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

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

Annual Report
2012

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

WEBSITE

www.townhealth.com

Chairperson's Statement

On behalf of Town Health International Investments Limited ("Town Health" or the "Company" or together with its subsidiaries, the "Group"), I am pleased to present this annual report for the year ended 31st December, 2012 to our shareholders.

BUSINESS REVIEW

In view of the year 2012, it was a year full of challenges and opportunities for the pharmaceutical industry. Although the global economic growth remained weak, the core business of the Group recorded steady growth during the year. The Group maintained its positioning as an investment company, with core businesses in both the medical sectors which comprises of medical and dental services and non-medical sectors which comprises of securities and property investments. The Group also holds investment in companies which are principally engaged in health check business in Hong Kong and pharmaceutical business and sale of healthcare and pharmaceutical products businesses in China. The Group continued to provide comprehensive and quality healthcare services to the public and through its asset investments business, offers shareholders with good investment returns and diversifies the business risk.

During the year, the Group recorded loss of approximately HK$430,664,000 (2011: a profit of approximately HK$66,011,000). The consolidated loss attributable to equity holders was approximately HK$434,952,000 (2011: the consolidated profit attributable to equity holders of approximately HK$64,221,000). The loss of this year was mainly attributable to unrealized loss arising on change in fair value of the Group's held for trading investments. The aforesaid loss is mainly non-cash in nature and will not have any cash flow burden to the Group.

Steady growth and expansion of medical and dental services

The healthcare and dental services business persisted to be the key driver for the Group. The Group has developed an extensive network of around 70 clinics in Hong Kong over the years, providing general practice, special and multidisciplinary healthcare services. The healthcare services involve family medicine and specialty medicine, dentistry, paramedical services and preventive healthcare services. During the year, the Group had enhanced the cooperation with competent doctors to operate additional clinics aiming to enlarge our healthcare services. Indeed, the Group succeeded to retain its leading position in the industry, expand its clientele and broaden its outpatient services. In 2012, the Group's healthcare and dental services division achieved a turnover of approximately HK$318,923,000 (2011: HK$316,356,000), accounting for approximately 93.32% (2011: 93.23%) of the Group's revenue.

Chairperson's Statement

Secured returns generated from pharmaceutical businesses

Healthcare investment in China will reinforce in the coming years driven by an aging population and government efforts to broaden medical insurance coverage, the country's 1.3 billion residents are expecting better access to healthcare. Chinese government implemented favorable policies to improve the healthcare delivery system in order to meet these emerging needs. Second phase of the healthcare reform plan, expected between 2011 and 2020, is to involve the establishment of a universal health care system by which all citizens will be able to access affordable drug and medical services.

To secure opportunities along with medical development permissions and capabilities in the context of China's evolving regulatory regime. With our state-of-the-art facilities located in Hangzhou (杭州) and Guizhou (貴州), we continued to manufacture and distribute high quality pharmaceutical products, such as Chinese herbal medicine, chemical raw pharmaceutical, antibiotics, biomedical and other pharmaceutical products in China.

In addition, we will continue to fortify our joint-venture for the provision of management and consultancy services to medical diagnostic and integrated healthcare services in Guangdong Province in China. We will further consolidate our foothold in China.

Challenging investment environment of securities

The securities investment portfolio of the Group consists of investments in listed and unlisted securities. This sector showed unusual resilience in 2012, it delivered an unfulfilled financial performance. The results of the Group were negatively affected by the instability and uncertain stock market, as well as change in fair value of held-for-trading investments which are mainly non-cash in nature.

Stable recurrent income from property investment business

The investment properties of the Group mainly consist of retail and office properties in prime locations. This sector continued to record stable recurred income. Benefiting from the boom of property prices throughout the year in 2012, the Group enjoyed satisfactory results of this sector. Further with the continuous growth of rental in Hong Kong, this enriches the performance of our properties segment.

In 2012, the Group had cooperation with a listed company, China Natural Investment Company Limited (Stock Code: 8250). The completion of the acquisition of Million Worldwide Investment Limited enabled the Group to diversify and expand our investment portfolio in order to form a larger portfolio base and expand our revenue base, as well as increase the value of shareholders in long run.

Chairperson's Statement

Distinct investment activities for growth

In 2012, the Group completed an acquisition 50% of the equity interest in Extrad Assets Limited ("Extrad Assets"), a company's principal activity is investing holding and its associate engaged in sales of toys under its own brand name and other brand names. The acquisition will enhance the Group's investment portfolio and improve the financial performance by leveraging on the strong growth potential and future prospects of Extrad Assets.

The diverse portfolio has assured to spread and lower business risk. All investment activities are carried out under prudent risk management and the Group will cautiously monitor its investment performance. The Group embraced higher caliber professionals in the industry to team up with us in order to achieve enhancement of our investment business.

OUTLOOK

To maintain a leading position in healthcare and medical services

Healthcare services in Hong Kong are of high standards and delivered with efficiency. Taking advantages of the broad support on healthcare reform by the Government in recent years by providing financial support to the long-term development of primary healthcare and promoting private healthcare, as well as leveraging on our high quality healthcare services for local residents, we continued to be one of the largest and leading private healthcare institutes in Hong Kong.

Going forward, the Group is well equipped with regard to professional healthcare expertise and specialist, along with advanced medical facilities to capitalize on the high demand for comprehensive quality clinic services in the region. We will strengthen the cooperation with competent doctors to expand our professional healthcare services. In due time, we will grasp the opportunity to expand the Group's integrated chain clinics in the event of good location. We are confident to strengthen our foothold as a leading enterprise in the healthcare and medical market by enlarging our medical network.

To capture market opportunity in the pharmaceutical business

China enters into the second phase of the healthcare reform plan (2011 – 2020) to establish a universal healthcare system by which all citizens will be able to access affordable drug and medical services. This healthcare reform and the 12th Five-Year Plan exert their influence on an enormous and growing market for pharmaceuticals. Considering of the combined forces of economic and demographic development, government stimulus, market consolidation, prominent research and development capability and enhanced health awareness among the public, all of the above factors will drive China to grow into a more sophisticated market within the next decade. The Group will leverage on its competitive edge and knowledge in the sector to capture the growing demand in China.

Chairperson's Statement

To revamp our investment strategy

2012 is a challenging year full of adversity in the financial market. Due to the lackluster global economic recovery pace, the Group suffered a significant unrealized loss on trading securities. We will endure our effort to monitor the stock market, as well as adopt a prudent approach and undertake effective risk management to ensure the Group's competitiveness in the investment sector. We will seek out opportunities to achieve respectable return on our investment projects in the coming year in order to generate sufficient surplus to intensify expansion on our core businesses.

In 2013, we expected a promising year for the property market with the continuous value added of the real estate market. In spite of diversifying our investments to help spread and lower risks, we will adjust our portfolio by displacing property investments with lower returns from those with higher returns. We believe our profit will increase along with the enlargement of investment portfolio and also by strengthening the investment of property sector is able to generate stable income for the Group.

We would like to express our gratitude to all valuable shareholders, investors, clients and employees for your support. We will continue to explore investment opportunities and further our business growth in the future.

Choi Ka Yee, Crystal
Chairperson

Hong Kong, 22nd March, 2013

Management Discussion & Analysis

RESULTS

The Group is pleased to announce the results for the year ended 31st December, 2012. Revenue rose by 0.72% to HK$341,768,000 (2011: HK$339,321,000). The growth was driven by both the Group's core operations.

Gross profit margin for the year was 34.69%, representing a slightly increase from 33.62% in last year.

Basic losses per share were HK$0.48 in 2012 (Basic earnings per share in 2011: HK$0.07).

The consolidated loss attributable to equity holders of the Company for the year was approximately HK$434,952,000 (the consolidated profit attributable to equity holder of the Group in 2011: HK$64,221,000). The Board of Directors does not recommend the payment of any dividend for the year ended 31st December, 2012 (2011: Nil).

REVIEW OF OPERATIONS

Healthcare & Medical Services

During the year, the Group's provision of healthcare and dental services achieved steady growth. Turnover increased by 0.81% to approximately HK$318,923,000. The demand for medical services continues to grow and it is largely due to the increasing popularity of medical insurance. The business recorded a profit of approximately HK$11,541,000 compared with approximately HK$10,500,000 a year ago, representing a 9.91% increase.

Securities investment

The Group's investment portfolio comprises investments in listed and unlisted securities. The Group's gross proceeds from its securities investments was approximately HK$535,550,000 (2011: HK$268,391,000), which amounted for 61.04% (2011: 44.16%) of the Group's total gross proceeds from operations. The result of the Group's securities segment is suffered loss in 2012 by approximately HK$432,075,000 (2011: a profit of approximately HK$210,463,000). The decrease in segment result of securities in 2012 was mainly attributable to unrealized losses arising on change in fair value of held-for-trading investments which are mainly non-cash in nature. The Group will continue to adopt a prudent investment strategy and create value for shareholders.

Stable recurrent income from property investment

The investment properties of the Group consist of retail and office properties in prime locations. This sector continued to record stable recurred income. Benefiting from the boom of property prices throughout the year in 2012, the Group enjoyed satisfactory results of this sector. The Group's gross proceeds from its properties investments approximately HK$16,829,000 (2011: 13,255,000), which represented a 26.96% increase when compared to 2011.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31st December, 2012, the Group held cash and bank balances of approximately HK$176,332,000 (2011: approximately HK$46,261,000). The Group had bank borrowings of approximately HK$210,575,000 which are all repayable within one year (2011: approximately HK$113,000,000). Net current assets amounted to approximately HK$307,269,000 (2011: approximately HK$798,619,000). Current ratio (defined as total current assets divided by total current liabilities) was 1.92 (2011: 4.28).

As at 31st December, 2012, gearing ratio (defined as total bank borrowings divided by equity attributable to owners of the Company) was 18.67% (2011: 7.31%). Major currencies used for the Group's transactions were Hong Kong Dollars, Renminbi and US Dollars. As Hong Kong Dollars are pegged to the US Dollars and the fiscal policy of the Central Government of the PRC in relation to Renminbi is stable throughout the year, the Group considers that the potential foreign exchange exposure of the Group is limited.

MATERIAL ACQUISITIONS AND DISPOSALS

The Group made no material acquisitions or material disposals of subsidiaries and associated companies during the year ended 31st December, 2012 save of the followings:

1. On 28th March, 2012, Broad Giant Limited, a wholly owned subsidiary of the Company, Precise Power Limited ("Precise Power"), Mr. Chau Kai Man, Ms. Cheung Tsz Lam and Mr. Pang Wai Shing Samson entered into a subscription agreement. Pursuant to the said subscription agreement, Broad Giant Limited has conditionally agreed to subscribe for the subscription shares, representing 48% of the issued share capital of Precise Power on a fully diluted basis, at a consideration of HK$7,837,000. Further, Mr. Chau Kai Man has conditionally agreed to subscribe for two new Precise Power's shares, representing 1% of the issued share capital of Precise Power on a fully diluted basis, at a consideration of HK$163,000. After completion of the said transaction, the financial results of the Precise Power and its subsidiaries will be equity accounted for in the financial statements of the Company. Further detail of the said transaction are set out in the announcement of the Company dated 28th March, 2012.

2. On 7th September, 2012, Town Health Asset Management Limited ("THAM"), the then wholly owned subsidiary of the Company, and Chemosino International Limited, a wholly owned subsidiary of China Natural Investment Company Limited (the shares of which are listed on the Growth Enterprise Market of the Stock Exchange with stock code: 8250) entered into a sale and purchase agreement pursuant to which THAM has conditionally agreed to acquire, and Chemosino International Limited has conditionally agreed to sell, the entire issued share capital of Million Worldwide Investment Limited, a company incorporated in BVI with limited liability, at the consideration of HK$195,000,000. Pursuant to the terms of the said sale and purchase agreement, the consideration of HK$195,000,000 will be satisfied by the allotment and issue of certain THAM's shares to Chemosino International Limited upon completion of the said transaction. Immediately after completion of the said transaction, Million Worldwide Investment Limited will become a wholly owned subsidiary of THAM and THAM will be owned as to 75% by the Company indirectly and 25% by Chemosino International Limited and the financial results of Million Worldwide Investment Limited will be consolidated with the results of the Group. Further detail of the said transaction are set out in the circular of the Company dated 28th September, 2012. The said transaction was approved by way of poll by the shareholders of the Company in a Company's adjourned special general meeting held on 26th November, 2012 and had already been completed on 10th December, 2012.

3. On 5th November, 2012, Fair Jade Group Limited, a wholly owned subsidiary of the Company, and Cannon Sea Investment Limited entered into a sale and purchase agreement pursuant to which Fair Jade Group Limited has acquired, and Cannon Sea Investment Limited has sold, 50% of the entire issued share capital of Extrad Assets Limited, a company incorporated in the BVI with limited liability, free from all encumbrances, and together with all rights and benefits attaching thereto at the consideration of HK$37,500,000. Immediately after completion of the said transaction, the Company owns 50% equity interest in Extrad Assets Limited through Fair Jade Group Limited and Extrad Assets Limited becomes an associated company of the Company. Further detail of the said transaction are set out in the announcement of the Company dated 5th November, 2012.

CAPITAL STRUCTURE

As at 31st December, 2012, the Group had equity attributable to owners of the Company of approximately HK$1,127,631,000 (2011: approximately HK$1,546,815,000).

