Town Health International Investments Limited

康健國際投資有限公司

(to be renamed as Town Health International Medical Group Limited)

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

(Stock Code : 3886)

Annual Report 2013

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Miss Choi Ka Yee, Crystal *(Chairperson)*
Dr. Cho Kwai Chee *(Chief Executive Officer)*
Mr. Lee Chik Yuet
Dr. Chan Wing Lok, Brian

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

Nomination Committee

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

COMPANY SECRETARY

Mr. Wong Seung Ming, *CPA, FCCA*

AUDITORS

Deloitte Touche Tohmatsu
Certified Public Accountants

REGISTERED OFFICE

Canon's Court
22 Victoria Street
Hamilton HM 12
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
Canon's Court
22 Victoria Street
Hamilton HM 12
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Tengis Limited
Level 22
Hopewell Centre
183 Queen's Road East
Hong Kong

WEBSITE

www.townhealth.com

Chairperson's Statement

On behalf of Town Health International Investments Limited ("Town Health" or the "Company"), together with its subsidiaries (the "Group"), I am pleased to present the annual results of the Group for the year ended 31 December 2013 (the "year").

For the year 2013, I am pleased to announce that the Group had achieved encouraging results of successfully turning losses into gains. The Group recorded profit of approximately HK$79,318,000 as compared to a loss of approximately HK$430,664,000 in 2012.

For the past financial year, Town Health continued to expand its healthcare business in Hong Kong and the People's Republic of China (the "PRC"). The Group has also diversified its medical and healthcare business and investment portfolio. Also, the Group seized the huge healthcare investment opportunity in the PRC market, as the PRC government policies and incentives have been supportive to the healthcare industry. Expenditures in the sector rose by the virtue of the availability of new drugs, higher health insurance premiums, advanced technology services and demographic profiles.

The healthcare and dental services businesses remained the key revenue driver for the Group and the Group will continue the investments on expanding its healthcare business in Hong Kong. Besides looking for favourable locations to expand our existing primary and specialty healthcare networks, the Group is also looking closely into opportunities of acquiring other medical clinics and establishing joint ventures with other potential business partners.

The Group has set its target of aggressively developing the medical specialty network in the Hong Kong market. Five specialties have been identified, namely ophthalmology, orthopaedics, cosmetic dermatology, in-vitro fertilization subspecialty, and general surgery. The Group will seek for organic growth in these medical specialty businesses, and also explore actively merger and acquisition opportunities to rapidly grow the businesses. We believe that the Hong Kong medical market is supportive enough for the Group to create big enough platform for each medical specialty business. Also these medical specialty platforms could be used to serve the PRC market, while on the other hand, mainland patients may be referred to these platforms in Hong Kong for treatments – thus establishing the medical tourism.

Cosmetic dermatology and health managed care businesses are also areas of the Group's focus. We will strive to develop these two areas, and target to create such a sizable platform for each that their services could be integrated with those in the PRC market.

The PRC economy grew at a faster pace than the government's official target in 2013. Gross Domestic Product ("GDP") expanded 7.7% over the previous year, according to the figures from National Bureau of Statistics of China. Also, the PRC population has been aging fast. In 2012, citizens aged 65 years old and above accounted for 9.1% of the population, compared to 8.9% in 2010. PRC's healthcare sector continues to develop at an astonishing pace, with healthcare spending projected to grow from US$357 billion in 2011 to US$1 trillion in 2020 according to the Ministry of Health Year book. From pharmaceuticals, medical services and products to health food products or equipments, the PRC remains one of the world's most attractive markets.

Chairperson's Statement

As health awareness is growing higher in the PRC, new demands on healthcare services and products are emerging. Cosmetic dermatology is one, and anti-aging therapy, health food products or beverages are the others. New medicines, new treatment modalities, new distribution channel for pharmaceutical products, and new medical equipment will shape the healthcare demand and healthcare industry in the PRC. The PRC healthcare market is full of opportunities yet competition is keen. It takes capital, resources and medical expertise for an enterprise to capture the huge market potential and flourish in it. The Group is well positioned and prepared to venture aggressively into the PRC healthcare market.

The listing of New Ray Medicine International Holding Limited ("New Ray Medicine")(stock code: 8180.HK), on which the Group has invested, on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") represented our active investment on the PRC pharmaceutical market, and signified our optimistic view on the PRC pharmaceutical industry.

In the year 2013, the performance of stock markets and investment sentiments in Hong Kong had improved a bit, albeit the uncertainty remaining high. I am pleased that the Group delivered solid returns for investors during the year.

We witnessed evolutionary changes in the healthcare and pharmaceutical markets both in Hong Kong and the PRC. In particular, the healthcare and pharmaceutical markets are open up for private investors. We will make use of our brand name, expertise, and other competitive edges to take this golden opportunity and expand our healthcare business in Hong Kong, both by organic growth and merger and acquisitions. We will strive to invest heavily and creatively in the healthcare business. We will endeavor to venture into the PRC healthcare and pharmaceutical markets. New business opportunities like selling of medicines or health products are also closely examined.

For our investment business, we will keep track of the stock markets and regularly review our investment portfolios regularly. Diversification is still the investment theme this year, and more resources will be unleashed for the Group to invest in the healthcare and healthcare related businesses.

I would like to take this opportunity to express my sincere gratitude to all valuable shareholders, investors, clients and business partners for their trust and support, and also thanks to all the staff for their efforts to contribute to the success of the Group.

Choi Ka Yee, Crystal
Chairperson

Hong Kong, 25 March 2014

FINANCIAL REVIEW

Results

The Group is pleased to announce the results for the year ended 31 December 2013. Revenue for the year ended 31 December 2013 rose by approximately 3.74% to approximately HK$354,553,000 (2012: approximately HK$341,768,000).

The Group recorded profit of approximately HK$79,318,000 for the year ended 31 December 2013 as compared to a loss recorded for the year ended 31 December 2012, which was mainly attributable to (1) an increase in share of profits of associates; (2) the gain on disposal of associates completed during the year; and (3) an increase in the profits for provision of healthcare and dental services business, for the year ended 31 December 2013. Also, the Group did not recognize a substantial loss in relation to loss on fair value changes on held for trading investments for the year ended 31 December 2013.

In the year 2013, the management has embarked on the development strategy of consolidating its investments and business, so as to free up capital and resources for future deployment in healthcare and healthcare related investments and business.

Increase in share of profits of associates

The Company through its wholly-owned subsidiaries, held 48% interest in Best Pharmaceutical Limited ("BPL"), a company which was incorporated in the British Virgin Islands with limited liability and is an associate of the Company. During the year ended 31 December 2013, BPL through its wholly-owned subsidiary, Elegant Sea Holdings Company Limited ("Elegant Sea"), disposed of 100% of the equity interest in 貴州百祥製藥有限責任公司 (unofficial English translation being Guizhou Baixiang Pharmaceutical Company Limited) ("Guizhou Baixiang"), a company incorporated in the PRC, at the consideration of RMB500,000,000 (equivalent to approximately HK$630,000,000). The disposal of Guizhou Baixiang was completed in August 2013 and Elegant Sea recorded an audited gain of approximately RMB304,000,000 (equivalent to approximately HK$378,176,000). Since Elegant Sea was owned as to 48% by the Group via BPL, the Group shared 48% of the profits of BPL for the year in the sum of approximately HK$146,000,000 for the year ended 31 December 2013.

Gain on disposal of associates

During the year under review, the Group disposed of its interest in RBI Conglomerate (Holdings) Limited, an associate company, at the consideration of HK$72,500,000, details of which had been set out in the Company's announcement dated 28 February 2013. The completion of such disposal took place in April 2013. The actual gain on the disposal of such associate company is HK$27,002,000, being the difference of the consideration of HK$72,500,000 and the net carrying value of such associated company and its subsidiaries and the goodwill attributable to such companies recorded in the Group's accounts at completion of such disposal.

Increase in profits for provision of healthcare and dental services business

The Group's healthcare and dental services business has enjoyed steady growth in the past financial year. In particular, the development and growth of the medical specialty healthcare network business has been encouraging. The profits generated by provision of healthcare and dental services business for the year ended 31 December 2013 increased from approximately HK$11,541,000 as recorded for the year ended 31 December 2012, to approximately HK$21,044,000. The Group is dedicated to becoming the leader in the Hong Kong healthcare industry and will continue to invest more on its healthcare and dental services business. The Group will also strive to improve the operational efficiency of its healthcare business so as to enhance its competitiveness in the market and the profitability.

Securities investments

For the year ended 31 December 2012, the Group recorded a loss of approximately HK$432,075,000, while for the year ended 31 December 2013, the Group recorded a loss of approximately HK$21,724,000.

The consolidated profit attributable to owners of the Company for the year was approximately HK$49,633,000 (the consolidated loss attributable to owners of the Company in 2012: approximately HK$434,952,000). Basic earnings per share were HK$0.05 (2012: Basic loss per share in HK$0.48). The Board recommends the payment of a final dividend of HK5.5 cents per share for the year ended 31 December 2013 (2012: Nil). The Board also proposes a bonus issue of shares on the basis of four new ordinary of HK$0.01 each for every existing share held by the shareholders of the Company, details of which are set out in the paragraphs headed "Bonus Issue of Shares" on page 18.

OPERATION REVIEW

The Group is principally engaged in (i) healthcare business investments; (ii) provision and management of medical, dental and other healthcare related services; and (iii) investments and trading in properties and securities.

Healthcare and medical services

During the year, the Group recorded a steady growth in medical services business. Revenue increased by 2.36% to approximately HK$326,457,000. As a result of enhancement in operation efficiency and thus improvement in profitability, the profit recorded for the year ended 31 December 2013 is approximately HK$21,044,000, representing an increase of 82.34% (2012: approximately HK$11,541,000).

Management Discussion and Analysis

Being one of the largest medical groups in Hong Kong, the Company operates 68 clinics in the provision of comprehensive medical and other healthcare services. The Group also provides laboratory testing and services ranging from primary and specialty medical healthcare services to dental services. The Group also provides medical diagnostic services as well as other auxiliary medial services. The rapidly aging population of Hong Kong has put much pressure on the public healthcare system. The Hong Kong Government has been proposing medical reforms to address this increasing public healthcare burden. Also, the advancement of medical technology and the increasing prevalence of non-communicable diseases in Hong Kong have all led to a long run increase in, the demand for medical healthcare services. All these have contributed to the steady growth of the Group's healthcare services business.

This trend of aging population is equally evident in the PRC, if not more. Moreover, there is a clear increasing demand for better, quality, professional medical healthcare services due to the emergence of a huge middle class in PRC, increasing awareness of health and healthcare issues, and better medical knowledge as a result of rampant information and knowledge flow through internet. There have been calls for the Central Government to embark on medical system reform to meet the increasing needs of the general public. The Group believes that the demand for healthcare and good quality medical services in the PRC will continue to grow and remain strong. In order to enhance the Group's investment in the medical sector in the PRC, the Group had further acquired the 40% equity interest in Guangzhou Yikang Medical Management Co., Ltd ("Yikang") at the consideration of RMB99,920,000 (equivalent to approximately HK$124,300,000), which is completed in October 2013. The Group now owns 80% equity interest on Yikang after the completion. Yikang is principally engaged in the management and provision of consultancy services for medical institutions in Guangdong. The Board believes that the acquisition of additional interest in Yikang provided an opportunity for the Group to enhance its investment in the medical business in the PRC.

The Group believes that by setting a strong platform in PRC, the Group could capture the future growth opportunities in the PRC healthcare market. The Group will continue to invest in its medical and healthcare services business in the PRC.

Securities investments

The Group's investment portfolio comprises investments in listed and unlisted securities. In the financial year of 2013, the Group recorded a loss of approximately HK$21,724,000 which was substantially less than the loss of approximately HK$432,075,000 as recorded in 2012. The more diversified investment portfolio improved the investment results.

Management Discussion and Analysis

In June 2013, the Group sold 248,976,000 of shares in DX.com Holdings Limited, the shares of which are listed on the GEM of the Stock Exchange (Stock Code: 8086), which is principally engaged in the provision of professional information technology services and related high-tech maintenance services, at a consideration of approximately HK$79,921,000 and incurred a loss of approximately HK$54,505,000. The Group will continue optimizing and consolidating its existing investment portfolios, so as to better utilize its capital and resources to focus on investing in healthcare and healthcare related investments which carry better growth potential.

In March 2013, the Group subscribed approximately 4.53% of the issued share capital of Convoy Financial Services Holdings Limited ("Convoy"), the shares of which are listed on the Main Board of the Stock Exchange (stock code: 1019), which is one of the largest independent financial adviser firms in Hong Kong in provision of insurance products, MPF schemes and other financial products. As at 31 December 2013, the Group held 16.47% of the issued share capital of Convoy. The Group believes that Convoy has a very promising growth potential and the acquisition will bring good return to shareholders of the Company in the future.

Properties investments
The investment properties of the Group consist of retail and office properties in prime locations. This sector continued to bring steady income to the Group. During the year, the revenue, which represented the rental income of approximately HK$28,061,000 (2012: approximately HK$16,829,000), was generated from its properties investments, representing an increase of 66.74%.

Property trading activities in Hong Kong remained subdued in 2013. It is expected that the local property market will continue to be significantly affected by the government policies. In order to lower the Group's concentration risk on the property investments, and also to mobilize more resources for deployment in more promising healthcare related investments, the Group sold certain properties during the year ended 31 December 2013.

Although the property market experienced a slowdown in 2013, quality commercial and industrial properties still generate yields better than most other investment classes. The Group has recorded a gain from disposal of these properties and the revaluation gain from the Group's investment properties with amount of approximately HK$54,734,000 (2012: approximately HK$78,645,000).

The Group will continue to diversify and optimize its property investments and dispose of its investment properties at appropriate times. The Group's strategy is to focus its resources in areas of promising returns and good growth potential.

Healthcare business investment

The Group witnesses a strong growth of the pharmaceutical industry in the PRC, due to many favorable factors such as aging population and increased life expectancy, favorable government policy, rising healthcare spending and health awareness, fast growth of gross domestic product, increasing urbanization and increasing disposal income. The Group's investments in pharmaceutical business in the PRC has sustained stable growth momentum and achieved satisfactory results during the year.

The Group's major investments in the PRC pharmaceutical industry is the investment in an associate company namely, New Ray Medicine International Holding Limited ("New Ray Medicine"). The Group has been investing in New Ray Medicine since 2009. New Ray Medicine is headquartered in Hangzhou which offers more than 40 pharmaceutical products through a network of 114 distributors, and customers spanning over 18 regions in the PRC. New Ray Medicine was listed on the GEM on 25 October 2013. The successful listing on the GEM could enhance New Ray Medicine's profile and brand name, and is conducive to its future development in the PRC pharmaceutical market. The net proceeds from the listing by way of placing would also strengthen its financial position.

The Group is optimistic that its investment in the PRC pharmaceutical business will enjoy good growth and bring in potential return to shareholders of the Company.

PROSPECTS

Hong Kong medical and healthcare related businesses

The Group has set its future development strategy in that it will be focused on investing in the medical and healthcare related businesses, both in Hong Kong and the PRC. In order to convey this strategy clearly to the shareholders and investment community, the Group made announcement on 19 February 2014 to propose to change the company name from "Town Health International Investments Limited" to "Town Health International Medical Group Limited", which will better reflect and emphasis the business focus of the Group. The Group believes that the demand for healthcare services will be on its rising trend in Hong Kong for the coming decades. Aging population and advancement of medical technology are putting tremendous pressure on the public healthcare sector and the Hong Kong Government is now contemplating on pushing ahead meaningful medical reform, so as to mitigate the escalating public healthcare burden. There have been a number of public-private interface exercises proposed by the Hospital Authority, where public patients are encouraged to make use of private healthcare services, with subsidization provided by the Hospital Authority. The Hong Kong Government has also increased the healthcare subsidization from HK$500 to HK$2,000 per head a year for all elderly to consume healthcare and related services in the private sector. In 2013, the Hong Kong Government assigned few land sites for private investors to build new private hospitals so as to replenish the supply of private hospital beds. All these point to the direction that the Hong Kong Government wants to nurture the growth of private healthcare sector, and hopes to make use of a flourishing private healthcare sector to shoulder a larger part of public healthcare burden.

Moreover, in preparing for the increasing healthcare demand, two universities in Hong Kong have increased their intake of medical students to a total of over 400 students a year. This could meet the future needs of private and public healthcare sectors, and pave the way for a strong growth in private healthcare industry.

Hong Kong is now faced with rapidly aging population and escalating healthcare demand. According to market and public information, the Hong Kong Government is now contemplating on launching the overdue medical reform. The Group believes that the main theme of the medical reform would be to shift patients from public sector to private healthcare sector by means of direct subsidization or healthcare insurances. As such, the Group believes that there exists huge market opportunities for the Group to capture. With the leading position and well established clinic network in the Hong Kong healthcare industry, the Group is well positioned to seize the immense growth potential of the market.

The Group will continue its investment in the medical primary healthcare network in Hong Kong. The Group has streamlined the network's operation and will continue to enhance its operation efficiency so as to improve its profitability. The Group will actively seek to expand its existing medical primary healthcare network so as to cover a larger population and maintain its leadership in the market. The primary healthcare network provides not only a stable and growing income stream for the Group, but also a widespread and enriched customer base for cross-selling other healthcare related products and cross-referral to the medical specialty healthcare network of the Group.

As Hong Kong is becoming a well-developed metropolitan city, people are asking for more sophisticated and quality specialty healthcare services. This is especially the case when medical knowledge becomes readily available due to rampant information flow in internet. The demand for specialty healthcare services has been on the rising trend, in tandem with the maturity of Hong Kong society and Hong Kong's economic growth. More and more sub-specialties have been developed and more and more expertise and experienced hands are trained and become available to the private healthcare sector. There is a flourishing growth of various medical specialty centers in Hong Kong healthcare market, like eyes centers, dermatology centers, and surgical centers etc.

Witnessing this trend, the Group has set its future development focus on expanding its medical specialty network business. In particular, the Group has identified five specialties which it will heavily invest on, namely ophthalmology, cosmetic dermatology, in-vitro fertilization sub-specialty, general surgery, and orthopaedics. The Group will actively seek to recruit expertise in all medical specialty disciplines, in particular these five specialties, and expand the scope and coverage of its medical specialty services network.

Currently, the Group has established a medical specialty network which covers most of the medical specialty services. The specialty network serves the referrals from the Group's primary healthcare network which creates much synergy between these two medical chains. This specialty network has been growing steadily in the past and the Group will continue to strive for organic growth of its existing specialty and primary healthcare chains. On the other hand, the Group is actively seeking for merger and acquisition opportunities as the growth engine to leapfrog its primary and specialty healthcare businesses. The Group has been in close negotiation with a number of specialist centers and specialists about possible cooperation or merger and acquisition opportunities. The Group believes that there exist huge synergies between the Group's existing businesses, in particular the primary healthcare network and healthcheck and medical diagnostic network, and outside medical specialty centers and specialists outside the Group. Through merger and acquisition, these synergies could be unleashed and the growth potential would be much greater than relying solely on the Group's organic growth only.

It is the target of the Group that through creating synergy by way of acquisitions, the Group could rapidly develop its specialty healthcare network, so that each specialty will eventually be developed to such a scale that it could become a large specialty center in the market by itself, serving the whole Hong Kong population.

The high standard of Hong Kong's medical care is well recognized internationally. Each year, patients from the PRC and overseas travel to Hong Kong for medical treatments. The Group will strive to integrate the healthcare services of Hong Kong with the PRC. The Group will develop a platform so that its specialty centers could provide services, either clinical services or consultancy services, for the affiliated or associated PRC hospitals of the Group, and that the professional medical services of Hong Kong could be made good use of. More importantly, Hong Kong doctors could contribute to the healthcare industry of the PRC. On the other hand, patients from the PRC could be referred directly to our Hong Kong specialty centers for receiving medical treatments or surgeries here. The Group believes that once this platform and channels are developed, a meaningful medical tourism industry could be established. And once these specialty centers becomes nature in terms of business and operation, they could be considered for separate listing in the stock market, so as to raise money and build brand name for expanding the medical specialty business, both in Hong Kong and the PRC.

The health managed care business is another important development focus of the Group. According to market and public information, the Hong Kong Government is keen to introduce the medical insurance scheme as the backbone of the imminent medical reform in Hong Kong. As the insurance industry getting more and more involved in the private healthcare market, the managed healthcare business will for sure grow exponentially, in the Group's view. The Group is now running a health managed care panel which not only serves the primary and specialty healthcare chains of the Group but also outside doctors. The Group will strive to expand the managed care business, but on the other hand, is working closely with other managed care panels to explore any acquisition opportunities. The Group believes that through merger and acquisitions, and consolidating the market, the pricing power of these managed care panels would be much enhanced. Also, with the economies of scale established, resources and costs could be shared and therefore the operation efficiency and thus profitability could be much enhanced.

