



**Town Health International Holdings Company Limited**  
**康健國際控股有限公司**

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





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# CORPORATE INFORMATION

## BOARD OF DIRECTORS

### Executive Directors

Miss Choi Ka Yee, *Crystal (Chairman)*  
Dr. Cho Kwai Chee (*Chief Executive Officer*)  
Dr. Hui Ka Wah, Ronnie, JP  
Dr. Fung Yiu Tong, Bennet  
(resigned on 19th September, 2008)  
Mr. Cho Kwai Yee, Kevin  
(resigned on 19th September, 2008)

### Non-executive Director

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

### Independent Non-executive Directors

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

## COMPANY SECRETARY

Mr. Wong Seung Ming CPA, FCCA

## AUDIT COMMITTEE

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

## AUDITORS

Deloitte Touche Tohmatsu  
*Certified Public Accountants*

## REGISTERED OFFICE

Canon's Court  
22 Victoria Street  
Hamilton HM12  
Bermuda

## HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

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

## PRINCIPAL BANKERS

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

## PRINCIPAL SHARE REGISTRAR AND TRANSFER AGENT

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

## HONG KONG BRANCH SHARE REGISTRARS AND TRANSFER OFFICE

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

## WEBSITE

[www.townhealth.com](http://www.townhealth.com)

## CHAIRMAN'S STATEMENT



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

During 2008, the Group maintained its key focus on delivering quality medical services to patients and value to our shareholders. For the year ended 31st March, 2009 (the "Year"), the Group's consolidated loss attributable to equity holders of the Company was HK\$652,507,000, comparing with a profit of HK\$253,714,000 a year ago.

The reasons for such significant loss are mainly due to (1) share of loss of a jointly controlled entity; (2) loss on early redemption of convertible bonds; (3) other expenses mainly including loss on fair value changes on held-for-trading investments, impairment loss recognized in respect of available-for-sale investments, interests in associates and goodwill arising on acquisition of subsidiaries and medical and dental practices; and (4) share-based payment expenses.

Excluding the non-operating and unallocated corporate income and expenses the Group's segment results recorded a profit of HK\$37,821,000 for the Year (2008: HK\$48,224,000).

### **SUSTAINING OPERATIONAL EXCELLENCE**

Although the financial tsunami has had an adverse impact on the global economy, the Group recorded steady growth of revenue of HK\$342,212,000 for the Year (2008: HK\$338,823,000). Despite adverse impacts faced by the Group, it still managed to generate positive operating profit and most of the losses recorded are non-cash in nature. The business of provision of healthcare and dental services recorded healthy growth and remained the key revenue driver for the Group.

The Group owns and manages close to 100 clinics and maintains its leadership in the private healthcare industry of Hong Kong. The large patient base of Town Health Clinic Chain allows the Group to provide cross referrals for the patients and offer them a wide array of specialty services as well as other healthcare related products and services.

During the Year, the Group has implemented a number of measures to enhance the operational efficiency and internal control systems. One of them is the revamp of the whole IT infrastructure of the Group. The new IT infrastructure will serve to link up all divisions of the group so that operating efficiency could be further improved. Another initiative would be the installation of a management diary reporting system, for staff of all levels to communicate and report expeditiously and seamlessly. All these measures would help consolidate the group's overall businesses, and optimize the manpower deployment and cost control. The result would be a further enhancement of the operating efficiency at the Group's level.

# CHAIRMAN'S STATEMENT

## TAPPING INTO THE CHINA MEDICAL & HEALTHCARE MARKET

As the leading brand in the medical and healthcare industry, the Group has seized the opportunity and ventured into the China market through an exclusive partnership with Ping An Insurance Group ("Ping An") to develop and manage integrated chain clinics in Guangdong Province. The China project is on track and progressing well though the development pace is not as quick as previously expected. With the implementation of supportive government initiatives such as the Supplement V to the Mainland and Hong Kong Closer Economic Partnership Arrangement (CEPA), Hong Kong healthcare service providers are allowed to set up wholly-owned outpatient clinics in Guangdong Province. It is believed that the new policy initiatives would benefit substantially the Group's integrated chain clinics project in China.

Furthermore, the Group has continued to invest in the fast-growing China healthcare and medical market to seize its vast growth potential. In January 2009, the Group announced the acquisition of 51% of the entire issued share capital of Max Goodrich. Max Goodrich is principally engaged in the distribution of Chinese herbal medicine, chemical raw pharmaceutical, antibiotics, biomedicine and other pharmaceutical products in China. It holds a MB license ("藥品經營許可證") and a Good Service Practice Certificate, which permit the trading and distribution of pharmaceutical products in China.

According to the Washington-based Center for Strategic and International Studies, the current ratio of 16 elderly people per 100 workers in China is set to double by 2025 and rise to 61 by 2050. By then, China will have 438 million people aged 60 and over and 103 million aged 80 or over. The growing demand for community medical services in China's fast aging population will offer the Group enormous business opportunities in the coming years.

## OUTLOOK

### Leveraging on Scaled Operations

Over the years, the Group has remained firmly focused on its clinic chain business which contributes profit and cash flow. The Group will continue to streamline and expand its clinic operations in Hong Kong.

At the same time, the Group is now conducting a firm-wide review with an aim to restructuring the whole business model. This restructuring program involves both the operational and financial levels. For the operation side, the Group is now conducting a rebranding exercise so that our strength and unique leading market position could be well promulgated and recognized by the general public. This rebranding exercise will cover the whole group as well as all its clinics and it is hoped that with the new branding, the group's image as the quality healthcare service provider could be remembered and well accepted by the customers.

Also, the Group will strive to further consolidate all satellite offices into a single location so as to enhance further the operating efficiency. In this regard, the Group has acquired a building situated in Shatin, which would be the future headquarters of the Group. This approximately 95,000 sq. ft. headquarters marks an important milestone of the Group. By bringing all employees together under one roof, productivity and operating efficiency could be much improved. This further demonstrates the Group's commitment to maintaining its leadership as the largest healthcare and dental services group in Hong Kong.

## CHAIRMAN'S STATEMENT



### **OUTLOOK** *(Continued)*

#### **Investing for the Future**

With a strong presence in Hong Kong healthcare market and the promising foothold of China, the Group will consider making strategic investments to explore business and investment opportunities along the value chain of the medical industry. The strong and healthy balance sheet position with low gearing ratio will allow the Group to weather the current global financial crisis, and provide it the necessary capital to identify and capture any healthcare-related investments and business opportunities in the future.

In addition, the Group will enhance its treasury function with an aim to optimally utilizing its surplus resources and maximizing its investment returns. The Group will strengthen its cash management scheme and seek to expand its portfolio investments in both listed and unlisted securities. The Group will also invest in property market, targeting mainly retail and office properties in prime locations. It is anticipated that the property investment will provide attractive source of rental income for the Group, as well as good locations for the Group to open new medical clinics and expand its chain clinic network. The Group will continue to prudently and effectively manage its financial resources to bring more value to shareholders.

The Board is also pleased to announce the change in the end of the Group's fiscal year from 31st March to 31st December. The change takes effect immediately, with the current financial year ending on 31st December, 2009 and the start of the next fiscal year on 1st January, 2010.

I would like to take this opportunity to express my sincere appreciation and gratitude to all shareholders and investors for their continuous support and confidence in the Group; our valuable customers, suppliers and business associates for their support and services; and management and employees for their commitment and dedication in carrying out their duties and responsibilities diligently.