HUMAN RESOURCES

As at 31st December, 2012, the Group employed 543 staff (2011: 558 staff). Total employee costs for the year ended 31st December, 2012 including directors' emoluments, amounted to approximately HK$209,255,000 (2011: HK$232,934,000).

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 31st December, 2012, the Group had no significant contingent liabilities.

PLEDGE OF ASSETS

As at 31st December, 2012, certain property, plant and equipment and investment properties of the Group with a net carrying amount of approximately HK$95,505,000 (2011: approximately HK$96,628,000) and HK$221,887,000 (2011: approximately HK$162,203,000), respectively, and bank deposits of approximately HK$79,951,000 (2011: HK$5,021,000) were pledged to secure general bank facilities granted to the Group.

CAPITAL COMMITMENTS

As at 31st December, 2012, the Group had no capital expenditure contracted for but not provided in financial statements (2011: Nil).

EVENTS AFTER THE REPORTING PERIOD

Details of the significant events after the reporting period are set out in note 48 to the consolidated financial statements.

Biographical Details of Directors and Senior Management

EXECUTIVE DIRECTORS

Miss Choi Ka Yee, Crystal, aged 32, 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 49, 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 permanent president of Hong Kong Shatin Industries and Commerce Association Limited and a director of Hong Kong Commerce and Industry Associations 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 27.09% issued shares in the Company. He is a member of the remuneration committee of the Company.

Dr. Chan Wing Lok, Brian, aged 48, 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 58, 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 of a subsidiary of the Company and also a director, the general manager and the legal representative of an associated company of the Company in the PRC. Mr. Lee is also a director of a number of subsidiaries of the Company.

NON-EXECUTIVE DIRECTORS

Dr. Choi Chee Ming, *GBS, JP*, aged 67, 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 People's Republic of China 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 member of the University Court, The Hong Kong Polytechnic University. Dr. Choi is also a member of the National Committee of the Chinese People's Political Consultative Conference. He is currently a non-executive director and vice-chairman of Regal Hotels International Holdings Limited (a company listed on the Main Board of the Stock Exchange of Hong Kong Limited with stock code: 78). Dr. Choi is a director of Broad Idea International Limited, a company which is interested in approximately 27.09% 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 60, 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.

Biographical Details of Directors and Senior Management

INDEPENDENT NON-EXECUTIVE DIRECTORS *(Continued)*

Mr. Ho Kwok Wah, George, aged 54, 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 the honorary treasurer of The Taxation Institute of Hong Kong and 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 of Hong Kong Limited. 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 58, 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 of Hong Kong Limited 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 41, 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 and previously worked in an international accounting firm and several listed and unlisted groups. He joined the Group in March 2006.

Dr. So Chi Kin, aged 45, graduated from The University of Hong Kong and holds the qualification of BDS (HK) and MSc (HK). He joined the Group in April 1991 and is currently responsible for the development and management of the Group's dental clinic business as well as enhancement of professional dental service standards.

Dr. Yau Yi Kwong, aged 50, 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.

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 31st December, 2012.

PRINCIPAL ACTIVITIES

The Company act as an investment holding company. The activities of its principal subsidiaries and associates are set out in notes 47 and 23 respectively to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31st December, 2012 are set out in the consolidated statement of comprehensive income on pages 30 and 31.

The directors do not recommend the payment of a dividend.

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 128 of this annual report.

DONATIONS

Charitable donations made by the Group during the year amounted to HK$741,000.

SUBSIDIARIES

Details of acquisition and disposal of subsidiaries during the year are set out in notes 39, 40 and 41 to the consolidated financial statements, respectively.

INVESTMENT PROPERTIES

During the year, the Group revalued all of its investment properties at 31st December, 2012. The net increase in fair value of investment properties, which has been credited to the consolidated statement of comprehensive income, amounted to HK$78,645,000.

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 investment properties are set out on page 86 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 37 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 34 of this report and in note 46 to the consolidated financial statements.

SHARE OPTIONS

Particulars of the Company's share option schemes are set out in note 38 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
Dr. Chan Wing Lok, Brian

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"), Dr. Cho, Dr. Choi and Mr. Wai 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 1st April, 2012; Mr. Lee Chik Yuet has been appointed for a term of 14 months commencing from 1st April, 2012; Dr. Chan Wing Lok, Brian has been appointed for a term of 1 year commencing from 1st April, 2012; Mr. Chan, Mr. Ho and Mr. Wai, have been re-appointed for a term of 2 years commencing from 1st 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 31st December, 2012, 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	27.09%
Dr. Chan Wing Lok, Brian	Beneficial owner	Personal interest	552,000	–	552,000	0.06%
Mr. Lee Chik Yuet	Beneficial owner	Personal interest	–	2,000,000 (Note 2)	2,000,000	0.22%
Dr. Choi	Interest of a controlled corporation	Corporate interest	246,640,523 (Note 1)	–	246,640,523	27.09%
Mr. Chan	Beneficial owner	Personal interest	–	150,000 (Note 2)	150,000	0.02%
Mr. Ho	Beneficial owner	Personal interest	–	150,000 (Note 2)	150,000	0.02%
Mr. Wai	Beneficial owner	Personal interest	–	200,000 (Note 2)	200,000	0.02%

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 38 to consolidated financial statements.

Save as disclosed above, as at 31st December, 2012, 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 at 31st December, 2012 as recorded in the register required to be kept by the Company under Sections 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS

As at 31st December, 2012, 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)	27.09%
Hui Winnie Wing Yee	Interest of a controlled corporation	88,944,000 (Note 2)	9.77%
Ling Wai Hoi	Interest of a controlled corporation	88,944,000 (Note 2)	9.77%

Notes:

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

(2) These shares are held as to 37,020,000 shares by Creative Ideas Management Corporation, as to 6,924,000 shares by Dazzling Peak Holdings Ltd and as to 45,000,000 shares by Key Elegance Development Limited. As each of Hui Winnie Wing Yee and Ling Wai Hoi owned as to 50% of the issued share capital of each of the aforementioned companies, each of Hui Winnie Wing Yee and Ling Wai Hoi is deemed to be interested in all the shares in which Creative Ideas Management Corporation, Dazzling Peak Holdings Ltd and Key Elegance Development Limited are interested by virtue of the provisions of Part XV of the SFO.

Save as disclosed above, the Company has not been notified of any interest or short position in the shares or underlying shares of the Company as at 31st December, 2012 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 31st December, 2012, the percentage of turnover attributable to the Group's five largest customers is less than 11% of the Group's total turnover. The Group's five largest suppliers accounted for approximately 62% of the Group's total purchase.

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 period 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

No contracts of significance, to which the Company, or any of its subsidiaries was a party and in which any Director had a material interest, whether directly and indirectly, subsisted at the end of the 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 21 to 27 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 45 to the financial statements, which are all exempted connected transactions as defined under 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 38 to the consolidated financial statements.

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float throughout the year ended 31st December, 2012.

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 31st December, 2012 have been reviewed by the Audit Committee of the Company.

On behalf of the Board

Choi Ka Yee, Crystal
Chairperson

Hong Kong, 22nd March, 2013

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 Stock Exchange has revised and renamed the Code on Corporate Governance Practices (the "Former CG Code") set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") to the Corporate Governance Code (the "New CG Code") effective from 1st April, 2012.

The Company has adopted its own code of corporate governance based on the principles and code provisions as set out in the Former CG Code and the New CG Code.

During the year ended 31st December, 2012, the Company has complied with the respective provisions of the Former CG Code and the New CG Code (collectively referred to as the "Corporate Governance Code") for the relevant periods in which they are in force.

Directors' Securities Transactions

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

Board of Directors

As at the date of this annual report, the Board comprises eight members, four of which are executive Directors, namely Miss Choi Ka Yee, Crystal who is the Chairperson of the Company, Dr. Cho Kwai Chee who is 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 11 to 13 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.

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 31st December, 2012 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. Chan Wing Lok, Brian and Dr. Choi Chee Ming, *GBS, JP*) have 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 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.

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 1st June, 2012. Dr. Choi Chee Ming, *GBS, JP*, a non-executive Director, has been appointed for a term of 33 months commencing from 1st 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.

During the year ended 31st December, 2012 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 two meetings 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, Dr. Cho Kwai Chee, Mr. Lee Chik Yuet, Dr. Chan Wing Lok, Brian and Dr. Choi Chee Ming, *GBS, JP* and the terms thereof have also been reviewed and approved by the Remuneration Committee during the year.

Nomination Committee

The nomination committee (the "Nomination Committee") was set up by the Board on 23rd March, 2012 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 31st December, 2012 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*.

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), assess the independence of non-executive Directors and propose re-election of retiring Directors.

Corporate Governance Report

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 Nomination Committee held one meeting during the year and has reviewed the structure, size and composition (including the skills, knowledge and experience) of the Board for the year.

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.

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 31st December, 2012 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 two 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 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.

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	1/3	4/4	N/A	N/A	N/A
Dr. Cho Kwai Chee	3/3	4/4	N/A	2/2	N/A
Mr. Lee Chik Yuet	3/3	4/4	N/A	N/A	N/A
Dr. Chan Wing Lok, Brian	1/3	2/4	N/A	N/A	N/A
Non-executive Director					
Dr. Choi Chee Ming, *GBS, JP*	0/3	4/4	N/A	N/A	N/A
Independent non-executive Directors					
Mr. Chan Kam Chiu	1/3	4/4	3/3	2/2	1/1
Mr. Wai Kwok Hung, *SBS, JP*	1/3	4/4	3/3	2/2	1/1
Mr. Ho Kwok Wah, George	1/3	4/4	3/3	2/2	1/1

Accountability and Audit

The Directors acknowledge their responsibility for preparing the financial statements of the Group which give a true and fair view of the state of affairs of the Group and of the loss and cash flows for the year ended 31st December, 2012. The Directors have prepared the financial statements of the Group on a going concern basis, and have selected appropriate accounting policies and applied them consistently, with applicable disclosures required under the Listing Rules and pursuant to the relevant statutory requirements.

The statement issued by the auditors of the Company, Deloitte Touche Tohmatsu, regarding their reporting responsibilities is set out in the section headed "Independent Auditor's Report" on pages 28 to 29 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, has 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 31st December, 2012, fee for statutory audit for the Group amounts to approximately HK$2,091,000. 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$89,000.

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 26/F Tesbury Centre, 28 Queen's Road East, Wanchai, 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 506 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.

Independent Auditor's Report

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 30 to 127, which comprise the consolidated statement of financial position as at 31st December, 2012, and the consolidated statement of 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.

Independent Auditor's Report

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 31st December, 2012, and of the Group's loss 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
22nd March, 2013

Consolidated Statement of Comprehensive Income

For the year ended 31st December, 2012

	NOTES	2012 HK$'000	2011 HK$'000 (restated)
Gross proceeds	7 & 8	**877,318**	607,712
Revenue	7	**341,768**	339,321
Cost of sales		**(223,205)**	(225,245)
Gross profit		**118,563**	114,076
Other income	9	**16,711**	19,681
Administrative expenses		**(184,039)**	(191,978)
Other gains and losses	10	**(447,406)**	134,602
Finance costs	11	**(3,948)**	(1,663)
Gain on disposal of associates	23	**3,463**	–
(Loss) gain on disposal of a subsidiary	41	**(79)**	799
Share of results of associates	23	**(9,470)**	17,466
Increase in fair value of investment properties	18	**78,645**	22,356
(Loss) profit before tax		**(427,560)**	115,339
Income tax expenses	14	**(3,104)**	(49,328)
(Loss) profit for the year	15	**(430,664)**	66,011
Other comprehensive income (expense) for the year			
Exchange difference arising on the translation of foreign operations		**25**	(22)
Share of exchange reserve of associates		**274**	13,727
Gain on fair value change of properties reclassified as investment properties		**–**	3,055
Fair value gain (loss) on available-for-sale investments		**462**	(51,710)
Impairment loss recognised on available-for-sale investments		**–**	4,294
Total comprehensive (expense) income for the year		**(429,903)**	35,355

Consolidated Statement of Comprehensive Income

For the year ended 31st December, 2012

	NOTE	**2012 HK$'000**	2011 HK$'000 (restated)
(Loss) profit for the year attributable to:			
Owners of the Company		**(434,952)**	64,221
Non-controlling interests		**4,288**	1,790
		(430,664)	66,011
Total comprehensive (expense) income attributable to:			
Owners of the Company		**(434,191)**	33,565
Non-controlling interests		**4,288**	1,790
		(429,903)	35,355
(Loss) earnings per share (HK$)	17		
– Basic		**(0.48)**	0.07
– Diluted		**(0.48)**	0.07

