE *(Continued)*

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
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 were all aged within 240 days for the period ended 31st December, 2009.

(ii) Amount included HK$392,000 of trade payables which were all aged within 240 days for the period ended 31st December, 2009.

39. TRADE AND OTHER PAYABLES

	31.12.2010 HK$'000	31.12.2009 HK$'000
Trade payables	**6,948**	32,917
Advances from customers	**–**	25,965
Other payables	**5,397**	4,833
Accruals	**39,579**	32,520
	51,924	96,235

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

	31.12.2010 HK$'000	31.12.2009 HK$'000
0 – 60 days	**6,882**	25,990
61 – 120 days	**62**	1,627
121 – 240 days	**2**	5,152
Over 240 days	**2**	148
	6,948	32,917

40. AMOUNT DUE TO A RELATED PARTY

	31.12.2010 HK$'000	31.12.2009 HK$'000
Kowloon Hearing Services Limited (Note)	**1**	–

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 is unsecured, interest-free and is repayable on demand.

41. BANK BORROWING

	31.12.2010 HK$'000	31.12.2009 HK$'000
Secured bank borrowing repayable within one year or on demand	**95,000**	12,548

As at 31st December, 2010, the bank borrowing of the Group carried variable interest rate at HIBOR+1% per annum.

As at 31st December, 2009, the bank borrowing of the Group carried fixed interest rate at 7.25% per annum.

42. 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 HK$'000	Tax losses HK$'000	Others HK$'000	Total HK$'000
At 1st April, 2009	3,977	(33)	(206)	3,738
Charge to profit or loss for the period	1,865	–	–	1,865
At 31st December, 2009	5,842	(33)	(206)	5,603
Charge to profit or loss for the year	4,234	–	12	4,246
At 31st December, 2010	**10,076**	**(33)**	**(194)**	**9,849**

42. DEFERRED TAX LIABILITIES *(Continued)*

At 31st December, 2010, the Group has unused tax losses of HK$106,735,000 (2009: HK$65,390,000) available for offset against future profits. A deferred tax asset has been recognised in respect of HK$200,000 (2009: HK$200,000) of such losses.

No deferred tax asset has been recognised in respect of the remaining tax losses of HK$106,535,000 (2009: HK$65,190,000) due to the unpredictability of future profit streams. Such losses may be carried forward indefinitely.

At 31st December, 2010, the Group had deductible temporary differences associated with specific provision on trade receivables of HK$1,175,000 (2009: HK$1,810,000). A deferred tax asset has been recognised in respect of HK$1,175,000 (2009: HK$1,248,000) of such deductible temporary differences. At 31st December, 2009, no deferred tax asset had been recognised in respect of HK$562,000 of such deductible temporary difference as it was uncertain that taxable profit would be available against which the deductible temporary differences can be utilised.

43. SHARE CAPITAL

	Number of shares	**Amount**
		HK$'000
Authorised:		
As at 1st April, 2009	30,000,000,000	300,000
Share consolidation (Note a)	(29,700,000,000)	–
Share subdivision (Note b)	29,700,000,000	–
As at 31st December, 2009 and 2010	**30,000,000,000**	**300,000**
Issued and fully paid:		
As at 1st April, 2009	29,680,515,724	296,805
Share consolidation (Note a)	(28,490,681,067)	(284,907)
Shares repurchased and cancelled (Note c)	(902,050,000)	(9,020)
Issue of consideration shares (Note d)	35,910,053	359
As at 31st December, 2009	323,694,710	3,237
Issue of new shares (Note e)	587,500,000	5,875
As at 31st December, 2010	**911,194,710**	**9,112**

43. SHARE CAPITAL *(Continued)*

Notes:

(a) 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 share 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 accumulated losses of the Company.

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

(c) 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 accumulated profits.

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

(d) On 1st June, 2009, 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 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 is 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 hereof. 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 is 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 hereof. 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.