**Choi Ka Yee, Crystal**

*Chairman*

Hong Kong, 24th July, 2009

# MANAGEMENT DISCUSSION AND ANALYSIS

## FINANCIAL REVIEW

The Group's revenue rose 1.0% to HK\$342,212,000, reflecting steady organic growth. Top-line growth was driven primarily by the core provision of healthcare and dental services business.

Gross profit margin for the Year was 46.8%, representing a decrease from 49.4% last year. The decrease in gross profit margin was mainly due to the increase in staff costs for the chain clinic operation.

Basic loss per share was HK\$3.11. This was down from an earnings per share of HK\$1.54 a year ago.

Loss attributable to equity holders of the Company for the Year was HK\$652,507,000 (2008: profit of HK\$253,714,000). In view of the active development of the Group's core medical and dental services business and potential acquisitions or expansion, the Board does not recommend the payment of dividend for the year ended 31st March, 2009.

## REVIEW OF OPERATIONS

During the Year, the Group's core business of provision of healthcare and dental services achieved healthy growth. The business made a profit of HK\$25,975,000, compared with HK\$28,056,000 a year ago. Revenue increased by 8.6% to HK\$289,389,000. This reflects the increase in demand for private medical services.

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

## LIQUIDITY AND FINANCIAL RESOURCES

As of 31st March, 2009, the Group held cash and bank balances of HK\$484,549,000 (2008: HK\$178,375,000). Net current assets amounted to HK\$557,009,000 (2008: HK\$237,572,000). Current ratio (defined as total current assets divided by total current liabilities) was 14.6 (2008: 2.2).

As of 31st March, 2009, the Group had no outstanding bank and other borrowings (2008: HK\$109,342,000).

## CAPITAL STRUCTURE

As at 31st March, 2009, the Group had shareholders' equity of HK\$892,108,000 (2008: HK\$1,064,143,000).

As at 31st March, 2009, gearing ratio (defined as total bank borrowings divided by total shareholders' equity) was nil (2008: 10.3%). Major currencies used for the Group's transactions were Hong Kong Dollars, Renminbi and US Dollars. As Hong Kong Dollars are pegged to the US Dollars and the fiscal policy of the Central Government of the People's Republic of China in relation to Renminbi is stable throughout the year, the Group considers that the potential foreign exchange exposure of the Group is limited.

# MANAGEMENT DISCUSSION AND ANALYSIS

## EMPLOYEE INFORMATION

As at 31st March, 2009, the Group had approximately 540 full time employees, around 90% of whom were located in Hong Kong. The Group remunerates its employees mainly based on industry practices and individual performance and experience. On top of the regular remuneration, discretionary bonus and share options may be granted to selected staff by reference to the Group's performance as well as the individual's performance. Other benefits, such as medical and retirement benefits and training programs, are also provided.

## CONTINGENT LIABILITIES

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

## PLEDGE OF ASSETS

At 31st March, 2009, certain property, plant and equipment, investment properties and prepaid lease payments of the Group with the carrying value of HK\$3,915,000 (2008: HK\$4,075,000) and HK\$20,015,000 (2008: HK\$42,175,000) and nil (2008: HK\$2,368,000), respectively, and bank deposits of HK\$5,000,000 (2008: HK\$10,000,000) were pledged to secure general bank facilities granted to the Group.

## CAPITAL COMMITMENTS

At 31st March, 2009, the Group had capital expenditure contracted for but not provided in the financial statements of HK\$100,309,000 (2008: HK\$1,712,000).

## COMPETING INTERESTS

None of the directors, management shareholders or controlling shareholders of the Company (as defined in the Listing Rules) has an interest in a business which competes or may compete with the business of the Group during the Year.

## AUDIT COMMITTEE

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

## MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by directors of the Company. Having made specific enquiry of all directors of the Company, all directors of the Company confirmed that they had complied with the required standard set out in the Model Code adopted by the Company throughout the Year.



# PROFILES OF DIRECTORS AND SENIOR MANAGEMENT

## EXECUTIVE DIRECTORS

**Miss Choi Ka Yee, Crystal**, aged 28, graduated from Boston College in the United States of America with a bachelor degree of science in accountancy. She also holds a master's degree in corporate finance from the Hong Kong Polytechnic University. Miss Choi has extensive knowledge in accounting and corporate finance. Miss Choi is a member of the Chinese People's Political Consultative Conference Jieyang, Guangdong Province, general committee member of the Chamber of Hong Kong Listed Companies, the vice chairman of Youth Professionals Committee of the Association of Hong Kong Professionals, the chairman of United We Stand Foundation Limited and Director of Health Check Charity Funds Limited. She joined the Company in April 2005 as the director of the corporate finance department. Miss Choi is also an executive director of Hong Kong Health Check and Laboratory Holdings Company Limited, a company whose shares are listed on the Main Board of the Stock Exchange of Hong Kong Limited. Miss Choi was appointed as an executive director and chairman of the Company on 12th May, 2006 and 26th October, 2006 respectively. Miss Choi is also a director of Early Light International (Holdings) Limited, E. Lite (Choi's) Holdings Limited and E. Lite Property Management Limited. She is a daughter of Dr. Choi Chee Ming, GBS, J.P., the non-executive director and vice-chairman of the Company.

**Dr. Cho Kwai Chee**, aged 45, is the Chief Executive Officer of the Company as well as the founder of the Group. Dr. Cho graduated from the University of Hong Kong and holds the qualifications of MBBS (HK), FHKCFP, FRACGP, DCH (London), DCH (RCP&SI), DCH (Glasgow) and DPD (Cardiff). He is also the Permanent President of Hong Kong Shatin Industries and Commerce Association Limited, the District President of Yau Tsim District of Scout Association of Hong Kong, the Vice President of the Association of Hong Kong Professionals, the Vice Chairman of United We Stand Foundation Limited and the 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. Dr. Cho is also an executive director of Hong Kong Health Check and Laboratory Holdings Company Limited, a company whose shares are listed on the Main Board of the Stock Exchange of Hong Kong Limited and also a director of Broad Idea International Limited, the substantial shareholder of the Company and a member of the remuneration committee of the Company.

**Dr. Hui Ka Wah, Ronnie**, J.P., aged 45, graduated from the University of Hong Kong and holds the qualifications of MBBS (HK), MRCP (UK), DCH (Ireland), DCH (Glasgow), FHKAM (Paed) and FHKC Paed. Dr. Hui is a specialist in Paediatrics and is the Principal of a private medical clinic in Hong Kong since 1991. Dr. Hui is also a CFA Charterholder and holds a MBA degree conferred by Universitas 21 Global. Dr. Hui is an independent non-executive director of Winbox International (Holding) Limited and Suncorp Technologies Limited. He is also an executive director of Hong Kong Health Check and Laboratory Holdings Company Limited, the chairman and chief executive officer of Core Healthcare Investment Holdings Limited, the issued shares of which are listed on the Main Board and GEM Board of the Stock Exchange of Hong Kong Limited respectively. During the past three years, Dr. Hui Had once been the independent non-executive director of Oriental Ginza Holdings Limited (formerly CASH Retail Management Group Limited), CASH Financial Services Group Limited and CIAM Group Limited (formerly E-2 Capital (Holdings) Limited). He was appointed as an executive director of the Company on 7th November, 2007.