Consolidated Statement of Financial Position

At 31st December, 2012

	NOTES	**2012 HK$'000**	2011 HK$'000 (restated)	2010 HK$'000 (restated)
NON-CURRENT ASSETS				
Investment properties	18	**573,040**	284,403	191,950
Property, plant and equipment	19	**163,322**	183,090	197,285
Loans receivable	20	**14,242**	11,839	29,365
Goodwill	21	**6,603**	6,603	7,463
Other intangible assets	22	**167**	2,292	4,602
Interests in associates	23	**224,709**	216,475	262,535
Available-for-sale investments	24	**49,275**	50,138	113,376
Deposits paid for acquisition of property, plant and equipment		**328**	298	–
		1,031,686	755,138	806,576
CURRENT ASSETS				
Inventories	25	**9,769**	12,044	8,550
Trade and other receivables	26	**41,155**	44,598	58,395
Held for trading investments	27	**314,135**	903,354	459,861
Loans receivable	20	**13,482**	8,526	16,890
Amounts due from associates	28	**3,753**	20,664	43,447
Amounts due from investees	29	**1,839**	1,013	10
Amount due from a related party	30	**9**	1	–
Tax recoverable		**437**	592	1,836
Pledged bank deposits	31	**79,951**	5,021	5,012
Bank balances and cash	32	**176,332**	46,261	369,510
		640,862	1,042,074	963,511
CURRENT LIABILITIES				
Trade and other payables	33	**33,876**	28,966	51,924
Amounts due to associates	28	**369**	10,648	10,620
Amount due to an investee	29	**437**	534	339
Amounts due to non-controlling interests	34	**4,126**	4,928	2,693
Amount due to a related party		**–**	–	1
Bank borrowing	35	**210,575**	113,000	95,000
Tax payable		**84,210**	85,379	42,503
		333,593	243,455	203,080

Consolidated Statement of Financial Position

At 31st December, 2012

	NOTES	2012 HK$'000	2011 HK$'000 (restated)	2010 HK$'000 (restated)
NET CURRENT ASSETS		**307,269**	798,619	760,431
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,338,955**	1,553,757	1,567,007
NON-CURRENT LIABILITY				
Deferred tax liabilities	36	**1,606**	960	1,730
		1,337,349	1,552,797	1,565,277
CAPITAL AND RESERVES				
Share capital	37	**9,103**	9,103	9,112
Reserves		**1,118,528**	1,537,712	1,550,132
Equity attributable to owners of the Company		**1,127,631**	1,546,815	1,559,244
Non-controlling interests		**209,718**	5,982	6,033
Total equity		**1,337,349**	1,552,797	1,565,277

The consolidated financial statements on pages 30 to 127 were approved and authorised for issue by the Board of Directors on 22nd March, 2013 and are signed on its behalf by:

Choi Ka Yee, Crystal
DIRECTOR

Cho Kwai Chee
DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended 31st December, 2012

	Attributable to owners of the Company													
	Share capital HK$'000	Share premium HK$'000	Capital redemption reserve HK$'000 (Note i)	Capital reserve HK$'000 (Note ii)	Distributable reserve HK$'000 (Note iii)	Other reserve HK$'000 (Note iv)	Investment revaluation reserve HK$'000	Property revaluation reserve HK$'000	Translation reserve HK$'000	Share options reserve HK$'000	Accumulated profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1st January, 2011, as originally stated	9,112	508,715	9,020	10,033	62,677	–	47,416	–	2,738	210,106	691,684	1,551,501	5,657	1,557,158
Effect of changes in accounting policies	–	–	–	–	–	–	–	–	–	–	7,743	7,743	376	8,119
At 1st January, 2011 as restated	9,112	508,715	9,020	10,033	62,677	–	47,416	–	2,738	210,106	699,427	1,559,244	6,033	1,565,277
Profit for the year	–	–	–	–	–	–	–	–	–	–	64,221	64,221	1,790	66,011
Exchange difference arising on the translation of foreign operations	–	–	–	–	–	–	–	–	(22)	–	–	(22)	–	(22)
Share of exchange reserve of associates	–	–	–	–	–	–	–	–	13,727	–	–	13,727	–	13,727
Gain on fair value changes of properties reclassified as investment properties	–	–	–	–	–	–	–	3,055	–	–	–	3,055	–	3,055
Fair value loss on available-for-sale investments	–	–	–	–	–	–	(51,710)	–	–	–	–	(51,710)	–	(51,710)
Impairment loss recognised on available-for-sale investments	–	–	–	–	–	–	4,294	–	–	–	–	4,294	–	4,294
Total comprehensive (expense) income for the year	–	–	–	–	–	–	(47,416)	3,055	13,705	–	64,221	33,565	1,790	35,355
Recognition of equity-settled share-based payment expenses	–	–	–	–	–	–	–	–	–	198	–	198	–	198
Repurchase of shares	(9)	(619)	–	–	–	–	–	–	–	–	–	(628)	–	(628)
Dividend paid to non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	–	(960)	(960)
Acquisition of subsidiaries (note 40)	–	–	–	–	–	–	–	–	–	–	–	–	(179)	(179)
Disposal of a subsidiary (note 41)	–	–	–	–	–	–	–	–	–	–	–	–	(702)	(702)
Dividends (note 16)	–	–	–	–	–	–	–	–	–	–	(45,564)	(45,564)	–	(45,564)
At 31st December, 2011 as restated	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)
Exchange difference arising on the translation of foreign operations	–	–	–	–	–	–	–	–	25	–	–	25	–	25
Share of exchange reserve of associates	–	–	–	–	–	–	–	–	274	–	–	274	–	274
Fair value gain on available-for-sale investments	–	–	–	–	–	–	462	–	–	–	–	462	–	462
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 39)	–	–	–	–	–	14,814	–	–	–	–	–	14,814	201,176	215,990
At 31st 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

Consolidated Statement of Changes in Equity

For the year ended 31st December, 2012

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) Other reserve of the Group represents 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 25% 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.

Consolidated Statement of Cash Flows

For the year ended 31st December, 2012

	2012 HK$'000	2011 HK$'000
OPERATING ACTIVITIES		
(Loss) profit before tax	**(427,560)**	115,339
Adjustments for:		
Interest income	**(628)**	(3,251)
Dividend income from unlisted investments classified as available-for-sale investments	**(300)**	(923)
Impairment loss on goodwill	**–**	2,482
Depreciation of property, plant and equipment	**38,454**	29,407
Loss (gain) on fair value changes on held for trading investments	**279,258**	(170,465)
Impairment loss recognised on loans receivable	**3,559**	–
Impairment loss recognised on trade receivables	**1,562**	64
Loss on disposal of property, plant and equipment	**370**	216
Amortisation of intangible assets	**2,125**	2,310
Increase in fair value of investment properties	**(78,645)**	(22,356)
Share of results of associates	**9,470**	(17,466)
Share-based payment expenses	**193**	198
Finance costs	**3,948**	1,663
Loss (gain) on disposal of available-for-sale investments	**6,006**	(2,015)
Loss (gain) on disposal of subsidiaries	**79**	(799)
Gain on disposal of associates	**(3,463)**	–
Impairment loss recognised on available-for-sale investments	**–**	4,294
Impairment loss recognised on amounts due from associates	**13,290**	–
Impairment loss recognised on interests in associates/ an associate, net	**12,121**	73,130
Operating cash outflow (inflow) before movements in working capital	**(140,161)**	11,828
Decrease (increase) in inventories	**1,581**	(2,676)
Decrease in trade and other receivables	**2,313**	7,667
Increase in amounts due from associates	**–**	(166)
Increase in amount due from a related party	**(8)**	(1)
Decrease (increase) in held for trading investments	**309,961**	(273,028)
Increase (decrease) in trade and other payables	**3,794**	(25,045)
Cash generated from (used in) operations	**177,480**	(281,421)
Income tax paid	**(4,055)**	(5,978)
NET CASH FROM (USED IN) OPERATING ACTIVITIES	**173,425**	(287,399)

Consolidated Statement of Cash Flows

For the year ended 31st December, 2012

	NOTES	**2012 HK$'000**	2011 HK$'000
INVESTING ACTIVITIES			
Placement of pledged bank deposits		**(74,930)**	(9)
Investment in associates		**(45,337)**	(2,000)
Advances of loans receivable		**(13,700)**	(9,558)
Purchase of available-for-sale investments		**(13,245)**	(7,895)
Purchase of investment properties		**(12,929)**	(53,460)
(Advance to) repayment from associates		**(6,658)**	22,977
Purchase of property, plant and equipment		**(4,021)**	(26,315)
Acquisition of subsidiaries	40	**(60)**	(405)
Deposits paid for acquisition of property, plant and equipment		**(30)**	(298)
Disposal of a subsidiary	41	**(22)**	(107)
Proceeds from disposal of available-for-sale investments		**11,298**	21,438
Proceeds on disposal of associates		**9,175**	–
Dividend received from associates		**7,340**	6,904
Acquisition of assets through acquisition of subsidiaries	39	**5,844**	–
Repayment of loans receivable		**2,782**	35,448
Increase in amounts due from investees		**(826)**	(1,003)
Dividend received from unlisted investments classified as available-for-sale investments		**300**	923
Interest received		**628**	3,251
Proceeds from disposal of property, plant and equipment		**37**	2,645
NET CASH USED IN INVESTING ACTIVITIES		**(134,354)**	(7,464)
FINANCING ACTIVITIES			
Repayment of bank borrowing		**(345,000)**	(370,000)
Interest paid		**(3,948)**	(1,663)
Dividend paid to non-controlling interests		**(1,728)**	(960)
(Repayment to) advance from non-controlling interests		**(802)**	2,235
(Repayment to) advance from an investee		**(97)**	195
New bank borrowing raised		**442,575**	388,000
Dividend paid		**–**	(45,564)
Payment on shares repurchased		**–**	(628)
Repayment to a related company		**–**	(1)
NET CASH FROM (USED IN) FINANCING ACTIVITIES		**91,000**	(28,386)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**130,071**	(323,249)
CASH AND CASH EQUIVALENTS AT 1ST JANUARY		**46,261**	369,510
CASH AND CASH EQUIVALENTS AT 31ST DECEMBER representing bank balances and cash		**176,332**	46,261

1. GENERAL

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

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

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

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

The Company is an investment holding company. The principal activities of its principal subsidiaries and associates are set out in notes 47 and 23 respectively.

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

In the current year, the Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants.

Amendments to HKAS 12	Deferred tax: Recovery of underlying assets;
Amendments to HKFRS 7	Financial instruments: Disclosures – Transfers of financial assets; and
Amendments to HKAS 1	As part of the annual improvements to HKFRSs 2009–2011 cycle issued in 2012.

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

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

Amendments to HKAS 12 Deferred tax: Recovery of underlying assets

The Group has applied for the first time the amendments to HKAS 12 "Deferred tax: Recovery of underlying assets" in the current year. Under the amendments, investment properties that are measured using the fair value model in accordance with HKAS 40 "Investment property" are presumed to be recovered entirely through sale for the purposes of measuring deferred taxes, unless the presumption is rebutted in certain circumstances.

The Group measures its investment properties using the fair value model. As a result of the application of the amendments to HKAS 12, the directors reviewed the Group's investment property portfolios, all of those are located in Hong Kong, and concluded that none of the Group's investment properties are held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time. Therefore, the directors have determined that the 'sale' presumption set out in the amendments to HKAS 12 is not rebutted.

The application of the amendments to HKAS 12 has resulted in the Group not recognising any deferred taxes on changes in fair value of the investment properties as the Group is not subject to any income taxes on disposal of its investment properties. Previously, the Group recognised deferred taxes on changes in fair value of investment properties on the basis that the entire carrying amounts of the properties were recovered through use.

The amendments to HKAS 12 have been applied retrospectively, resulting in the Group's deferred tax liabilities being decreased by HK$8,119,000 as at 1st January, 2011, with the corresponding credit amounted to HK$7,743,000 and HK$376,000 being recognised in accumulated profits and non-controlling interests, respectively. Similarly, the deferred tax liabilities have been decreased by HK$11,095,000 as at 31st December, 2011.

In the current year, no deferred taxes have been provided for changes in fair value of the Group's investment properties. The change in accounting policy has resulted in the Group's income tax expense for the years ended 31st December, 2012 and 31st December, 2011 being reduced by HK$12,976,000 and HK$2,976,000 respectively and hence resulted in loss for the year ended 31st December, 2012 and profit for the year ended 31st December, 2011 being decreased by HK$12,976,000 and increased by HK$2,976,000 respectively.

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

Amendments to HKAS 1 Presentation of financial statements (as part of the annual improvements to HKFRSs 2009–2011 cycle issued in June 2012)

Various amendments to HKFRSs were issued in June 2012, the title of which is Annual Improvements to HKFRSs (2009–2011 Cycle). The effective date of these amendments is annual periods beginning on or after 1st January, 2013.

In current year, the Group has applied for the first time the amendments to HKAS 1 in advance of the effective date (annual periods beginning on or after 1st January, 2013).

HKAS 1 requires an entity that changes accounting policies retrospectively, or makes a retrospective restatement or reclassification to present a statement of financial position as at the beginning of the preceding period (third statement of financial position). The amendments to HKAS 1 clarify that an entity is required to present a third statement of financial position only when the retrospective application, restatement or reclassification has a material effect on the information in the third statement of financial position and that related notes are not required to accompany the third statement of financial position.

In the current year, the Group has applied the amendments to HKAS 12 "Deferred tax: Recovery of underlying assets" for the first time, which has resulted in a material effect on the information in the consolidated statement of financial position as at 1st January, 2011. In accordance with the amendments to HKAS 1, the Group has therefore presented a third statement of financial position as at 1st January, 2011 without the related notes.