(e) On 23rd February, 2010, the Company and the placing agent entered into the placing agreement pursuant to which the Company has agreed to place through the placing agent, on a best efforts basis, a maximum of 587,500,000 placing shares to not fewer than six placees who and whose ultimate beneficial owners are independent third parties at a price of HK$0.81 per placing share during the placing period. The placing price represents a discount of approximately 16.49% to the closing price of HK$0.97 per share as quoted on the Stock Exchange on the date of the placing agreement.

The above placement of shares were conditional and their respective conditions precedent were satisfied during the placing period. As a result, the placement of the aggregate of 587,500,000 placing shares were completed in three tranches on 22nd April, 2010, 6th May, 2010 and 3rd June, 2010 respectively whereby 150,000,000, 192,000,000 and 245,500,000 ordinary shares of the Company were allotted and issued to independent placees.

44. 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.

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 year and movement in such holding during the year are as follows:

For the year ended 31st December, 2010

	Date of grant	Exercisable period	Exercise price per share HK$ (Adjusted) (note)	Number of share options: Outstanding at 1st January, 2010 and 31st December, 2010
Employees	9.10.2007	9.10.2007 to 8.10.2017	11.1	**200,000**
Exercisable at the end of the year				**200,000**
Weighted average exercise price (HK$)				**11.1**

Note: The exercise price and number of share options outstanding for the year ended 31st December, 2010 have been adjusted and reflect the effect of share consolidation.

There is no exercise of share options during the year.

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

(a) 2002 Scheme *(Continued)*

For the nine months ended 31st December, 2009

	Date of grant	Exercisable period	Exercise price per share HK$ (Adjusted) (note)	Number of share options: 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	11.1	200,000	–	200,000
Employees	10.7.2008	10.7.2008 to 9.7.2009	10.4	600,000	(600,000)	–
				800,000	(600,000)	200,000
Exercisable at the end of the period						200,000
Weighted average exercise price (HK$)				10.6	10.4	11.1

Note: The exercise price and number of share options outstanding for the nine months ended 31st December, 2009 have been adjusted and reflect the effect of share consolidation.

There is no exercise of share options during the period.

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$0.10
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

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

(a) 2002 Scheme *(Continued)*

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

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.

(b) 2008 Scheme

The Company has, in accordance with Chapter 17 of 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.

44. 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:

For the year ended 31st December, 2010

	Date of grant	Exercisable period	Exercise price per share HK$	Number of share options: Outstanding at 1st January, 2010	Granted during the year	Outstanding at 31st December, 2010
Directors	18.6.2010	18.6.2010 to 17.6.2015	1.03	–	**2,500,000**	**2,500,000**
Employees	28.6.2010	28.6.2010 to 27.6.2015	1.064	–	**28,400,000**	**28,400,000**
Employees	2.11.2010	2.11.2010 to 1.11.2012	1.26	–	**12,000,000**	**12,000,000**
Employees	13.12.2010	13.12.2010 to 12.12.2012	1.43	–	**2,900,000**	**2,900,000**
				–	**45,800,000**	**45,800,000**
Exercisable at the end of the year						**45,800,000**
Weighted average exercise price (HK$)				**Nil**	**1.137**	**1.137**

During the year ended 31st December, 2010, the options were granted on 18th June, 2010, 28th June, 2010, 2nd November, 2010 and 13th December, 2010. The estimated fair values of the options granted under the 2008 Scheme for the year are HK$508,000, HK$5,527,000, HK$2,389,000 and HK$708,000, respectively.

The closing price of the Company's share on 18th June, 2010, 28th June, 2010, 2nd November, 2010 and 13th December, 2010 immediately before the grant of the share options was HK$1.03, HK$1.05, HK$1.26 and HK$1.43 per share respectively.

Options granted are fully vested at the date of grant.