The Group's managed healthcare panels could also find a much bigger market in the PRC, which is a relatively untapped market up till now. The Group will strive to open up the health managed care business in the PRC using the existing platform in Hong Kong. With the high professional standard and management expertise, the Group believes that there is a clear edge for the Group's existing health managed care panel to venture into the PRC market.

The PRC healthcare and related businesses

Undoubtedly, the PRC healthcare market is a huge market. It is also a market that needs reform to meet the needs of the general public. As the PRC economy has been booming rapidly in the past decades, a huge middle class is emerging quickly. There are few characteristics of this enormous middle class. Firstly, the middle class in the PRC is better off economically. Also, they are well educated and learn a lot about their health and the medical system and treatments through the internet. The information flow enabled by the internet and other media provide people with lots of information about the diseases they faced with, and what treatment options they could choose. Chinese people are not just demanding medical treatments, they are asking for quality healthcare, and are willing to pay for that. Chinese people are also becoming more willing to seek quality healthcare from renowned specialty hospitals, or travel aboard for medical treatments or surgeries.

Moreover, the health awareness has been rising rapidly. Chinese people are more concerned about their health, and how to live healthily and longer. People are more likely to consume health food products and take regular body healthcheck. Cosmetic medical care business is also booming in PRC.

Healthcare reform is on the agenda of the central government. The PRC healthcare market, especially the hospital sector, has been open up to private investors. It is the government's proposition that a growing private healthcare sector in the PRC could help shoulder the healthcare burden of the whole population, and satisfy the needs of the middle class. The Group believes that the PRC healthcare market will be growing strongly in the coming decades, and there will be abundant business opportunities opening up for private investors who have the capital, resources and most importantly, the experience and medical expertise who know how to tap the market and run healthcare business in the PRC.

The Group has through Yikang provided laboratory testing and medical diagnostics services in the PRC, and through New Ray Medicine, the Group has been involved in the pharmaceutical business in the PRC. As part of its investment in relation to the establishment of medical institution and investment in medical services market in Henan Province of the PRC under a letter of intent as disclosed in the announcement of the Company dated 14 March 2014, the Group has also established a joint venture company for the purpose of establishing a fertility specialty hospital in the PRC. In the coming years, the Group will strive to expand these businesses in the PRC. The Group believes that through merger and acquisition, the Group could venture into the PRC healthcare market in a big stride. The Group is now actively exploring opportunities for acquiring hospitals or medical businesses in the PRC.

The Group believes that there exists much synergy between the Hong Kong medical profession and that of the PRC. The Group is now well equipped with capital, resources and expertise to create synergy across the border. The Group is now well positioned to embark on acquisitions in the PRC market so as to rapidly develop its PRC healthcare business.

Other healthcare related businesses

There has been a growing demand for healthcare related products or services, and medical cosmetic beauty is one of them. Through incorporating medical therapies with cosmetic beauty services, the Group could provide services on cosmetic dermatology. Botox injection, filler injection, laser skin treatments and other forms of anti-aging therapies are a perfect match to the cosmetic beauty business. The Group has the expertise on dermatology, the necessary manpower, and most importantly, a large client base for cross-referral. As such, the Group will strive to develop its medical cosmetic beauty business.

Meanwhile, the Group is now actively working with a number of well-established cosmetic beauty market players and exploring any merger and acquisition opportunities. The Group believes that through merger and acquisitions, the Group could rapidly develop its medical beauty business. Also, there exists much synergy between the Group's primary and specialty healthcare networks and other cosmetic beauty chains. Through merger and acquisition, this synergy could be unleashed and the Group's medical cosmetic beauty business could enjoy exponential growth.

Pharmaceutical business especially in the PRC is also another promising industry that the Group will continue to invest and expand. Other related businesses like internet selling of drugs, or selling of health related equipment are also targets the Group will look into closely. Health food products business is also the development focus of the Group especially in the PRC market.

Other investments

The Group will continue its prudent approach in its other investment strategy. It has also set the strategy of consolidating and preserving resources for investing in more promising healthcare and healthcare related businesses, both in Hong Kong and the PRC. More investments will be cashed out at appropriate times to free up capital for deployment in healthcare related investments.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2013, the Group held cash and bank balances of approximately HK$201,249,000 (2012: approximately HK$176,332,000). The Group had bank borrowings of approximately HK$363,772,000 which are all repayable within one year (2012: approximately HK$210,575,000). As at 31 December 2013, the Group's net current assets amounted to approximately HK$646,595,000 (2012: approximately HK$307,269,000) and the Group had a current ratio (defined as total current assets divided by total current liabilities) of 2.25 (2012: 1.92).

As at 31 December 2013, gearing ratio (defined as total bank borrowings divided by equity attributable to owners of the Company) was 30.08% (2012: 18.67%). Major currencies used for the Group's transactions were Hong Kong Dollars, Renminbi and United States Dollars ("US Dollars"). As Hong Kong Dollars are pegged to the US Dollars and the fiscal policy of the Central Government of the PRC in relation to Renminbi is stable throughout the year ended 31 December 2013, the Group considers that the potential foreign exchange exposure of the Group is limited.

CAPITAL STRUCTURE

As at 31 December 2013, the Group had equity attributable to owners of the Company of approximately HK$1,209,166,000 (2012: approximately HK$1,127,631,000).

HUMAN RESOURCES

As at 31 December 2013, the Group employed 528 staff (2012: 543 staff). Total employee costs for the year ended 31 December 2013 including directors' emoluments, amounted to approximately HK$229,853,000 (2012: approximately HK$209,255,000).

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

CONTINGENT LIABILITIES

As at 31 December 2013, the Group had no significant contingent liabilities (2012: Nil).

PLEDGE OF ASSETS

As at 31 December 2013, certain of the Group's property, plant and equipment, investment properties and assets classified as held for sale with a net carrying amount of approximately HK$68,951,000 (2012: approximately HK$95,505,000), HK$420,405,000 (2012: approximately HK$221,887,000) and HK$117,000,000 (2012: nil), respectively, and bank deposits and held for trading investments of HK$17,794,000 (2012: approximately HK$79,951,000) and HK$68,978,000 (2012: nil) were pledged to secure general banking facilities granted to the Group. The pledges for assets classified as held for sale will be released upon the completion date of disposal in 2014.

CAPITAL COMMITMENTS

As at 31 December 2013, the Group had no capital expenditure contracted for but not provided in financial statements (2012: Nil).

EXECUTIVE DIRECTORS

Miss Choi Ka Yee, Crystal, aged 33, 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. 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 50, an executive director and the 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 vice-chairman of the 34 term board of director of Yan Oi Tong, the permanent president of Hong Kong Shatin Industries and Commerce Association Limited, the vice-chairman of Sha Tin District Community Fund 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 26.90% issued shares in the Company. He is a member of the remuneration committee of the Company.

Dr. Chan Wing Lok, Brian, aged 49, has been an executive director of the Company since July 2011. Dr. Chan graduated from The University of Hong Kong and holds the qualifications of MBBS (HK), DCH (RCP&SI) and DPD (Cardiff). He is the district vice president of Yau Tsim District of Scout Association of Hong Kong. Dr. Chan joined the Group in 1991. Dr. Chan is currently the chairman of Town Health Medical & Dental Services Limited, a subsidiary of the Company and responsible for the Group's clinic operational management and business development, and the enhancement and maintenance of the Group's service quality. He is also a medical practitioner of the Group delivering medical consultation services to the patients of the Group. Dr. Chan is also a director of a number of subsidiaries of the Company.

EXECUTIVE DIRECTORS *(Continued)*

Mr. Lee Chik Yuet, aged 59, 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. Prior to joining the Group, 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 and general manager of a subsidiary of the Company in the PRC. Mr. Lee is also a director of a number of subsidiaries of the Company. He is also an executive director of New Ray Medicine International Holding Limited ("New Ray Medicine") (stock code: 8180) listed on the GEM of the Stock Exchange. The Company has interested in approximately 31.2% issued shares in New Ray Medicine through a wholly owned subsidiary.

NON-EXECUTIVE DIRECTORS

Dr. Choi Chee Ming, *GBS, JP*, aged 68, has been the Vice-Chairman and a 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 an 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 E. Lite (Choi's) 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 court member of The Hong Kong Polytechnic University. He is currently a non-executive director and vice-chairman of Regal Hotels International Holdings Limited (a company listed on the Main Board of the Stock Exchange with stock code: 78). Dr. Choi is a director of Broad Idea International Limited, a company which is interested in approximately 26.90% 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 61, has been an independent non-executive director of the Company since July 2002. Mr. Chan has engaged in the catering industry for over 35 years. He has also involved in entertainment, property and investment projects in the recent years and is currently a honorary advisor of Hong Kong (New Territories) Realty Association. Mr. Chan is the founding chairman of Hong Kong Shatin Industries & Commerce Association Limited. He is also an honorary president and a 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 and a member of the remuneration committee and the nomination committee of the Company.

INDEPENDENT NON-EXECUTIVE DIRECTORS *(Continued)*

Mr. Ho Kwok Wah, George, aged 55, 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 20 years' professional experience in accounting, auditing, tax planning and business advisory. Mr. Ho is a director of Hong Kong Shatin Industries and Commerce Association Limited and Hong Kong Commerce and Industry Associations Limited. He is also an independent non-executive director of Belle International Holdings Limited (stock code: 1880) and Rykadan Capital Limited (formerly known as Sundart International Holdings Limited with stock code: 2288), both listed on the Main Board of the Stock Exchange. Mr. Ho is also the Chairman of the nomination committee and a member of the audit committee and the remuneration committee of the Company.

Mr. Wai Kwok Hung, *SBS, JP,* aged 59, has been an independent non-executive director of the Company since July 2002. Mr. Wai was the chairman of the Shatin District Council from 2000 to 2011. He was a councillor of the Shatin District Council from 1988 to 2011. Mr. Wai is currently the president of Shatin Sports Association Limited. He is also an independent non-executive director of Great Harvest Maeta Group Holdings Limited (a company listed on the Main Board of the Stock Exchange with stock code: 3683). Mr. Wai is also a member of the audit committee and the nomination committee and the Chairman of the remuneration committee of the Company.

SENIOR MANAGEMENT

Mr. Wong Seung Ming, aged 42, 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 18 years of experience in accounting, auditing and financial management. He joined the Group in March 2006.

Dr. So Chi Kin, aged 46, graduated from The University of Hong Kong and holds the qualification of BDS (HK). He is currently responsible for the development and management of the Group's dental clinic business as well as enhancement of professional dental service standards. He joined the Group in April 1991.

Dr. Yau Yi Kwong, aged 51, 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. He joined the Group in November 2000.

Report of the Directors

The directors of the Company ("Directors") present their annual report and the audited consolidated financial statements of the Company and the Group for the year ended 31 December 2013.

PRINCIPAL ACTIVITIES

The Company act as an investment holding company. The activities of its principal subsidiaries and associates are set out in notes 48 and 23 respectively to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2013 are set out in the consolidated statement of profit or loss and other comprehensive income on pages 34 and 35.

DIVIDEND

Subsequent to the end of the reporting period, the Board recommended the payment of a final dividend ("Final Dividend") of HK5.5 cents per share for the year ended 31 December 2013 (2012: nil) to the shareholders of the Company which is subject to shareholders' approval at the forthcoming annual general meeting of the Company to be held on Friday, 23 May 2014 ("AGM"). Subject to the approval of the shareholders of the Company at the AGM, it is expected that the Final Dividend will be paid on or around Wednesday, 18 June 2014 to the shareholders whose names appear on the register of members of the Company on Wednesday, 4 June 2014.

BONUS ISSUE OF SHARES

The Board proposed a bonus issue ("Bonus Issue") of shares on the basis of four new ordinary shares of HK$0.01 each for every one existing share held by the shareholders of the Company whose names appear on the register of members of the Company on Wednesday, 4 June 2014. The bonus shares will be credited by way of capitalisation of an amount equal to the total par value of the bonus shares in the retained earnings account of the Company.

The Bonus Issue is conditional upon:

(i) the passing of an ordinary resolution by the shareholders of the Company approving the Bonus Issue; and

(ii) The Stock Exchange granting listing of, and permission to deal in, the bonus shares to be issued under the Bonus Issue.

A circular containing further details of the Bonus Issue will be despatched to the shareholders of the Company as soon as possible.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining the entitlement to the proposed Final Dividend for the year ended 31 December 2013 and the Bonus Issue, the register of members of the Company will be closed from Friday, 30 May 2014 to Wednesday, 4 June 2014, both days inclusive, during which period no transfer of shares of the Company will be effected. In order to qualify for entitlement to the proposed Final Dividend and the Bonus Issue, all transfer of shares accompanied by the relevant shares certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong by 4:30 p.m. on Thursday, 29 May 2014.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the published results, assets and liabilities of the Group for the last five financial years is set out on page 142 of this annual report.

DONATIONS

Charitable donations made by the Group during the year amounted to HK$189,000.

SUBSIDIARIES

Details of acquisition and disposal of subsidiaries during the year are set out in notes 40, 41 and 42 to the consolidated financial statements, respectively.

INVESTMENT PROPERTIES

During the year, the Group revalued all of its investment properties at 31 December 2013. The net increase in fair value of investment properties, which was credited to the consolidated statement of profit or loss and other comprehensive income, amounted to HK$54,734,000.

Details of movements in the investment properties of the Group are set out in note 18 to the consolidated financial statements. Further details of the Group's major properties are set out on page 141 of this annual report.

PROPERTY, PLANT AND EQUIPMENT

Details of movements during the year in the property, plant and equipment of the Group are set out in note 19 to the consolidated financial statements.

SHARE CAPITAL

Details of movements during the year in the share capital of the Company are set out in note 38 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the bye-laws of the Company ("Bye-laws") and the laws of Bermuda, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

RESERVES AND DISTRIBUTABLE RESERVES

Details of movements during the year in the reserves and reserves available for distribution to the Company's shareholders of the Group and the Company are set out on page 38 of this report and in note 47 to the consolidated financial statements.

SHARE OPTIONS

The Company adopted a share option scheme on 16 September 2008 for the primary purpose of providing incentives to directors and eligible employees ("2008 Scheme"). The 2008 Scheme shall remain in force for a period of 10 years commencing from the adoption date of the 2008 Scheme, i.e. 16 September 2008.

Particulars of the Company's share option schemes are set out in note 39 to the consolidated financial statements.

DIRECTORS

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

Executive Directors:
Miss Choi Ka Yee, Crystal ("Miss Choi") *(Chairperson)*
Dr. Cho Kwai Chee ("Dr. Cho") *(Chief Executive Officer)*
Mr. Lee Chik Yuet ("Mr. Lee")
Dr. Chan Wing Lok, Brian ("Dr. Chan")

Non-executive Director:
Dr. Choi Chee Ming, *GBS, JP* ("Dr. Choi") *(Vice-Chairman)*

Independent non-executive Directors:
Mr. Chan Kam Chiu ("Mr. Chan")
Mr. Ho Kwok Wah, George ("Mr. Ho")
Mr. Wai Kwok Hung, *SBS, JP* ("Mr. Wai")

In accordance with bye-law 99 of the Bye-Laws and pursuant to the code provision A.4.2 of Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules"), Miss Choi, Dr. Chan and Mr. Ho will retire by rotation at the forthcoming annual general meeting and, being eligible, will offer themselves for re-election.

DIRECTORS' SERVICES CONTRACTS

Each of Miss Choi, Dr. Cho and Dr. Choi has been appointed for a term of 33 months commencing from 1 April 2012; Mr. Lee has been appointed for a term of 19 months commencing from 1 June 2013; Dr. Chan has been appointed for a term of 21 months commencing from 1 April 2013; Mr. Chan, Mr. Ho and Mr. Wai, have been re-appointed for a term of 2 years commencing from 1 June 2012. They are all 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 of the Company has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation other than statutory compensation.

INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received a written confirmation of independence from each of the independent non-executive Directors pursuant to rule 3.13 of the Listing Rules. The Company considers that each of the independent non-executive Directors is independent.

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

As at 31 December 2013, the interests and short positions of the Directors and the chief executive of the Company ("Chief Executives") and their associates in the share and underlying shares of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of the Listed Issuers (the "Model Code"), were as follows:

Long position in ordinary shares of HK$0.01 each of the Company

Name of Director	Capacity	Nature of interests	Number of shares of the Company held	Number of underlying shares of the Company held	Total	Approximate % of shareholding of the Company
Dr. Cho	Interest of a controlled corporation	Corporate interest	246,640,523 (Note 1)	–	246,640,523	26.90%
Dr. Chan	Beneficial owner	Personal interest	552,000	–	552,000	0.06%
Mr. Lee	Beneficial owner	Personal interest	–	1,000,000 (Note 2)	1,000,000	0.11%
Dr. Choi	Interest of a controlled corporation	Corporate interest	246,640,523 (Note 1)	–	246,640,523	26.90%

Notes:

(1) Such shares were held by Broad Idea International Limited ("Broad Idea"). Dr. Cho and Dr. Choi were deemed to be interested in the 246,640,523 shares held by Broad Idea 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 respectively.

(2) These represented the interests in underlying shares in respect of the share options granted by the Company, the details of which are set out in the section titled "Share Option Schemes" in note 39 to consolidated financial statements.

Save as disclosed above, as at 31 December 2013, none of the Directors, the Chief Executive, nor their associates had any interests or short positions in the shares and underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under Sections 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDER'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 2013, other than the interests disclosed above in respect of certain Directors and Chief Executives, the following shareholders had interests or short position in the shares and underlying shares of the Company which were recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

Name	Capacity	Number of shares of the Company held	Approximate % of shareholding of the Company
Broad Idea	Beneficial owner	246,640,523 (Note 1)	26.90%

Note:

(1) Broad Idea is beneficially owned by Dr. Cho as to 50.1% and Dr. Choi as to 49.9%.

Save as disclosed above, as at 31 December 2013, there were no shareholders who had interest or short position 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.

MAJOR CUSTOMERS AND SUPPLIERS

For the financial year ended 31 December 2013, the percentage of turnover attributable to the Group's five largest customers is approximately 10% of the Group's total turnover. The Group's largest supplier and five largest suppliers accounted for approximately 21% and 65% of the Group's total purchase respectively.

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

DIRECTOR'S INTEREST 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 during the year.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

DIRECTORS' INTEREST IN CONTRACTS OF SIGNIFICANCE

Save that Dr. Cho, an executive director and the chief executive officer of the Company, executed an undertaking in favour of Wealthy Train Limited ("Purchaser"), a non-wholly owned subsidiary of the Company, that among others, in the event the conditions precedent to the completion of the acquisition of the premises of Shop 2 & 3A on G/F of Dang Fat Mansion, 10/16 & 20 Tai Ho Road, 8/12 Dang Fat Street & 7/11 On Wing street, Tsuen Wan, New Territories ("Property") was not satisfied by 20 May 2013 or such other date as maybe postponed by the Purchaser, Dr. Cho should purchase (or procure a company wholly-owned by him to purchase) the Property, details of which are set out in the circular of the Company dated 20 March 2013, no contracts of significance, to which the Company, or any of its subsidiaries was a party and in which any Director is or was materially interested, either directly and indirectly, subsisted at the end of the year or at any time during the year.

MANAGEMENT CONTRACTS

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

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

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

CORPORATE GOVERNANCE

Principal corporate governance practices adopted by the Company are set out in the Corporate Governance Report on pages 25 to 31 of this annual report.

CONNECTED TRANSACTIONS

Details of significant related party transactions undertaken by the Group during the year in the ordinary course of business are set out in note 46 to the consolidated financial statements. Such transactions do not fall under the definition of "connected transaction" or "continuing connected transaction" under Chapter 14A of the Listing Rules. The Company has complied with the applicable disclosure requirements in accordance with Chapter 14A of the Listing Rules.

EMOLUMENT POLICIES

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

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

The Company has adopted a share option scheme, share options may be granted to eligible persons. Details of the scheme are set out in note 39 to the consolidated financial statements.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors as at the latest practicable date prior to the issue of this annual report, the Company maintained a sufficient public float throughout the year ended 31 December 2013.

AUDITOR

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

REVIEW BY AUDIT COMMITTEE

The audited consolidated financial statements of the Company for the year ended 31 December 2013 have been reviewed by the Audit Committee of the Company.

On behalf of the Board

Choi Ka Yee, Crystal
Chairperson

Hong Kong, 25 March 2014

Corporate Governance Report

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 its own code of corporate governance based on the principles and code provisions as set out in the Corporate Governance Code contained in Appendix 14 of the Listing Rules.

During the year ended 31 December 2013, the Company complied with the code provisions as set out in the Corporate Governance Code contained in Appendix 14 of the Listing Rules.