# PROFILES OF DIRECTORS AND SENIOR MANAGEMENT



## NON-EXECUTIVE DIRECTOR

**Dr. Choi Chee Ming**, GBS, JP, aged 63, holds a master degree in business administration from Newport University in the United States of America and a bachelor degree in business administration from Sussex College of Technology in the United Kingdom. He also holds a Ph.D in Business Management from Harbin Institute of Technology, the PRC. Dr. Choi is the chairman of Early Light International (Holdings) Ltd. and has extensive business interests in the manufacturing industry and the property sector. He is the Honorary President of the Toys Manufacturer's Association of Hong Kong, Honorary President of the Hong Kong Young Industrialists Council and Council Member of the Hong Kong Polytechnic University. Dr. Choi is also a member of the National Committee of the Chinese People's Political Consultative Conference and a non-executive director and vice chairman of Regal Hotels International Holdings Limited (stock code: 78), the shares of which are listed on the main board of Stock Exchange of Hong Kong Limited. Dr. Choi was appointed as a non-executive director and vice-chairman of the Company on 7th February, 2006. Dr. Choi is the father of Miss Choi Ka Yee, Crystal, chairman of the Company.

## INDEPENDENT NON-EXECUTIVE DIRECTORS

**Mr. Chan Kam Chiu**, aged 56, has engaged in the catering industry for almost 32 years. He has also involved in entertainment, property and investment project in the recent years. Mr. Chan is the founding chairman of Hong Kong Shatin Industries & Commerce Association Limited and currently a member of the Committee of the Chinese People's Political Consultative Conference of Qingxin County, Guangdong Province and member of the Committee of the Chinese People's Political Consultative Conference of Guangzhou Li Wan. He is also an honorary president and director of Shatin Sports Association Limited since 1992. He was a Hong Kong District Affairs Advisor to Xinhua News Agency for the period from January 1995 to June 1997 and he was awarded the "Chief Executive's Commendation for Community Service" on July 2004. Mr. Chan was appointed as an Independent non-executive Director and the chairman of the audit committee of the Company both on 30th July, 2002. He was appointed as a member of the remuneration committee of the Company on 14th February, 2006.

**Mr. Wai Kwok Hung**, SBS, J.P., aged 55, is the chairman of the Shatin District Council. Mr. Wai is a councillor of the Shatin District Council since 1988. He is currently a vice-president of Shatin Sports Association Limited. Mr. Wai was appointed as an independent non-executive Director and a member of the audit committee of the Company both on 30th July, 2002. He was also appointed as a member and the chairman of the remuneration committee of the Company on 14th February, 2006.

**Mr. Ho Kwok Wah, George**, aged 51, is a practicing certified public accountant in Hong Kong. He is the proprietor of George K. W. Ho & Co., Certified Public Accountants and possesses over 20 years' professional experience in accounting, auditing, tax planning and business advisory. Mr. Ho is a director of the Taxation Institute of Hong Kong and the Hong Kong Commerce and Industry Associations Limited. He is also an independent non-executive director of Belle International Holdings Company Limited, whose shares are listed on the main board of the Stock Exchange of Hong Kong Limited. Mr. Ho was appointed as an independent non-executive Director and a member of the audit committee of the Company both on 28th September, 2004. He was appointed as a member of the remuneration committee of the Company on 14th February, 2006.

# PROFILES OF DIRECTORS AND SENIOR MANAGEMENT

## SENIOR MANAGEMENT

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

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

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

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



## CORPORATE GOVERNANCE REPORT

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

The Company has adopted the code provisions set out in the Code on Corporate Governance Practices (the “Code”) contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”). The Company has complied with all the applicable code provisions in the Code throughout the year ended 31st March, 2009.

### **DIRECTORS’ SECURITIES TRANSACTIONS**

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by Directors. Having made specific enquiry of all directors of the Company, all Directors confirmed that they had complied with the required standard set out in the Model Code adopted by the Company throughout the year ended 31st March, 2009.

### **BOARD OF DIRECTORS**

Up to the date of this annual report, the Board comprises seven members, three of which are executive Directors, namely Miss Choi Ka Yee, Crystal who is the Chairman of the Board, Dr. Cho Kwai Chee and Dr. Hui Ka Wah, Ronnie, JP. Dr. Choi Chee Ming, GBS, JP is the non-executive Director. Three other members are independent non-executive Directors, namely Mr. Chan Kam Chiu, Mr. Wai Kwok Hung, SBS, JP and Mr. Ho Kwok Wah, George.

The Board held four meetings during the year ended 31st March, 2009. The Board is responsible for the formulation of the Group’s business strategies and overall policies, and monitoring the performance of the management. The executive Directors are delegated the power to execute the business strategies, develop and implement the policies in the daily operation of the Group. The independent Directors provide their professional advices to the Group whenever necessary.

All Directors have full and timely access to all the information and accounts of the Group. The Directors may seek independent professional advice at the expense of the Company.

### **CHAIRMAN AND CHIEF EXECUTIVE OFFICER**

Miss Choi Ka Yee, Crystal, the Chairman of the Company and Dr. Cho Kwai Chee, Chief Executive Officer of the Company, have segregated and clearly defined roles.

# CORPORATE GOVERNANCE REPORT

## **INDEPENDENT NON-EXECUTIVE DIRECTORS**

The Company has received written confirmation from each of the independent non-executive Directors as regards to their independence to the Company as required under the Listing Rules.

The Company considers that each of the independent non-executive Directors is independent to the Company.

Mr. Chan Kam Chiu and Mr. Wai Kwok Hung, SBS, JP have been appointed for a term of two years expiring on 29th July, 2010, and Mr. Ho Kwok Wah, George has been appointed for a term of two years expiring on 27th September, 2010. Dr. Choi Chee Ming, GBS, JP does not have any service contract with the Company nor will he receive any remuneration from acting as a non-executive Director. These appointments are subject to retirement by rotation and other related provisions as stipulated in the Bye-laws of the Company.

## **REMUNERATION COMMITTEE**

The remuneration committee has adopted specific written terms of reference in accordance with the provisions set out in the Code. The principal duties of the remuneration committee are to formulate the Company's remuneration policy and recommend remuneration packages for all 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.

Up to the date of this annual report, the remuneration committee comprises three independent non-executive Directors, namely Mr. Wai Kwok Hung, SBS, JP, who is the Chairman. Mr. Chan Kam Chiu and Mr. Ho Kwok Wah, George and an executive Director, Dr. Cho Kwai Chee.

The remuneration committee held one meeting during the year ended 31st March, 2009. 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 all the Directors and senior management to the Board.

## **NOMINATION OF DIRECTORS**

The Company does not have a nomination committee. The Board as a whole is responsible for the procedure of agreeing the nomination of appropriate person for election by shareholders at the general meeting, either to fill a casual vacancy or as an addition to the existing directors.

The notice of the general meeting contains detailed information on election of Directors including detailed biography of all Directors standing for election or re-election to enable shareholders to make an informed decision on their election.

# CORPORATE GOVERNANCE REPORT

## AUDITORS' REMUNERATION

The auditors, Deloitte Touche Tohmatsu, provide both statutory audit and non-audit services to the Group. For the year ended 31st March, 2009, fee for statutory audit for the Group amounts to approximately HK\$1,746,000. Non-audit services include tax compliance and planning, agreed upon procedures on review of financial statements and transactions, etc. Total fee paid for non-audit services during the year ended 31st March, 2009 was approximately HK\$113,000.

## AUDIT COMMITTEE

The Company has established an audit committee with written terms of reference. The primary duties of the audit committee are to review the Company's annual report and accounts and interim reports and to provide advice and comments thereon to the Board. The audit committee will also be responsible for reviewing and supervising the Group's financial reporting and internal control procedures.