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

Date of grant	**18th June, 2010**	**28th June, 2010**	**2nd November, 2010**	**13th December, 2010**
Closing share price at the date of grant	HK$1.03	HK$1.05	HK$1.26	HK$1.43
Exercise price	HK$1.03	HK$1.064	HK$1.26	HK$1.43
Expected volatility	49.46%	47.63%	39.59%	47.72%
Contractual life	5 years	5 years	2 years	2 years
Risk-free rate	0.53%	0.59%	0.28%	0.38%
Fair value per share option	HK$0.2033	HK$0.1946	HK$0.1991	HK$0.2441

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

(b) 2008 Scheme *(Continued)*

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 approximately HK$9,132,000 for the year ended 31st December, 2010 (nine months ended 31st December, 2009: nil) in relation to share options granted by the Company under the 2008 Scheme.

The fair values were calculated by Ascent Partners Transaction Service Limited ("Ascent Partners"), 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.

(c) Ping An Option

Ping An Option 1

Pursuant to a resolution passed at an extraordinary general meeting on 9th May, 2008, the Company granted options to Ping An Trust, a wholly-owned subsidiary of Ping An Insurance (Group) Company of China, Ltd. ("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 1") 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 1"), 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 1, entitling it to subscribe for additional shares equal to approximately 19.99% of the new shares.

With the Dilutive Events during the nine months ended 31st December, 2009, the Company granted Ping An Group additional right to subscribe for an 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 1 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 1 for the year and all options are lapsed during the year.

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

(c) Ping An Option *(Continued)*

Ping An Option 2

Pursuant to a resolution passed at the annual general meeting on 2nd June, 2010, the Company granted options to Ping An of China Securities (Hong Kong) Company Limited ("Ping An Securities"), a wholly-owned subsidiary of Ping An Group, the rights to subscribe for up to 30,000,000 shares of the Company ("Ping An Option 2") on 24th December, 2010 representing approximately 3.29% of the issued share capital of the Company. From 24th December, 2010 to 23rd December, 2012 (the "Call Option Period 2"), if the Company has any Dilutive Events, the Company shall grant further options to Ping An Securities, exercisable up to the expiry of the Call Option Period 2, entitling it to subscribe for additional shares equal to approximately 3.29% of the new shares.

Details of the share options granted under the Ping An Option 1 and Ping An Option 2 and movement in such holding during the year/period are as follows:

For the year ended 31st December, 2010

			Number of share options			
Date of grant	Exercisable period	Exercise price per share HK$ (Adjusted) (note)	Outstanding at 1st January, 2010	Granted during the year	Lapsed during the year	Outstanding at 31st December, 2010
Ping An Option 1						
23.6.2008	23.6.2008 to 22.2.2010	12.00	**33,935,831**	–	(33,935,831)	–
1.9.2009	1.9.2009 to 22.2.2010	1.498	**4,272,362**	–	(4,272,362)	–
1.9.2009	1.9.2009 to 22.2.2010	1.50	**9,059,999**	–	(9,059,999)	–
1.9.2009	1.9.2009 to 22.2.2010	4.00	**6,799,999**	–	(6,799,999)	–
Ping An Option 2						
24.12.2010	24.12.2010 to 23.12.2012	1.30	–	30,000,000	–	**30,000,000**
			54,068,191	30,000,000	(54,068,191)	**30,000,000**
Exercisable at the end of the year						**30,000,000**
Weighted average exercise price (HK$)			**8.405**	1.30	8.405	**1.30**

Note: The exercise price and number of share options outstanding for the year ended 31st December, 2010 have been adjusted and reflect the effect of share consolidation.

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

(c) Ping An Option *(Continued)*

Ping An Option 2 (Continued)

For the nine months ended 31st December, 2009

Date of grant	Exercisable period	Exercise price per share HK$ (Adjusted) (note)	Number of share options: Outstanding at 1st April, 2009	Granted during the period	Outstanding at 31st December, 2009
Ping An Option 1					
23.6.2008	23.6.2008 to 22.2.2010	12.00	33,935,831	–	33,935,831
1.9.2009	1.9.2009 to 22.2.2010	1.498	–	4,272,362	4,272,362
1.9.2009	1.9.2009 to 22.2.2010	1.50	–	9,059,999	9,059,999
1.9.2009	1.9.2009 to 22.2.2010	4.00	–	6,799,999	6,799,999
			33,935,831	20,132,360	54,068,191
Exercisable at the end of the year					54,068,191
Weighted average exercise price (HK$)			12.00	2.344	8.405

Note: The exercise price and number of share options outstanding for the nine months ended 31st December, 2009 have been adjusted and reflect the effect of share consolidation.