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 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 who is the Chief Executive Officer of the Company, Mr. Lee Chik Yuet and Dr. Chan Wing Lok, Brian. 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 and relationship between them (if any) are set out in the section headed "Biographical Details of Directors and Senior Management" on pages 15 to 17 of this annual report.

All Directors 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") as amended from time to time and the requirements of the Listing Rules.

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 and corporate governance functions. 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.

Board Diversity Policy

During the year, the Board adopted a board diversity policy setting out the approach to achieve diversity on the Board. The Company considered diversity of board members can be achieved through consideration of a number of aspects, including but not limited to gender, age, cultural and educational background, and professional experience. The appointment of Directors will be based on its own business model and specific needs, having due regard for the benefits of diversity on the Board.

Directors' continuous professional development

All Directors, namely, Miss Choi Ka Yee, Crystal, Dr. Cho Kwai Chee, Mr. Lee Chik Yuet, Dr. Chan Wing Lok, Brian, Dr. Choi Chee Ming, *GBS, JP*, Mr. Chan Kam Chiu, Mr. Ho Kwok Wah, George and Mr. Wai Kwok Hung, *SBS, JP*, had confirmed that they had complied with the code provision A.6.5 of the Corporate Governance Code during the year ended 31 December 2013 by participating in continuous professional development. The Company had arranged an in-house seminar on Listing Rules for the Directors. All of them had been provided with the training materials for such seminar and each of them confirmed that he/she had read the training materials. In addition, all of them (except Dr. Choi Chee Ming, *GBS, JP*) attended such in-house seminar.

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 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.

Term of Appointment of Non-Executive Directors

All the independent non-executive Directors, namely Mr. Chan Kam Chiu, Mr. Ho Kwok Wah, George and Mr. Wai Kwok Hung, *SBS, JP* have been re-appointed for a term of two years commencing from 1 June 2012. Dr. Choi Chee Ming, *GBS, JP*, a non-executive Director, has been appointed for a term of 33 months commencing from 1 April 2012.

Remuneration Committee

The Board has established a remuneration committee (the "Remuneration Committee") with its role and function set out in its specific written terms of reference in accordance with the provisions set out in the Code, which are posted on the websites of the Stock Exchange and the Company. 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.

The Remuneration Committee adopted the approach under Code Provision B.1.2(c)(ii) to make recommendation to the Board on the remuneration packages of the Directors and senior management of the Company.

During the year ended 31 December 2013 and as at the date of this annual report, the Remuneration Committee comprised 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 namely 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. The Letter of Re-appointment of each of Mr. Chan Kam Chiu, Mr. Ho Kwok Wah, George and Mr. Wai Kwok Hung, *SBS, JP* and Letter of Appointment of each of Miss Choi Ka Yee, Crystal, Dr. Cho Kwai Chee, Mr. Lee Chik Yuet, Dr. Chan Wing Lok, Brian and Dr. Choi Chee Ming, *GBS, JP* and the terms thereof were also reviewed and approved by the Remuneration Committee during the year.

Nomination Committee

The nomination committee (the "Nomination Committee") with specific written terms of reference in accordance with the provisions set out in the Code, which are posted on the websites of the Stock Exchange and the Company.

During the year ended 31 December 2013 and as at the date of this annual report, the Nomination Committee comprised three independent non-executive Directors, namely Mr. Ho Kwok Wah, George as the Chairman of the Nomination Committee, Mr. Chan Kam Chiu and Mr. Wai Kwok Hung, *SBS, JP*.

In 2013, the Group adopted a board diversity policy, a summary of which is set out in the paragraph headed "Board Diversity Policy" in the Corporate Governance Report.

Major responsibilities of the Nomination Committee are to formulate and implement the policy for nominating candidates for election by shareholders at the general meeting (either to fill a casual vacancy or as an addition to the Board); review the structure, size and composition of the Board (including the skills, knowledge and experience) and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy; identify individuals suitably qualified to become members of the Board and select or make recommendations to the Board on the selection of individuals nominated for directorship; assess the independence of non-executive Directors and make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors based on merit of the Directors, having due regard for the benefits of diversity on 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, and Directors are all subject to retirement by rotation and re-election at the annual general meeting of the Company at least once every three years.

The circular to shareholders of the Company with notice of annual 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.

The Nomination Committee held one meeting during the year and reviewed the structure, size and composition of the Board for the year in light of the Board Diversity policy, in terms of factors including the skills, knowledge and experience possessed by the members of the Board.

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, which are posted on the websites of the Stock Exchange and the Company. 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.

During the year ended 31 December 2013 and as at the date of this annual report, the Audit Committee comprised 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 three meetings during the year and three of the meetings were 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.

Corporate Governance Functions

The Board is responsible for performing corporate governance and has reviewed the Company's policies and practices on corporate governance and compliance with the Corporate Governance Code, reviewed and monitored the training and continuous professional development of Directors and senior management and reviewed and monitored the Company's policies and practices on compliance with legal and regulatory requirements during the year as well as the disclosures in this Corporate Governance Report.

Attendance of Directors at Meetings

The attendance of the Directors at the general meetings of the Company, meetings of the Board, the Audit Committee, the Remuneration Committee and the Nomination Committee during the year are set out below:

	Number of meetings attended/held				
Director	General meetings	Board meetings	Audit Committee meetings	Remuneration Committee meetings	Nomination Committee meetings
Executive Directors					
Miss Choi Ka Yee, Crystal	2/2	4/4	N/A	N/A	N/A
Dr. Cho Kwai Chee	2/2	4/4	N/A	1/1	N/A
Mr. Lee Chik Yuet	2/2	4/4	N/A	N/A	N/A
Dr. Chan Wing Lok, Brian	2/2	4/4	N/A	N/A	N/A
Non-executive Director					
Dr. Choi Chee Ming, *GBS, JP*	0/2	3/4	N/A	N/A	N/A
Independent non-executive Directors					
Mr. Chan Kam Chiu	1/2	4/4	3/3	1/1	1/1
Mr. Wai Kwok Hung, *SBS, JP*	2/2	4/4	3/3	1/1	1/1
Mr. Ho Kwok Wah, George	2/2	4/4	3/3	1/1	1/1

Accountability and Audit

The Directors acknowledge their responsibility for preparing the financial statements of the Group which give a true and fair view of the state of affairs of the Group and of the loss and cash flows for the year ended 31 December 2013. The Directors prepared the financial statements of the Group on a going concern basis, and 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 32 to 33 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, conducted a review on 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.

Auditors' Remuneration

The auditors, Deloitte Touche Tohmatsu, provide both statutory audit and non-audit services to the Group. For the year ended 31 December 2013, fee for statutory audit for the Group amounts to approximately HK$2,257,000. 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$128,000.

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 (www.townhealth.com).

According to the Bye-Laws, the Board may, whenever it thinks fit, convene a special general meeting, and special general meetings shall also be convened on requisition and, in default, may be convened by the requisitionists.

Procedures for shareholders to convene a general meeting/put forward proposals

1. The shareholders of the Company (the "Shareholders") holding at the date of deposit of the requisition not less than one-tenth of the paid-up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition sent to the Company's head office at 6th Floor, Town Health Technology Centre, 10-12 Yuen Shun Circuit, Siu Lek Yuen, Shatin, New Territories, Hong Kong, for the attention to the board of directors (the "Board") or the company secretary (the "Company Secretary") of the Company, to require a special general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be convene within twenty-one days from the date of the deposit of such requisition.

2. The written requisition must state the purposes of the meeting, and must be signed by the Shareholders concerned and may consist of several documents in like form, each signed by one or more of those Shareholders.

3. The requisition will be verified with the Company's branch share registrar and upon their confirmation that the requisition is proper and in order, the Company Secretary will ask the Board to convene a special general meeting by serving sufficient notice in accordance with the statutory requirements to all the registered Shareholders. On the contrary, if the requisition has been verified as not in order, the Shareholders concerned will be advised of this outcome and accordingly, a special general meeting will not be convened as requested.

4. The Shareholders holding not less than one-twentieth of the total voting rights of those shareholders having the right to vote at such meeting or not less than one hundred Shareholders, at the expenses of the shareholders concerned, can submit a written requisition to move a resolution at a general meeting.

5. The written requisition must state the resolution, accompanied by a statement of not more than 1,000 words with respect to the matter referred to in the proposed resolution, signed by all the Shareholders concerned and may consist of several documents in like form (which between them contain the signatures of all the Shareholders concerned).

6. The written requisition must be deposited at 6th Floor, Town Health Technology Centre, 10-12 Yuen Shun Circuit, Siu Lek Yuen, Shatin, New Territories, Hong Kong, the head office of the Company, for the attention of the Company Secretary not less than six weeks before the meeting in the case of a requisition requiring notice of a resolution and not less than one week in the case of any other requisition.

7. The requisition will be verified with the Company's branch share registrar and upon their confirmation that the requisition is proper and in order, the Company Secretary will ask the Board to (i) include the resolution in the agenda for the annual general meeting; or (ii) convene a special general meeting by serving sufficient notice in accordance with the statutory requirements to all the registered Shareholders. On the contrary, if the requisition has been verified as not in order, the Shareholders concerned will be advised of this outcome and accordingly, (i) the proposed resolution will not be include in the agenda for the annual general meeting; or (ii) a special general meeting will not be convened as requested.

Procedures for shareholders sending enquiries to the board

1. *Enquiries about shareholdings*
   Shareholders should direct their enquiries about their shareholdings to the Company's branch share registrar, Tricor Tengis Limited, via its online holding enquiry service at www.tricoris.com, or send email to is-enquiries@hk.tricorglobal.com or call its hotline at (852) 2980 1333, or go in person to its public counter at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.

2. *Enquiries about corporate governance or other matters to be put to the Board and the Company*
   The Company will not normally deal with verbal or anonymous enquiries. Shareholders may send written enquiries to the Company, for the attention of the Board of Directors or Company Secretary, by email: info@townhealth.com, fax: (852) 2210 2722, or mail to 6/F Town Health Technology Centre, 10-12 Yuen Shun Circuit, Siu Lek Yuen, Shatin, New Territories, Hong Kong. Shareholders may call the Company at (852) 2699 8266 for any assistance.

Deloitte.
德勤

TO THE MEMBERS OF
TOWN HEALTH INTERNATIONAL INVESTMENTS LIMITED
康健國際投資有限公司
(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 34 to 140, which comprise the consolidated statement of financial position as at 31 December 2013, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then 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 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 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 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 31 December 2013, and of its 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
25 March 2014

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2013

	NOTES	**2013** **HK$'000**	2012 HK$'000
Revenue	7	**354,553**	341,768
Cost of sales		**(234,321)**	(223,205)
Gross profit		**120,232**	118,563
Other income	9	**54,406**	16,711
Administrative expenses		**(200,449)**	(184,039)
Other gains and losses	10	**(120,199)**	(447,406)
Finance costs	11	**(9,327)**	(3,948)
Gain (loss) on disposal of a subsidiary	42	**1,659**	(79)
Gain on disposal of associates	23	**27,840**	3,463
Loss on dilution of interest in an associate	23	**(5,788)**	–
Share of results of associates		**159,929**	(9,470)
Increase in fair value of investment properties	18	**54,734**	78,645
Profit (loss) before tax		**83,037**	(427,560)
Income tax expenses	14	**(3,719)**	(3,104)
Profit (loss) for the year	15	**79,318**	(430,664)
Other comprehensive income (expense) for the year			
Item that will not be reclassified to profit or loss:			
Gain on fair value change of properties reclassified as investment properties		**40,739**	–
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on the translation of foreign operations		**1,059**	25
Share of exchange differences of associates		**(407)**	274
Reclassification of translation reserve to profit or loss upon deemed disposal of an associate and dilution of interest in an associate		**(12,182)**	–
Fair value (loss) gain on available-for-sale investments		**(462)**	462
		(11,992)	761
Total comprehensive income (expense) for the year		**108,065**	(429,903)

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2013

	NOTE	2013 HK$'000	2012 HK$'000
Profit (loss) for the year attributable to:			
Owners of the Company		**49,633**	(434,952)
Non-controlling interests		**29,685**	4,288
		79,318	(430,664)
Total comprehensive income (expense) attributable to:			
Owners of the Company		**68,045**	(434,191)
Non-controlling interests		**40,020**	4,288
		108,065	(429,903)
Earnings (loss) per share (HK$)	17		
– Basic		**0.05**	(0.48)
– Diluted		**0.05**	(0.48)

Consolidated Statement of Financial Position

At 31 December 2013

	NOTES	2013 HK$'000	2012 HK$'000
NON-CURRENT ASSETS			
Investment properties	18	**448,405**	573,040
Property, plant and equipment	19	**171,916**	163,322
Loans receivable	20	**39,428**	14,242
Goodwill	21	**15,121**	6,603
Other intangible assets	22	**–**	167
Interests in associates	23	**116,658**	224,709
Available-for-sale investments	24	**58,417**	49,275
Deposits paid for acquisition of property, plant and equipment		**–**	328
		849,945	1,031,686
CURRENT ASSETS			
Inventories	25	**11,552**	9,769
Trade and other receivables	26	**45,400**	41,155
Held for trading investments	27	**660,920**	314,135
Loans receivable	20	**96,240**	13,482
Amounts due from associates	28	**10,228**	3,753
Amount(s) due from an investee/investees	29	**1,000**	1,839
Amount due from a non-controlling interest	30	**100**	–
Amount due from a related party	31	**–**	9
Tax recoverable		**1,089**	437
Pledged bank deposits	32	**17,794**	79,951
Bank balances and cash	33	**201,249**	176,332
		1,045,572	640,862
Assets classified as held for sale	34	**117,000**	–
		1,162,572	640,862
CURRENT LIABILITIES			
Trade and other payables	35	**57,775**	33,876
Amount(s) due to an associate/associates	28	**12**	369
Amount due to an investee	29	**557**	437
Amounts due to non-controlling interests	30	**11,834**	4,126
Amount due to a related party	31	**14**	–
Bank borrowing	36	**363,772**	210,575
Tax payable		**82,013**	84,210
		515,977	333,593
NET CURRENT ASSETS		**646,595**	307,269

Consolidated Statement of Financial Position
At 31 December 2013

	NOTES	2013 HK$'000	2012 HK$'000
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,496,540**	1,338,955
NON-CURRENT LIABILITY			
Deferred tax liabilities	37	**3,063**	1,606
		1,493,477	1,337,349
CAPITAL AND RESERVES			
Share capital	38	**9,169**	9,103
Reserves		**1,199,997**	1,118,528
Equity attributable to owners of the Company		**1,209,166**	1,127,631
Non-controlling interests		**284,311**	209,718
Total equity		**1,493,477**	1,337,349

The consolidated financial statements on pages 34 to 140 were approved and authorised for issue by the Board of Directors on 25 March 2014 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 31 December 2013

	Attributable to owners of the Company													
	Share capital	Share premium	Capital redemption reserve	Capital reserve	Distributable reserve	Other reserves	Investment revaluation reserve	Property revaluation reserve	Translation reserve	Share options reserve	Accumulated profits	Total	Non-controlling interests	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
			(Note i)	(Note ii)	(Note iii)	(Note iv)								
At 1 January 2012	9,103	508,096	9,020	10,033	62,677	–	–	3,055	16,443	210,304	718,084	1,546,815	5,982	1,552,797
Loss for the year	–	–	–	–	–	–	–	–	–	–	(434,952)	(434,952)	4,288	(430,664)
Other comprehensive income for the year	–	–	–	–	–	–	462	–	299	–	–	761	–	761
Total comprehensive income (expense) for the year	–	–	–	–	–	–	462	–	299	–	(434,952)	(434,191)	4,288	(429,903)
Recognition of equity-settled share-based payment expenses	–	–	–	–	–	–	–	–	–	193	–	193	–	193
Dividend paid to non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	–	(1,728)	(1,728)
Acquisition of assets through acquisition of subsidiaries (note 40)	–	–	–	–	–	14,814	–	–	–	–	–	14,814	201,176	215,990
At 31 December 2012	9,103	508,096	9,020	10,033	62,677	14,814	462	3,055	16,742	210,497	283,132	1,127,631	209,718	1,337,349
Profit for the year	–	–	–	–	–	–	–	–	–	–	49,633	49,633	29,685	79,318
Other comprehensive (expense) income for the year	–	–	–	–	–	–	(462)	30,554	(11,680)	–	–	18,412	10,335	28,747
Total comprehensive income (expense) income for the year	–	–	–	–	–	–	(462)	30,554	(11,680)	–	49,633	68,045	40,020	108,065
Exercise of share options	66	4,477	–	–	–	–	–	–	–	(498)	–	4,045	–	4,045
Acquisition of subsidiaries (note 41)	–	–	–	–	–	–	–	–	–	–	–	–	19,751	19,751
Recognition of equity-settled share-based payment expenses	–	–	–	–	–	–	–	–	–	9,876	–	9,876	–	9,876
Dividend paid to non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	–	(2,609)	(2,609)
Shares allotment of a subsidiary	–	–	–	–	–	(431)	–	–	–	–	–	(431)	17,431	17,000
At 31 December 2013	9,169	512,573	9,020	10,033	62,677	14,383	–	33,609	5,062	219,875	332,765	1,209,166	284,311	1,493,477

Notes:

(i) 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.

(ii) 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.

(iii) Distributable reserve of the Group represents the amount arising from the reduction of share capital net of dividend paid.

(iv) The other reserves of the Group at the end of reporting period mainly represented:

(a) the difference between fair value of assets and liabilities of Million Worldwide Investment Limited and its subsidiaries (collectively referred to as "Million Worldwide Group") acquired by the Group and the fair value of consideration paid by the Group through the issue of enlarged interest in a subsidiary to the vendor of Million Worldwide Group to satisfy the settlement of the consideration, which formed the value of the non-controlling interests amounting to HK$14,814,000; and

(b) the difference between fair value of 17 shares of Town Health Asset Management Limited ("Town Health Asset"), a non-wholly owned subsidiary of the Group, allotted to non-controlling interests and the consideration received amounting to HK$431,000 in 2013.

Consolidated Statement of Cash Flows

For the year ended 31 December 2013

	2013 HK$'000	2012 HK$'000
OPERATING ACTIVITIES		
Profit (loss) before tax	**83,037**	(427,560)
Adjustments for:		
Interest income	**(13,237)**	(628)
Dividend income from unlisted investments classified as available-for-sale investments	**(5,868)**	(300)
Gain on remeasurement of an associate	**(87,010)**	–
Impairment loss on goodwill	**134,489**	–
Loss on dilution of interest in an associate	**5,788**	–
Translation reserve reclassified to profit or loss upon deemed disposal of an associate and dilution of interest in an associate	**(12,182)**	–
Depreciation of property, plant and equipment	**37,637**	38,454
Unrealised (gain) loss on fair value changes on held for trading investments	**(140,173)**	279,258
Impairment loss recognised on loans receivable	**30,000**	3,559
Impairment loss recognised on trade receivables	**640**	1,562
Impairment loss recognised on available-for-sale investments	**2,057**	–
Loss on disposal of property, plant and equipment	**1,004**	370
Amortisation of intangible assets	**167**	2,125
Increase in fair value of investment properties	**(54,734)**	(78,645)
Share of results of associates	**(159,929)**	9,470
Share-based payment expenses	**9,876**	193
Finance costs	**9,327**	3,948
Loss on disposal of available-for-sale investments	**–**	6,006
(Gain) loss on disposal of subsidiaries	**(1,659)**	79
Gain on disposal of associates	**(27,840)**	(3,463)
Impairment loss recognised on amount due from an investee	**314**	–
Impairment loss recognised on amount due from associates	**–**	13,290
Impairment loss recognised on interests in associates	**–**	12,121
Operating cash outflow before movements in working capital	**(188,296)**	(140,161)
(Increase) decrease in inventories	**(125)**	1,581
Decrease in trade and other receivables	**16,771**	2,313
Decrease (increase) in amount due from a related party	**9**	(8)
(Increase) decrease in held for trading investments	**(206,612)**	309,961
Increase in trade and other payables	**2,989**	3,794
Cash (used in) generated from operations	**(375,264)**	177,480
Income tax paid	**(6,220)**	(4,055)
NET CASH (USED IN) FROM OPERATING ACTIVITIES	**(381,484)**	173,425

Consolidated Statement of Cash Flows

For the year ended 31 December 2013

	NOTES	2013 HK$'000	2012 HK$'000
INVESTING ACTIVITIES			
Proceeds from disposal of investment properties		**265,733**	–
Dividend received from associates		**209,152**	7,340
Repayment of loans receivable		**180,735**	2,782
Proceeds from disposal of associates		**80,772**	9,175
Disposal of subsidiaries/a subsidiary	42	**76,456**	(22)
Release (placement) of pledged bank deposits		**62,157**	(74,930)
Interest received		**13,237**	628
Dividend received from unlisted investments classified as available-for-sale investments		**5,868**	300
Proceeds from disposal of property, plant and equipment		**526**	37
Decrease (increase) in amounts due from investees		**525**	(826)
Advances of loans receivable		**(318,679)**	(13,700)
Purchase of investment properties		**(163,587)**	(12,929)
Acquisition of subsidiaries	41	**(100,480)**	(60)
Acquisition of assets through acquisition of subsidiaries	40	**(43,000)**	5,844
Purchase of available-for-sale investments		**(11,661)**	(13,245)
Purchase of property, plant and equipment		**(8,732)**	(4,021)
Advance to associates		**(6,832)**	(6,658)
Investment(s) in an associate/associates		**(299)**	(45,337)
Deposits paid for acquisition of property, plant and equipment		**–**	(30)
Proceeds from disposal of available-for-sale investments		**–**	11,298
NET CASH FROM (USED IN) INVESTING ACTIVITIES		**241,891**	(134,354)
FINANCING ACTIVITIES			
New bank borrowing raised		**1,347,644**	442,575
Proceeds from shares allotment of a subsidiary		**17,000**	–
Proceeds from issue of shares		**4,045**	–
Repayment from (advance to) non-controlling interests		**1,408**	(802)
Repayment from (advance to) an investee		**134**	(97)
Repayment of bank borrowing		**(1,194,447)**	(345,000)
Interest paid		**(9,327)**	(3,948)
Dividend paid to non-controlling interests		**(2,609)**	(1,728)
NET CASH FROM FINANCING ACTIVITIES		**163,848**	91,000
NET INCREASE IN CASH AND CASH EQUIVALENTS		**24,255**	130,071
CASH AND CASH EQUIVALENTS AT 1 JANUARY		**176,332**	46,261
EFFECT OF FOREIGN EXCHANGE RATES CHANGES		**662**	–
CASH AND CASH EQUIVALENTS AT 31 DECEMBER, representing bank balances and cash		**201,249**	176,332

1. GENERAL

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

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

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

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

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

The Company is an investment holding company. The principal activities of its principal subsidiaries and associates are set out in notes 48 and 23 respectively.