The audit committee comprises three independent non-executive Directors, namely Mr. Chan Kam Chiu (Chairman), Mr. Wai Kwok Hung, SBS, JP and Mr. Ho Kwok Wah, George. The audit committee convened four meetings with full attendance during the year ended 31st March, 2009. One of these meetings was also attended by the Company's external auditors so that the committee members could exchange their views and concerns with the auditors. During these meetings, the audit committee reviewed the annual and interim results of the Group and made recommendations to the Board and the management in respect of the Group's financial reporting and internal control procedures.

## ATTENDANCE OF DIRECTORS AT MEETINGS

The attendance of the Directors at the meetings of the Board, the audit committee and the remuneration committee during the year ended 31st March, 2009 is set out below:

<b>Name of Director</b>	<b>Number of Board meeting held during the Director's term of office</b>	<b>Number of meeting attended</b>
<b>Executive Directors</b>		
Miss Choi Ka Yee, Crystal	4	4
Dr. Cho Kwai Chee	4	4
Dr. Hui Ka Wah, Ronnie, JP	4	4
Mr. Cho Kwai Yee, Kevin (resigned on 19th September, 2008)	2	2
Dr. Fung Yiu Tong, Benent (resigned on 19th September, 2008)	2	2
<b>Non-executive Director</b>		
Dr. Choi Chee Ming, GBS, JP	4	4
<b>Independent non-executive Directors</b>		
Mr. Chan Kam Chiu	4	4
Mr. Wai Kwok Hung, SBS, JP	4	4
Mr. Ho Kwok Wah, George	4	4

# CORPORATE GOVERNANCE REPORT

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## **ACCOUNTABILITY AND AUDIT**

The Directors acknowledge their responsibility for preparing the accounts 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 March, 2009 in accordance with the Companies Ordinance. The Directors have prepared the accounts 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 statutory requirements.

The statement issued by the auditors of the Company regarding their reporting responsibilities is set out in detail in the Independent Auditors' Report on page 24.

## **INTERNAL CONTROLS**

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

# DIRECTORS' REPORT

The board of directors ("Director(s)") of the Company ("Board") present their annual report and the audited consolidated financial statements for the year ended 31st March, 2009.

## PRINCIPAL ACTIVITIES

The Company is an investment holding company. The activities of its principal subsidiaries and associates are set out in notes 59 and 27 respectively to the consolidated financial statements.

## RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31st March, 2009 are set out in the consolidated income statement on page 26 of this annual report.

The directors do not recommend the payment of a dividend for the year ended 31st March, 2009 (2008: Nil).

## SUBSIDIARIES AND ASSOCIATES

Details of acquisition/disposal of subsidiaries and associates during the year are set out in notes 49, 51 and 13 to the consolidated financial statements, respectively.

Details of the Company's principal subsidiaries and associates at 31st March, 2009 are set in notes 59 and 27 to the consolidated financial statements, respectively.

## INVESTMENT PROPERTIES

During the year, the Group revalued all of its investment properties at the year end date. The decrease in fair value of investment properties, which has been charged to the consolidated income statement, amounted to HK\$2,960,000.

Details of movements in the investment properties are set out in note 21 to the consolidated financial statements.

## PROPERTY, PLANT AND EQUIPMENT

During the year, the Group acquired property, plant and equipment of HK\$3,413,000 for the expansion of the Group's business.

Details of these and other movements in the property, plant and equipment of the Group during the year are set out in note 22 to the consolidated financial statements.

## SHARE CAPITAL

Details of movements in the share capital of the Company during the year are set out in note 47 to the consolidated financial statements.



# DIRECTORS' REPORT

## **CHANGE OF DOMICILE**

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

## **PRE-EMPTIVE RIGHTS**

There is no provision for pre-emptive rights under the Company's constitutive documents or the laws of the Cayman Islands and where appropriate, Bermuda, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

## **PURCHASE, SALE OR REDEMPTION OF SHARES**

Subsequent to 31st March, 2009, the Company repurchased a total of 902,050,000 ordinary shares of HK\$0.01 each on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") at an aggregate price of HK\$9,020,500, representing an average price of HK\$0.01 paid for each share purchased. All of these shares were cancelled upon repurchase.

## **DISTRIBUTABLE RESERVES OF THE COMPANY**

The Company's reserves available for distribution to shareholders as at 31st March, 2009 comprised the share premium, contributed surplus, distributable reserve, share options reserve and accumulated losses which in aggregate amounted to HK\$488,221,000 (2008: HK\$347,608,000). Under the Companies Law (Revised) of the Cayman Islands, the share premium of the Company is available for paying distributions or dividends to shareholders subject to the provisions of its Memorandum and Articles of Association and provided that immediately following the payment of distributions or dividends, the Company is able to pay its debts as they fall due in the ordinary course of business. In accordance with the Company's Articles of Association, dividends shall be payable out of the profits or other reserves, including the share premium account, of the Company.

## **SHARE OPTIONS**

Particulars of the Company's share option scheme are set out in note 48 to the consolidated financial statements.

# DIRECTORS' REPORT

## DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

The Directors during the year and up to the date of this report were:

### Executive Directors:

Miss Choi Ka Yee, Crystal (*Chairman*)

Dr. Cho Kwai Chee (*Chief Executive Officer*)

Dr. Hui Ka Wah, Ronnie, JP

Mr. Cho Kwai Yee, Kevin

(Resigned on 19th September, 2008)

Dr. Fung Yiu Tong, Bennet

(Resigned on 19th September, 2008)

### Non-executive Director:

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

### Independent non-executive Directors:

Mr. Chan Kam Chiu

Mr. Wai Kwok Hung, SBS, JP

Mr. Ho Kwok Wah, George

In accordance with Bye-law 99, Dr. Choi Chee Ming, GBS, JP, Mr. Wai Kwok Hung, SBS, JP and Dr. Cho Kwai Chee will retire from office by rotation at the forthcoming annual general meeting. Dr. Cho Kwai Chee and Mr. Wai Kwok Hung, SBS, JP will offer themselves for re-election.

Mr. Chan Kam Chiu and Mr. Wai Kwok Hung, SBS, JP have been appointed for a term of two years expiring on 29th July, 2010, and Mr. Ho Kwok Wah, George has been appointed for a term of two years expiring on 27th September, 2010. The appointments are subject to retirement by rotation and other related provisions as stipulated in the Company's Bye-laws.

Other than as disclosed above, none of the Directors 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.

## APPOINTMENT OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received, from each of the independent non-executive Directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on The Stock Exchange (the "Listing Rules"). The Company considers all of the independent non-executive Directors are independent.

# DIRECTORS' REPORT

## DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES AND UNDERLYING SHARES

At 31st March, 2009, the interests of the directors and the chief executives and their associates in the shares, underlying shares of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance (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:

### The Company

*Long position in ordinary shares of HK\$0.01 each*

<u>Name of Director</u>	<u>Capacity</u>	<u>Number of issued ordinary shares held</u>	<u>Percentage of the issued share capital of the Company</u>
Dr. Cho Kwai Chee	Held by controlled corporation (note)	8,148,852,353	27.46%
Dr. Choi Chee Ming, GBS, JP	Held by controlled corporation (note)	8,148,852,353	27.46%

Note: These 8,148,852,353 shares are owned by Broad Idea International Limited. Dr. Cho Kwai Chee and Dr. Choi Chee Ming, GBS, JP are deemed to be interested in the 8,148,852,353 shares owned by Broad Idea International Limited under Part XV of the SFO given that they are beneficially interested in 50.1% and 49.9% of the issued share capital of Broad Idea International Limited respectively.