Save and except Ping An Trust, Ping An Securities may transfer the options to any subsidiary of Ping An Group, the options are not transferrable 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.

Options granted are fully vested at the date of grant.

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

(c) Ping An Option *(Continued)*

Ping An Option 2 (Continued)

The estimated fair values of options granted during the year ended 31st December, 2010 are approximately HK$20,406,000 (nine months ended 31st December, 2009: HK$4,831,000).

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

	Ping An Option 1		Ping An Option 2
Date of grant	**1st September, 2009**	**23rd June, 2008**	**24th December, 2010**
Closing share price at the date of grant	HK$1.36	HK$0.12	HK$1.56
Exercise price	HK$1.498 to HK$4.00	HK$0.12	HK$1.30
Expected volatility	104.76%	75.23%	68.975%
Contractual life	0.48 year	1.67 years	2 years
Risk-free rate	0.121%	2.504%	0.653%
Fair value per option	HK$0.0482 to HK$0.3382	HK$0.0513	HK$0.6802

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 approximately HK$20,406,000 for the year ended 31st December, 2010 (nine months ended 31st December, 2009: HK$4,831,000) in relation to options granted by the Company.

The fair values were calculated by GCAL and Ascent Partners for Ping An Option 1 and Ping An Option 2, respectively. 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.

45. ACQUISITION OF SUBSIDIARIES

For the year ended 31st December, 2010

On 17th April, 2010, the Group acquired 70% equity interest in Wise Best, a company incorporated in Hong Kong, from an independent third party, at a cash consideration of HK$175,000. Wise Best is engaged in providing healthcare services 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$275,000.

	HK$'000
Assets acquired and liabilities recognised at the date of acquisition are as follows:	
Property, plant and equipment	**238**
Inventories	**8**
Trade and other receivables	**88**
Bank balances and cash	**182**
Trade and other payables	**(616)**
	(100)
Goodwill (note 25)	**275**
	175
Satisfied by:	
Cash consideration paid	**175**
Analysis of net inflow of cash and cash equivalents in connection with the acquisition of subsidiary:	
Cash consideration paid	**175**
Bank balances and cash acquired	**(182)**
Net cash inflow in respect of the acquisition of subsidiary	**(7)**

For the expansion of the Group's business, the Group acquired subsidiary engaged in providing healthcare services in Hong Kong. Goodwill is attributable to the anticipated profitability from the subsidiary.

The subsidiary acquired during the year ended 31st December, 2010 contributed HK$1,859,000 to the Group's revenue and HK$428,000 to the Group's profit for the year.

Had the acquisition been completed on 1st January, 2010, total group revenue for the year would have been approximately HK$307,959,000, and profit for the year would have been approximately HK$104,281,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1st January, 2010, nor is it intended to be a projection of future results.

45. ACQUISITION OF SUBSIDIARIES *(Continued)*

For the period 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.

On 1st April, 2009, the Group acquired the 100% equity interest in Town Health Healthcare, a company incorporated in the BVI, from an independent third party, at a consideration of HK$40,870,000. Town Health Healthcare 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.

45. ACQUISITION OF SUBSIDIARIES *(Continued)*

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

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

	Max Goodrich			Good Pace			Kingston	台州太法	Fair Jade	Town Health Healthcare	
	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 26)	–	–	–	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
Non-controlling interests			(40,482)			(15,093)	3,536	(5,118)	–	–	(57,157)
Goodwill (note 25)			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
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

46. DISPOSAL OF SUBSIDIARIES

For the year ended 31st December, 2010

During the year ended 31st December, 2010, the Group had the following disposal of subsidiaries:

(i) On 31st January, 2010, the Group disposed of its entire 100% equity interest in Dermagic to an independent party, at a cash consideration of HK$1,500,000.