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

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

Amendments to HKFRSs	Annual improvements to HKFRSs 2009 – 2011 cycle, other than amendments to HKAS 1
Amendments to HKFRS 7	Disclosures – Offsetting financial assets and financial liabilities
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated financial statements, joint arrangements and disclosure of interests in other entities: Transition guidance
HKFRS 10	Consolidated financial statements
HKFRS 11	Joint arrangements
HKFRS 12	Disclosure of interests in other entities
HKFRS 13	Fair value measurement
HKAS 19 (as revised in 2011)	Employee benefits
HKAS 27 (as revised in 2011)	Separate financial statements
HKAS 28 (as revised in 2011)	Investments in associates and joint ventures
Amendments to HKAS 1	Presentation of items of other comprehensive income
HK(IFRIC) – INT 20	Stripping costs in the production phase of a surface mine

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

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

New and revised standards on consolidation, joint arrangements, associates and disclosures

In the current year, the Group has applied for the first time the package of five standards on consolidation, joint arrangements, associates and disclosures comprising HKFRS 10 "Consolidated financial statements", HKFRS 11 "Joint arrangements", HKFRS 12 "Disclosure of interests in other entities", HKAS 27 (as revised in 2011) "Separate financial statements" and HKAS 28 (as revised in 2011) "Investments in associates and joint ventures", together with the amendments to HKFRS 10, HKFRS 11 and HKFRS 12 regarding transitional guidance.

HKAS 27 (as revised in 2011) is not applicable to the Group as it deals only with separate financial statements.

The impact of the application of these standards is set out below.

Impact of the application of HKFRS 10

HKFRS 10 replaces the parts of HKAS 27 "Consolidated and Separate Financial Statements" that deal with consolidated financial statements and HK(SIC) INT-12 "Consolidation – Special Purpose Entities". HKFRS 10 changes the definition of control such that an investor has control over an investee when (a) it has power over the investee, (b) it is exposed, or has rights, to variable returns from its involvement with the investee and (c) has the ability to use its power to affect its returns. All three of these criteria must be met for an investor to have control over an investee. Previously, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Additional guidance has been included in HKFRS 10 to explain when an investor has control over an investee.

The directors of the Company made an assessment as at the date of initial application of HKFRS 10 (i.e. 1 January 2013) as to whether or not the Group has control over its subsidiaries and associates in accordance with the new definition of control and the related guidance set out in HKFRS 10. The directors of the Company concluded that the initial application of HKFRS 10 has no material impact on the consolidated financial statements.

Impact of the application of HKFRS 12

HKFRS 12 is a new disclosure standard and is applicable to entities that have interests in subsidiaries and associates. In general, the application of HKFRS 12 has resulted in more extensive disclosures in the consolidated financial statements (please see notes 23 and 48 for details).

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

HKFRS 13 Fair value measurement

The Group has applied HKFRS 13 for the first time in the current year. HKFRS 13 establishes a single source of guidance for, and disclosures about, fair value measurements. The scope of HKFRS 13 is broad: the fair value measurement requirements of HKFRS 13 apply to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except for share-based payment transactions that are within the scope of HKFRS 2 "Share-based payment", leasing transactions that are within the scope of HKAS 17 "Leases", and measurements that have some similarities to fair value but are not fair value (e.g. net realisable value for the purposes of measuring inventories or value in use for impairment assessment purposes).

HKFRS 13 defines the fair value of an asset as the price that would be received to sell an asset (or paid to transfer a liability, in the case of determining the fair value of a liability) in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under HKFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, HKFRS 13 includes extensive disclosure requirements.

HKFRS 13 requires prospective application. In accordance with the transitional provisions of HKFRS 13, the Group has not made any new disclosures required by HKFRS 13 for the 2012 comparative period (please see notes 6c and 18 for the 2013 disclosures). Other than the additional disclosures, the application of HKFRS 13 has not had any material impact on the amounts recognised in the consolidated financial statements.

Amendments to HKAS 1 Presentation of items of other comprehensive income

The Group has applied the amendments to HKAS 1 "Presentation of items of other comprehensive income". Upon the adoption of the amendments to HKAS 1, the Group's "statement of comprehensive income" is renamed as the "statement of profit or loss and other comprehensive income". The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. Furthermore, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to HKAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

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

New and revised HKFRSs in issue but not yet effective

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

HKFRS 9	Financial instruments[3]
Amendments to HKFRS 9 and HKFRS 7	Mandatory effective date of HKFRS 9 and transition disclosures[3]
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment entities[1]
Amendments to HKAS 19	Defined benefit plans: Employee contributions[2]
Amendments to HKAS 32	Offsetting financial assets and financial liabilities[1]
Amendments to HKAS 36	Recoverable amount disclosures for non-financial assets[1]
Amendments to HKAS 39	Novation of derivatives and continuation of hedge accounting[1]
Amendments to HKFRSs	Annual improvements to HKFRSs 2010 – 2012 cycle[4]
Amendments to HKFRSs	Annual improvements to HKFRSs 2011 – 2013 cycle[2]
HK(IFRIC) – INT 21	Levies[1]

1 Effective for annual periods beginning on or after 1 January 2014, with earlier application permitted.

2 Effective for annual periods beginning on or after 1 July 2014, except as disclosed below. Early application is permitted.

3 Available for application – the mandatory effective date will be determined when the outstanding phases of HKFRS 9 are finalised.

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

HKFRS 9 Financial instruments

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 was subsequently amended in 2010 to include the requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2013 to include the new requirements for hedge accounting.

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

HKFRS 9 Financial instruments *(Continued)*

Key requirements of HKFRS 9 are described as follows:

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

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

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

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

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

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

The amendments to HKFRS 10 define an investment entity and require a reporting entity that meets the definition of an investment entity not to consolidate its subsidiaries but instead to measure its subsidiaries at fair value through profit or loss in its financial statements.

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

- obtain funds from one or more investors for the purpose of providing them with professional investment management services;

- commit to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and

- measure and evaluate performance of substantially all of its investments on a fair value basis.

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

The directors of the Company do not anticipate that the investment entities amendments will have any effect on the Group's consolidated financial statements as the Company is not an investment entity.

Amendments to HKAS 19 Defined benefit plans: Employee contributions

The amendments to HKAS 19 clarify how an entity should account for contributions made by employees or third parties to defined benefit plans, based on whether those contributions are dependent on the number of years of service provided by the employee.

For contributions that are independent of the number of years of service, the entity may either recognise the contributions as a reduction in the service cost in the period in which the related service is rendered, or to attribute them to the employees' periods of service using the projected unit credit method; whereas for contributions that are dependent on the number of years of service, the entity is required to attribute them to the employees' periods of service.

The directors of the Company do not anticipate that the application of these amendments to HKAS 19 will have a significant impact on the Group's consolidated financial statements as the Group does not have any defined benefit plans.

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

Amendments to HKAS 32 Offsetting financial assets and financial liabilities

The amendments to HKAS 32 clarify existing application issues relating to the offset of financial assets and financial liabilities requirements. Specifically, the amendments clarify the meaning of "currently has a legally enforceable right of set-off" and "simultaneous realisation and settlement".

The directors of the Company do not anticipate that the application of these amendments to HKAS 32 will have a significant impact on the Group's consolidated financial statements as the Group does not have any financial assets and financial liabilities that qualify for offset.

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

The amendments to HKAS 36 remove the requirement to disclose the recoverable amount of a cash-generating unit ("CGU") to which goodwill or other intangible assets with indefinite useful lives had been allocated when there has been no impairment or reversal of impairment of the related CGU. Furthermore, the amendments introduce additional disclosure requirements regarding the fair value hierarchy, key assumptions and valuation techniques used when the recoverable amount of an asset or CGU was determined based on its fair value less costs of disposal.

The directors of the Company do not anticipate that the application of these amendments to HKAS 36 will have a significant impact on the Group's consolidated financial statements.

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

The amendments to HKAS 39 provide relief from the requirement to discontinue hedge accounting when a derivative hedging instrument is novated under certain circumstances. The amendments also clarify that any change to the fair value of the derivative hedging instrument arising from the novation should be included in the assessment of hedge effectiveness.

The directors of the Company do not anticipate that the application of these amendments to HKAS 39 will have any effect on the Group's consolidated financial statements as the Group does not have any derivatives that are subject to novation.

HK(IFRIC) – INT 21 Levies

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

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

HK(IFRIC) – INT 21 Levies *(Continued)*

The directors of the Company anticipate that the application of HK (IFRIC) – INT 21 will have no effect on the Group's consolidated financial statements as the Group does not have any levy arrangements.

Annual improvements to HKFRSs 2010-2012 cycle

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

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

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

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

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

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

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

Annual improvements to HKFRSs 2010-2012 cycle *(Continued)*

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

The directors of the Company do not anticipate that the application of the amendments included in the "Annual improvements to HKFRSs 2010-2012 cycle" will have a material effect on the Group's consolidated financial statements.

Annual improvements to HKFRSs 2011-2013 cycle

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

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

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

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

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

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

The directors of the Company do not anticipate that the application of the amendments included in the "Annual improvements to HKFRSs 2011-2013 cycle" will have a material effect on the Group's consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

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

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

Historical cost is generally based on the fair value of the consideration given in exchange for goods.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2, leasing transactions that are within the scope of HKAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 or value in use in HKAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

The principal 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 and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Basis of consolidation *(Continued)*

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries 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.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

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

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in existing 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.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and 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. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs). 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, when applicable, the cost on initial recognition of an investment in an associate.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combinations

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 arrangements of the acquiree or share-based payment arrangements of the Group entered to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 "Share-based payment" at the acquisition date (see the accounting policy below); 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.

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, when applicable on the basis specified in another HKFRS.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combinations *(Continued)*

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.

Acquisition of subsidiaries which are not businesses

The cost of the acquisition is allocated to the individual identifiable assets and liabilities on the basis of their relative fair values at the date of acquisition. No goodwill or discount on acquisition is recognised upon the acquisition of interest in a subsidiary.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of business less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's 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 its carrying amount, 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 on a pro rata basis based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. 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.

Investments in associates

An associate is an entity over which the Group has significant influence. 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments in associates *(Continued)*

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of associates used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transaction and events in similar circumstances. 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 exceeds the Group's 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.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee 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 and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

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.

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate. When the Group retains an interest in the former associate and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with HKAS 39. The difference between the carrying amount of the associate at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate 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 the equity method is discontinued.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments in associates *(Continued)*

When the Group reduces its ownership interest in an associate but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

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.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold 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 provided.

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

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 income 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.

3. 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 leasehold land (classified as finance lease) and buildings held for use in the production or supply of goods or services, or for administrative purposes are stated in the consolidated statement of financial position 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 reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

If an item of property, plant and equipment becomes an investment property because its use has changed as evidenced by end of owner-occupation, any difference between the carrying amount and the fair value of that item at the date of transfer is recognised in other comprehensive income and accumulated in property revaluation reserve. On the subsequent sale or retirement of the asset, the relevant revaluation reserve will be transferred directly to accumulated profits.

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 held for undetermined future use, which is regarded as held for capital appreciation purpose.

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

If an item of investment properties is transferred to owner-occupied property, the deemed cost of a property is its fair value at the date of change in use.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investment properties *(Continued)*

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.

Non-current assets held for sale

Non-current assets 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 asset is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such asset and its sale is highly probable. 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.

Investment properties classified as held for sale is measured at fair value.

Borrowing costs

Borrowing costs are recognised in profit or loss in the period in which they are incurred.

Intangible assets

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

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 recognised on a straight-line basis over their estimated useful lives.

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 with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment losses on tangible and intangible assets other than goodwill *(Continued)*

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) 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 (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the first-in, first-out method. Net realisable value represents the estimated selling price for inventories less all estimated costs necessary to make the sale.

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 is recognised on a straight-line basis over the period of the respective 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.

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, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leasing *(Continued)*

Leasehold land and building (Continued)

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.

Retirement benefit costs

Payments to state-managed retirement benefit scheme and the Mandatory Provident Fund Scheme are recognised 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 People's Republic of China ("PRC") are translated into the presentation currency of the Group (i.e. Hong Kong dollars) using exchange rate prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve.

In relation to dilution of interest in an associate and deemed disposal of an associate that do not result in the Group losing significant influence, the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax as reported in the consolidated statement of profit or loss and other 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, 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation *(Continued)*

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.

For the purposes of measuring deferred tax liabilities or deferred tax assets for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

Current and 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 current and deferred tax is also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Financial instruments

Financial assets and financial liabilities are recognised 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 the following specified categories, including financial assets at fair value through profit or loss ("FVTPL"), available-for-sale financial assets and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets (Continued)

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 FVTPL

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 term; or
- on initial recognition it is a part of 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 any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss exclude any dividend or interest earned on the financial assets and is included in the "other gains and losses" line item. Fair value is determined in the manner described in note 6c.

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 non-controlling interest/a related party, pledged bank deposits and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment of financial assets below).

3. 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.

Equity instruments held by the Group that are classified as available-for-sale investments and are traded in an active market are measured at fair value at the end of each reporting period. Changes in the carrying amount of available-for-sale financial assets are recognised in other comprehensive income and accumulated under the heading of investment revaluation reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss (see the accounting policy in respect of impairment loss on financial assets below).

Dividends on available-for-sale equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established.

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, 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).

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 considered to be 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 available-for-sale equity investments, 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.

3. 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, in addition, 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, observable changes in local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and other receivables and amount due from an associate/an investees/a related party, 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, other receivable or amount due from an associate/an investee/a related party is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

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 investments previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to impairment loss is recognised directly in other comprehensive income and accumulated under the heading of investment revaluation reserve.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by a group entity are classified as either financial liabilities or as equity instruments in accordance with substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the group entities are recognised at the proceed received, net of direct issue costs.

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 (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 liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition. 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/an investee/a related party and bank borrowing) are subsequently measured at amortised cost, using the effective interest method.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

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.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Equity-settled share-based payment transactions

Share options granted to employees

For grants of share options that are conditional upon satisfying specified vesting conditions, the fair value of services received is determined by reference to the fair value of share options granted at the date of grant and is expensed on a straight-line basis over the vesting period, 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 original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share options reserve.

For share options that vest immediately at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss.

When 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.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, 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.

Critical judgments in applying accounting policy

The followings are the critical judgments, apart from those involving estimations, that the directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Remeasurement of an associate

The fair value of the previously held interest of 40% in an associate was determined by reference to the cash consideration paid by the Group for the further acquisition of 40% equity interest in an associate less an adjustment factor of 30% to take into account of the control premium paid for the further acquisition of 40%. The carrying amount of the previously held interest of 40% classified as interest in associate, was zero, as the associate was fully impaired in prior years. Accordingly, a gain on remeasurement of the previously held interest in an associate arose.

4. CRITICAL ACCOUNTING JUDGMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

Critical judgments in applying accounting policy *(Continued)*

Deferred taxation on investment properties

For the purposes of measuring deferred tax liabilities or deferred tax assets arising from investment properties that are measured using the fair value model, the directors have reviewed the Group's investment property portfolios and concluded that the Group's investment properties are not held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time. Therefore, in measuring the Group's deferred taxation on investment properties, the directors have determined that the presumption that the carrying amounts of investment properties measured using the fair value model are recovered entirely through sale is not rebutted. As a result, the Group has not recognised any deferred taxes on changes in fair value of investment properties as the Group is not subject to any income taxes on disposal of its investment properties.

Key sources of estimation uncertainty

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 on associates

Management regularly reviews the recoverable amount of the associates (including its goodwill). Determining whether impairment is required involves the estimation of the value in use and fair value of the associates to which excess the carrying amount of the associates. The value in use calculation requires the Group to estimate cash flows in the coming five years and cash flows beyond 5 years are extrapolated by assuming no growth rate 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. As at 31 December 2013, the carrying amount of associates net of accumulated impairment loss of HK$1,711,000, amounted to HK$116,658,000 (2012: carrying amount of associates net of accumulated impairment loss of HK$85,251,000, amounted to HK$224,709,000).

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use and fair value 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 details of the impairment test are disclosed in note 21. As at 31 December 2013, the carrying amount of goodwill net of accumulated impairment loss of HK$207,295,000, amounted to HK$15,121,000 (2012: carrying amount of goodwill net of accumulated impairment loss of HK$72,806,000, amounted to HK$6,603,000).

4. CRITICAL ACCOUNTING JUDGMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

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 31 December 2013, the carrying amount of loans receivable net of accumulated impairment loss of HK$33,559,000, amounted to HK$135,668,000 (2012: carrying amount of loans receivable net of accumulated impairment loss of HK$3,559,000, amounted to HK$27,724,000).

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 amounts based on management's estimate. In determining whether impairment is required, the Group takes into consideration the likelihood of collection of debts on an individual basis 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. As at 31 December 2013, the carrying amount of trade receivables net of allowance for doubtful debts HK$2,071,000, amounted to HK$16,348,000 (2012: carrying amount of trade receivables net of allowance for doubtful debts HK$1,606,000, amounted to HK$14,600,000).

5. 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.

6. FINANCIAL INSTRUMENTS

6a. Categories of financial instruments

	2013 HK$'000	2012 HK$'000
Financial assets		
Held for trading investments	**660,920**	314,135
Available-for-sale investments	**58,417**	49,275
Loans and receivables (including cash and cash equivalents)	**390,382**	309,010
Financial liabilities		
Amortised cost	**412,782**	231,195

6b. Financial risk management objectives and policies

The Group's major financial instruments include loans receivable, available-for-sale investments, trade and other receivables, held for trading investments, amount(s) due from (to) associate(s)/investee(s)/a related party/non-controlling interest(s), pledged bank deposits, bank balances and cash, trade and other payables and bank borrowing. 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 risk), 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 years. 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 is also exposed to cash flow interest rate risk in relation to variable-rate bank balances, pledged bank deposits and bank borrowing (see note 36 for details of these borrowing). It is the Group's policy to keep its borrowings at floating rate of interests so as to minimise the fair value interest rate risk.

6. FINANCIAL INSTRUMENTS *(Continued)*

6b. Financial risk management objectives and policies *(Continued)*

Market risk (Continued)

(i) Interest rate risk *(Continued)*

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

The Group cash flow interest rate risk is mainly concentrated on the fluctuation of Hong Kong Interbank Offer Rate ("HIBOR") arising from the Group's Hong Kong dollars denominated borrowings.

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 50 basis points (2012: 50 basis points) increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points (2012: 50 basis points) higher/lower and all other variables were held constant, the Group's profit for the year ended 31 December 2013 would decrease/increase by HK$1,519,000 (2012: loss for the year would increase/decrease by HK$879,000). This is mainly attributable to the Group's exposure to interest rates on its variable-rate bank borrowing.