Other than as disclosed above, none of the directors, the chief executives of the Company, nor their associates had any interests or short positions in the shares, underlying shares of the Company or any of its associated corporations as at 31st March, 2009 as recorded in the register required to be kept by the Company under sections 352 of the SFO.

# DIRECTORS' REPORT

## SUBSTANTIAL SHAREHOLDERS

As at 31st March, 2009, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that other than the interests disclosed above in respect of certain directors and chief executives, the following shareholders had notified the Company of relevant interests or short position in the shares or underlying shares of the Company.

### Long position in the ordinary shares of HK\$0.01 each

Name of shareholder	Capacity	Number of issued/underlying ordinary shares held	Percentage of the issued share capital of the Company
Broad Idea International Limited	Beneficial owner (note)	8,148,852,353	27.46%

Note: Broad Idea International Limited is interested in the 8,148,852,353 shares under Part XV of the SFO. Broad Idea International Limited is beneficially owned by Dr. Cho Kwai Chee as to 50.1% and Dr. Choi Chee Ming, GBS, JP as to 49.9%.

Other than as disclosed above, the Company has not been notified of any other relevant interests or short positions in the issued share capital of the Company as at 31st March, 2009.

## MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31st March, 2009, the percentage of turnover attributable to the Group's five largest customers is less than 30% of the Group's total revenue. The five largest suppliers of the Group and the largest supplier accounted for approximately 52% and 24% of the Group's total purchases respectively.

At no time during the year, did a director, an associate of a director or a shareholder of the Company, which to the knowledge of the directors owns more than 5% of the Company's issued share capital, have an interest in the share capital of any of the five largest customers and suppliers of the Group.

## COMPETING INTERESTS

None of the directors, management shareholders or controlling shareholders of the Company (as defined in the Listing Rules) has an interest in a business which competes or may compete with the business of the Group during the year.

## DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the section headed "Share Options" above, at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debt securities including debentures of, the Company or any other body corporate.

# DIRECTORS' REPORT

## CONNECTED TRANSACTIONS

The Group entered into the following connected transactions and is subject to reporting and disclosure requirements under Chapter 20 of the Rules Governing the Listing of Securities of the Growth Enterprise Market of the Stock Exchange (the "GEM Listing Rules") for the period from 1st April, 2008 to 11th August, 2008 and under Chapter 14A of the Listing Rules for the period from 12th August, 2008 to 31st March, 2009.

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

The following are the principal terms of the tenancy agreements:

### Rent paid to Shining Bright

- |     |           |   |
|-----|-----------|---|
| (1) | Property: | 1/F, Locwood Court, Kingswood Villas, No.1 Tin Wu Road, Tin Shui Wai, New Territories               |
|     | Term:     | 1st October, 2007 – 31st March, 2010  |
|     | Rent:     | HK\$39,000 per month (exclusive of rates and maintenance charges, but inclusive of government rent) |
| (2) | Property: | 7/F, Valiant Industrial Centre, Nos.2-12 Au Pui Wan Street, Shatin, New Territories                 |
|     | Term:     | 1st October, 2007 – 31st March, 2010  |
|     | Rent:     | HK\$20,000 per month (exclusive of rates and maintenance charges, but inclusive of government rent) |
| (3) | Property: | No. 67 Pak Tai Street, Kowloon  |
|     | Term:     | 1st October, 2007 – 31st March, 2010  |
|     | Rent:     | HK\$25,000 per month (exclusive of rates and maintenance charges, but inclusive of government rent) |
| (4) | Property: | Chu Po Building, Nos.117-125 Wo Tong Tsui Street, Kwai Chung, New Territories                       |
|     | Term:     | 1st October, 2007 – 31st March, 2010  |
|     | Rent:     | HK\$28,000 per month (exclusive of rates and maintenance charges, but inclusive of government rent) |
| (5) | Property: | No. 20, Lung Sum Road, Sheung Shui, New Territories   |
|     | Term:     | 1st September, 2007 – 30th November, 2008   |
|     | Rent:     | HK\$33,000 per month (inclusive of rates, maintenance charges and government rent)                  |
| (6) | Property: | Wah Cheung Mansion, 206-216 Castle Peak Road, Yuen Long, New Territories                            |
|     | Term:     | 1st September, 2007 – 30th April, 2008  |
|     | Rent:     | HK\$45,000 per month (inclusive of rates, maintenance charges and government rent)                  |
| (7) | Property: | Tong An Mansion, No. 60-70 Tseuk Luk Street, Kowloon  |
|     | Term:     | 1st September, 2007 – 14th April, 2009  |
|     | Rent:     | HK\$40,000 per month (inclusive of rates, maintenance charges and government rent)                  |



## CONNECTED TRANSACTIONS (Continued)

(A) (Continued)

### License fee received from Shining Bright

- (1) Property: Chu Po Building, Nos.117-125 Wo Tong Tsui Street, Kwai Chung, New Territories  
Term: 1st August, 2007 – 31st July, 2008  
License fee: HK\$18,211 per month

### Rent paid to Dr. Lau

- (1) Property: Lung Fung Shopping Centre, Lung Sum Road, Sheung Shui, New Territories  
Term: 1st September, 2007 – 14th July, 2009  
Rent: HK\$51,000 per month (exclusive of rates, maintenance charges and government rent)
- (2) Property: Wang Wah Mansion, 57-65 Texaco Road, No.1 Tai Ha Street, Tsuen Wan, New Territories  
Term: 1st September, 2007 – 31st October, 2008  
Rent: HK\$30,800 per month (exclusive of rates, maintenance charges and government rent)
- (3) Property: 2/F, Fu Tai Shopping Centre, Fu Tai Estate, New Territories  
Term: 1st September, 2007 – 15th February, 2009  
Rent: HK\$27,000 per month (inclusive of rates, maintenance charges and government rent, but exclusive of air-conditioning charge)

### Rent paid to Crowe

- (1) Property: Grand View Garden, 185 Hammer Hill Road, Diamond Hill, Kowloon  
Term: 1st September, 2007 – 31st July, 2008  
Rent: HK\$22,000 per month (exclusive of rates, maintenance charges and government rent)

(B) On 2nd March, 2009, Town Health (BVI) Limited ("TH BVI"), a wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with Dr. Cho Kwai Chee and his associates (collectively as "Vendors"). Pursuant to the agreement, TH BVI agreed to acquire from the Vendors the 31% equity interest of Pherson Limited, a non-wholly-owned subsidiary of the Company, at a cash consideration of HK\$990,000. The aforesaid acquisition was completed and Pherson Limited became a wholly-owned subsidiary of the Group.

(C) The Group entered into the service agreement with Dr. Hui Ka Wah, Ronnie, JP ("Dr. Hui"), the executive Director. Pursuant to the agreement, Dr. Hui agreed to appoint the Group to provide management services to him for a term of 12 months. Dr. Hui shall pay to the Group a monthly service fee of HK\$80,000.

# DIRECTORS' REPORT

## **DIRECTORS' INTEREST IN CONTRACTS OF SIGNIFICANCE**

Other than as disclosed above under the heading "Connected Transactions", no contracts of significance to which the Company, any of its fellow subsidiaries and subsidiaries was a party and in which a Director had a material interest, whether directly and indirectly, subsisted at the end of the year or at any time during the year.