(ii) On 11th June, 2010, the Group disposed of 3% equity interest in Max Goodrich to an independent third party, at a cash consideration of HK$4,800,000. After the disposal, the Group owned 48% equity interest on Max Goodrich.

(iii) On 31st July, 2010, the Group disposed of its entire 100% equity interest in Kingston to an independent party, at a cash consideration of HK$1,000,000.

(iv) On 17th December, 2010, the Group disposed of 32% equity interest in Good Pace to an independent party, at a cash consideration of HK$29,000,000. After the disposal, the Group owned 48% equity interest on Good Pace.

Consideration received:

	Dermagic (i) HK$'000	Max Goodrich (ii) HK$'000	Kingston (iii) HK$'000	Good Pace (iv) HK$'000	Total HK$'000
Cash and total consideration received	1,500	4,800	1,000	29,000	36,300

Analysis of assets and liabilities over which control was lost:

	Dermagic (i) HK$'000	Max Goodrich (ii) HK$'000	Kingston (iii) HK$'000	Good Pace (iv) HK$'000	Total HK$'000
Goodwill	–	31,169	–	8,091	39,260
Property, plant and equipment	1,316	10,272	227	11,173	22,988
Prepaid lease payment	–	–	–	25,244	25,244
Other intangible assets	–	8,217	–	–	8,217
Inventories	12	22,667	3,092	12,004	37,775
Trade and other receivables	503	47,548	1,710	61,085	110,846
Bank balances and cash	33	7,516	643	32,907	41,099
Trade and other payables	(2,217)	–	(1,126)	(44,286)	(47,629)
Bank borrowings	–	–	–	(11,723)	(11,723)
Tax payable	–	(62)	–	(2,201)	(2,263)
Net (liabilities) assets disposed of	(353)	127,327	4,546	92,294	223,814
Non-controlling interests	–	(47,117)	–	(19,240)	(66,357)
	(353)	80,210	4,546	73,054	157,457

46. DISPOSAL OF SUBSIDIARIES *(Continued)*

For the year ended 31st December, 2010 *(Continued)*

Loss on disposal of subsidiaries:

	Dermagic (i) HK$'000	Max Goodrich (ii) HK$'000	Kingston (iii) HK$'000	Good Pace (iv) HK$'000	Total HK$'000
Consideration received	1,500	4,800	1,000	29,000	36,300
Net liabilities (assets) disposed of	353	(127,327)	(4,546)	(92,294)	(223,814)
Non-controlling interests	–	47,117	–	19,240	66,357
Fair value of the associates acquired	–	46,156	–	38,977	85,133
Gain (loss) on disposal (Note)	1,853	(29,254)	(3,546)	(5,077)	(36,024)
Net cash inflow arising on disposal:					
Cash consideration	1,500	4,800	1,000	29,000	36,300
Less: bank balances and cash disposed of	(33)	(7,516)	(643)	(32,907)	(41,099)
	1,467	(2,716)	357	(3,907)	(4,799)

Note: Gain on disposal of Dermagic amounted to HK$1,853,000 was included in the result of continuing operations since Dermagic was included in the operating segment of provision of healthcare and dental services. Loss on disposal of Max Goodrich, Kingston and Good Pace amounted to HK$37,877,000 was included in the loss for the year from discontinued operation as stated in note 17 to the consolidated financial statements.

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.

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.

As the fair value of the non-monetary contribution cannot be measured reliably, no gain/loss on disposal of Health Walk was 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 was transferred to interests in associates in note 27 to the consolidated financial statements.

46. DISPOSAL OF SUBSIDIARIES *(Continued)*

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

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
Non-controlling 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	–	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)

47. 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 basic payroll under rules of the schemes. The only obligation of the Group with respect to the retirement benefit schemes is to make the specified contributions.

The total cost charged to the consolidated statement of comprehensive income of approximately HK$1,422,000 (1.4.2009 to 31.12.2009: HK$908,000) represents contributions payable to the above schemes by the Group during the year/period.