(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 Stock Exchange. The management manages this exposure by delegating a team to monitor the market price of each investment closely and report to management on any material fluctuation regularly.

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.

6. FINANCIAL INSTRUMENTS *(Continued)*

6b. Financial risk management objectives and policies *(Continued)*

Market risk (Continued)

(ii) Price risk on listed securities *(Continued)*

Sensitivity analysis *(Continued)*

If the prices of the respective equity instruments had been 10% (2012: 10%) higher/lower:

– profit for the year ended 31 December 2013 would increase/decrease by approximately HK$62,939,000 (2012: loss for the year would decrease/increase by approximately HK$31,414,000) as a result of the changes in fair value of financial assets at fair value through profit or loss.

– investment revaluation reserve would increase/decrease by HK$284,000 (2012: HK$370,000) for the Group as a result of the changes in fair value of available-for-sale investments.

The percentage applied in the sensitivity analysis is 10% in both year 2012 and 2013 of which management considers that is reasonable in current financial market.

Credit risk

As at 31 December 2013, 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 and loans receivable 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.

6. FINANCIAL INSTRUMENTS *(Continued)*

6b. Financial risk management objectives and policies *(Continued)*

Credit risk (Continued)

The Group's concentration of credit risk related to trade receivables by geographical locations is mainly in Hong Kong as at 31 December 2013 and 2012. The Group has concentration of credit risk by customer as 74% (2012: 89%) and 42% (2012: 56%) of the total trade receivables were due from the Group's five largest customers and the largest customer respectively. The Group's five largest customers are medical service companies with good reputation.

As at 31 December 2013, the Group also has concentration of credit risk on aggregate loans receivable due from five individuals amounting to HK$118,525,000 (2012: three individuals amounting to HK$18,492,000 and two employees amounting to HK$4,460,000). The Group's five largest loans receivable due from the individuals and employees mentioned above have good credit and/or repayment history. An internal credit assessment process to assess the potential borrower's credit quality and defines credit limits by borrower.

The credit risk on liquid funds is limited because the counterparties are banks with good reputation.

The Group has concentration risk on its held for trading investments which mainly represent investment in an equity security listed on the Stock Exchange. As at 31 December 2013, the Group has concentration risk by investment in Convoy Financial Services Holdings Limited (2012: DX.com Holdings Limited, formerly named as ePRO Limited), as it represents 18% (2012: 64%) of the total held for trading investments.

The management manages and monitors these exposures by monitoring the share price quoted in the Stock Exchange to ensure appropriate measures are implemented on a timely and effective manner.

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 borrowing 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.

6. FINANCIAL INSTRUMENTS *(Continued)*

6b. Financial risk management objectives and policies *(Continued)*

Liquidity risk (Continued)

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	Total undiscounted cash flows HK$'000	Carrying amount at 31.12.2013 HK$'000
31 December 2013					
Non-derivative financial liabilities:					
Trade and other payables	–	–	36,593	36,593	36,593
Amounts due to non-controlling interests	–	11,834	–	11,834	11,834
Amount due to an investee	–	557	–	557	557
Amount due to an associate	–	12	–	12	12
Amount due to a related party	–	14	–	14	14
Variable rate bank borrowing	2.5%	363,772	–	363,772	363,772
		376,189	36,593	412,782	412,782

	Weighted average effective interest rate	On demand HK$'000	Less than 3 months HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31.12.2012 HK$'000
31 December 2012					
Non-derivative financial liabilities:					
Trade and other payables	–	–	15,688	15,688	15,688
Amounts due to non-controlling interests	–	4,126	–	4,126	4,126
Amount due to an investee	–	437	–	437	437
Amounts due to associates	–	–	369	369	369
Variable rate bank borrowing	2.9%	210,575	–	210,575	210,575
		215,138	16,057	231,195	231,195

6. FINANCIAL INSTRUMENTS *(Continued)*

6b. Financial risk management objectives and policies *(Continued)*

Liquidity risk (Continued)

Liquidity and interest risk tables *(Continued)*

Bank loans with a repayment on demand clause are included in the "on demand" time band in the above maturity analysis. As at 31 December 2013, the aggregate undiscounted principal amounts of these bank loans amounted to HK$363,772,000 (2012: HK$210,575,000). 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 3 months (2012: within 3 months) 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$366,027,000 (2012: HK$212,055,000).

6c. Fair value measurements of financial instruments

Fair value of the Group's financial assets that are measured at fair value on a recurring basis

Some of the Group's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used).

	Financial assets	Fair value as at 31 December 2013	Fair value hierarchy	Valuation technique(s) and key input(s)
1.	Held for trading investments	Listed equity securities in Hong Kong – HK$629,387,000	Level 1	Quoted bid prices in an active market.
2.	Held for trading investments	Unlisted equity fund in Hong Kong – HK$31,533,000	Level 2	Derived from quoted bid prices in an active market.
3.	Listed available-for-sale investments	Listed equity securities in Hong Kong – HK$2,838,000	Level 1	Quoted bid prices in an active market.
4.	Unlisted fund classified as available-for-sale investments	Unlisted equity fund in Hong Kong – HK$8,467,000	Level 2	Derived from quoted bid prices in an active market.

6. FINANCIAL INSTRUMENTS *(Continued)*

6c. Fair value measurements of financial instruments *(Continued)*

Fair value hierarchy

	As at 31 December 2013		
	Level 1	**Level 2**	**Total**
	HK$'000	**HK$'000**	**HK$'000**
Held for trading investments			
Listed equity securities	**629,387**	**–**	**629,387**
Unlisted funds	**–**	**31,533**	**31,533**
	629,387	**31,533**	**660,920**
Available-for-sale financial assets			
Listed equity securities	**2,838**	**–**	**2,838**
Unlisted funds	**–**	**8,467**	**8,467**
	2,838	**8,467**	**11,305**
	632,225	**40,000**	**672,225**

	As at 31 December 2012		
	Level 1	Level 2	Total
	HK$'000	HK$'000	HK$'000
Held for trading investments	314,135	–	314,135
Available-for-sale financial assets			
Listed equity securities	3,696	–	3,696
Unlisted funds	–	8,454	8,454
	3,696	8,454	12,150
	317,831	8,454	326,285

There were no transfers between Level 1 and 2 during the year.

Fair value of the Group's financial assets that are not measured at fair value on a recurring basis

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

7. REVENUE

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

	2013 HK$'000	2012 HK$'000
Provision of healthcare and dental services (Note)	**326,457**	318,923
Property rental income	**28,061**	16,829
Others	**35**	6,016
	354,553	341,768

Note: It mainly represents the revenue from healthcare services.

8. SEGMENT INFORMATION

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

- Provision of healthcare and dental services – Operations of the medical and dental practices and trading of healthcare products
- Securities trading – Trading of listed securities
- Properties – Leasing of properties
- Others – Trading and retailing of other products and miscellaneous service income

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

8. SEGMENT INFORMATION *(Continued)*

Segment revenues and results

For the year ended 31 December 2013

	Provision of healthcare and dental services HK$'000	Securities trading HK$'000	Properties HK$'000	Others HK$'000	Total HK$'000
SEGMENT REVENUE FROM EXTERNAL SALES	326,457	–	28,061	35	354,553
RESULTS					
Segment results	21,044	(21,724)	70,353	(235)	69,438
Other income					24,241
Unallocated corporate expenses					(107,411)
Share-based payment expenses					(9,876)
Finance costs					(9,327)
Gain on disposal of a subsidiary					1,659
Gain on disposal of associates					27,840
Gain on remeasurement of an associate					87,010
Loss on dilution of interest in an associate					(5,788)
Share of results of associates					159,929
Translation reserve reclassified to profit or loss upon deemed disposal of an associate and dilution of interest in an associate					12,182
Impairment loss recognised on available-for-sale investments					(2,057)
Impairment loss recognised on loans receivable					(30,000)
Impairment loss recognised on goodwill					(134,489)
Impairment loss recognised on amount due from an investee					(314)
Profit before tax					83,037

8. SEGMENT INFORMATION *(Continued)*

Segment revenues and results *(Continued)*

For the year ended 31 December 2012

	Provision of healthcare and dental services HK$'000	Securities trading HK$'000	Properties HK$'000	Others HK$'000	Total HK$'000
SEGMENT REVENUE FROM EXTERNAL SALES	318,923	–	16,829	6,016	341,768
RESULTS					
Segment results	11,541	(432,075)	85,551	(2,655)	(337,638)
Other income					16,711
Unallocated corporate expenses					(67,436)
Share-based payment expenses					(193)
Finance costs					(3,948)
Loss on disposal of a subsidiary					(79)
Gain on disposal of associates					3,463
Share of results of associates					(9,470)
Impairment loss recognised on loans receivable					(3,559)
Impairment loss recognised on amounts due from associates					(13,290)
Impairment loss recognised on interests in associates					(12,121)
Loss before tax					(427,560)

The accounting policies of the reporting segments are the same as the Group's accounting policies described in note 3. Segment profit (loss) represents the profit (loss) earned or generated by each segment without allocation of central administration costs, directors' salaries, share of results of associates, other income, gain on disposal of associates, loss on dilution of interest in an associate, gain (loss) on disposal of a subsidiary, gain on remeasurement of an associate, translation reserve reclassified to profit or loss upon deemed disposal of an associate and loss on dilution of interest in an associate, share-based payment expenses, impairment gain (loss) recognised in respect of interests in associates, amounts due from associates, an investee, goodwill, loans receivable and available-for-sale investments and finance costs. This is the measure reported to the CEO for the purposes of resources allocation and performance assessment.

8. SEGMENT INFORMATION *(Continued)*

Other segment information

For the year ended 31 December 2013

	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:							
Depreciation of property, plant and equipment	8,083	5	941	–	9,029	28,608	37,637
Amortisation of intangible assets	167	–	–	–	167	–	167
Impairment loss recognised on loans receivable	–	–	–	–	–	30,000	30,000
Impairment loss recognised on trade receivables	640	–	–	–	640	–	640
Increase in fair value of investment properties	–	–	54,734	–	54,734	–	54,734
Loss on fair value changes on held for trading investments	–	51,891	–	–	51,891	–	51,891
Loss on disposal of property, plant and equipment	1,004	–	–	–	1,004	–	1,004
Amounts included in the information regularly provided to the CEO:							
Additions/transfer to property, plant and equipment	76,872	–	–	–	76,872	1,736	78,608
Additions to investment properties	–	–	163,587	–	163,587	–	163,587

8. SEGMENT INFORMATION *(Continued)*

Other segment information *(Continued)*

For the year ended 31 December 2012

	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:							
Depreciation of property, plant and equipment	4,845	4	710	12	5,571	32,883	38,454
Amortisation of intangible assets	2,125	–	–	–	2,125	–	2,125
Impairment loss recognised on loans receivable	–	–	–	–	–	3,559	3,559
Impairment loss recognised on trade receivables	1,562	–	–	–	1,562	–	1,562
Increase in fair value of investment properties	–	–	78,645	–	78,645	–	78,645
Loss on fair value changes on held for trading investments	–	410,868	–	–	410,868	–	410,868
Loss on disposal of property, plant and equipment	340	–	–	–	340	30	370
Amounts included in the information regularly provided to the CEO:							
Additions/transfer to property, plant and equipment	3,474	–	15,654	7	19,135	–	19,135
Additions to investment properties	–	–	215,592	–	215,592	–	215,592

8. SEGMENT INFORMATION *(Continued)*

Geographical information

Majority of the Group's operations are located in Hong Kong. All provision of healthcare and dental services are carried out in Hong Kong. The Group's revenue from external customers based on location of customers are mainly derived from Hong Kong. The Group's non-current assets, excluding financial instruments and the Group's associates, are all located in Hong Kong. The location of operations of associates with carrying amount of HK$67,618,000 as at the end of the reporting period (2012: HK$122,271,000) is in the PRC whilst that of the remaining associates is in Hong Kong.

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

9. OTHER INCOME

	2013 HK$'000	2012 HK$'000
Interest income from:		
– bank deposits	**1,131**	93
– loans receivable	**12,106**	535
	13,237	628
Dividend income from listed investments classified as held for trading investments	**30,165**	6,586
Dividend income from unlisted investments classified as available-for-sale investments	**5,868**	300
Rental income	**2,029**	5,528
Sundry income	**3,107**	3,669
	54,406	16,711

10. OTHER GAINS AND LOSSES

	2013 HK$'000	2012 HK$'000
Loss on fair value changes on held for trading investments (Note)	(51,891)	(410,868)
Gain on remeasurement of an associate (note 41)	87,010	–
Translation reserve reclassified to profit or loss upon deemed disposal of an associate and loss on dilution of interest in an associate	12,182	–
Impairment loss recognised in respect of:		
– goodwill (notes 41 & 21)	(134,489)	–
– trade receivables	(640)	(1,562)
– loans receivable	(30,000)	(3,559)
– available-for-sale investments (note 24)	(2,057)	–
– amounts due from associates, net	–	(13,290)
– amount due from an investee	(314)	–
– interests in associates (note 23)	–	(12,121)
Loss on disposal of available-for-sale investments	–	(6,006)
	(120,199)	(447,406)

Note: It consists of net unrealised gain on fair value changes of HK$140,173,000 (2012: net unrealised loss on fair value changes of HK$279,258,000) and net realised loss on fair value changes of HK$192,064,000 (2012: net realised loss on fair value changes of HK$131,610,000).

The net unrealised gain and net realised loss are mainly contributed by the investment in equity shares of DX.com Holdings Limited (a company with its shares listed on the Stock Exchange, formerly named as ePRO Limited) of HK$148,071,000 and HK$203,817,000, respectively (2012: net unrealised loss and net realised loss are HK$303,721,000 and HK$104,415,000, respectively).

11. FINANCE COSTS

	2013 HK$'000	2012 HK$'000
Interest on bank borrowing wholly repayable within five years	9,327	3,948

12. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

During the year, 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.

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

For the year ended 31 December 2013

	Fees HK$'000	Salaries and other benefits HK$'000	Performance bonus 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	–	693	58	–	15	766
Dr. Cho Kwai Chee	–	5,205	13,000	–	15	18,220
Mr. Lee Chik Yuet	–	1,860	893	–	15	2,768
Dr. Chan Wing Lok, Brian	–	624	236	–	15	875
	–	8,382	14,187	–	60	22,629
Non-executive director						
Dr. Choi Chee Ming, *GBS, JP*	–	–	–	–	–	–
Independent non-executive directors						
Mr. Chan Kam Chiu	58	–	–	–	–	58
Mr. Wai Kwok Hung, *SBS, JP*	72	–	–	–	–	72
Mr. Ho Kwok Wah, George	96	–	–	–	–	96
	226	–	–	–	–	226
Total	226	8,382	14,187	–	60	22,855

12. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS *(Continued)*

For the year ended 31 December 2012

	Fees HK$'000	Salaries and other benefits HK$'000	Performance bonus 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	–	660	55	–	14	729
Dr. Cho Kwai Chee	–	4,200	349	–	13	4,562
Mr. Lee Chik Yuet	–	1,703	142	–	14	1,859
Dr. Chan Wing Lok, Brian	–	617	106	–	13	736
	–	7,180	652	–	54	7,886
Non-executive director						
Dr. Choi Chee Ming, *GBS, JP*	–	–	–	–	–	–
Independent non-executive directors						
Mr. Chan Kam Chiu	58	–	–	–	–	58
Mr. Wai Kwok Hung, *SBS, JP*	72	–	–	–	–	72
Mr. Ho Kwok Wah, George	96	–	–	–	–	96
	226	–	–	–	–	226
Total	226	7,180	652	–	54	8,112

The performance related incentive payment is determined with reference to the Group's performance for the relevant year.

Dr. Cho Kwai Chee is also the Chief Executive of the Company and his emoluments disclosed above include those for services rendered by him as the Chief Executive.

13. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, one (2012: one) of them is executive director of the Company whose emolument is included in note 12 above. The emoluments of the remaining four (2012: four) individuals were as follows:

	2013 HK$'000	2012 HK$'000
Salaries and other allowances	**11,027**	10,238
Performance bonus (Note)	**8,377**	5,114
Retirement benefits scheme contributions	**45**	55
	19,449	15,407

Their emoluments were within the following band:

	2013 Number of employees	2012 Number of employees
HK$3,000,001 – HK$3,500,000	**–**	2
HK$3,500,001 – HK$4,000,000	**–**	1
HK$4,000,001 – HK$4,500,000	**2**	–
HK$4,500,001 – HK$5,000,000	**–**	1
HK$5,000,001 – HK$5,500,000	**1**	–
HK$5,500,001 – HK$6,000,000	**1**	–
	4	4

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

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

14. INCOME TAX EXPENSES

	2013 HK$'000	2012 HK$'000
Tax charge comprises:		
Current tax		
– Hong Kong Profits Tax	**3,695**	2,696
– Overprovision in prior years	**(144)**	(40)
	3,551	2,656
Deferred tax (note 37)		
– Current year	**168**	448
	3,719	3,104

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

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

	2013 HK$'000	2012 HK$'000
Profit (loss) before tax	**83,037**	(427,560)
Tax at the domestic income tax rate of 16.5% (2012: 16.5%)	**13,701**	(70,547)
Tax effect of expenses not deductible for tax purpose	**20,759**	12,444
Tax effect of income not taxable for tax purpose	**(45,918)**	(15,748)
Tax effect of tax losses not recognised	**42,437**	76,471
Tax effect of share of results of associates	**(26,388)**	1,563
Utilisation of tax losses previously not recognised	**(728)**	(1,039)
Overprovision in prior years	**(144)**	(40)
Income tax expenses for the year	**3,719**	3,104

15. PROFIT (LOSS) FOR THE YEAR

	2013 HK$'000	2012 HK$'000
Profit (loss) for the year has been arrived at after charging:		
Staff costs		
– Directors' remuneration (note 12)	**22,855**	8,112
– Other staff's salaries, bonus and other benefits	**193,900**	197,848
– Other staff's retirement benefits scheme contributions	**3,222**	3,102
– Share-based payment expenses (note 39)	**9,876**	193
	229,853	209,255
Auditor's remuneration	**2,257**	2,091
Cost of inventories recognised as expenses	**51,496**	48,731
Depreciation of property, plant and equipment	**37,637**	38,454
Loss on disposal of property, plant and equipment	**1,004**	370
Amortisation of intangible assets (included in administrative expenses)	**167**	2,125
Share of tax of associates (included in share of results of associates)	**6,154**	8,571
and after crediting:		
Gross rental income from investment properties	**28,061**	16,829
Less: Direct operating expense that generated rental income	**(2,039)**	(1,174)
Net rental income from investment properties	**26,022**	15,655

16. DIVIDENDS

No dividend was proposed by the directors in respect of the year ended 31 December 2012.

On 25 March 2014, the directors of the Company recommended to declare a final dividend of HK5.5 cents per share, totalling approximately HK$50,432,000 for the year ended 31 December 2013.

17. EARNINGS (LOSS) PER SHARE

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

	2013 **HK$'000**	2012 HK$'000
Earnings for the purposes of basic and diluted earnings (loss) per share:		
Profit (loss) for the year attributable to owners of the Company	**49,633**	(434,952)

Number of shares

	2013	2012
Weighted average number of ordinary shares for the purpose of basic earnings (loss) per share	**912,217,083**	910,334,710
Effect of dilutive potential ordinary shares:		
Share options	**116,057**	–
Weighted average number of ordinary shares for the purpose of diluted earnings (loss) per share	**912,333,140**	910,334,710

The computation of diluted loss per share for the year ended 31 December 2012 had not taken into consideration the assumed exercise of the Company's outstanding share options as it would reduce the loss per share.

18. INVESTMENT PROPERTIES

	HK$'000
FAIR VALUE	
At 1 January 2012	284,403
Additions	12,929
Acquisition of assets through acquisition of subsidiaries (note 40)	202,663
Transfer to property, plant and equipment	(5,600)
Increase in fair value recognised in profit or loss	78,645
At 31 December 2012	573,040
Additions	163,587
Acquisition of assets through acquisition of subsidiaries (note 40)	43,154
Transfer from property, plant and equipment	63,513
Disposals	(265,733)
Disposal of subsidiaries (note 42)	(66,890)
Increase in fair value recognised in profit or loss	54,734
Reclassified as held for sale (note 34)	(117,000)
At 31 December 2013	448,405

The fair value of the Group's investment properties at 31 December 2013 and 2012 and the dates of transfer from property, plant and equipment to investment properties has been arrived at on the basis of a valuation carried out on the respective dates by RHL Appraisal Limited, independent qualified professional valuers not connected with the Group. RHL Appraisal Limited is a member of the Hong Kong Institute of Surveyors.