Summary of the effects of the above changes in accounting policies

The effects of changes in accounting policies described above on the results for the current and prior year by line items are as follows:

	2012 **HK$'000**	2011 HK$'000
Decrease in income tax expense	**12,976**	2,976
(Decrease in loss) Increase in profit for the year	**(12,976)**	2,976
(Decrease in loss) Increase in profit attributable to:		
Owners of the Company	**(12,694)**	2,887
Non-controlling interests	**(282)**	89
	(12,976)	2,976

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

Summary of the effects of the above changes in accounting policies *(Continued)*

The effects of the above changes in accounting policies on the financial positions of the Group as at 1st January, 2011 and 31st December, 2011 is as follows:

	As at 1/1/2011 (originally stated) HK$'000	Adjustment HK$'000	As at 1/1/2011 (restated) HK$'000	As at 31/12/2011 (originally stated) HK$'000	Adjustment HK$'000	As at 31/12/2011 (restated) HK$'000
Deferred tax liabilities and total effects on net assets	9,849	(8,119)	1,730	12,055	(11,095)	960
Accumulated profits	691,684	7,743	699,427	707,454	10,630	718,084
Non-controlling interests	5,657	376	6,033	5,517	465	5,982
Total effects on equity	697,341	8,119	705,460	712,971	11,095	724,066

The effects of the above changes in accounting policies on the financial positions of the Group as at 31st December, 2012 is as follows:

	As at 31/12/2012 HK$'000
Decrease in deferred tax liabilities and total effect on net assets	**24,071**
Increase in accumulated profits	**23,324**
Increase in non-controlling interests	**747**
Total effects on equity	**24,071**

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

The effects of the above changes in accounting policies on the Group's basic and diluted (loss) earnings per share for the current and prior year are as follows:

Impact on basic and diluted (loss) earnings per share

	Impact on basic (loss) earnings per share		Impact on diluted (loss) earnings per share	
	2012	2011	**2012**	2011
	HK$	HK$	**HK$**	HK$
Figures before adjustments	**(0.49)**	0.07	**(0.49)**	0.07
Adjustments arising from changes in the accounting policies in relation to application of amendments to HKAS 12 in respect of deferred taxes on investment properties	**0.01**	–	**0.01**	–
Figures after adjustments	**(0.48)**	0.07	**(0.48)**	0.07

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

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

Amendments to HKFRSs	Annual improvements to HKFRSs 2009–2011 cycle, except for the amendments HKAS 1[1]
Amendments to HKFRS 7	Disclosures – Offsetting financial assets and financial liabilities[1]
Amendments to HKFRS 9 and HKFRS 7	Mandatory effective date of HKFRS 9 and transition disclosures[3]
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated financial statements, joint arrangements and disclosure of interests in other entities: Transition guidance[1]
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment entities[2]
HKFRS 9	Financial instruments[3]
HKFRS 10	Consolidated financial statements[1]
HKFRS 11	Joint arrangements[1]
HKFRS 12	Disclosure of interests in other entities[1]
HKFRS 13	Fair value measurement[1]
HKAS 19 (as revised in 2011)	Employee benefits[1]
HKAS 27 (as revised in 2011)	Separate financial statements[1]
HKAS 28 (as revised in 2011)	Investments in associates and joint ventures[1]
Amendments to HKAS 1	Presentation of items of other comprehensive income[4]
Amendments to HKAS 32	Offsetting financial assets and financial liabilities[2]
HK(IFRIC) – INT 20	Stripping costs in the production phase of a surface mine[1]

1 Effective for annual periods beginning on or after 1st January, 2013.
2 Effective for annual periods beginning on or after 1st January, 2014.
3 Effective for annual periods beginning on or after 1st January, 2015.
4 Effective for annual periods beginning on or after 1st July, 2012.

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

HKFRS 9 Financial instruments

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 amended in 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition.

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.

HKFRS 9 is effective for annual periods beginning on or after 1st January, 2015, with earlier application permitted.

The directors anticipate that the adoption of HKFRS 9 in the future may have significant impact on amounts reported in respect of the Group's financial assets, however, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

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

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

In June 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued, including HKFRS 10, HKFRS 11, HKFRS 12, HKAS 27 (as revised in 2011) and HKAS 28 (as revised in 2011).

Key requirements of these five standards are described below.

HKFRS 10 replaces the parts of HKAS 27 "Consolidated and separate financial statements" that deal with consolidated financial statements. HK(SIC) – INT 12 "Consolidation – Special purpose entities" will be withdrawn upon the effective date of HKFRS 10. Under HKFRS 10, there is only one basis for consolidation, that is, control. In addition, HKFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in HKFRS 10 to deal with complex scenarios.

HKFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in HKFRS 12 are more extensive than those in the current standards.

In July 2012, the amendments to HKFRS 10, HKFRS 11 and HKFRS 12 were issued to clarify certain transitional guidance on the application of these five HKFRSs for the first time.

These five standards, together with the amendments relating to the transitional guidance, are effective for annual periods beginning on or after 1st January, 2013 with earlier application permitted provided that all of these standards are applied at the same time.

The directors anticipate that these five standards will be adopted in the consolidated financial statements for the annual period beginning 1st January, 2013. The application of these five standards is not expected to have a significant impact on the consolidated financial statements.

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

HKFRS 13 Fair Value measurement

HKFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of HKFRS 13 is broad; it applies 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 in specified circumstances. In general, the disclosure requirements in HKFRS 13 are more extensive than those in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under HKFRS 7 "Financial instruments: Disclosures" will be extended by HKFRS 13 to cover all assets and liabilities within its scope.

HKFRS 13 is effective for annual periods beginning on or after 1st January, 2013, with earlier application permitted.

The directors anticipate that the application of the new standard may result in more extensive disclosures in the consolidated financial statements.

Amendments to HKAS 1 Presentation of items of other comprehensive income

The amendments to HKAS 1 "Presentation of items of other comprehensive income" introduce new terminology for the statement of comprehensive income and income statement. Under the amendments to HKAS 1, a 'statement of comprehensive income' is renamed as a '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. However, the amendments to HKAS 1 require items of other comprehensive income to be 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 to HKAS 1 are effective for the Group's annual period beginning on 1st January, 2013. The presentation of items of other comprehensive income will be modified accordingly when the amendments are applied in future accounting periods.

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

3. SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

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

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

Allocation of total comprehensive income to non-controlling interests

Total comprehensive income and expense of a subsidiary is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance (effective from 1st January, 2010 onward).

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Basis of consolidation *(Continued)*

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

When the Group loses control of a subsidiary, it (i) derecognises the assets (including any goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost, (ii) derecognises the carrying amount of any non-controlling interests in the former subsidiary at the date when control is lost (including any components of other comprehensive income attributable to them), and (iii) recognises the aggregate of the fair value of the consideration received and the fair value of any retained interest, with any resulting difference being recognise as a gain or loss in profit or loss attributable to the Group. When assets of the subsidiary are carried at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Group had directly disposed of the related assets (i.e. reclassified to profit or loss or transferred directly to accumulated profits as specified 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 "Financial instruments: Recognition and measurement" or, when applicable, the cost on initial recognition of an investment in an associate or a jointly controlled entity.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combinations *(Continued)*

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

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

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 less accumulated impairment losses, if any, and is presented separately in the consolidated statement of financial position.

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

A cash-generating unit to which goodwill has been allocated is tested for impairment annually or more frequently whenever there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit, and then to the other assets of the unit 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments in associates

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

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. 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 equals or exceeds its interest in that associate, the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of an associate recognised at the date of acquisition is recognised as goodwill, which is included within the carrying amount of the investment.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments in associates *(Continued)*

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

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

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition *(Continued)*

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.

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 an 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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 transfers to owner-occupied property, the deemed cost of a property is its fair value at the date of change in use.

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

Borrowing costs

Borrowing costs 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 provided 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 exist, 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

Recoverable amount is the higher of fair value less costs to sell 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.

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 as income immediately.

Inventories

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

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

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leasing *(Continued)*

Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, 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.

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 are translated at the average exchange rates for the year. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of the translation reserve.

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 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation *(Continued)*

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. If the presumption is rebutted, deferred tax liabilities and deferred tax assets for such investment properties are measured in accordance with the above general principles set out in HKAS 12 (i.e. based on the expected manner as to how the properties will be recovered).

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 in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified into one of the three categories, including financial assets at fair value through profit or loss ("FVTPL"), available-for-sale financial assets and loans and receivables. 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 fair value through profit or loss

Financial assets at FVTPL represents financial assets held for trading.

A financial asset is classified as held for trading if:

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

Financial assets at FVTPL are measured at fair value, with changes in fair value arising from remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss exclude any dividend or interest earned on the financial assets and is included in the "other gains and losses" line item in the consolidated statement of comprehensive income.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including loans receivable, trade and other receivables, amount(s) due from associates/investees/a related party, 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 an available-for-sale equity investment, a significant or prolonged define in the fair value of that investment below its cost is considered to be objective evidence of impairment.

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

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- disappearance of an active market for that financial asset because of financial difficulties.

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, amounts due from associates, amounts due from investees and amount due from 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 or other receivable or amounts due from associates or amounts due from investees or amount due from 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 in which the impairment takes place.

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 will not be reversed through profit or loss in subsequent periods. Any increase in fair value subsequent to impairment loss is recognised directly in other comprehensive income and accumulated in investment revaluation reserve.

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.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Derecognition (Continued)

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.

Equity-settled share-based payment transactions

Share options granted to employees

The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period or recognised as an expense in full at the grant date when the share options granted vest immediately, with a corresponding increase in equity (share options reserve).

At the end of the reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the original estimates during the vesting period, 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.

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

4. CRITICAL ACCOUNTING JUDGMENT 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.

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

Critical judgment in applying accounting policy

The following is the critical judgment, 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.

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 31st December, 2012, the carrying amount of associates net of accumulated impairment loss of HK$85,251,000, amounted to HK$224,709,000 (2011: carrying amount of associates net of accumulated impairment loss of HK$73,130,000, amounted to HK$216,475,000).

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

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 31st December, 2012, the carrying amount of goodwill net of accumulated impairment loss of HK$72,806,000, amounted to HK$6,603,000 (2011: carrying amount of goodwill net of accumulated impairment loss of HK$74,242,000, amounted to HK$6,603,000).

Impairment loss on loans receivable

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

In determining whether allowance for bad and doubtful debts is required, the Group takes into consideration the aged status and likelihood of collection. Specific allowance is only made for the loans receivable that are unlikely to be collected and is recognised on the difference between the carrying amount of loans receivable and the present value of estimated future cash flow discounted using the original effective interest rate. Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31st December, 2012, the carrying amount of loans receivable net of accumulated impairment loss of HK$3,559,000, amounted to HK$27,724,000 (2011: carrying amount of loans receivable net of accumulated impairment loss of HK$Nil, amounted to HK$20,365,000).

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 31st December, 2012, the carrying amount of trade receivables net of allowance for doubtful debts HK$1,606,000, amounted to HK$14,600,000 (2011: carrying amount of trade receivables net of allowance for doubtful debts HK$1,239,000, amounted to HK$12,691,000).

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

	2012 **HK$'000**	2011 HK$'000
Financial assets		
Held for trading investments	**314,135**	903,354
Available-for-sale investments	**49,275**	50,138
Loans and receivables (including cash and cash equivalents)	**309,010**	110,253
Financial liabilities		
Amortised cost	**231,195**	141,648

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) associates/investees/an investee/a related party/non-controlling interests, 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 risks), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

6. FINANCIAL INSTRUMENTS *(Continued)*

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

Market risk

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

(i) Interest rate risk

The Group is exposed to fair value interest rate risk in relation to the 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 35 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.

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 (2011: 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 (2011: 50 basis points) higher/lower and all other variables were held constant, the Group's loss for the year ended 31st December, 2012 would increase/decrease by HK$879,000 (2011: profit for the year would decrease/increase by HK$472,000). This is mainly attributable to the Group's exposure to interest rates on its variable-rate bank borrowing.

6. FINANCIAL INSTRUMENTS *(Continued)*

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

Market risk (Continued)

(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 delegate 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.

If the prices of the respective equity instruments had been 10% (2011: 10%) higher/lower:

– loss for the year ended 31st December, 2012 would decrease/increase by approximately HK$26,230,000 (2011: profit for the year would increase/decrease by approximately HK$75,431,000) 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$370,000 (2011: HK$1,437,000) 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 2011 and 2012 of which management considers that is reasonable in current financial market.