48. OPERATING LEASES

The Group as lessee

	1.1.2010 to 31.12.2010 HK$'000	1.4.2009 to 31.12.2009 HK$'000
Minimum lease payments paid under operating leases in respect of properties during the year/period	**46,492**	40,235

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:

	31.12.2010 HK$'000	31.12.2009 HK$'000
Within one year	**25,102**	25,373
In the second to fifth year inclusive	**1,997**	14,401
	27,099	39,774

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 year ended 31st December, 2010, the Group had property rental income of approximately HK$7,752,000 (1.4.2009 to 31.12.2009: HK$6,303,000).

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:

	31.12.2010 HK$'000	31.12.2009 HK$'000
Within one year	**7,320**	3,784
In the second to fifth year inclusive	**4,526**	1,159
	11,846	4,943

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

49. PLEDGE OF ASSETS

As at 31st December, 2010 and 2009, certain prepaid lease payments, property, plant and equipment and investment properties of the Group with the carrying value of approximately nil (2009: HK$25,728,000), HK$113,750,000 (2009: HK$41,442,000) and HK$137,150,000 (2009: HK$41,975,000), respectively, and bank deposits of HK$5,012,000 (2009: HK$5,005,000) were pledged to secure general banking facilities granted to the Group.

50. RELATED PARTY TRANSACTIONS AND BALANCES

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

Name of related party	Nature of transactions	1.1.2010 to 31.12.2010 HK$'000	1.4.2009 to 31.12.2009 HK$'000
Kowloon Hearing Services Limited (note b)	Purchase of healthcare products	57	40
Wise Best International Limited (note a)	Management services fee income	–	1,559
Mutual Consultants Limited (note c)	Management services fee income	–	288
Advance Bond Limited (note c)	Rental income	828	621
Union Crown International Limited (note c)	Dividend income received	–	375
Hong Kong Bariatric and Metabolic Institute Limited (note c)	Management services fee income	4,782	3,726
Hong Kong Traumatology and Orthopaedics Institute Limited (note c)	Management services fee income	2,775	1,890

Notes:

(a) The Group further acquired the equity interest in Wise Best from 30% to 100% and it became a wholly owned subsidiary to the Group as at 31st December, 2010.

(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) The Group's associates during the year/period.

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 32, 33, 34, 35 and 40.

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

Compensation of key management personnel

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

	1.1.2010 to 31.12.2010 HK$'000	1.4.2009 to 31.12.2009 HK$'000
Short-term benefits	**28,230**	14,145
Post-employment benefits	**24**	14
	28,254	14,159

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 year/period or significant balances with them at the end of the year/period.

51. EVENTS AFTER THE REPORTING PERIOD

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

(a) On 6th January, 2011, the Group entered into the agreement with the vendor in relation to the purchase of convertible notes issued by ePRO Limited (stock code: 8086) in the principal amount of HK$11,584,000 at a consideration of HK$176,000,000. Upon conversion in full of the conversion rights attaching thereto at the prevailing conversion price, a total of 231,680,000 shares of HK$0.01 each in the share capital of ePRO Limited will be allotted and issued. The transaction was completed and the consideration was paid to the vendor in cash immediately upon signing of the agreement. Detail of the transaction are disclosed in an announcement of the Company dated 6th January, 2011.

(b) On 14th January, 2011, the Group has granted share options under its share option scheme adopted on 16th September, 2008 for an aggregate of 1,500,000 new shares of HK$0.01 each in the share capital of the Company. Detail of these are disclosed in an announcement of the Company dated 14th January, 2011.

52. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	31.12.2010 HK$'000	31.12.2009 HK$'000
ASSETS AND LIABILITIES		
Total non-current assets	**28,537**	28,537
Total current assets	**1,288,891**	759,845
Total current liabilities	**(97,455)**	(11,846)
Total net assets	**1,219,973**	776,536
CAPITAL RESERVES		
Share capital	**9,112**	3,237
Reserves (note)	**1,210,861**	773,299
	1,219,973	776,536

Note:

Reserves

	Share premium HK$'000	Capital redemption reserve HK$'000	Contributed surplus HK$'000	Distributable reserve HK$'000	Share options reserve HK$'000	Accumulated profits (loss) HK$'000	Total HK$'000
At 1st April, 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
Loss for the year	–	–	–	–	–	(50,050)	(50,050)
Shares issued	458,074	–	–	–	–	–	458,074
Recognition of equity settled share-based payment expenses	–	–	–	–	29,538	–	29,538
At 31st December, 2010	**508,715**	**9,020**	**28,180**	**62,677**	**210,106**	**392,163**	**1,210,861**

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 includes 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 share 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.

53. PRINCIPAL SUBSIDIARIES

Particulars of the Company's principal subsidiaries at 31st December, 2010 and 31st December, 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, 2010		31st December, 2009		
			Directly	Indirectly	Directly	Indirectly	
Audio Health Hearing Care (Shatin) Limited	Hong Kong/ limited liability company	HK$1,000	–	35.7%	–	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 investments
Dermagic Skin Treatment Centre Company Limited	Hong Kong/ limited liability company	HK$460	–	–	–	100%	Provision of beauty and skincare services company
Good Pace (Note)	BVI/ limited liability company	US$10,000	–	–	–	51%	Investment holding and its subsidiaries engaged in trading of healthcare products in the PRC
Max Goodrich (Note)	BVI/ limited liability company	US$21,000	–	–	–	51%	Investment holding and its subsidiaries engaged in 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

53. 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, 2010		31st December, 2009		
			Directly	**Indirectly**	Directly	Indirectly	
Silver Ascot Limited	Hong Kong/ limited liability company	HK$3	**–**	**66%**	–	66%	Provision of medical and dental consultation services
Spring Biotech Limited	BVI/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	BVI/limited liability company	US$1,000	**100%**	**–**	100%	–	Investment holding
Town Health (BVI) Limited	BVI/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	**–**	**100%**	–	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

53. 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, 2010		31st December, 2009		
			Directly	**Indirectly**	Directly	Indirectly	
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	HK$2	**–**	**100%**	–	100%	Investment holding
Town Health Corporate Management and Investment Limited (formerly known as Town Health Preventive Healthcare Services Limited)	BVI/limited liability company	US$1	**–**	**100%**	–	100%	Investment holding

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 year/period.

Note: Interests in these entities were partially disposed during the year and they became associate of the Group as at 31st December, 2010.

FINANCIAL SUMMARY

RESULTS

	1.1.2010 to 31.12.2010 HK$'000	1.4.2009 to 31.12.2009 HK$'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
Revenue	**307,447**	245,100	342,212	338,823	236,554
Profit (loss) for the year/period from continuing operations	**126,948**	(21,981)	(644,047)	260,164	228,908
Profit (loss) for the year/period from discontinued operation	**(22,549)**	9,758	–	826	(22,124)
Profit (loss) for the year/period	**104,399**	(12,223)	(644,047)	260,990	206,784
Attributable to:					
Owners of the Company	**94,621**	(23,587)	(652,507)	253,714	214,850
Non-controlling interests	**9,778**	11,364	8,460	7,276	(8,066)
	104,399	(12,223)	(644,047)	260,990	206,784

ASSETS AND LIABILITIES

	31.12.2010 HK$'000	31.12.2009 HK$'000	31.3.2009 HK$'000	31.3.2008 HK$'000	31.3.2007 HK$'000
Total assets	**1,770,087**	1,327,282	941,878	1,307,477	577,946
Total liabilities	**(212,929)**	(143,482)	(44,780)	(228,221)	(125,760)
	1,557,158	1,183,800	897,098	1,079,256	452,186
Assets attributable to					
Owners of the Company	**1,551,501**	1,120,871	892,108	1,064,143	436,587
Non-controlling interests	**5,657**	62,929	4,990	15,113	15,599
	1,557,158	1,183,800	897,098	1,079,256	452,186