The fair value was determined based on direct comparison method that reflects recent transaction prices for similar properties, adjusted for differences in nature, location and condition of the properties under review. For those investment properties provisionally sold before year ended 31 December 2013 and completed after 31 December 2013, the fair value was determined based on best estimation with reference to transaction prices under provisional sale and purchase agreement. For those investment properties without recent transaction, the fair value was determined based on the income approach by dividing the existing rental income of the property by the appropriate capitalisation rate, and also considered direct comparison method assuming sales of each of the property interests in their existing state and making references to comparable sales transactions as available in the relevant markets. There has been no change to the valuation technique in 2013 and 2012.

In estimating the fair value of the properties, the highest and best use of the properties is their current use.

18. INVESTMENT PROPERTIES *(Continued)*

Details of the Group's investment properties and information about the fair value hierarchy as at 31 December 2013 are as follows:

	Level 2 HK$'000	Level 3 HK$'000	Fair value as at 31/12/2013 HK$'000
Property units located in Hong Kong	229,955	218,450	448,405

There were no transfers into or out of Level 2 and 3 during the year.

The following table gives information about how the fair values of these investment properties as at 31 December 2013 are determined (in particular, the valuation techniques and inputs used), as well as the fair value hierarchy into which the fair value measurements are categorised (Level 2 and 3) based on the degree to which the inputs to the fair value measurements is observable.

	Fair value hierarchy	Valuation technique(s) & key inputs	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Property 1 – Property in Shatin	Level 3	Direct comparison method The key input is price per square feet	Price per square feet, using market direct comparable and taking into account of location and other individual factors such as age and location of the property, of HK$4,575 per square feet	A slight increase in the price per square feet will increase significantly the fair value.
Property 2 – Property in Tsuen Wan	Level 3	Income approach The key inputs are: (a) Reversionary rate; and (b) Monthly rent	Reversionary rate, taking into account of the capitalisation of rental income potential, nature of property, prevailing market condition of 3.2%	A slight increase in the reversionary rate will decrease significantly the fair value.
			Monthly rent is based on the base annual rental as agreed by both parties of the lease agreement	A slight increase in the monthly rent will increase significantly the fair value.
Property 3 – Property in Shatin	Level 3	Income approach The key inputs are: (a) Reversionary rate; and (b) Monthly rent	Reversionary rate, taking into account of the capitalisation of rental income potential, nature of property, prevailing market condition of 4.7%	A slight increase in the reversionary rate will decrease significantly the fair value.
			Monthly rent is based on the base annual rental as agreed by both parties of the lease agreement	A slight increase in the monthly rent will increase significantly the fair value.
Property 4 – Property in Jordan	Level 3	Direct comparison method The key input is price per square feet	Price per square feet, using market direct comparable and taking into account of location and other individual factors such as shape of the property, of HK$38,926 per square feet	A slight increase in the price per square feet will increase significantly the fair value.

18. INVESTMENT PROPERTIES *(Continued)*

	Fair value hierarchy	Valuation technique(s) & key inputs	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Property 5 – Property in Siu Sai Wan	Level 3	Income approach The key inputs are: (a) Reversionary rate; and (b) Monthly rent	Reversionary rate, taking into account of the capitalisation of rental income potential, nature of property, prevailing market condition of 4.7%	A slight increase in the reversionary rate will decrease significantly the fair value.
			Monthly rent is based on the base annual rental as agreed by both parties of the lease agreement	A slight increase in the monthly rent will increase significantly the fair value.
Properties in Hong Kong disposed of provisionally before year ended 31 December 2013 but completed after year ended 31 December 2013	Level 2	Best estimation method with reference to the transaction prices under provisional sale and purchase agreement	N/A	N/A
Other properties in Hong Kong	Level 2	Direct comparison method based on market observable transactions of similar properties and adjust to reflect the conditions and locations of the subject property.	N/A	N/A

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

Movement of Level 3 investment properties

	HK$'000
At 1 January 2013	142,737
Transfer from property, plant and equipment	63,513
Increase in fair value recognised in profit or loss	12,200
At 31 December 2013	218,450

During the year ended 31 December 2013, following the Group changed the purpose of holding certain properties to earn rental income and for capital appreciation, property, plant and equipment with cost and accumulated depreciation amounted to HK$26,793,000 and HK$4,019,000 were transferred to investment properties when there were commencement of operating leases to third parties. The difference between the fair value of the property and the carrying amount at the date of transfer amounted to HK$40,739,000 was recognised in other comprehensive income.

During the year ended 31 December 2012, an investment property was transferred to property, plant and equipment when the Group occupied the property for own use. Fair value of the property at the date of transfer amounted to HK$5,600,000 was recognised as the carrying amount in property, plant and equipment.

19. 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 1 January 2012	107,205	118,198	4,736	4,438	20,270	254,847
Additions	–	1,632	68	–	2,321	4,021
Acquired through acquisition of subsidiaries (notes 40 & 41)	8,537	–	–	–	977	9,514
Transfer from investment property (note 18)	5,600	–	–	–	–	5,600
Disposals	–	(1,085)	(47)	–	(1,352)	(2,484)
Disposal of a subsidiary (note 42)	–	–	–	–	(58)	(58)
At 31 December 2012	121,342	118,745	4,757	4,438	22,158	271,440
Additions	–	2,900	328	1,736	4,096	9,060
Acquisition of subsidiaries (note 41)	–	19,186	2,799	811	46,752	69,548
Exchange realignment	–	216	52	13	377	658
Transfer to investment property (note 18)	(26,793)	–	–	–	–	(26,793)
Disposals	–	(3,991)	(254)	(1,113)	(1,194)	(6,552)
Disposal of a subsidiary (note 42)	(8,537)	–	–	–	–	(8,537)
At 31 December 2013	**86,012**	**137,056**	**7,682**	**5,885**	**72,189**	**308,824**
ACCUMULATED DEPRECIATION						
At 1 January 2012	10,577	51,563	1,436	1,912	6,269	71,757
Charge for the year	5,467	27,288	903	682	4,114	38,454
Eliminated on disposals	–	(784)	(23)	–	(1,270)	(2,077)
Eliminated on disposal of a subsidiary (note 42)	–	–	–	–	(16)	(16)
At 31 December 2012	16,044	78,067	2,316	2,594	9,097	108,118
Charge for the year	5,072	23,483	1,233	825	7,024	37,637
Exchange realignment	–	85	34	9	102	230
Transfer to investment property (note 18)	(4,019)	–	–	–	–	(4,019)
Eliminated on disposals	–	(3,904)	(229)	(354)	(535)	(5,022)
Eliminated on disposal of a subsidiary (note 42)	(36)	–	–	–	–	(36)
At 31 December 2013	**17,061**	**97,731**	**3,354**	**3,074**	**15,688**	**136,908**
CARRYING VALUES						
At 31 December 2013	**68,951**	**39,325**	**4,328**	**2,811**	**56,501**	**171,916**
At 31 December 2012	105,298	40,678	2,441	1,844	13,061	163,322

19. 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	25% 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 held under medium-term lease.

20. LOANS RECEIVABLE

	2013 HK$'000	2012 HK$'000
Fixed-rate loans receivable (unsecured)	**135,668**	27,724
Analysed for reporting purposes as:		
Non-current portion	**39,428**	14,242
Current portion	**96,240**	13,482
	135,668	27,724

The range of effective interest rate (which are fixed rates, also equal to contractual interest rates) on the Group's loans receivable are 1% to 24% (2012: 1% to 10%) 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 granted to borrowers. Limits attributed to borrowers are reviewed by the management regularly.

The loans receivable at the end of the reporting date have good credit quality, except loans receivable amounting to HK$33,559,000 (2012: HK$3,559,000) which was past due and considered not recoverable. Accordingly, impairment of HK$30,000,000 (2012: HK$3,559,000) is made. Management believes that no further impairment allowance is necessary in respect of the remaining 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 repayment history.

No loans receivable is past due but not impaired.

21. GOODWILL

	HK$'000
COST	
At 1 January 2012	80,845
Eliminated on disposal of a subsidiary	(1,436)
At 31 December 2012	79,409
Acquisition of subsidiaries	143,007
At 31 December 2013	**222,416**
IMPAIRMENT	
At 1 January 2012	74,242
Eliminated on disposal of a subsidiary	(1,436)
At 31 December 2012	72,806
Impairment	134,489
At 31 December 2013	**207,295**
CARRYING VALUES	
At 31 December 2013	**15,121**
At 31 December 2012	6,603

21. GOODWILL *(Continued)*

For the purposes of impairment testing, goodwill have been allocated to groups of individual CGUs in 3 (2012: 2) divisions of the Group, namely, healthcare and dental services, trading and retailing of healthcare and pharmaceutical products in Hong Kong, and production and sale of radiopharmaceutical products. The carrying amounts of goodwill (net of accumulated impairment losses) as at 31 December 2013 and 31 December 2012 allocated to these units are as follows:

	2013 **HK$'000**	2012 HK$'000
Healthcare and dental services ("Division A"):		
Town Health Medical & Dental Services Limited ("Town Health M&D")	**4,666**	4,666
廣州宜康醫療管理有限公司 ("Yikang")	**–**	–
Noble Pioneer Limited ("Noble Pioneer")	**–**	1,937
Town Health Dental Limited ("Town Health Dental")	**–**	–
Fair Jade Group Limited	**–**	–
Town Health Healthcare Services Limited	**–**	–
Wise Best International Limited	**–**	–
	4,666	6,603
Trading and retailing of healthcare and pharmaceutical products in Hong Kong ("Division B"):		
Audio Health Hearing Care (Shatin) Limited ("Audio Health")	**–**	–
eSilk Road Import & Export Limited	**–**	–
	–	–
Production and sales of radiopharmaceutical products ("Division C")		
Ever Full Harvest Limited ("Ever Full")	**10,455**	–
	15,121	6,603

21. GOODWILL *(Continued)*

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

Division A

The recoverable amounts of CGUs of medical and dental services 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 growth rates and discount rates as below:

	2013		2012	
	HK	**PRC**	HK	PRC
Growth rate	**0% – 6%**	**up to 25%**	0%	N/A
Discount rate	**13.04%**	**14.82%**	12.65%	N/A

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 31 December 2013, the Group recognised an impairment loss of approximately HK$1,937,000 in relation to goodwill to Noble Pioneer due to the unfavourable performance of certain medical and dental practices.

The Group also recognised an impairment loss of approximately HK$132,552,000 in relation to goodwill arising from the acquisition of Yikang. As set out in note 41(c), goodwill arising on acquisition of Yikang amounted to HK$132,552,000. This goodwill has been allocated solely to Yikang as the Group did not identify other CGUs that could be expected to benefit from the synergies on the acquisition. The recoverable amount of the Yikang CGU, determined by using value in use, was HK$98,447,000 and accordingly, the excess of the carrying amount of the assets and liabilities, including goodwill of the CGU over the recoverable amount recognising as an impairment loss, amounted to HK$132,552,000. This impairment loss represents impairment loss on goodwill on acquisition of Yikang and arose due to lack of supporting evidence for revenue growth and future market development, which were included in the determination of the purchase price for the acquisition of Yikang but are excluded from the future cash flow projections for the calculation of value in use.

During the year ended 31 December 2012, no impairment loss is recognised on goodwill to the CGUs in healthcare and dental services division.

Division B

The recoverable amounts of the CGUs of trading and retailing in healthcare and pharmaceutical products in Hong Kong are 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 13.04% (2012: 12.65%). 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.

21. GOODWILL *(Continued)*

Division C

During the year ended 31 December 2013, the Group acquired 70% interest in Ever Full which is engaged in production and sale of radiopharmaceutical products to medical practises in Hong Kong.

The recoverable amount of the CGU of production and sale of radiopharmaceutical products is 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 flow beyond 5 years are extrapolated by assuming growth rate up to 16.76% and discount rate of 13.04%. 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 31 December 2013, no impairment loss is recognised on goodwill to the CGU in production and sale of radiopharmaceutical products.

22. OTHER INTANGIBLE ASSETS

	Service agreement HK$'000	Trade name HK$'000	Business relationship with medical card sponsors HK$'000	Total HK$'000
COST				
At 1 January 2012, 31 December 2012 and 31 December 2013	1,820	7,841	3,709	13,370
AMORTISATION				
At 1 January 2012	1,820	6,105	3,153	11,078
Charge for the year	–	1,569	556	2,125
At 31 December 2012	1,820	7,674	3,709	13,203
Charge for the year	–	167	–	167
At 31 December 2013	**1,820**	**7,841**	**3,709**	**13,370**
CARRYING VALUES				
At 31 December 2013	**–**	**–**	**–**	**–**
At 31 December 2012	–	167	–	167

22. 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	$2^1/_2$ years
Trade name	5 years
Business relationship with medical card sponsors	5 years

23. INTERESTS IN ASSOCIATES

	2013 **HK$'000**	2012 HK$'000
Cost of unlisted investments in associates	**137,449**	350,867
Share of post-acquisition losses, net of dividend received	**(23,231)**	(57,646)
Share of translation reserve	**4,151**	16,739
Less: Accumulated impairment loss	**(1,711)**	(85,251)
	116,658	224,709

Included in the cost of investments in associates was goodwill of HK$33,231,000 (2012: HK$68,323,000) arising on acquisition of associates. During the year ended 31 December 2013, the Group has acquired associates at total consideration of HK$299,000 (2012: HK$45,337,000) and goodwill of HK$299,000 (2012: HK$32,932,000) was recognised.

During the year ended 31 December 2013, the Group disposed of its 46.01% equity interests in Luck Key Investments Limited ("Luck Key"), 50% equity interests in RBI Conglomerate (Holdings) Limited and 48% equity interests in Precise Power Limited with total carrying value of HK$52,932,000, for a total consideration of HK$80,772,000, to independent third parties. A gain on disposal of HK$27,840,000 has been recognised in profit or loss for the current year.

Following a group restructuring by Max Goodrich International Limited ("Max Goodrich") to prepare its shares listing on the Growth Enterprises Market of the Stock Exchange ("GEM Board"), the Group's 48% interest in Max Goodrich was swapped and thereafter holds 48% in New Ray Medicine International Holding Limited ("New Ray"), the then ultimate holding company of Max Goodrich. On 25 October 2013, New Ray was listed on the GEM Board of the Stock Exchange and equity interests held by the Group was then diluted from 48% to 31.2%. The difference in share of net assets in New Ray after the dilution and reclassification of translation reserve, amounted to HK$5,788,000 and HK$2,085,000 respectively, have been recognised in profit or loss for the current year.

23. INTERESTS IN ASSOCIATES *(Continued)*

During the year ended 31 December 2013, the Group also further acquired 40% equity interests in Yikang, at a consideration of HK$124,300,000 and Yikang becomes a 80% owned subsidiary of the Group hereafter. The translation reserve arising from Yikang in previous years amounted to HK$10,097,000 has been reclassified to profit or loss for the current year.

During the year ended 31 December 2012, the Group disposed of 7.5% equity interests in Union Crown International Limited ("Union Crown") and 28% equity interests in Hong Kong Cyclotron Laboratories Limited with total carrying value of HK$5,712,000, for total consideration of HK$9,175,000, to independent third parties. A gain on disposal of HK$3,463,000 was recognised in profit or loss for the year. Upon disposal of associates, 17.5% equity interests of Union Crown remained in the Group. As the Group has lost the significant influence to Union Crown after the disposal, the Group's retained interest in Union Crown with fair value of HK$2,734,000 was recognised as available-for-sale investments.

During the year ended 31 December 2012, in view of the poor performance of Luck Key and IBO Jewelry (TST) Company Limited, the recoverable amounts of the associates was determined based on fair value less costs to sell and value in use calculations, with reference to the estimated cash flows in the coming five years and cash flows beyond five year are extrapolated by assuming no growth rate and using discount rates of 12.7%. The Group recognised impairment loss of HK$10,410,000 and HK$1,711,000 respectively.

23. INTERESTS IN ASSOCIATES *(Continued)*

Details of the Group's principal associates at 31 December 2013 and 31 December 2012 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
			31 December 2013	31 December 2012	
Best Pharmaceutical Limited ("Best Pharmaceutical")	Incorporated	British Virgin Islands	**48%**	48%	Investment holding and its subsidiaries engaged in trading of healthcare products in the PRC
Extrad Assets Limited ("Extrad Assets")	Incorporated	British Virgin Islands	**50%**	50%	Investment holding and its associate engaged in manufacturing and sales of toys
New Ray	Incorporated	Bermuda	**31.2%**	48%*	Investment holding and its subsidiaries engaged in trading of healthcare products in the PRC

* Following a group restructuring by Max Goodrich to prepare its shares listing on the GEM Board of the Stock Exchange, the Group's 48% interest in Max Goodrich was swapped and thereafter holds 48% in New Ray before listing, the then ultimate holding company of Max Goodrich. On 25 October 2013, New Ray was listed on the GEM Board of the Stock Exchange and equity interests held by the Group was then diluted from 48% to 31.2%.

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.

23. INTERESTS IN ASSOCIATES *(Continued)*

Summarised financial information of material associates

Summarised financial information in respect of each of the Group's material associates is set out below. The summarised financial information below represents amounts shown in the associate's financial statements prepared in accordance with HKFRSs.

All of these associates are accounted for using the equity method in these consolidated financial statements.

(a) Best Pharmaceutical

	2013 HK$'000	2012 HK$'000
Current assets	**2,291**	116,115
Non-current assets	**–**	75,294
Current liabilities	**–**	(72,036)

	2013 HK$'000	2012 HK$'000
Revenue	**98,293**	220,220
Profit for the year	**304,180**	10,388
Other comprehensive (expense) income for the year	**(4,449)**	348
Total comprehensive income for the year	**299,731**	10,736
Dividend received from the associate during the year	**200,070**	–

23. INTERESTS IN ASSOCIATES *(Continued)*

Summarised financial information of material associates *(Continued)*

(a) Best Pharmaceutical (Continued)

Reconciliation of the above summarised financial information to the carrying amount of the interest in the associate recognised in the consolidated financial statements:

	2013 **HK$'000**	2012 HK$'000
Net assets of Best Pharmaceutical	**2,291**	119,373
Proportion of the Group's ownership interest in Best Pharmaceutical	**48%**	48%
Carrying amount of the Group's interest in Best Pharmaceutical	**1,100**	57,299

(b) Extrad Assets

	2013 **HK$'000**	2012 HK$'000
Current assets	**104**	104
Non-current assets	**14,735**	11,058
Current liabilities	**(12)**	(12)

	2013 **HK$'000**	2012 HK$'000
Revenue	**–**	–
Profit and total comprehensive income for the year	**7,677**	2,014
Dividend received from the associate during the year	**2,000**	–

23. INTERESTS IN ASSOCIATES *(Continued)*

Summarised financial information of material associates *(Continued)*

(b) Extrad Assets (Continued)

Reconciliation of the above summarised financial information to the carrying amount of the interest in the associate recognised in the consolidated financial statements:

	2013 HK$'000	2012 HK$'000
Net assets of Extrad Assets	**14,827**	11,150
Proportion of the Group's ownership interest in Extrad Assets	**50%**	50%
Net assets of the Group's interest in Extrad Assets	**7,413**	5,575
Goodwill	**32,932**	32,932
Carrying amount of the Group's interest in Extrad Assets	**40,345**	38,507

(c) New Ray

	2013 HK$'000	2012 HK$'000
Current assets	**217,659**	151,465
Non-current assets	**16,228**	14,810
Current liabilities	**(17,392)**	(29,351)
Non-current liabilities	**(3,297)**	(2,531)

	2013 HK$'000	2012 HK$'000
Revenue	**192,854**	175,042
Profit for the year	**17,403**	15,327
Other comprehensive income for the year	**3,921**	1,143
Total comprehensive income for the year	**21,324**	16,470

23. INTERESTS IN ASSOCIATES *(Continued)*

Summarised financial information of material associates *(Continued)*

(c) New Ray (Continued)

Reconciliation of the above summarised financial information to the carrying amount of the interest in the associate recognised in the consolidated financial statements:

	2013 HK$'000	2012 HK$'000
Net assets of New Ray	**213,198**	134,393
Proportion of the Group's ownership interest in New Ray	**31.2%**	48%
Carrying amount of the Group's interest in New Ray	**66,518**	64,509

Aggregate information of associates that are not individually material

	2013 HK$'000	2012 HK$'000
The Group's share of profit (loss) and other comprehensive income (expense)	**4,016**	(23,262)
Aggregate carrying amount of the Group's interests in these associates	**8,695**	64,394

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 and cumulatively, are as follows:

	2013 HK$'000	2012 HK$'000
Unrecognised share of losses of associates for the year	**(2)**	(5,858)
Accumulated unrecognised share of losses of associates	**(13,257)**	(13,255)

24. AVAILABLE-FOR-SALE INVESTMENTS

Available-for-sale investments comprise:

	2013 HK$'000	2012 HK$'000
At fair value:		
– Equity securities listed in Hong Kong (Note a)	**2,838**	3,696
– Unlisted equity fund	**8,467**	8,454
	11,305	12,150
At cost:		
– Unlisted equity securities (Note b)	**47,112**	37,125
Total	**58,417**	49,275

Notes:

(a) All listed investments are stated at fair value which is determined based on the quoted market bid prices available on the Stock Exchange. During the year ended 31 December 2013, decrease in fair value of listed securities amounting to HK$858,000 was noted, for which HK$462,000 was recognised in investment revaluation reserve and the remaining HK$396,000 was recognised in profit or loss (note 10). During the year ended 31 December 2012, the Group disposed of certain listed equity securities at HK$3,725,000. A loss on disposal of HK$7,411,000 was recognised in profit or loss.