## **CORPORATE GOVERNANCE**

A report on the principal corporate governance practices adopted by the Company is set out on pages 11 to 14 of this annual report.

## **SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted a code of conduct regarding securities transactions by directors of the Company on terms no less exacting than the required standard of dealings as set out in Rule 5.48 to 5.66 of the GEM Listing Rules (for the period from 1st April, 2008 to 11th August, 2008) and than those set out in Appendix 10 to the Listing Rules (for the period from 12th August, 2008 to 31st March, 2009). The Company has also made specific enquiry to all Directors and the Company was not aware of any non-compliance with the required standard of dealing and its code of conduct regarding securities transactions by the Directors.

## **EMOLUMENT POLICY**

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

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

The Company has adopted a share option scheme as an incentive to eligible persons, details of the scheme are set out in note 48 to the consolidated financial statements.

## **POST BALANCE SHEET EVENTS**

Details of the significant events occurring after the balance sheet date are set out in note 57 to the consolidated financial statements.

## **SUFFICIENCY OF PUBLIC FLOAT**

Based on the information that is publicly available to the Company and within the knowledge of Directors, the Company has maintained sufficient public float as at the date of this report.



## DIRECTORS' REPORT

### **AUDITOR**

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

On behalf of the Board

**Choi Ka Yee, Crystal**

*Chairman*

Hong Kong, 24th July, 2009



# INDEPENDENT AUDITOR'S REPORT



## **TO THE MEMBERS OF TOWN HEALTH INTERNATIONAL HOLDINGS COMPANY LIMITED**

康健國際控股有限公司

*(incorporated in the Cayman Islands and redomiciled in Bermuda with limited liability)*

We have audited the consolidated financial statements of Town Health International Holdings Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 26 to 123, which comprise the consolidated balance sheet as at 31st March, 2009 and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

### **DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS**

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

### **AUDITOR'S RESPONSIBILITY**

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

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

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



## INDEPENDENT AUDITOR'S REPORT

### **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 March, 2009 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  
24th July, 2009

# CONSOLIDATED INCOME STATEMENT

For the year ended 31st March, 2009

	Notes	2009 HK\$'000	2008 HK\$'000
<b>Continuing operations</b>			
Revenue	8	<b>342,212</b>	338,823
Cost of sales		<b>(182,109)</b>	(171,514)
Gross profit		<b>160,103</b>	167,309
Other income	10	<b>30,832</b>	44,325
Administrative expenses			
– Others		<b>(163,433)</b>	(120,086)
– Share-based payment expenses		<b>(198,750)</b>	(9,058)
Other expenses	11	<b>(187,346)</b>	(13,318)
Finance costs	12	<b>(5,822)</b>	(5,314)
(Loss) gain on deemed disposal/disposal of associates	13	<b>(6,471)</b>	31,372
(Loss) gain on disposal of subsidiaries	51	<b>(861)</b>	2,536
Gain on disposal of assets held for sale	51	<b>426</b>	–
Share of results of associates		<b>(7,750)</b>	8,029
Share of result of a jointly controlled entity		<b>(203,581)</b>	235,642
Loss on fair value changes of conversion options and early redemption features embedded in convertible bonds	39	<b>(107,665)</b>	(101,825)
Gain on early redemption of convertible bonds	29	<b>54,867</b>	28,314
(Decrease) increase in fair value of investment properties	21	<b>(2,960)</b>	4,050
Discount on acquisition of a subsidiary	49	<b>27</b>	–
(Loss) profit before tax		<b>(638,384)</b>	271,976
Income tax expense	16	<b>(5,663)</b>	(11,812)
(Loss) profit for the year from continuing operations		<b>(644,047)</b>	260,164
<b>Discontinued operation</b>			
Profit for the year from discontinued operation	17	–	826
(Loss) profit for the year	18	<b>(644,047)</b>	260,990
Attributable to:			
Equity holders of the Company		<b>(652,507)</b>	253,714
Minority interests		<b>8,460</b>	7,276
		<b>(644,047)</b>	260,990
Dividends	19	–	–
(Loss) earnings per share (HK\$)			
From continuing and discontinued operations	20		
– Basic		<b>(3.11)</b>	1.54
– Diluted		<b>N/A</b>	1.54
From continuing operations			
– Basic		<b>(3.11)</b>	1.54
– Diluted		<b>N/A</b>	1.54

# CONSOLIDATED BALANCE SHEET

At 31st March, 2009

	Notes	2009 HK\$'000	2008 HK\$'000
<b>Non-current assets</b>			
Investment properties	21	39,215	42,175
Property, plant and equipment	22	19,902	25,340
Prepaid lease payments	23	9,025	9,267
Loans receivable	24	18,476	–
Goodwill	25	36,064	55,437
Intangible assets	26	9,372	10,173
Interests in associates	27	118,402	134,502
Interest in a jointly controlled entity	28	–	233,510
Available-for-sale investments	29	39,916	350,100
Deposits paid on acquisition of property, plant and equipment	30	2,200	6,847
Deposit paid on acquisition of interest in a subsidiary	31	51,255	–
		<b>343,827</b>	<b>867,351</b>
<b>Current assets</b>			
Inventories	32	8,687	8,786
Trade and other receivables	33	43,593	44,437
Prepaid lease payments	23	242	242
Held for trading investments	34	33,708	–
Loans receivable	24	6,094	–
Amounts due from associates	35	9,025	13,887
Amounts due from investees	36	1,741	2,581
Amounts due from related parties	37	458	1,093
Amounts due from minority shareholders of subsidiaries	38	464	2,265
Amount due from a jointly controlled entity	38	–	33,706
Tax recoverable		4,490	210
Conversion options embedded in convertible bonds	39	–	126,649
Pledged bank deposits	40	5,000	10,000
Bank balances and cash	41	484,549	178,375
		<b>598,051</b>	<b>422,231</b>
Assets classified as held for sale	42	–	17,895
		<b>598,051</b>	<b>440,126</b>

# CONSOLIDATED BALANCE SHEET

At 31st March, 2009

	Notes	2009 HK\$'000	2008 HK\$'000
<b>Current liabilities</b>			
Trade and other payables	43	24,171	24,581
Early redemption option embedded in convertible bonds	39	–	14,555
Amount due to an investee	36	2,244	1,260
Amounts due to minority shareholders of subsidiaries	38	4,165	5,680
Amounts due to related parties	44	16	50,120
Bank and other borrowings – due within one year	45	–	88,253
Tax payable		10,446	11,784
		<b>41,042</b>	196,233
Liabilities associated with assets classified as held for sale	42	–	6,321
		<b>41,042</b>	202,554
<b>Net current assets</b>			
		<b>557,009</b>	237,572
<b>Total assets less current liabilities</b>			
		<b>900,836</b>	1,104,923
<b>Non-current liabilities</b>			
Bank and other borrowings – due after one year	45	–	21,089
Deferred tax liabilities	46	3,738	4,578
		<b>3,738</b>	25,667
		<b>897,098</b>	1,079,256
<b>Capital and reserves</b>			
Share capital	47	296,805	169,679
Reserves		595,303	894,464
		<b>892,108</b>	1,064,143
Equity attributable to equity holders of the Company		<b>4,990</b>	15,113
Minority interests			
		<b>897,098</b>	1,079,256
Total equity		<b>897,098</b>	1,079,256

The consolidated financial statements on pages 26 to 123 were approved and authorised for issue by the Board of Directors on 24th July, 2009 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 March, 2009