Credit risk

As at 31st December, 2012, 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 31st December, 2012 and 2011. The Group has concentration of credit risk by customer as 89% (2011: 60%) and 56% (2011: 42%) 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 31st December, 2012, the Group also has concentration of credit risk on aggregate loans receivable due from three individuals amounting to HK$18,492,000 and two employees amounting to HK$4,460,000 (2011: three individuals amounting to HK$11,199,000 and two employees amounting to HK$6,005,000). The Group's five largest loans receivable due from the individuals and employees mentioned above have good credit and repayment history. An internal credit assessment process to access the potential borrowers 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 31st December, 2012 and 2011, the Group has concentration risk by investment in ePRO Limited as it represents 64% (2011: 75%) 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$'000	Carrying amount at 31.12.2012 HK$'000
31st 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

	Weighted average effective interest rate	On demand HK$'000	Less than 3 months HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31.12.2011 HK$'000
31st December, 2011					
Non-derivative financial liabilities:					
Trade and other payables	–	–	12,538	12,538	12,538
Amounts due to non-controlling interests	–	4,928	–	4,928	4,928
Amount due to an investee	–	534	–	534	534
Amounts due to associates	–	–	10,648	10,648	10,648
Variable rate bank borrowing	2.3%	113,000	–	113,000	113,000
		118,462	23,186	141,648	141,648

6. FINANCIAL INSTRUMENTS *(Continued)*

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

Liquidity risk (Continued)

Bank loans with a repayment on demand clause are included in the "on demand" time band in the above maturity analysis. As at 31st December, 2012, the aggregate undiscounted principal amounts of these bank loans amounted to HK$210,575,000 (2011: HK$113,000,000). Taking into account the Group's financial position, the directors do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The directors believe that such bank loans will be repaid within 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$212,055,000 (2011: HK$113,641,000).

6c. Fair value

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

- the fair value of financial assets with standard terms and conditions and traded in active liquid markets are determined with reference to quoted market bid price.
- the fair value of the investment fund is determined with reference to the underlying assets of the fund which is provided by the counterparty financial institution.
- the fair value of other financial assets and financial liabilities is determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

Other than the unlisted equity at cost, the directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

Fair value measurements recognised in the consolidated statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 2 based on the degree to which the fair value is observable.

– Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets.

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

6. FINANCIAL INSTRUMENTS *(Continued)*

6c. Fair value *(Continued)*

Fair value measurements recognised in the consolidated statement of financial position (Continued)

		31.12.2012	
	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 fund	**–**	**8,454**	**8,454**
	3,696	**8,454**	**12,150**
	317,831	**8,454**	**326,285**

		31.12.2011	
	Level 1	Level 2	Total
	HK$'000	HK$'000	HK$'000
Held for trading investments	903,354	–	903,354
Available-for-sale financial assets			
Listed equity securities	14,370	–	14,370
Unlisted fund	–	6,932	6,932
	14,370	6,932	21,302
	917,724	6,932	924,656

There were no transfers between Level 1 and 2 in the current and prior years.

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:

	2012 HK$'000	2011 HK$'000
Provision of healthcare and dental services (Note)	**318,923**	316,356
Property rental income	**16,829**	13,255
Others	**6,016**	9,710
Revenue	**341,768**	339,321
Gross proceeds from sale of securities	**535,550**	268,391
Gross proceeds	**877,318**	607,712

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
- Securities trading – Trading of listed securities
- Properties – Leasing of properties
- Others – Trading and retailing of healthcare and pharmaceutical products, provision of management and administrative services and provision of beauty and skincare services

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 31st December, 2012

	Provision of healthcare and dental services HK$'000	Securities trading HK$'000	Properties HK$'000	Others HK$'000	Total HK$'000
GROSS PROCEEDS – SEGMENT REVENUE FROM EXTERNAL SALES (Note)	318,923	535,550	16,829	6,016	877,318
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)

8. SEGMENT INFORMATION *(Continued)*

Segment revenues and results *(Continued)*

For the year ended 31st December, 2011

	Provision of healthcare and dental services HK$'000	Securities trading HK$'000	Properties HK$'000	Others HK$'000	Total HK$'000
GROSS PROCEEDS – SEGMENT REVENUE FROM EXTERNAL SALES (Note)	316,356	268,391	13,255	9,710	607,712
RESULTS					
Segment results	10,500	210,463	18,975	1,865	241,803
Other income					19,681
Unallocated corporate expenses					(85,125)
Share-based payment expenses					(198)
Finance costs					(1,663)
Gain on disposal of a subsidiary					799
Share of results of associates					17,466
Impairment loss recognised on available-for-sale investments					(4,294)
Impairment loss recognised on interest in an associate					(73,130)
Profit before tax					115,339

8. SEGMENT INFORMATION *(Continued)*

Segment revenues and results *(Continued)*

Note: Reconciliation of total segment revenue to the Group's consolidated revenue:

	2012 **HK$'000**	2011 HK$'000
Gross proceeds	**877,318**	607,712
Less: Gross proceeds from securities trading	**(535,550)**	(268,391)
Consolidated revenue	**341,768**	339,321

The accounting policies of the reporting segments are the same as the Group's accounting policies described in note 3, except for the inclusion of sales proceeds from securities trading in the segment revenue of securities trading segment reported to the chief operating decision maker, 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) gain on disposal of a subsidiary, share-based payment expenses, impairment loss recognised in respect of interests in associates, amounts due from associates, 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 31st 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 other 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)*

Other segment information *(Continued)*

For the year ended 31st December, 2011

	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	5,175	–	663	9	5,847	23,560	29,407
Amortisation of other intangible assets	2,310	–	–	–	2,310	–	2,310
Impairment loss recognised on available-for-sale investments	–	4,294	–	–	4,294	–	4,294
Impairment loss recognised on trade receivables	64	–	–	–	64	–	64
Increase in fair value of investment properties	–	–	22,356	–	22,356	–	22,356
Impairment loss recognised on goodwill	860	–	–	1,622	2,482	–	2,482
Gain on fair value changes on held for trading investments	–	212,557	–	–	212,557	–	212,557
Loss on disposal of property, plant and equipment	142	–	–	–	142	74	216
Amounts included in the information regularly provided to the CEO:							
Additions to property, plant and equipment	8,047	–	–	1,183	9,230	17,165	26,395
Additions/transfer to investment properties	–	–	70,097	–	70,097	–	70,097

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 all 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$122,271,000 as at the end of the reporting period (2011: HK$143,865,000) 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

	2012 HK$'000	2011 HK$'000
Interest income from:		
– bank deposits	**93**	95
– loans receivable	**535**	3,156
	628	3,251
Dividend income from listed investments classified as held for trading investments	**6,586**	6,994
Dividend income from unlisted investments classified as available-for-sale investments	**300**	923
Rental income	**5,528**	6,199
Sundry income	**3,669**	2,314
	16,711	19,681

10. OTHER GAINS AND LOSSES

	2012	2011
	HK$'000	HK$'000
(Loss) gain on fair value changes on held for trading investments (Note)	**(410,868)**	212,557
Impairment loss recognised in respect of:		
– goodwill	**–**	(2,482)
– trade receivables	**(1,562)**	(64)
– loans receivable	**(3,559)**	–
– available-for-sale investments	**–**	(4,294)
– amounts due from associates	**(13,290)**	–
– interests in associates (note 23)	**(12,121)**	(73,130)
(Loss) gain on disposal of available-for-sale investments	**(6,006)**	2,015
	(447,406)	134,602

Note:

It consists of net unrealised loss on fair value changes of HK$279,258,000 (2011: net unrealised gain on fair value changes of HK$170,465,000) and net realised loss on fair value changes of HK$131,610,000 (2011: net realised gain on fair value changes of HK$42,092,000).

The net unrealised loss and net realised loss on fair value changes are mainly contributed by the investment in equity share of ePRO Limited (a company with its shares listed on the Stock Exchange) of HK$303,721,000 and HK$104,415,000, respectively (2011: net unrealised gain and net realised gain are HK$257,545,000 and HK$37,421,000, respectively).

11. FINANCE COSTS

	2012	2011
	HK$'000	HK$'000
Interest on bank borrowing wholly repayable within five years	**3,948**	1,663

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 31st 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. Ho Kwok Wah, George	96	–	–	–	–	96
Mr. Wai Kwok Hung, *SBS, JP*	72	–	–	–	–	72
	226	–	–	–	–	226
Total	226	7,180	652	–	54	8,112

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

For the year ended 31st December, 2011

	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	–	600	2,500	–	12	3,112
Dr. Cho Kwai Chee	–	4,620	16,800	–	12	21,432
Mr. Lee Chik Yuet	–	1,630	304	–	12	1,946
Dr. Hui Ka Wah, Ronnie, *JP*	–	583	–	–	5	588
Dr. Chan Wing Lok, Brian	–	598	–	–	6	604
	–	8,031	19,604	–	47	27,682
Non-executive director						
Dr. Choi Chee Ming, *GBS, JP*	–	–	–	–	–	–
Independent non-executive directors						
Mr. Chan Kam Chiu	58	–	–	–	–	58
Mr. Ho Kwok Wah, George	96	–	–	–	–	96
Mr. Wai Kwok Hung, *SBS, JP*	72	–	–	–	–	72
	226	–	–	–	–	226
Total	226	8,031	19,604	–	47	27,908

Note: Dr. Hui Ka Wah, Ronnie, *JP* was resigned as director of the Company on 30th May, 2011. Dr. Chan Wing Lok, Brian was appointed as director of the Company on 18th July, 2011.

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 (2011: two) of them is executive director of the Company whose emolument is included in note 12 above. The emoluments of the remaining four (2011: three) individuals were as follows:

	2012 HK$'000	2011 HK$'000
Salaries and other allowances	**10,238**	6,989
Performance bonus (Note)	**5,114**	4,630
Retirement benefits scheme contributions	**55**	36
	15,407	11,655

Their emoluments were within the following band:

	2012 Number of employees	2011 Number of employees
HK$3,000,001 – HK$3,500,000	**2**	–
HK$3,500,001 – HK$4,000,000	**1**	1
HK$4,000,001 – HK$4,500,000	**–**	2
HK$4,500,001 – HK$5,000,000	**1**	–
	4	3

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 or 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

	2012 HK$'000	2011 HK$'000 (restated)
Tax charge comprises:		
Current tax		
– Hong Kong Profits Tax	**2,696**	49,499
– (Over)underprovision in prior years	**(40)**	599
	2,656	50,098
Deferred tax (note 36)		
– Current year	**448**	(770)
	3,104	49,328

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

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

	2012 HK$'000	2011 HK$'000 (restated)
(Loss) profit before tax	**(427,560)**	115,339
Tax at the domestic income tax rate of 16.5% (2011: 16.5%)	**(70,547)**	19,031
Tax effect of expenses not deductible for tax purpose	**12,444**	12,718
Tax effect of income not taxable for tax purpose	**(15,748)**	(2,200)
Tax effect of tax losses not recognised	**76,471**	24,081
Tax effect of share of results of associates	**1,563**	(2,882)
Utilisation of tax losses previously not recognised	**(1,039)**	(1,957)
Utilisation of deductible temporary difference previously not recognised	**–**	(62)
(Over)underprovision in prior years	**(40)**	599
Income tax expenses for the year	**3,104**	49,328

15. (LOSS) PROFIT FOR THE YEAR

	2012 HK$'000	2011 HK$'000
(Loss) profit for the year has been arrived at after charging:		
Staff costs		
– Directors' remuneration (note 12)	**8,112**	27,908
– Other staff's salaries, bonus and other benefits	**197,848**	201,825
– Other staff's retirement benefits scheme contributions	**3,102**	3,003
– Share-based payment expenses (note 38(b))	**193**	198
	209,255	232,934
Auditor's remuneration	**2,091**	1,861
Cost of inventories recognised as expenses	**48,731**	33,234
Depreciation of property, plant and equipment	**38,454**	29,407
Loss on disposal of property, plant and equipment	**370**	216
Amortisation of intangible assets (included in administrative expenses)	**2,125**	2,310
Share of tax of associates (included in share of results of associates)	**8,571**	6,133
and after crediting:		
Gross rental income from investment properties	**16,829**	13,255
Less: Direct operating expense that generated rental income	**(1,174)**	(3,295)
Net rental income from investment properties	**15,655**	9,960

16. DIVIDENDS

	2012 HK$'000	2011 HK$'000
Dividends recognised as distribution during the year:		
2011 Final – HK$Nil (2011: final dividend of HK$0.05 for 2010) per share	**–**	45,564

No dividend was proposed by the directors in respect of the years ended 31st December, 2012 and 2011.

17. (LOSS) EARNINGS PER SHARE

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

	2012	2011
	HK$'000	HK$'000
		(restated)
Earnings for the purposes of basic and diluted (loss) earnings per share:		
(Loss) profit for the year attributable to owners of the Company	**(434,952)**	64,221

Number of shares

	2012	2011
Weighted average number of ordinary shares for the purpose of basic (loss) earnings per share	**910,334,710**	910,977,296
Effect of dilutive potential ordinary shares:		
Share options	**–**	11,121,726
Weighted average number of ordinary shares for the purpose of diluted (loss) earnings per share	**910,334,710**	922,099,022

The computation of diluted loss per share for the year ended 31st 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. The computation of diluted earnings per share for the year ended 31st December, 2011 does not assume the exercise of certain of the Company's outstanding share options as the exercise price of those options is higher than the average market share price for that period.

18. INVESTMENT PROPERTIES

	HK$'000
FAIR VALUE	
At 1st January, 2011	191,950
Additions	58,960
Transfer from property, plant and equipment	11,137
Increase in fair value recognised in profit or loss	22,356
At 31st December, 2011	284,403
Additions	12,929
Acquisition of assets through acquisition of subsidiaries (note 39)	202,663
Transfer to property, plant and equipment	(5,600)
Increase in fair value recognised in profit or loss	78,645
At 31st December, 2012	573,040

The fair value of the Group's investment properties at 31st December, 2012 and 2011 and the dates of transfer property, plant and equipment to investment properties have been arrived at on the basis of a valuation carried out on that day by RHL Appraisal Limited and DTZ Debenham Tie Leung Limited, respectively, independent qualified professional valuers not connected with the Group. RHL Appraisal Limited and DTZ Debenham Tie Leung Limited are members of the Hong Kong Institute of Surveyors. The valuation basis was by open market value and was arrived at by reference to market evidence of transaction prices for similar properties.