(b) 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. As at 31 December 2013, the two major unlisted investees accounted for 81% (2012: 84%) of total unlisted equity securities, which are engaged in the provision of finance lease and investment holding, respectively. During the year ended 31 December 2013, impairment loss of HK$1,661,000 was recognised in profit or loss (note 10). During the year ended 31 December 2012, the Group disposed of certain unlisted equity securities with carrying amount of HK$6,167,000, which had been carried at cost less impairment before the disposal. A gain on disposal of HK$1,405,000 was recognised in profit or loss.

25. INVENTORIES

	2013 HK$'000	2012 HK$'000
Pharmaceutical supplies	**7,735**	7,883
Healthcare equipment	**1,152**	1,121
Dental materials and supplies	**2,665**	765
	11,552	9,769

26. TRADE AND OTHER RECEIVABLES

	2013 HK$'000	2012 HK$'000
Trade receivables	**18,419**	16,206
Less: Allowance for doubtful debts	**(2,071)**	(1,606)
Total trade receivables, net of allowance	**16,348**	14,600
Deposits	**19,389**	19,379
Other receivables	**7,995**	4,802
Prepayments	**1,668**	2,374
	45,400	41,155

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.

26. TRADE AND OTHER RECEIVABLES *(Continued)*

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

	2013 HK$'000	2012 HK$'000
0 – 60 days	**12,312**	8,891
61 – 120 days	**3,923**	4,497
121 – 180 days	**113**	1,198
181 – 240 days	**–**	12
241 – 365 days	**–**	2
	16,348	14,600

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

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

	2013 HK$'000	2012 HK$'000
241 – 365 days	**–**	2

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.

26. TRADE AND OTHER RECEIVABLES *(Continued)*

Movement in the allowance for doubtful debts:

	2013 HK$'000	2012 HK$'000
Balance at the beginning of the year	**1,606**	1,239
Impairment losses recognised	**640**	1,562
Amounts written off as uncollectible	**(175)**	(1,195)
Balance at the end of the year	**2,071**	1,606

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.

27. HELD FOR TRADING INVESTMENTS

	2013 HK$'000	2012 HK$'000
Listed equity securities in Hong Kong	**629,387**	314,135
Unlisted equity fund	**31,533**	–
	660,920	314,135

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

28. AMOUNT(S) DUE FROM (TO) ASSOCIATES/AN ASSOCIATE

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

At 31 December 2013, the balance of amounts due from associates includes accumulated allowances of HK$11,325,000 (2012: HK$25,727,000).

29. AMOUNT(S) DUE FROM (TO) INVESTEES/AN INVESTEE

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

At 31 December 2013, the balance of amount due from an investee includes accumulated allowances of HK$1,977,000 (2012: HK$1,663,000).

30. AMOUNT(S) DUE FROM (TO) NON-CONTROLLING INTEREST(S)

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

31. AMOUNT DUE (TO) FROM A RELATED PARTY

	2013 **HK$'000**	2012 HK$'000
Kowloon Hearing Services Limited (Note)	**(14)**	9

Note: Mr. Lai Kwok Fai ("Mr. Lai") is a director and shareholder of this entity. Mr. Lai is also a director of Audio Health, a non-wholly owned subsidiary of the Company. The maximum balance outstanding during the year is HK$9,000 (2012: HK$14,000).

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

32. PLEDGED BANK DEPOSITS

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

The deposits carried interest rate 0.01% (2012: 0.42% to 2.95%) per annum. The pledged bank deposits will be released upon the termination of the bank loans.

33. 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 0.25% (2012: 0.01% to 0.25%) per annum and have original maturity of three months or less.

34. ASSETS CLASSIFIED AS HELD FOR SALE

At 31 December 2013, the Group was in the process of finalising the terms and conditions relating to disposal of certain of the Group's investment properties in Hong Kong. The transactions were completed in March 2014 at total consideration of approximately HK$117,000,000.

35. TRADE AND OTHER PAYABLES

	2013 **HK$'000**	2012 HK$'000
Trade payables	**12,550**	7,305
Other payables	**17,636**	3,462
Deposits received	**6,407**	4,921
Accruals	**21,182**	18,188
	57,775	33,876

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

	2013 **HK$'000**	2012 HK$'000
0 – 60 days	**12,527**	7,295
61 – 120 days	**23**	2
121 – 240 days	**–**	6
Over 240 days	**–**	2
	12,550	7,305

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

36. BANK BORROWING

	2013 HK$'000	2012 HK$'000
Carrying amount of bank loans that are repayable within one year from the end of the reporting period based on the scheduled repayment terms in the agreement but contain a repayment on demand clause	**363,772**	210,575

As at 31 December 2013, the bank borrowing of the Group carries variable interest rate at HIBOR+2% per annum (2012: variable interest rate at HIBOR+2% per annum).

37. DEFERRED TAX LIABILITIES

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

	Accelerated tax depreciation HK$'000	**Tax losses** HK$'000	**Others** HK$'000	**Total** HK$'000
At 1 January 2012	1,197	(33)	(204)	960
Charge (credit) to profit or loss	686	(177)	(61)	448
Acquisition of subsidiaries	198	–	–	198
At 31 December 2012	2,081	(210)	(265)	1,606
(Credit) charge to profit or loss	(9)	177	–	168
Acquisition of subsidiaries	1,301	–	–	1,301
Disposal of a subsidiary	(12)	–	–	(12)
At 31 December 2013	**3,361**	**(33)**	**(265)**	**3,063**

At 31 December 2013, the Group has unused tax losses of HK$933,409,000 (2012: HK$681,008,000) available for offset against future profits. A deferred tax asset has been recognised in respect of HK$200,000 (2012: HK$1,273,000) of such losses.

37. DEFERRED TAX LIABILITIES *(Continued)*

No deferred tax asset has been recognised in respect of the remaining tax losses of HK$933,209,000 (2012: HK$679,735,000) due to the unpredictability of future profit streams. Such losses may be carried forward indefinitely.

At 31 December 2013, the Group has deductible temporary differences associated with specific provision on trade receivables of HK$1,606,000 (2012: HK$1,606,000). A deferred tax asset of HK$265,000 (2012: HK$265,000) has been recognised in respect of such deductible temporary differences.

38. SHARE CAPITAL

	Number of shares	Amount HK$'000
Ordinary shares of HK$0.01 each		
Authorised:		
As at 1 January 2012, 31 December 2012 and 2013	30,000,000,000	300,000
Issued and fully paid:		
As at 1 January 2012 and 31 December 2012	910,334,710	9,103
Exercise of share option (Note)	6,603,000	66
As at 31 December 2013	916,937,710	9,169

Note: During the year ended 31 December 2013, 5,103,000 and 1,500,000 share options were exercised at a subscription price of HK$0.49 and HK$1.03 per share, respectively, resulting in the issue of 6,603,000 ordinary shares of HK$0.01 each in the Company and giving a total cash consideration of approximately HK$4,045,000.

39. SHARE-BASED PAYMENT TRANSACTIONS

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

2008 Scheme

The Company has, in accordance with Chapter 17 of the Listing Rules, terminated the share option scheme adopted on 24 April 2002 ("2002 and Scheme") and adopted a new share option scheme ("2008 Scheme"), as approved by the shareholders of the Company at the extraordinary general meeting held on 16 September 2008.

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.

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

2008 Scheme *(Continued)*

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

For the year ended 31 December 2013

	Date of grant	Exercisable period	Exercise price per share	Outstanding at 1 January 2013	Granted during the year	Lapsed during the year	Exercised during the year	Outstanding at 31 December 2013
				Number of share options				
			HK$					
Directors	18.6.2010	18.6.2010 to 17.6.2015	1.03	2,500,000	–	–	(1,500,000)	1,000,000
Employees	28.6.2010	28.6.2010 to 27.6.2015	1.064	28,400,000	–	–	–	28,400,000
Employees	14.01.2011	14.01.2011 to 13.01.2013	1.51	1,500,000	–	(1,500,000)	–	–
Consultants	27.12.2012	27.12.2012 to 26.12.2013	0.49	5,103,000	–	–	(5,103,000)	–
Consultant	22.11.2013	22.11.2013 to 21.11.2014	3.06	–	9,000,000	–	–	9,000,000
				37,503,000	9,000,000	(1,500,000)	(6,603,000)	38,400,000
Exercisable at the end of the year								38,400,000
Weighted average exercise price (HK$)				1.001	3.06			1.53

During the year ended 31 December 2013, 9,000,000 options were granted on 22 November 2013. The Group recognised total expense of approximately HK$9,876,000 for the year ended 31 December 2013 in relation to share options granted by the Company under the 2008 Scheme.

Options granted are fully vested at the date of grant.

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

2008 Scheme *(Continued)*

For the year ended 31 December 2012

				Number of share options			
	Date of grant	Exercisable period	Exercise price per share HK$	Outstanding at 1 January 2012	Granted during the year	Lapsed during the year	Outstanding at 31 December 2012
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)	–
Employees	14.01.2011	14.01.2011 to 13.01.2013	1.51	1,500,000	–	–	1,500,000
Consultants	27.12.2012	27.12.2012 to 26.12.2013	0.49	–	5,103,000	–	5,103,000
				47,300,000	5,103,000	(14,900,000)	37,503,000
Exercisable at the end of the year							37,503,000
Weighted average exercise price (HK$)				1.154	0.49		1.001

During the year ended 31 December 2012, 5,103,000 options were granted on 27 December 2012. The Group recognised total expenses of approximately HK$193,000 for the year ended 31 December 2012 in relation to share option granted by the Company under the 2008 Scheme.

Options granted are fully vested at the date of grant.

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

2008 Scheme *(Continued)*

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

Date of grant	27 December 2012	22 November 2013
Closing share price at the date of grant	HK$0.49	HK$3.06
Exercise price	HK$0.49	HK$3.06
Expected volatility	54.08%	97.35%
Expected exercise multiple	1.0933X	2.3469X
Expected dividend yield	0.00%	0.00%
Contractual life	1 year	1 year
Risk-free rate	0.08%	0.2%
Fair value per share option	HK$0.0378	HK$1.0973

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 RHL Appraisal Limited, an independent firm of professional valuer not connected with the Group. The Trinomial 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.

40. ACQUISITION OF ASSETS THROUGH ACQUISITION OF A SUBSIDIARY/SUBSIDIARIES

On 6 February 2013, Town Health Asset Management Limited ("Town Health Asset"), a non-wholly owned subsidiary of the Group acquired 100% equity interest in Dragon Oriental Investment Limited ("Dragon Oriental") from an independent third party, at a consideration of HK$43,000,000. Dragon Oriental is engaged in property holding in Hong Kong.

	HK$'000
Net assets of Dragon Oriental acquired:	
Investment property	43,154
Trade and other payables	(154)
Net assets	43,000
Cash consideration paid and net cash outflow in respect of acquisition of subsidiary	43,000

On 10 December 2012 (the "Acquisition Date"), Town Health Asset, a then wholly owned subsidiary of the Group immediately before the completion of this acquisition, acquired 100% equity interest in Million Worldwide Group (the "Acquisition") from an independent third party ("Vendor"). The consideration for the Acquisition was settled through the issue of new ordinary shares in Town Health Asset amounting to 25% of the enlarged share capital. The consideration was determined based on the fair value of assets and liabilities of Million Worldwide Group as of 30 June 2012 ("Acquisition Value"). Upon the completion of the Acquisition and issue of new shares by Town Health Asset, the Group and the Vendor held 75% and 25% shares of Town Health Asset, respectively. Million Worldwide Group is engaged in property holding in Hong Kong.

40. ACQUISITION OF ASSETS THROUGH ACQUISITION OF A SUBSIDIARY/SUBSIDIARIES *(Continued)*

	HK$'000
Net assets of Million Worldwide Group acquired:	
Investment properties	202,663
Property, plant and equipment	9,454
Trade and other receivables	84
Bank balances and cash	5,844
Trade and other payables	(1,472)
Tax payable	(385)
Deferred tax liabilities	(198)
Net assets acquired	215,990
Total consideration satisfied by:	
25% non-controlling interests in Town Health Asset, represented by 25% of carrying amounts of its enlarged net assets at Acquisition Date	201,176
Other reserve	14,814
	215,990

The acquisition of Million Worldwide Group was completed on the Acquisition Date and the fair value of the assets and liabilities acquired amounted to HK$215,990,000.

	HK$'000
Analysis of net inflow of cash and cash equivalents in connection with the acquisition of subsidiaries:	
Bank balances and cash acquired	5,844
Net cash inflow in respect of the acquisition of subsidiaries	5,844

41. ACQUISITION OF SUBSIDIARIES

For the year ended 31 December 2013

(a) On 28 February 2013, the Group acquired 100% equity interest in Trans Joy Finance Limited, from an independent third party at a consideration of HK$1,890,000. This acquisition has been accounted for using the purchase method. Trans Joy Finance Limited is engaged in provision of financial services.

	Total HK$'000
Assets acquired and liabilities recognised at the date of acquisition are as follows:	
Bank balances and cash	1,903
Trade and other payables	(13)
Net assets	1,890
Cash consideration paid	1,890
Analysis of net inflow of cash and cash equivalents in connection with the acquisition of subsidiaries:	
Cash consideration paid	1,890
Bank balances and cash acquired	(1,903)
Net cash inflow in respect of the acquisition of subsidiaries	(13)

For the expansion of the Group's business, the Group acquired Trans Joy Finance Limited engaged in provision of financial services.

The subsidiary acquired during the year ended 31 December 2013 contributed loss approximately HK$71,000 to the Group's profit during the year.

Had the acquisition been completed on 1 January 2013, profit for the year would have been approximately HK$79,247,000. The proforma 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 1 January 2013, nor is it intended to be a projection of future results.

41. ACQUISITION OF SUBSIDIARIES *(Continued)*

For the year ended 31 December 2013 *(Continued)*

(b) On 27 August 2013, the Group acquired 70% equity interest in Ever Full and its subsidiary ("Ever Full Group"), from an independent third party at a consideration of HK$21,000,000. This acquisition has been accounted for using the purchase method. The amount of goodwill arising as a result of the acquisition was HK$10,455,000. Ever Full Group is engaged in production and sale of radiopharmaceutical products to medical practises in Hong Kong.

	Total
	HK$'000
Assets acquired and liabilities recognised at the date of acquisition are as follows:	
Property, plant and equipment	13,468
Trade and other receivables	2,977
Inventories	1,483
Tax recoverable	180
Bank balances and cash	1,340
Trade and other payables	(17,940)
Deferred tax liabilities	(1,301)
Net assets	207
Cash consideration paid	21,000
Goodwill arising on acquisition:	
Consideration transferred	21,000
Acquisition of shareholder's loan	(10,400)
Plus: non-controlling interests (30% in Ever Full Group)	62
Less: net assets acquired	(207)
Goodwill arising on acquisition	10,455

41. ACQUISITION OF SUBSIDIARIES *(Continued)*

For the year ended 31 December 2013 *(Continued)*

(b) *(Continued)*

Goodwill arose in the acquisition of Ever Full Group because the cost of the combination included a control premium. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development and the assembled workforce of Ever Full Group. These benefits are not recognised separately from goodwill because they do not meet the criteria for identifiable intangible assets.

None of the goodwill arising on these acquisition is expected to be deductible for tax purposes.

	Total HK$'000
Analysis of net outflow of cash and cash equivalents in connection with the acquisition of subsidiaries:	
Cash consideration paid	21,000
Bank balances and cash acquired	(1,340)
Net cash outflow in respect of the acquisition of subsidiaries	19,660

For the expansion of the Group's business, the Group acquired Ever Full Group engaged in production and sale of radiopharmaceutical products to medical practises in Hong Kong.

The subsidiaries acquired during the year ended 31 December 2013 contributed approximately HK$7,207,000 to the Group's revenue and contributed profit approximately HK$643,000 to the Group's profit during the year.

Had the acquisition been completed on 1 January 2013, total group revenue for the year would have been approximately HK$370,885,000 and profit for the year would have been approximately HK$81,719,000. The proforma 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 1 January 2013, nor is it intended to be a projection of future results.

41. ACQUISITION OF SUBSIDIARIES *(Continued)*

For the year ended 31 December 2013 *(Continued)*

(c) On 31 October 2013, the Group acquired additional 40% equity interest in Yikang, from an independent third party at a consideration of HK$124,300,000. Immediately after the transaction, Yikang became a 80% owned subsidiary of the Group. This acquisition has been accounted for using the purchase method. The amount of goodwill arising as a result of the acquisition was HK$132,552,000. Yikang is engaged in provision of medical, hospital service and management in the PRC.

	Total
	HK$'000
Assets acquired and liabilities recognised at the date of acquisition are as follows:	
Property, plant and equipment	56,080
Inventories	175
Trade and other receivables	18,623
Bank balances and cash	43,467
Trade and other payables	(19,898)
Net assets	98,447
Cash consideration paid	124,300
Goodwill arising on acquisition:	
Cash Consideration paid	124,300
Plus: Non-controlling interests (20% in Yikang)	19,689
Fair value of previously held interest in an associate (Note)	87,010
Less: net assets acquired	(98,447)
	132,552
Analysis of net outflow of cash and cash equivalents in connection with the acquisition of subsidiary:	
Cash consideration paid	124,300
Bank balances and cash acquired	(43,467)
Net cash outflow in respect of the acquisition of subsidiary	80,833

41. ACQUISITION OF SUBSIDIARIES *(Continued)*

For the year ended 31 December 2013 *(Continued)*

(c) *(Continued)*

Note: The fair value of the previously held interest of 40% in Yikang was determined by reference to the cash consideration paid by the Group for the further acquisition of 40% equity interest in Yikang less an adjustment factor of 30% to take into account of the control premium paid for the further acquisition of 40%. The carrying amount of the previously held interest of 40% in Yikang, classified as interest in associate, was HK$nil, as the associate was fully impaired in prior years. Accordingly, a gain on remeasurement of the previously held interest in an associate of $87,010,000 arose (see note 10).

Goodwill arose in the acquisition of Yikang because the cost of the combination included a control premium, paid by the Group for the acquisition of further 40% in Yikang taking into account the potential for revenue growth and future market development and the assembled workforce of Yikang. These benefits are not recognised separately from goodwill because they do not meet the criteria for identifiable intangible assets.

None of the goodwill arising on the acquisition is expected to be deductible for tax purposes.

For the expansion of the Group's business, the Group acquired subsidiary engaged in provision of medical, hospital service and management in the PRC.

The subsidiary acquired during the year ended 31 December 2013 contributed approximately HK$5,010,000 to the Group's revenue and contributed loss approximately HK$2,761,000 to the Group's profit during the year.

Had the acquisition been completed on 1 January 2013, total group revenue for the year would have been approximately HK$384,054,000 and profit for the year would have been approximately HK$72,847,000. The proforma 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 1 January 2013, nor is it intended to be a projection of future results.

41. ACQUISITION OF SUBSIDIARIES *(Continued)*

For the year ended 31 December 2012

On 13 July 2012, the Group acquired 100% equity interest in Team Profit (China) Limited and its subsidiary (collectively referred to as the "Team Profit Group"), from an independent third party at a consideration of HK$3,300,000. This acquisition has been accounted for using the purchase method. Team Profit Group is engaged in provision of medical, hospital service and management.

	Total HK$'000
Assets acquired and liabilities recognised at the date of acquisition are as follows:	
Property, plant and equipment	60
Trade and other receivables	3
Bank balances and cash	3,240
Trade and other payables	(3)
Net liabilities	3,300
Cash consideration paid	3,300
Analysis of net outflow of cash and cash equivalents in connection with the acquisition of subsidiaries:	
Cash consideration paid	3,300
Bank balances and cash acquired	(3,240)
Net cash outflow in respect of the acquisition of subsidiaries	60

For the expansion of the Group's business, the Group acquired subsidiaries engaged in provision of medical, hospital service and management.

The subsidiaries acquired during the year ended 31 December 2012 contributed approximately HK$798,000 to the Group's revenue and contributed profit approximately HK$744,000 to the Group's loss during the year.

Had the acquisition been completed on 1 January 2012, total group revenue for the year would have been approximately HK$341,768,000, and loss for the year would have been approximately HK$430,699,000. The proforma 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 1 January 2012, nor is it intended to be a projection of future results.

42. DISPOSAL OF SUBSIDIARIES/A SUBSIDIARY

For the year ended 31 December 2013

(a) On 14 May 2013, the Group disposed of its entire equity interest in Achieved Success Company Limited and its subsidiary to an independent third party at a total consideration of HK$35,000,000.

The aggregate amounts of the assets and liabilities attributable to the subsidiaries on the date of disposal were as follows:

	HK$'000
Net assets disposed of:	
Property, plant and equipment	8,501
Investment properties	24,989
Trade and other receivables	20
Bank balances and cash	291
Trade and other payables	(448)
Deferred tax liability	(12)
	33,341
Gain on disposal	1,659
	35,000
Satisfy by:	
Cash	35,000
Net cash inflow arising on disposal:	
Cash consideration received	35,000
Bank balances and cash disposed of	(291)
	34,709

The subsidiaries disposed of during the year did not contribute significantly to the results and cash flows of the Group during the year ended 31 December 2013 prior to the disposal.

42. DISPOSAL OF SUBSIDIARIES/A SUBSIDIARY *(Continued)*

For the year ended 31 December 2013 *(Continued)*

(b) On 15 May 2013, the Group disposed of its entire equity interest in Dragon Oriental to an independent third party at a total consideration of HK$42,000,000.

The aggregate amounts of the assets and liabilities attributable to the subsidiary on the date of disposal were as follows:

	HK$'000
Net assets disposed of:	
Investment properties	41,901
Bank balances and cash	253
Trade and other payables	(154)
	42,000
Satisfy by:	
Cash	42,000
Net cash inflow arising on disposal:	
Cash consideration received	42,000
Bank balances and cash disposed of	(253)
	41,747

The subsidiary disposed of during the year did not contribute significantly to the results and cash flows of the Group during the year ended 31 December 2013 prior to the disposal.

42. DISPOSAL OF SUBSIDIARIES/A SUBSIDIARY *(Continued)*

For the year ended 31 December 2012

On 30 November 2012, the Group disposed of its 100% equity interest in Green Health Company Limited to an independent third party at a total consideration of HK$750,000.

The aggregate amounts of the assets and liabilities attributable to the subsidiary on the date of disposal were as follows:

	HK$'000
Net assets disposed of:	
Property, plant and equipment	42
Inventories	694
Trade and other receivables	401
Bank balances and cash	51
Trade and other payables	(359)
	829
Loss on disposal	(79)
	750
Satisfy by:	
Cash	29
Cash consideration not yet paid (included in other receivables)	721
	750
Net cash outflow arising on disposal:	
Cash consideration received	29
Bank balances and cash disposed of	(51)
	(22)

The subsidiary disposed of during the year did not contribute significantly to the results and cash flows of the Group during the year prior to the disposal.

43. 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 prior to 1 June 2012 and HK$1,250 per month from 1 June 2012, 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$3,282,000 (2012: HK$3,156,000) represents contributions payable to the above schemes by the Group during the year.

44. OPERATING LEASES

The Group as lessee

	2013 **HK$'000**	2012 HK$'000
Minimum lease payments paid under operating leases in respect of properties during the year	**39,357**	37,847

During the year ended 31 December 2013, the total rental expenses incurred by the Group amounted to HK$50,807,000 (2012: HK$53,000,000).

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:

	2013 **HK$'000**	2012 HK$'000
Within one year	**31,349**	25,848
In the second to fifth year inclusive	**18,012**	11,227
Over five years	**2,157**	–
	51,518	37,075

44. OPERATING LEASES *(Continued)*

The Group as lessee *(Continued)*

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 31 December 2013, the Group had property rental income of approximately HK$30,090,000 (2012: HK$22,357,000).

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:

	2013 **HK$'000**	2012 HK$'000
Within one year	**20,905**	18,898
In the second to fifth year inclusive	**13,704**	7,713
	34,609	26,611

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

45. PLEDGE OF ASSETS

As at 31 December 2013 and 2012, certain property, plant and equipment, investment properties and assets classified as held for sale of the Group with the carrying value of approximately HK$68,951,000 (2012: HK$95,505,000), HK$420,405,000 (2012: HK$221,887,000) and HK$117,000,000 (2012: nil), respectively, and bank deposits and held for trading investments of HK$17,794,000 (2012: HK$79,951,000) and HK$68,978,000 (2012: nil) were pledged to secure general banking facilities granted to the Group, respectively. The pledge of assets classified as held for sale will be released upon the completion date of disposal in 2014.

46. RELATED PARTY TRANSACTIONS AND BALANCES

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

Name of related party	Nature of transactions	2013 HK$'000	2012 HK$'000
Advance Bond Limited	Rental income	**900**	894
Hong Kong Bariatric and Metabolic Institute Limited	Management services fee income	**370**	5,206
	Rental income	**129**	–
Hong Kong Traumatology and Orthopaedics Institute Limited	Management services fee income	**2,500**	6,401
	Management services fee expense	**131**	–
	Rental income	**398**	–
Best Pharmaceutical	Management services fee income	**–**	429

The above related parties are the associates of the Group during the 2013 and 2012.

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 28, 29, 30 and 31.

Compensation of key management personnel

The remuneration of key management personnel which represent the directors of the Company during the year was as follows:

	2013 HK$'000	2012 HK$'000
Short-term benefits	**22,795**	8,058
Post-employment benefits	**60**	54
	22,855	8,112

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

47. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2013 HK$'000	2012 HK$'000
ASSETS AND LIABILITIES		
Unlisted investments in subsidiaries	**28,529**	28,529
Amounts due from subsidiaries	**1,267,637**	1,501,500
Amount due from an associate	**500**	500
Other receivables	**1,756**	1,490
Held for trading investments	**–**	185
Bank balances and cash	**1,681**	3,145
Amounts due to subsidiaries	**(83,766)**	(104,826)
Bank borrowing	**–**	(118,000)
Total net assets	**1,216,337**	1,312,523
CAPITAL AND RESERVES		
Share capital	**9,169**	9,103
Reserves (Note)	**1,207,168**	1,303,420
	1,216,337	1,312,523

47. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

(Continued)

Note:

Reserves

	Share premium HK$'000	Capital redemption reserve HK$'000	Contributed surplus HK$'000	Distributable reserve HK$'000	Share options reserve HK$'000	Accumulated profits HK$'000	Total HK$'000
At 1 January 2012	508,096	9,020	28,180	62,677	210,304	487,295	1,305,572
Loss for the year	–	–	–	–	–	(2,345)	(2,345)
Recognition of equity-settled share based payment expenses	–	–	–	–	193	–	193
At 31 December 2012	508,096	9,020	28,180	62,677	210,497	484,950	1,303,420
Loss for the year	–	–	–	–	–	(110,107)	(110,107)
Exercise of share options	4,477	–	–	–	(498)	–	3,979
Recognition of equity-settled share based payment expenses	–	–	–	–	9,876	–	9,876
At 31 December 2013	512,573	9,020	28,180	62,677	219,875	374,843	1,207,168

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 assets value of approximately HK$28,530,000 of Town Health (BVI) Limited ("Town Health BVI"), a subsidiary acquired through an exchange of shares pursuant to the group reorganisation in April 2000.

48. PRINCIPAL SUBSIDIARIES

Particulars of the Company's principal subsidiaries at 31 December 2013 and 2012 are as follows:

Name of company	Place of incorporation/ form of legal entity	Class of shares held	Issued and fully paid share capital/ registered capital	Proportion of nominal value of issued capital/registered capital held by the Company				Proportion of voting power held by the Company				Principal activities
				31 December 2013		31 December 2012		31 December 2013		31 December 2012		
				Directly	Indirectly	Directly	Indirectly	Directly	Indirectly	Directly	Indirectly	
Town Health BVI	British Virgin Islands/limited liability company	Ordinary	US$1,331,131	**100%**	**–**	100%	–	**100%**	**–**	100%	–	Investment holding
Audio Health (Note a)	Hong Kong/ limited liability company	Ordinary	HK$1,000	**–**	**35.7%**	–	35.7%	**–**	**75%**	–	75%	Provision of audio diagnostic tests and sale of hearing-aid devices
Billion Advance Limited (Note b)	Hong Kong/ limited liability company	Ordinary	HK$100	**–**	**51.5%**	–	52.5%	**–**	**100%**	–	100%	Property investment services
Chain Glory Limited	Hong Kong/ limited liability company	Ordinary	HK$300,000	**–**	**51%**	–	51%	**–**	**50%**	–	50%	Provision of medical services
China Universal Limited (Note b)	Hong Kong/ limited liability company	Ordinary	HK$1	**–**	**73.6%**	–	75%	**–**	**75%**	–	75%	Property investment services
Easy Result Limited	Hong Kong/ limited liability company	Ordinary	HK$100	**–**	**51%**	–	51%	**–**	**67%**	–	33%	Provision of medical services
First Billion Investment Limited (Note b)	Hong Kong/ limited liability company	Ordinary	HK$2	**–**	**73.6%**	–	75%	**–**	**100%**	–	100%	Property holding services
Noble Pioneer	Hong Kong/limited liability company	Ordinary	HK$2	**–**	**100%**	–	100%	**–**	**100%**	–	100%	Provision of medical and dental consultation services
Oriental Elite Limited (Note b)	Hong Kong/ limited liability company	Ordinary	HK$100	**–**	**73.6%**	–	75%	**–**	**100%**	–	100%	Property investments services
Perfect Elite Investments Limited (Note b)	Hong Kong/ limited liability company	Ordinary	HK$1	**–**	**73.6%**	–	75%	**–**	**100%**	–	100%	Property investments services
Pherson Limited (Note b)	Hong Kong/ limited liability company	Ordinary	HK$500,000	**–**	**73.6%**	–	75%	**–**	**100%**	–	100%	Property investments services
Profit Sources Limited (Note b)	Hong Kong/ limited liability company	Ordinary	HK$100	**–**	**73.6%**	–	75%	**–**	**100%**	–	100%	Property investments services
Town Health Asset (Note b)	British Virgin Islands/limited liability company	Ordinary	HK$917	**–**	**73.6%**	–	75%	**–**	**75%**	–	100%	Property investments services
Town Health Corporate Advisory and Investments Limited	Hong Kong/ limited liability company	Ordinary	HK$100	**–**	**100%**	–	100%	**–**	**100%**	–	100%	Trading of listed securities
Town Health Corporate Management and Investment Limited	British Virgin Islands/limited liability company	Ordinary	US$1	**–**	**100%**	–	100%	**–**	**100%**	–	100%	Investment holding

48. PRINCIPAL SUBSIDIARIES *(Continued)*

Name of company	Place of incorporation/ form of legal entity	Class of shares held	Issued and fully paid share capital/ registered capital	Proportion of nominal value of issued capital/registered capital held by the Company				Proportion of voting power held by the Company				Principal activities
				31 December 2013		31 December 2012		31 December 2013		31 December 2012		
				Directly	Indirectly	Directly	Indirectly	Directly	Indirectly	Directly	Indirectly	
Town Health Dental	Hong Kong/ limited liability company	Ordinary	HK$2	–	100%	–	100%	–	100%	–	100%	Provision of dental consultation services
Town Health Management and Services Limited	Hong Kong/ limited liability company	Ordinary	HK$2	–	100%	–	100%	–	100%	–	100%	Provision of management and administrative services
Town Health M & D	Hong Kong/limited liability company	Ordinary	HK$2	–	100%	–	100%	–	100%	–	100%	Provision of medical services
Town Health Para-Medical Services Limited	Hong Kong/ limited liability company	Ordinary	HK$2	–	100%	–	100%	–	100%	–	100%	Investment holding
Ultimate Achieve Limited (Note b)	Hong Kong/ limited liability company	Ordinary	HK$1	–	73.6%	–	75%	–	100%	–	100%	Trading of listed securities
Yikang (note c)	PRC/sino foreign equity joint venture		RMB199,750,000	–	80%	–	40%	–	75%	–	20%	Provision of medical services

Notes:

(a) The Group held this subsidiary indirectly through a 70% owned subsidiary in the year. 51% equity interest of this subsidiary is owned by its parent company, in which 70% equity interest of its parent company is owned by a wholly-owned subsidiary of the Company.

(b) 17 new shares of Town Health Asset were allotted and issued to non-controlling interest. The Group's equity interest was diluted by 1.4%, from 75% to 73.6%.

(c) The Group further acquired 40% equity interests in Yikang which becomes 80% owned subsidiary of the Company.

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.

48. PRINCIPAL SUBSIDIARIES *(Continued)*

At the end of the reporting period, the Company has other subsidiaries that are not material to the Group. A majority of these subsidiaries operate in Hong Kong. The principal activities of these subsidiaries are summarised as follows:

Principal activities	Principal place of business	Number of subsidiaries 31/12/2013	31/12/2012
Provision of healthcare and dental services	Hong Kong	**50**	41
	PRC	**2**	2
		52	43
Securities trading	Hong Kong	**7**	11
Properties	Hong Kong	**12**	11

Details of non-wholly owned subsidiary that have material non-controlling interests

The table below shows details of non-wholly owned subsidiary of the Group that have material non-controlling interests:

Name of subsidiary	Place of incorporation and principal place of business	Proportion of voting rights held by non-controlling interests 31.12.2013	31.12.2012	Proportion of ownership interests held by non-controlling interests 31.12.2013	31.12.2012	Profit allocated to non-controlling interests 31.12.2013 HK$'000	31.12.2012 HK$'000	Accumulated non-controlling interests 31.12.2013 HK$'000	31.12.2012 HK$'000
Town Health Asset	British Virgin Islands/ Hong Kong	**25%**	25%	**26.4%**	25%	**27,118**	1,683	**261,221**	206,486
Individually immaterial subsidiaries with non-controlling interests								**23,090**	3,232
								284,311	209,718

48. PRINCIPAL SUBSIDIARIES *(Continued)*

Details of non-wholly owned subsidiary that have material non-controlling interests *(Continued)*

Summarised financial information in respect of each of the Group's subsidiaries that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

Town Health Asset

	2013 HK$'000	2012 HK$'000
Current assets	**617,602**	18,121
Non-current assets	**761,871**	842,775
Current liabilities	**(383,317)**	(50,279)
Non-current liabilities	**(2,040)**	(1,883)
Equity attributable to owners of the Company	**727,311**	602,248
Non-controlling interests	**266,805**	206,486

48. PRINCIPAL SUBSIDIARIES *(Continued)*

Details of non-wholly owned subsidiary that have material non-controlling interests *(Continued)*

Town Health Asset (Continued)

	2013 HK$'000	2012 HK$'000
Revenue	**35,722**	29,179
Increase in fair value of investment properties	**64,196**	116,485
Other income	**67,350**	1,896
Expenses	**(59,762)**	(45,968)
Income tax expense	**(2,201)**	(736)
Profit for the year	**105,305**	100,856
Profit attributable to owners of the Company	**78,187**	99,173
Profit attributable to the non-controlling interests	**27,118**	1,683
Profit for the year	**105,305**	100,856

48. PRINCIPAL SUBSIDIARIES *(Continued)*

Details of non-wholly owned subsidiary that have material non-controlling interests *(Continued)*

Town Health Asset (Continued)

	2013 HK$'000	2012 HK$'000
Other comprehensive income attributable to owners of the Company	**52,892**	–
Other comprehensive income attributable to the non-controlling interests	**10,185**	–
Other comprehensive income for the year	**63,077**	–
Total comprehensive income attributable to owners of the Company	**131,079**	99,173
Total comprehensive income attributable to the non-controlling interests	**37,303**	1,683
Total comprehensive income for the year	**168,382**	100,856
Net cash outflow from operating activities	**(468,762)**	(411,009)
Net cash inflow (outflow) from investing activities	**223,059**	(7,967)
Net cash inflow from financing activities	**331,241**	427,817
Net cash inflow	**85,538**	8,841

Change in ownership interest in a subsidiary

During the year, Town Health Asset, a non-wholly owned subsidiary of the Group, allotted and issued 17 new shares to its non-controlling interest, for a total consideration of HK$17,000,000. The Group's equity interests of Town Health Asset is diluted from 75% to 73.6%. An amount of HK$17,431,000 (being the proportionate share of the carrying amount of the net assets of Town Health Asset) has been transferred to non-controlling interests. The difference of HK$431,000 between the increase in the non-controlling interests and the consideration received has been credited to other reserves.

49. EVENTS AFTER THE REPORTING PERIOD

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

(a) On 6 January 2014, Million Worldwide Investment Limited, a 73.6% owned subsidiary of the Company, entered into a Memorandum of Understanding (the "MOU") with an independent third party. It is proposed to dispose of all equity interest held in Wealthy Train Limited. On 18 February 2014, sale and purchase agreement was concluded. Entire equity interest of Wealthy Train Limited, together with the shareholder's loan, was disposed of at a consideration totalling HK$163,900,000, which consists of sale share consideration of HK$3,322,000 and assignment of shareholder's loan HK$160,578,000. Details of the MOU and the transaction are disclosed in announcements of the Company dated 6 January 2014 and 18 February 2014.

(b) On 19 February 2014, The board of directors of the Company proposed to change the English name of the Company from "Town Health International Investments Limited" to "Town Health International Medical Group Limited" and the Chinese name of the Company from "康健國際投資有限公司" to "康健國際醫療集團有限公司". The resolution was passed at a special general meeting of the Company held on 25 March 2014, and approved by the Registrar of Company of Bermuda on 25 March 2014.

(c) On 27 February 2014, the Company entered into a placing agreement with the placing agents, Astrum Capital Management Limited and GEO Securities Limited, to subscribe for the 7% per annum notes ("Notes") to be issued by the Company in an aggregate principal amount of up to HK$500,000,000 maturing on the seventh anniversary of the date of the first issue of the Notes at the placing price equal to 100% of the principal amount of the Notes. Details of the transaction are disclosed in announcements of the Company dated 27 February 2014.

(d) On 14 March 2014, the Company entered into a letter of intention, which is a non-legally binding framework agreement, with an independent third party in relation to establishment of medical institution and investment in medical services market in Henan Province of the PRC. In addition, Yikang, a non-wholly owned subsidiary of the Company, will form a joint venture with an independent third party, for the purpose of establishing a fertility specialty hospital which will be engaged in the businesses of in vitro fertilization and eugenics in Henan Province of the PRC.

Major Properties Information

The Group's property portfolio summary – major properties held for investment.

	Location	Existing use	Tenure	Group's interest (%) 2013	2012
1.	Whole block of nos. 10-12 Yuen Shun Circuit, Sha Tin Town Lot No. 282, New Territories	Office	Medium term lease	**73.6%**	75%
2.	Shop nos. G28 and G29 on Ground Floor, Commercial Podium, Sincere House, No. 83 Argyle Street, Kowloon	Shops	Medium term lease	**73.6%**	75%
3.	Ground Floor, Ultragrace Commercial Building, No. 5 Jordan Road, Kowloon	Shops	Medium term lease	**73.6%**	75%
4.	Shop C2 on Ground Floor, Carson Mansion, Nos. 4-6 Dung Fat Street, Nos. 46-50 Lo Tak Court, Nos. 3-5 On Wing Street, Tsuen Wan, New Territories	Shops	Medium term lease	**73.6%**	75%

Financial Summary

RESULTS

	1.1.2013 to 31.12.2013 HK$'000	1.1.2012 to 31.12.2012 HK$'000	1.1.2011 to 31.12.2011 HK$'000	1.1.2010 to 31.12.2010 HK$'000	1.4.2009 to 31.12.2009 HK$'000
Revenue	**354,553**	341,768	339,321	307,447	245,100
Profit (loss) for the year/period from continuing operations	**79,318**	(430,664)	66,011	132,715	(20,867)
(Loss) profit for the year/period from discontinued operation	**–**	–	–	(22,549)	9,758
Profit (loss) for the year/period	**79,318**	(430,664)	66,011	110,166	(11,109)
Attributable to:					
Owners of the Company	**49,633**	(434,952)	64,221	100,269	(22,612)
Non-controlling interests	**29,685**	4,288	1,790	9,897	11,503
	79,318	(430,664)	66,011	110,166	(11,109)

ASSETS AND LIABILITIES

	31.12.2013 HK$'000	31.12.2012 HK$'000	31.12.2011 HK$'000	31.12.2010 HK$'000	31.12.2009 HK$'000
Total assets	**2,012,517**	1,672,548	1,797,212	1,770,087	1,327,282
Total liabilities	**(519,040)**	(335,199)	(244,415)	(204,810)	(141,130)
	1,493,477	1,337,349	1,552,797	1,565,277	1,186,152
Assets attributable to					
Owners of the Company	**1,209,166**	1,127,631	1,546,815	1,559,244	1,122,966
Non-controlling interests	**284,311**	209,718	5,982	6,033	63,186
	1,493,477	1,337,349	1,552,797	1,565,277	1,186,152