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.

During the year ended 31st 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.

During the year ended 31st December, 2011, property, plant and equipment with cost and accumulated depreciation amounted to HK$9,513,000 and HK$1,431,000 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$3,055,000 was recognised in other comprehensive income.

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 1st January, 2011	116,718	110,072	4,249	4,043	11,564	246,646
Additions	–	15,121	786	622	9,786	26,315
Acquisition of subsidiaries	–	–	–	–	80	80
Disposals	–	(6,123)	(54)	(227)	(916)	(7,320)
Disposal of subsidiaries	–	(872)	(245)	–	(244)	(1,361)
Transfer to investment properties (note 18)	(9,513)	–	–	–	–	(9,513)
At 31st December, 2011	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	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 subsidiary	–	–	–	–	(58)	(58)
At 31st December, 2012	**121,342**	**118,745**	**4,757**	**4,438**	**22,158**	**271,440**
ACCUMULATED DEPRECIATION						
At 1st January, 2011	6,716	37,240	811	1,463	3,131	49,361
Charge for the year	5,292	18,863	891	612	3,749	29,407
Eliminated on disposals	–	(3,887)	(34)	(163)	(375)	(4,459)
Eliminated on disposal of subsidiaries	–	(653)	(232)	–	(236)	(1,121)
Eliminated on transfer to investment properties (note 18)	(1,431)	–	–	–	–	(1,431)
At 31st December, 2011	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 subsidiary	–	–	–	–	(16)	(16)
At 31st December, 2012	**16,044**	**78,067**	**2,316**	**2,594**	**9,097**	**108,118**
CARRYING VALUES						
At 31st December, 2012	**105,298**	**40,678**	**2,441**	**1,844**	**13,061**	**163,322**
At 31st December, 2011	96,628	66,635	3,300	2,526	14,001	183,090

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

	2012 HK$'000	2011 HK$'000
Fixed-rate loans receivable (unsecured)	**27,724**	20,365
Analysed for reporting purposes as:		
Non-current portion	**14,242**	11,839
Current portion	**13,482**	8,526
	27,724	20,365

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 10% (2011: 1.5% to 10.0%) 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 by borrower. Limits attributed to borrowers are reviewed by the management regularly.

The loans receivable at the end of the reporting date have good credit quality, except a loan receivable amounting to HK$3,559,000 (2011: HK$Nil) which was past due and considered not recoverable. Accordingly, impairment is made during the year. 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. The Group does not hold any collateral over these balances.

No loans receivable is past due but not impaired.

21. GOODWILL

	HK$'000
COST	
At 1st January, 2011	79,862
Arising on acquisition of subsidiaries (note 40)	1,622
Eliminated on disposal of a subsidiary	(639)
At 31st December, 2011	80,845
Eliminated on disposal of a subsidiary	(1,436)
At 31st December, 2012	**79,409**
IMPAIRMENT	
At 1st January, 2011	72,399
Impairment loss recognised during the year	2,482
Eliminated on disposal of a subsidiary	(639)
At 31st December, 2011	74,242
Eliminated on disposal of a subsidiary	(1,436)
At 31st December, 2012	**72,806**
CARRYING VALUES	
At 31st December, 2012	**6,603**
At 31st December, 2011	6,603

21. GOODWILL *(Continued)*

For the purposes of impairment testing, goodwill have been allocated to groups of individual cash-generating units (CGUs) in 2 divisions of the Group, namely, healthcare and dental services and trading and retailing of healthcare and pharmaceutical products in Hong Kong. The carrying amounts of goodwill (net of accumulated impairment losses) as at 31st December, 2012 and 31st December, 2011 allocated to these units are as follows:

	2012 **HK$'000**	2011 HK$'000
Healthcare and dental services ("Division A"):		
Town Health Medical & Dental Services Limited ("Town Health M&D")	**4,666**	4,666
Noble Pioneer Limited ("Noble Pioneer")	**1,937**	1,937
Town Health Dental Limited ("Town Health Dental")	**–**	–
Fair Jade Group Limited	**–**	–
Town Health Healthcare Services Limited	**–**	–
Wise Best International Limited	**–**	–
	6,603	6,603
Trading and retailing of healthcare and pharmaceutical products in Hong Kong ("Division B"):		
Audio Health Hearing Care (Shatin) Limited ("Audio Health")	**–**	–
Green Health Company Limited ("Green Health")	**–**	–
eSilk Road Import & Export Limited ("eSilk")	**–**	–
	–	–
	6,603	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 no growth rate and discount rate of 12.65% (2011: 12.04%). 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 31st December, 2012, no impairment loss is recognised on goodwill to the CGUs in healthcare and dental services division.

During the year ended 31st December, 2011, the Group recognised an impairment loss of approximately HK$860,000 in relation to goodwill to CGUs of Town Health M&D and Town Health Dental in healthcare and dental services division due to the poor performance of certain medical and dental practices.

Division B

The recoverable amounts of the CGUs of trading and retailing in healthcare and pharmaceutical products in Hong Kong division 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 12.65% (2011: 12.04%). 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 31st December, 2012, no impairment loss is recognised on goodwill to the CGUs in trading and retailing of healthcare and pharmaceutical products in Hong Kong division.

During the year ended 31st December, 2011, the Group recognised an impairment loss of approximately HK$1,622,000 in relation to goodwill to CGUs of Green Health and eSilk in trading and retailing of healthcare and pharmaceutical products in Hong Kong division due to the poor performance.

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 1st January, 2011, 31st December, 2011 and 31st December, 2012	1,820	7,841	3,709	13,370
AMORTISATION				
At 1st January, 2011	1,820	4,537	2,411	8,768
Charge for the year	–	1,568	742	2,310
At 31st December, 2011	1,820	6,105	3,153	11,078
Charge for the year	–	1,569	556	2,125
At 31st December, 2012	1,820	7,674	3,709	13,203
CARRYING VALUES				
At 31st December, 2012	–	167	–	167
At 31st December, 2011	–	1,736	556	2,292

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

	2012 HK$'000	2011 HK$'000
Cost of unlisted investments in associates	**350,867**	313,976
Share of post-acquisition losses, net of dividend received	**(57,646)**	(40,836)
Share of translation reserve	**16,739**	16,465
Less: Impairment loss	**(85,251)**	(73,130)
	224,709	216,475

Included in the cost of investments in associates was goodwill of HK$64,033,000 (2011: HK$35,391,000) arising on acquisition of associates. During the year ended 31st December, 2012, the Group has acquired associates at total consideration of HK$45,337,000 (2011: HK$2,781,000) and goodwill of HK$28,642,000 (2011: HK$Nil) was recognised.

During the year ended 31st December, 2012, the Group disposed 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. Upon disposal of associates, 17.5% equity interests of Union Crown remained in the Group. A gain on disposal of HK$3,463,000 has been recognised on profit or loss for the current year. 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 31st December, 2012, in view of the poor performance of Luck Key Investment Limited ("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 years 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.

In addition, impairment loss of HK$13,290,000 (note 28) on amounts due from associates was recognised, following a review on the recoverable amounts of the Group's investment in and amounts due from the remaining associates.

23. INTERESTS IN ASSOCIATES *(Continued)*

During the year ended 31st December, 2011, the directors of the Company reviewed the carrying value of the Group's associates. It was noted that there existed objective evidence of impairment loss for an associate, 廣州宜康醫療投資管理有限公司 (Guangzhou Yikang Medical Investment Services Limited) ("Yikang") and accordingly, the entire carrying amount of the investment in the associate (including goodwill) is tested for impairment in accordance with HKAS 36 "Impairment of assets" as a single asset by comparing its recoverable amount with its carrying amount. In view of the poor performance of this associate, which commenced operations at the end of 2010, the recoverable amounts of the associate was determined based on value in use calculations, with reference to the estimated cash flows in the coming five years and cash flows beyond 5 years are extrapolated by assuming no growth rate and using discount rates of 11.2%. The carrying amount of this associate before impairment was approximately HK$105,872,000. Impairment loss of approximately HK$73,130,000 was identified on this associate with poor performance and charged to the consolidated statement of comprehensive income for the year ended 31st December, 2011.

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

	2012 **HK$'000**	2011 HK$'000
Total assets	**773,802**	900,562
Total liabilities	**(253,443)**	(316,596)
Net assets	**520,359**	583,966
Group's share of net assets of associates	**245,927**	254,214
Revenue	**546,288**	652,602
(Loss) profit for the year	**(45,181)**	36,367
Group's share of (loss) profit of associates for the year	**(9,470)**	17,466

23. INTERESTS IN ASSOCIATES *(Continued)*

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

	2012 HK$'000	2011 HK$'000
Unrecognised share of losses of associates for the year	**(5,858)**	(487)
Accumulated unrecognised share of losses of associates	**(13,255)**	(7,397)

Details of the Group's principal associates at 31st December, 2012 and 31st December, 2011 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 31st December, 2012	31st December, 2011	Principal activities
Advance Bond Limited	Incorporated	Hong Kong	**49%**	49%	Operation of medical clinics in Hong Kong
Best Pharmaceutical Limited ("Best Pharmaceutical")	Incorporated	British Virgin Islands	**48%**	48%	Investment holding and its subsidiaries engaged in trading of pharmaceutical products in the PRC
Extrad Assets Limited ("Extrad Assets")	Incorporated	British Virgin Islands	**50% (Note b)**	–	Investment holding and its associate engaged in sales of toys
Goldwell Investment Holdings Limited	Incorporated	Hong Kong	**49%**	49%	Operation of medical clinics in Hong Kong
Luck Key	Incorporated	Hong Kong	**46%**	46%	Operation of health check and medical diagnostic centres

23. INTERESTS IN ASSOCIATES *(Continued)*

Name of company	Form of business structure	Place of incorporation/ establishment	Attributable proportion of nominal value of issued/ registered capital held by the Group		Principal activities
			31st December, 2012	31st December, 2011	
Max Goodrich International Limited ("Max Goodrich")	Incorporated	British Virgin Islands	**48%**	48%	Investment holding and its subsidiaries engaged in trading of pharmaceutical products in the PRC
Nu/Hart	Incorporated	Hong Kong	**49%**	49% (Note a)	Operating of a hair transplant centre
Precise Power Limited ("Precise Power")	Incorporated	British Virgin Islands	**48% (Note b)**	–	Investment holding and its subsidiaries engaged in sales of luxury brand products
Yikang	Established	PRC	**40%**	40%	Operation of medical clinics in the PRC

Notes:

(a) The Group partially disposed the equity interests in Nu/Hart in the year ended 31st December, 2011, and it became an associate of the Group.

(b) The Group has acquired 50% the equity interests in Extrad Assets and 48% equity interests in Precise Power and they became associates in year 2012.

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.

24. AVAILABLE-FOR-SALE INVESTMENTS

Available-for-sale investments comprise:

	2012 HK$'000	2011 HK$'000
At fair value:		
– Equity securities listed in Hong Kong (Note a)	3,696	14,370
– Unlisted fund	8,454	6,932
	12,150	21,302
At cost:		
– Unlisted equity securities (Note b)	37,125	28,836
Total	49,275	50,138

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. In the current year, the Group disposed of certain listed equity securities at HK$3,725,000 (2011: Nil). A loss on disposal of HK$7,411,000 has been recognised in profit or loss for the current year.

(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 31st December, 2012, the two major unlisted investees accounted for 84% (2011: 99%) of total unlisted equity securities, which are engaged in the provision of finance lease and investment holding, respectively. In the current year, the Group disposed of certain unlisted equity securities with carrying amount of HK$6,167,000 (2011: HK$19,423,000), which had been carried at cost less impairment before the disposal. A gain on disposal of HK$1,405,000 (2011: loss on disposal of HK$4,294,000) has been recognised in profit or loss for the current year.

25. INVENTORIES

	2012 HK$'000	2011 HK$'000
Pharmaceutical supplies	7,883	10,389
Healthcare equipment	1,121	861
Dental materials and supplies	765	794
	9,769	12,044

26. TRADE AND OTHER RECEIVABLES

	2012 HK$'000	2011 HK$'000
Trade receivables	**16,206**	13,930
Less: Allowance for doubtful debts	**(1,606)**	(1,239)
Total trade receivables, net of allowance	**14,600**	12,691
Deposits	**19,379**	26,381
Other receivables	**4,802**	4,237
Prepayments	**2,374**	1,289
	41,155	44,598

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

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

	2012 HK$'000	2011 HK$'000
0 – 60 days	**8,891**	7,171
61 – 120 days	**4,497**	3,638
121 – 180 days	**1,198**	1,822
181 – 240 days	**12**	14
241 – 365 days	**2**	46
	14,600	12,691

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

26. TRADE AND OTHER RECEIVABLES *(Continued)*

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

	2012 HK$'000	2011 HK$'000
241 – 365 days	**2**	46

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

Movement in the allowance for doubtful debts:

	2012 HK$'000	2011 HK$'000
Balance at the beginning of the year	**1,239**	1,175
Impairment losses recognised	**1,562**	64
Amounts written off as uncollectible	**(1,195)**	–
Balance at the end of the year	**1,606**	1,239

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

	2012 HK$'000	2011 HK$'000
Listed equity securities in Hong Kong	**314,135**	903,354

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

During the year ended 31st December, 2012, the Group recorded loss HK$410,868,000 (2011: gain HK$212,557,000) due to change in fair value of held for trading investments which are listed on the Stock Exchange.

On 6th January, 2011, the Group entered into an agreement and acquired convertible notes with principal amount HK$11,584,000 from an independent third party at a cash consideration of HK$176,000,000. The Group shall have the right to convert the principal amount of the convertible notes into ordinary shares of ePRO Limited (a company with its shares listed on the Stock Exchange) at the conversion price of HK$0.05 per share. The Group classified these convertible notes as held for trading investments upon initial recognition.

On 25th July, 2011, the Group exercised the right and converted the full principal amount of the convertible notes to the shares of ePRO Limited at the conversion price of HK$0.05 per share, resulting in the Group obtaining 231,680,000 shares upon the completion of the conversion.

As at 31st December, 2012, the Group held a total of 370,392,000 shares representing 7.08% equity shares of ePRO Limited (2011: 497,720,000 shares representing 9.25% equity shares of ePRO Limited) and all shares are classified as held for trading investments.

28. AMOUNTS DUE FROM (TO) ASSOCIATES

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

At 31st December, 2012, the balance of amounts due from associates includes allowance of HK$25,727,000 (2011: HK$12,437,000).

29. AMOUNTS DUE FROM (TO) INVESTEES

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

At 31st December, 2012 and 2011, the balance of amounts due from investees includes accumulated allowances of HK$1,663,000.

30. AMOUNT DUE FROM A RELATED PARTY

	2012 HK$'000	2011 HK$'000
Kowloon Hearing Services Limited (Note)	**9**	1

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 subsidiary of the Company. The maximum balance outstanding during the year is HK$14,000 (2011: HK$5,000).

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

31. 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 which ranged from 0.42% to 2.95% (2011: 1.12% to 1.46%) per annum. The pledged bank deposits will be released upon the termination of the bank loans.

32. 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% (2011: 0.01% to 0.25%) per annum and have original maturity of three months or less.

33. TRADE AND OTHER PAYABLES

	2012 HK$'000	2011 HK$'000
Trade payables	**7,305**	7,494
Other payables	**8,383**	5,044
Accruals	**18,188**	16,428
	33,876	28,966

33. TRADE AND OTHER PAYABLES *(Continued)*

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

	2012 **HK$'000**	2011 HK$'000
0 – 60 days	**7,295**	7,286
61 – 120 days	**2**	146
121 – 240 days	**6**	36
Over 240 days	**2**	26
	7,305	7,494

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

34. AMOUNTS DUE TO NON-CONTROLLING INTERESTS

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

35. BANK BORROWING

	2012 **HK$'000**	2011 HK$'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 and contain a repayment on demand clause	**210,575**	113,000

As at 31st December, 2012, the bank borrowing of the Group carries variable interest rate at HIBOR+2% per annum (2011: variable interest rate at HIBOR+2% per annum).

36. 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$'000	Revaluation of investment properties HK$'000	Tax losses HK$'000	Others HK$'000	Total HK$'000
At 1st January, 2011 (as originally stated)	1,957	8,119	(33)	(194)	9,849
Effects of changes in accounting policy (see note 2)	–	(8,119)	–	–	(8,119)
At 1st January, 2011 (as restated)	1,957	–	(33)	(194)	1,730
Credit to profit or loss	(760)	–	–	(10)	(770)
At 31st December, 2011	1,197	–	(33)	(204)	960
Charge (credit) to profit or loss	686	–	(177)	(61)	448
Acquisition of subsidiaries	198	–	–	–	198
At 31st December, 2012	**2,081**	**–**	**(210)**	**(265)**	**1,606**

At 31st December, 2012, the Group has unused tax losses of HK$681,008,000 (2011: HK$240,820,000) available for offset against future profits. A deferred tax asset has been recognised in respect of HK$1,273,000 (2011: HK$200,000) of such losses.

No deferred tax asset has been recognised in respect of the remaining tax losses of HK$679,735,000 (2011: HK$240,620,000) due to the unpredictability of future profit streams. Such losses may be carried forward indefinitely.

At 31st December, 2012, the Group has deductible temporary differences associated with specific provision on trade receivables of HK$1,606,000 (2011: HK$1,239,000). A deferred tax asset of HK$265,000 (2011: HK$204,000) has been recognised in respect of such deductible temporary differences.

37. SHARE CAPITAL

	Number of shares	Amount HK$'000
Ordinary shares of HK$0.01 each		
Authorised:		
As at 1st January, 2011, 31st December, 2011 and 2012	30,000,000,000	300,000
Issued and fully paid:		
As at 1st January, 2011	911,194,710	9,112
Share repurchased and cancelled (Note)	(860,000)	(9)
As at 31st December, 2011 and 31st December, 2012	910,334,710	9,103

Note:

During the year ended 31st December, 2011, the Company repurchased a total of 860,000 ordinary shares of HK$0.01 each through the Stock Exchange at an aggregate consideration of approximately HK$628,000 and all of these shares were cancelled upon repurchase.

Month of repurchase	Number of ordinary shares of HK$0.01 each	Price per share Highest HK$	Price per share Lowest HK$	Aggregate consideration paid HK$'000
September 2011	496,000	0.80	0.67	359
October 2011	360,000	0.74	0.70	265
November 2011	4,000	0.85	0.85	4

38. SHARE-BASED PAYMENT TRANSACTIONS

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

(a) 2002 Scheme

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

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

On 16th September, 2008 pursuant to a resolution passed at an extraordinary general meeting, the Company has early terminated the 2002 Scheme and adopted a new share option scheme (the "2008 Scheme") as disclosed below.

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

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

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

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

(a) 2002 Scheme *(Continued)*

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

For the year ended 31st December, 2012 and 2011

	Date of grant	Exercisable period	Exercise price per share HK$ (Adjusted) (Note)	Number of share options Outstanding at 1st January, 2011 31st December, 2011 and 2012
Employees	9.10.2007	9.10.2007 to 8.10.2017	11.1	200,000
Exercisable at the end of the year				200,000
Weighted average exercise price (HK$)				11.1

Note: The exercise price and number of share options outstanding for the year ended 31st December, 2012 and 2011 have been adjusted and reflect the effect of share consolidation in 2009.

There is no exercise of share option during both years.

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

(b) 2008 Scheme

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

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

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

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

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

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

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

(b) 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 31st December, 2012

				Number of share options			
	Date of grant	Exercisable period	Exercise price per share HK$	Outstanding at 1st January, 2012	Granted during the year	Lapsed during the year	Outstanding at 31st 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 31st December, 2012, the options were granted on 27th December, 2012. The Group recognised total expense of approximately HK$193,000 for the year ended 31st December, 2012 in relation to share options granted by the Company under the 2008 Scheme.

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

(b) 2008 Scheme *(Continued)*

Options granted are fully vested at the date of grant.

For the year ended 31st December, 2011

				Number of share options		
	Date of grant	Exercisable period	Exercise price per share HK$	Outstanding at 1st January, 2011	Granted during the year	Outstanding at 31st December, 2011
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
				45,800,000	1,500,000	47,300,000
Exercisable at the end of the year						47,300,000
Weighted average exercise price (HK$)				1.137	1.510	1.154

During the year ended 31st December, 2011, the options were granted on 14th January, 2011. The Group recognised total expenses of approximately HK$198,000 for the year ended 31st December, 2011 in relation to share option granted by the Company under the 2008 Scheme.

Options granted are fully vested at the date of grant.

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

(b) 2008 Scheme *(Continued)*

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

Date of grant	14th January, 2011	27th December, 2012
Closing share price at the date of grant	HK$1.40	HK$0.49
Exercise price	HK$1.51	HK$0.49
Expected volatility	68.53%	54.08%
Contractual life	2 years	1 year
Risk-free rate	0.54%	0.08%
Fair value per share option	HK$0.1317	HK$0.0378

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 and Ascent Partner Transaction Service Limited on 27th December, 2012 and 14th January, 2011 respectively, independent firm of professional valuers not connected with the Group. The Model is one of the commonly used models to estimate the fair value of the options. The value of an option varies with different variables of certain subjective assumptions. Any changes in the variables so adopted may materially affect the estimation of the fair value of an option.

(c) Ping An Option

Ping An Option 2

Pursuant to a resolution passed at the annual general meeting on 2nd June, 2010, the Company granted options to Ping An China Securities (Hong Kong) Company Limited ("Ping An Securities"), a wholly-owned subsidiary of Ping An Group, the rights to subscribe for up to 30,000,000 shares of the Company ("Ping An Options 2") on 24th December, 2011 representing approximately 3.29% of the issued share capital of the Company. From 24th December, 2010 to 23rd December, 2011 ("Call Option Period 2"), if the Company has any Dilutive Events, the Company shall grant further options to Ping An Securities, exercisable up to the expiry of the Call Option Period 2, entitling it to subscribe for additional shares equal to approximately 3.29% of the new shares.

No options are exercised under the Ping An Option 2 and all options lapsed during the year ended 31st December, 2012.

39. ACQUISITION OF ASSETS THROUGH ACQUISITION OF SUBSIDIARIES

On 10th December, 2012, (the "Acquisition Date") Town Health Asset Management Limited ("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 30th 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.

	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.

39. ACQUISITION OF ASSETS THROUGH ACQUISITION OF SUBSIDIARIES *(Continued)*

	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

40. ACQUISITION OF SUBSIDIARIES

For the year ended 31st December, 2012

On 13th 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 assets	**3,300**
Cash consideration paid	**3,300**
Analysis of net inflow 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**

40. ACQUISITION OF SUBSIDIARIES *(Continued)*

For the year ended 31st December, 2012 *(Continued)*

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 31st 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 1st 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 1st January, 2012, nor is it intended to be a projection of future results.

For the year ended 31st December, 2011

On 9th June, 2011, the Group acquired 100% equity interest in Green Health, a company incorporated in Hong Kong, from an independent third party, at a cash consideration of HK$ 1,034,000. Green Health is engaged in retailing of healthcare and pharmaceutical products in Hong Kong. This acquisition has been accounted for using the purchase method. The amount of goodwill arising as a result of the acquisition was approximately HK$1,436,000.

On 23rd June, 2011, the Group acquired 51% equity interest in eSilk, a company incorporated in Hong Kong, from an independent third party, at a cash consideration of HK$1,000. eSilk is engaged in trading of pharmaceutical products in Hong Kong. This acquisition has been accounted for using the purchase method. The amount of goodwill arising as a result of the acquisition was approximately HK$186,000.

40. ACQUISITION OF SUBSIDIARIES *(Continued)*

For the year ended 31st December, 2011 *(Continued)*

	eSilk HK$'000	Green Health HK$'000	Total HK$'000
Assets acquired and liabilities recognised at the date of acquisition are as follows:			
Property, plant and equipment	4	76	80
Inventories	5	813	818
Trade and other receivables	13	173	186
Bank balances and cash	627	3	630
Trade and other payables	(1,013)	(1,467)	(2,480)
Net liabilities	(364)	(402)	(766)
Goodwill arising on acquisition:			
Consideration transferred	1	1,034	1,035
Plus: Non-controlling interests (49% in eSilk)	(179)	–	(179)
Plus: Net liabilities acquired	364	402	766
Goodwill (note 21)	186	1,436	1,622
Satisfied by:			
Cash consideration paid	1	1,034	1,035
Analysis of net (inflow) outflow of cash and cash equivalents in connection with the acquisition of subsidiaries:			
Cash consideration paid	1	1,034	1,035
Bank balances and cash acquired	(627)	(3)	(630)
Net cash (inflow) outflow in respect of the acquisition of subsidiaries	(626)	1,031	405

40. ACQUISITION OF SUBSIDIARIES *(Continued)*

For the year ended 31st December, 2011 *(Continued)*

For the expansion of the Group's business, the Group acquired subsidiary engaged in trading and retailing of pharmaceutical products in Hong Kong. Goodwill is attributable to the anticipated profitability from the subsidiaries.

The subsidiaries acquired during the year ended 31st December, 2011 contributed HK$3,520,000 to the Group's revenue and incurred losses of HK$870,000 to the Group's profit during the year.

Had the acquisition been completed on 1st January, 2011, total group revenue for the year would have been approximately HK$342,482,000, and profit for the year would have been approximately HK$62,568,000. 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 1st January, 2011, nor is it intended to be a projection of future results.

41. DISPOSAL OF A SUBSIDIARY

For the year ended 31st December, 2012

On 30th November, 2012, the Group disposed of its 100% equity interest in Green Health 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 period prior to the disposal.

41. DISPOSAL OF A SUBSIDIARY *(Continued)*

For the year ended 31st December, 2011

On 15th November, 2011, the Group disposed of its 7% equity interest in Nu/Hart to an independent third party. The Group held remaining 49% of the equity interest in Nu/Hart and is classified as an associate upon completion of the transaction.

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	240
Trade and other receivables	730
Bank balances and cash	1,017
Trade and other payables	(393)
	1,594
Non-controlling interests	(702)
Net assets disposed of	892
Gain on disposal	799
	1,691
Satisfy by:	
Cash	910
Interest in associates	781
	1,691
Net cash outflow arising on disposal:	
Cash consideration received	910
Bank balances and cash disposed of	(1,017)
	(107)

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

42. 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 1st June, 2012 and HK$1,250 per month from 1st 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$3,156,000 (2011: HK$3,050,000) represents contributions payable to the above schemes by the Group during the year.

43. OPERATING LEASES

The Group as lessee

	2012 **HK$'000**	2011 HK$'000
Minimum lease payments paid under operating leases in respect of properties during the year	**37,847**	40,615

During the year ended 31st December, 2012, the total rental expenses incurred by the Group amounted to HK$53,000,000 (2011: HK$55,789,000).

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:

	2012 **HK$'000**	2011 HK$'000
Within one year	**25,848**	31,193
In the second to fifth year inclusive	**11,227**	23,046
	37,075	54,239

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.

43. OPERATING LEASES *(Continued)*

The Group as lessor

During the year ended 31st December, 2012, the Group had property rental income of approximately HK$22,357,000 (2011: HK$19,454,000).

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:

	2012 **HK$'000**	2011 HK$'000
Within one year	**18,898**	9,544
In the second to fifth year inclusive	**7,713**	5,124
	26,611	14,668

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

44. PLEDGE OF ASSETS

As at 31st December, 2012 and 2011, certain property, plant and equipment and investment properties of the Group with the carrying value of approximately HK$95,505,000 (2011: approximately HK$96,628,000) and HK$221,887,000 (2011: approximately HK$162,203,000), respectively, and bank deposits of HK$79,951,000 (2011: HK$5,021,000) were pledged to secure general banking facilities granted to the Group.

45. 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	**2012 HK$'000**	2011 HK$'000
Advance Bond Limited (Note)	Rental income	**894**	828
Hong Kong Bariatric and Metabolic Institute Limited (Note)	Management services fee income	**5,206**	4,304
	Rental income	**–**	88
Hong Kong Traumatology and Orthopaedics Institute Limited (Note)	Management services fee income	**6,401**	4,121
	Rental income	**–**	329
Hong Kong Health Check Centre Limited (Note)	Management services income	**240**	–
	Rental income	**988**	3,526
Polylight Technology Limited (Note)	Rental income	**1,021**	976
Kowloon Hearing Services Limited (note 30)	Purchase of healthcare products	**–**	47
	Sale of healthcare products	**–**	38
Best Pharmaceutical (Note)	Management services fee income	**429**	–

Note: They are the associates from the Group during the 2012 and 2011.

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 34.

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

Compensation of key management personnel

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

	2012 HK$'000	2011 HK$'000
Short-term benefits	**8,058**	27,861
Post-employment benefits	**54**	47
	8,112	27,908

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

46. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2012 HK$'000	2011 HK$'000
ASSETS AND LIABILITIES		
Unlisted investments in subsidiaries	**28,529**	28,529
Amounts due from subsidiaries	**1,501,500**	1,453,731
Amount due from an associate	**500**	500
Other receivables	**1,490**	1,491
Held for trading investments	**185**	6,494
Tax recoverable	**–**	114
Bank balances and cash	**3,145**	1,375
Amounts due to subsidiaries	**(104,826)**	(61,604)
Other payables	**–**	(2,955)
Bank borrowing	**(118,000)**	(113,000)
Total net assets	**1,312,523**	1,314,675
CAPITAL AND RESERVES		
Share capital	**9,103**	9,103
Reserves (Note)	**1,303,420**	1,305,572
	1,312,523	1,314,675

46. 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 1st January, 2011	508,715	9,020	28,180	62,677	210,106	392,163	1,210,861
Profit for the year	–	–	–	–	–	140,696	140,696
Recognition of equity-settled share based payment expenses	–	–	–	–	198	–	198
Repurchase of shares	(619)	–	–	–	–	–	(619)
Dividends	–	–	–	–	–	(45,564)	(45,564)
At 31st December, 2011	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 31st December, 2012	508,096	9,020	28,180	62,677	210,497	484,950	1,303,420

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.

47. PRINCIPAL SUBSIDIARIES

Particulars of the Company's principal subsidiaries at 31st December, 2012 and 2011 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
				31st December, 2012		31st December, 2011		**31st December, 2012**		31st December, 2011		
				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
Amazing Success Limited (formerly known as Town Health Professional Training Centre Limited)	Hong Kong/ limited liability company	Ordinary	HK$500,000	**–**	**75%**	–	100%	**–**	**100%**	–	100%	Property investment services
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	Hong Kong/ limited liability company	Ordinary	HK$100	**–**	**52.5%**	–	70%	**–**	**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	**–**	**75%**	–	–	**–**	**75%**	–	–	Property investment services
Easy Result Limited	Hong Kong/ limited liability company	Ordinary	HK$100	**–**	**51%**	–	51%	**–**	**50%**	–	50%	Provision of medical services
First Billion Investment Limited	Hong Kong/ limited liability company	Ordinary	HK$2	**–**	**75%**	–	100%	**–**	**100%**	–	100%	Property investment services
Noble Pioneer	Hong Kong/ limited liability company	Ordinary	HK$2	**–**	**100%**	–	100%	**–**	**100%**	–	100%	Provision of medical services

47. 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 31st December, 2012 Directly	Proportion of nominal value of issued capital/registered capital held by the Company 31st December, 2012 Indirectly	31st December, 2011 Directly	31st December, 2011 Indirectly	Proportion of voting power held by the Company 31st December, 2012 Directly	Proportion of voting power held by the Company 31st December, 2012 Indirectly	31st December, 2011 Directly	31st December, 2011 Indirectly	Principal activities
Oriental Elite Limited	Hong Kong/limited liability company	Ordinary	HK$100	–	**75%**	–	100%	–	**100%**	–	100%	Property investment services
Perfect Elite Investments Limited	Hong Kong/limited liability company	Ordinary	HK$1	–	**75%**	–	100%	–	**100%**	–	100%	Property investment services
Pherson Limited	Hong Kong/limited liability company	Ordinary	HK$500,000	–	**75%**	–	100%	–	**100%**	–	100%	Property investment services
Platinum Success Limited (Note b)	Hong Kong/limited liability company	Ordinary	HK$1	–	**75%**	–	–	–	**75%**	–	–	Property investment services
Profit Sources Limited	Hong Kong/limited liability company	Ordinary	HK$100	–	**75%**	–	100%	–	**100%**	–	100%	Property investment services
Talent Vision Limited (Note b)	Hong Kong/limited liability company	Ordinary	HK$1	–	**75%**	–	–	–	**75%**	–	–	Property investment services
Town Health Asset	British Virgin Islands/limited liability company	Ordinary	HK$900	–	**75%**	–	100%	–	**75%**	–	100%	Investment holding
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
Town Health Dental	Hong Kong/limited liability company	Ordinary	HK$2	–	**100%**	–	100%	–	**100%**	–	100%	Provision of dental consultation services

47. 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
				31st December, 2012		31st December, 2011		31st December, 2012		31st December, 2011		
				Directly	Indirectly	Directly	Indirectly	Directly	Indirectly	Directly	Indirectly	
Town Health M & D	Hong Kong/limited liability company	Ordinary	HK$2	–	100%	–	100%	–	100%	–	100%	Provision of medical 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 Para-Medical Services Limited	Hong Kong/limited liability company	Ordinary	HK$2	–	100%	–	100%	–	100%	–	100%	Investment holding

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

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

Note 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.

Note b: The subsidiaries were acquired on 10th December, 2012.

48. EVENTS AFTER THE REPORTING PERIOD

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

(a) On 18th January, 2013, Superb Yield Limited, a 75% owned subsidiary of the Company, entered into a provisional sale and purchase agreement for disposal of an investment property to an independent third party at a consideration of HK$66,800,000. The transaction is not yet completed as at the date of this report. Details of this transaction are disclosed in an announcement of the Company dated 18th January, 2013.

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

(b) On 4th February, 2013, Town Health Asset entered into a sale and purchase agreement to acquire 100% equity interest in the Dragon Oriental Investment Limited, a company incorporated in BVI and engaged in property investment from an independent third party, at a consideration of HK$43,000,000. The transaction was completed and the consideration was paid to the vendor in cash immediately after the completion. The transaction will be treated as acquisition of assets through acquisition of a subsidiary. Details of this transaction are disclosed in an announcement of the Company dated 4th February, 2013.

(c) On 5th February, 2013, Town Health BVI together with all shareholders of Luck Key, an associate of the Company, entered into a memorandum of understanding (the "MOU") with an independent third party, proposed to dispose of all equity interest held in Luck Key. On 5th March, 2013, an addendum to the MOU was entered. The definitive agreement is not yet concluded as at the date of this report. Details of the MOU are disclosed in announcements of the Company dated 5th February, 2013 and 5th March, 2013.

(d) On 15th February, 2013, Wealthy Train Limited, a 75% owned subsidiary of the Company, entered into a provisional sale and purchase agreement to acquire investment properties from an independent third party at a consideration of HK$155,000,000. The formal sale and purchase agreement are signed on 5th March, 2013. The completion of the transaction is fixed to take place on or before 31st May, 2013 and it is not yet completed as at the date of this report. Details of this transaction are disclosed in an announcement of the Company dated 15th February, 2013 and 20th March, 2013.

(e) On 20th February, 2013, Town Health Pharmaceutical Limited, a wholly-owned subsidiary of the Company, together with all shareholders of Best Pharmaceutical, an associate of the Company, entered into a MOU with an independent third party. It is proposed to dispose of all equity interest held in Best Pharmaceutical, at a consideration of the latest net assets value of the Best Pharmaceutical, satisfied by issuing of the new shares or securities convertible into new shares or any other forms by the independent third party. The MOU was then lapsed and terminated on 19th March, 2013 as no definitive agreement signed during the exclusivity period. Details of the MOU are disclosed in announcements of the Company dated 20th February, 2013 and 19th March, 2013.

(f) On 28th February, 2013, Town Health Asset entered into a sale and purchase agreement to dispose of all equity interest in the RBI Conglomerate (Holdings) Limited and its subsidiaries ("RBI Group"), an associate of Town Health Asset, engaged in property investment at a consideration of HK$72,500,000. The consideration will be increased by 50% if the RBI Group has net assets at 31st March, 2013 while the consideration will be decreased by 50% if the RBI Group has net liabilities at 31st March, 2013. The transaction is not yet completed as at the date of this report. Details of this transaction are disclosed in an announcement of the Company dated 28th February, 2013.

Major Properties Information

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

Location		Existing use	Tenure	Group's interest (%)
1.	Partial lease out the block of nos. 10-12 Yuen Shun Circuit, Sha Tin Town Lot No. 282, New Territories	Office and workshops	Medium term lease	75%
2.	Shop C on the Ground Floor, Carprio Mansion, No. 1 Lai Chi Kok Road, Kowloon	Shops	Medium term lease	75%
3.	Office and ancillary areas on 6th Floor, Silver Fortune Plaza, No. 1 Wellington Street, Hong Kong	Office	Medium term lease	75%
4.	Shop nos. G27 and G28 on Ground Floor, Commercial Podium, Sincere House, No. 83 Argyle Street, Kowloon	Shops	Medium term lease	75%
5.	Shop no. 21 on Ground Floor, Grandway Garden, No. 16 Mei Tin Road and Nos. 15 & 35 Tsuen Nam Road, Shatin, New Territories	Shops	Medium term lease	75%

Financial Summary

RESULTS

	1.1.2012 to 31.12.2012 HK$'000	1.1.2011 to 31.12.2011 HK$'000 (restated)	1.1.2010 to 31.12.2010 HK$'000 (restated)	1.4.2009 to 31.12.2009 HK$'000 (restated)	1.4.2008 to 31.3.2009 HK$'000 (restated)
Revenue	**341,768**	339,321	307,447	245,100	342,212
(Loss) profit for the year from continuing operations	**(430,664)**	66,011	132,715	(20,867)	(644,377)
(Loss) profit for the year from discontinued operation	**–**	–	(22,549)	9,758	–
(Loss) profit for the year	**(430,664)**	66,011	110,166	(11,109)	(644,377)
Attributable to:					
Owners of the Company	**(434,952)**	64,221	100,269	(22,612)	(652,778)
Non-controlling interests	**4,288**	1,790	9,897	11,503	8,401
	(430,664)	66,011	110,166	(11,109)	(644,377)

ASSETS AND LIABILITIES

	31.12.2012 HK$'000	31.12.2011 HK$'000 (restated)	31.12.2010 HK$'000 (restated)	31.12.2009 HK$'000 (restated)	31.3.2009 HK$'000 (restated)
Total assets	**1,672,548**	1,797,212	1,770,087	1,327,282	941,878
Total liabilities	**(335,199)**	(244,415)	(204,810)	(141,130)	(43,542)
	1,337,349	1,552,797	1,565,277	1,186,152	898,336
Assets attributable to					
Owners of the Company	**1,127,631**	1,546,815	1,559,244	1,122,966	893,228
Non-controlling interests	**209,718**	5,982	6,033	63,186	5,108
	1,337,349	1,552,797	1,565,277	1,186,152	898,336

Note: The financial summary is restated according to adoption of the amendments to HKAS 12.