	Attributable to equity holders of the Company										
	Share capital	Share premium	Capital reserve	Distributable reserve	Investment revaluation reserve	Translation reserve	Share options reserve	Accumulated (losses) profits	Total	Minority interests	Total
	HK\$'000	HK\$'000	HK\$'000 (Note i)	HK\$'000 (Note ii)	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1st April, 2007	50,720	200,104	10,033	62,677	2,544	507	-	110,002	436,587	15,599	452,186
Exchange difference arising on translation of foreign operations	-	-	-	-	-	(684)	-	-	(684)	-	(684)
Fair value changes in available-for-sale investments	-	-	-	-	54,484	-	-	-	54,484	-	54,484
Share of reserve of a jointly controlled entity	-	-	-	-	(2,132)	-	-	-	(2,132)	-	(2,132)
Share of reserves of an associate	-	-	-	-	(228)	189	-	-	(39)	-	(39)
Net income recognised directly in equity	-	-	-	-	52,124	(495)	-	-	51,629	-	51,629
Profit for the year	-	-	-	-	-	-	-	253,714	253,714	7,276	260,990
Total recognised income and expense for the year	-	-	-	-	52,124	(495)	-	253,714	305,343	7,276	312,619
Shares issued	116,889	183,845	-	-	-	-	-	-	300,734	-	300,734
Transaction costs attributable to issue of shares	-	(10,426)	-	-	-	-	-	-	(10,426)	-	(10,426)
Shares repurchased and cancelled	(120)	(1,341)	-	-	-	-	-	-	(1,461)	-	(1,461)
Exercise of share options	2,190	25,886	-	-	-	-	(3,767)	-	24,309	-	24,309
Recognition of equity-settled share-based payment expenses	-	-	-	-	-	-	9,057	-	9,057	-	9,057
Capital contribution from minority shareholder of a subsidiary	-	-	-	-	-	-	-	-	-	981	981
Dividend paid to minority interests	-	-	-	-	-	-	-	-	-	(8,743)	(8,743)
At 31st March, 2008	169,679	398,068	10,033	62,677	54,668	12	5,290	363,716	1,064,143	15,113	1,079,256

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31st March, 2009

	Attributable to equity holders of the Company										
	Share capital	Share premium	Capital reserve	Distributable reserve	Investment revaluation reserve	Translation reserve	Share options reserve	Accumulated (losses) profits	Total	Minority interests	Total
	HK\$'000	HK\$'000	HK\$'000 (Note i)	HK\$'000 (Note ii)	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Exchange difference arising on translation of foreign operations	-	-	-	-	-	177	-	-	177	-	177
Fair value changes in available-for-sale investments	-	-	-	-	(158,694)	-	-	-	(158,694)	-	(158,694)
Share of reserve of a jointly controlled entity	-	-	-	-	2,132	-	-	-	2,132	-	2,132
Share of reserves of an associate	-	-	-	-	228	2,549	-	-	2,777	-	2,777
Recognition of impairment loss on available-for-sale investments	-	-	-	-	37,403	-	-	-	37,403	-	37,403
Net expense recognised directly in equity	-	-	-	-	(118,931)	2,726	-	-	(116,205)	-	(116,205)
Transfer to profit or loss on disposal of available-for-sale investments	-	-	-	-	3,603	-	-	-	3,603	-	3,603
Transfer to profit or loss on early redemption of convertible bonds	-	-	-	-	60,660	-	-	-	60,660	-	60,660
Loss for the year	-	-	-	-	-	-	-	(652,507)	(652,507)	8,460	(644,047)
Total recognised income and expense for the year	-	-	-	-	(54,668)	2,726	-	(652,507)	(704,449)	8,460	(695,989)
Shares issued	79,300	124,650	-	-	-	-	-	-	203,950	-	203,950
Transaction costs attributable to issue of shares	-	(5,992)	-	-	-	-	-	-	(5,992)	-	(5,992)
Exercise of share options	47,826	116,183	-	-	-	-	(28,303)	-	135,706	-	135,706
Recognition of equity-settled share-based payment expenses	-	-	-	-	-	-	198,750	-	198,750	-	198,750
Dividend paid to minority interests	-	-	-	-	-	-	-	-	-	(17,626)	(17,626)
Acquisition of a subsidiary (note 49)	-	-	-	-	-	-	-	-	-	45	45
Acquisition of additional interests in subsidiaries	-	-	-	-	-	-	-	-	-	(1,149)	(1,149)
Capital contribution from minority shareholder of a subsidiary	-	-	-	-	-	-	-	-	-	147	147
At 31st March, 2009	296,805	632,909	10,033	62,677	-	2,738	175,737	(288,791)	892,108	4,990	897,098

## Notes:

- (i) Capital reserve of the Group represents the difference between the nominal value of HK\$350,000 of the ordinary shares issued by the Company and the nominal value of the share capital of approximately HK\$10,383,000 of Town Health (BVI) Limited, a subsidiary acquired through an exchange of shares pursuant to the group reorganisation in April 2000.
- (ii) The distributable reserve of the Group represents the amount arising from the reduction of share capital net of dividend paid.

# CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31st March, 2009

	2009 HK\$'000	2008 HK\$'000
<b>OPERATING ACTIVITIES</b>		
(Loss) profit before tax	<b>(638,384)</b>	271,976
Profit for the year from discontinued operation	–	826
Income tax expense from discontinued operation	–	188
	<b>(638,384)</b>	272,990
Adjustments for:		
Interest income	<b>(22,698)</b>	(25,624)
Dividend income from unlisted investments	<b>(45)</b>	(83)
Loss on conversion options and early redemption features embedded in convertible bonds	<b>107,665</b>	101,825
Impairment loss in respect of:		
– goodwill arising on acquisition of associates	<b>83,133</b>	5,580
– goodwill arising on acquisition of subsidiaries, and medical and dental practices	<b>28,364</b>	4,951
– available-for-sale investments	<b>37,403</b>	–
– amounts due from associates	<b>16,441</b>	2,787
– amounts due from investees	<b>1,663</b>	–
Depreciation of property, plant and equipment	<b>9,848</b>	10,273
Loss (gain) in fair value changes on held for trading investments	<b>16,739</b>	(4,502)
Impairment loss on trade and other receivables, net of write back	<b>(253)</b>	(5,066)
Loss on disposal of property, plant and equipment	<b>591</b>	286
Release of prepaid lease payments	<b>242</b>	242
Amortisation of intangible assets	<b>2,665</b>	1,333
Decrease (increase) in fair value of investment properties	<b>2,960</b>	(4,050)
Share of results of associates	<b>7,750</b>	(8,029)
Share of result of a jointly controlled entity	<b>203,581</b>	(235,642)
Share-based payment expenses	<b>198,750</b>	9,057
Finance costs	<b>5,822</b>	5,314
Loss (gain) on disposal of subsidiaries	<b>861</b>	(5,100)
Gain on disposal of assets classified as held for sale	<b>(426)</b>	–
(Loss) gain on deemed disposal/disposal of associates	<b>6,471</b>	(31,372)
Gain on early redemption of convertible bonds	<b>(54,867)</b>	(28,314)
Loss on disposal of available-for-sale investments	<b>3,603</b>	–
Discount on acquisition of a subsidiary	<b>(27)</b>	–
	<b>17,852</b>	66,856
Operating cash inflow before movements in working capital		
Decrease in inventories	<b>607</b>	1,842
(Increase) decrease in trade and other receivables	<b>(3,218)</b>	6,773
(Increase) decrease in held for trading investments	<b>(50,447)</b>	25,523
Decrease in trade and other payables	<b>(3,969)</b>	(10,537)
	<b>(39,175)</b>	90,457
Cash (used in) generated from operations		
Hong Kong Profits Tax paid	<b>(12,121)</b>	(11,277)
	<b>(51,296)</b>	79,180
<b>NET CASH (USED IN) FROM OPERATING ACTIVITIES</b>		



# CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31st March, 2009

	Notes	2009 HK\$'000	2008 HK\$'000
<b>INVESTING ACTIVITIES</b>			
Proceeds from early redemption of available-for-sale investments		<b>372,540</b>	210,000
Repayment from (advance to) the jointly controlled entity		<b>33,706</b>	(33,706)
Dividend receivable from a jointly controlled entity		<b>32,061</b>	–
Proceeds from disposal of assets held for sales	51	<b>12,000</b>	–
Release of pledged bank deposits		<b>5,000</b>	–
Proceeds from disposal of available-for-sale investments		<b>4,515</b>	–
Interest received		<b>2,416</b>	8,274
Decrease in amounts due from minority shareholders of subsidiaries		<b>1,801</b>	8,331
Dividend received from associates		<b>1,642</b>	2,048
Repayment of loans receivable		<b>690</b>	–
Decrease in amounts due from related parties		<b>635</b>	1,753
Proceeds from disposal of property, plant and equipment		<b>306</b>	72
Disposal of subsidiaries	51	<b>231</b>	4,360
Dividend received from unlisted investments		<b>45</b>	83
Investment in an associate		<b>(114,900)</b>	–
Purchase of available-for-sale investments		<b>(55,537)</b>	(539,420)
Deposits paid on acquisition of interest in a subsidiary		<b>(51,255)</b>	–
Advances of loans receivables		<b>(25,260)</b>	–
Acquisition of subsidiaries	49	<b>(9,849)</b>	(43,964)
Purchase of property, plant and equipment		<b>(8,559)</b>	(12,045)
(Increase) decrease in amounts due from associates		<b>(6,679)</b>	9,853
Acquisition of additional interests in subsidiaries		<b>(1,788)</b>	–
Increase in amounts due from investees		<b>(823)</b>	(1,293)
Proceeds from disposal of associates		–	15,008
Acquisition of medical and dental practices	50	–	(6,045)
<b>NET CASH FROM (USED IN) INVESTING ACTIVITIES</b>		<b>192,938</b>	(376,691)

# CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31st March, 2009

Notes	<b>2009</b> <b>HK\$'000</b>	2008 HK\$'000
<b>FINANCING ACTIVITIES</b>		
Proceeds from issue of shares	<b>339,656</b>	325,043
New bank and other borrowings raised	<b>90,000</b>	67,000
Increase (decrease) in amounts due to minority shareholders of subsidiaries	<b>12,454</b>	(5,862)
Increase in amount due to an investee	<b>984</b>	1,260
Capital contributed by minority shareholder of a subsidiary	<b>147</b>	981
Repayment of bank and other borrowings	<b>(180,241)</b>	(28,958)
(Decrease) increase in amounts due to related companies	<b>(50,104)</b>	49,205
Dividend paid to minority shareholders of subsidiaries	<b>(17,626)</b>	(8,743)
Interest paid	<b>(5,822)</b>	(5,314)
Expenses paid in connection with issue of shares	<b>(5,992)</b>	(10,426)
Payment on shares repurchased	–	(1,461)
Repayment of obligations under finance leases	–	(56)
	<b>183,456</b>	382,669
<b>NET CASH FROM FINANCING ACTIVITIES</b>	<b>183,456</b>	382,669
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>325,098</b>	85,158
<b>EFFECT OF FOREIGN EXCHANGE RATE CHANGES</b>	<b>177</b>	(684)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<b>159,274</b>	74,800
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b>484,549</b>	159,274
<b>ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS</b>		
Bank balances and cash	<b>484,549</b>	178,375
Bank overdrafts	–	(19,101)
	<b>484,549</b>	159,274

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2009

## 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 redomiciled in Bermuda as an exempted company under the laws of Bermuda. In August 2008, the Company transferred the listing of its shares from the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited ("Stock Exchange") to the Main Board of the Stock Exchange.

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

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

The Company is an investment holding company. The principal activities of its subsidiaries and associates are set out in notes 59 and 27 respectively.

## 2. BASIS OF PREPARATION

At 1st April, 2006 the Group held convertible bonds of HK\$60,000,000 ("Convertible Bonds I") issued by Hong Kong Health Check and Laboratory Holdings Company Limited ("Hong Kong Health Check") and on 3rd October, 2006, Hong Kong Health Check issued convertible bonds of HK\$40,000,000 to third parties ("Convertible Bonds II"). If Convertible Bonds I and Convertible Bonds II were immediately convertible into shares in Hong Kong Health Check at a conversion price of HK\$0.041, the Group would be given 35.75% ownership interest and as a consequence voting rights in Hong Kong Health Check upon the conversion of both Convertible Bonds I and Convertible Bonds II.

During the year ended 31st March, 2008, Hong Kong Health Check further issued convertible bonds ("Convertible Bonds III") of HK\$500,000,000 and convertible bonds of HK\$250,000,000 ("Convertible Bonds IV") at a conversion price of HK\$0.25 to the Group and third parties, respectively.

On 9th July, 2007, the Group converted HK\$20,000,000 of its Convertible Bonds I into 487,804,878 shares in Hong Kong Health Check at a conversion price of HK\$0.041 and accordingly held 12.52% equity interest in Hong Kong Health Check, which was subsequently diluted to 10.7% upon issue of new shares by Hong Kong Health Check.

On 17th September, 2007, Hong Kong Health Check partially redeemed HK\$200,000,000 and HK\$80,000,000 of the Convertible Bonds III and Convertible Bonds IV respectively.

At 31st March, 2008, upon conversion of the remaining amount of the Convertible Bonds I, Convertible Bonds II, Convertible Bonds III and Convertible Bonds IV, the Group would obtain 39.5% ownership interest in Hong Kong Health Check. The Group held 10.7% equity interest in Hong Kong Health Check and, the directors considered that the Group had power to participate in the financial and operating policy decisions of Hong Kong Health Check. The equity interest in it was therefore considered as an associate of the Group. Accordingly, the Group equity accounted for the interest in Hong Kong Health Check as an associate and shared 10.7% in the results and changes in shareholders' equity in Hong Kong Health Check during the period from 9th July, 2007 to 31st March, 2008.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2009

## 2. BASIS OF PREPARATION *(Continued)*

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

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

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

On 29th September, 2008 and 13th October, 2008, Hong Kong Health Check further redeemed the remaining Convertible Bonds III of HK\$220,000,000 and Convertible Bonds I of HK\$40,000,000 respectively. The Group did not hold any convertible bonds issued by Hong Kong Health Check at the end of this year.

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

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

HKAS 39 & HKFRS 7 (Amendments)	Reclassification of Financial Assets
HK(IFRIC) – Int 12	Service Concession Arrangements
HK(IFRIC) – Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The adoption of the new HKFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2009

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

The Group has not early applied the following new and revised standards, amendments or interpretations that have been issued but are not yet effective.

HKFRSs (Amendments)	Improvements to HKFRSs 2008 <sup>1</sup>
HKFRSs (Amendments)	Improvements to HKFRSs 2009 <sup>2</sup>
HKAS 1 (Revised)	Presentation of Financial Statements <sup>3</sup>
HKAS 23 (Revised)	Borrowing Costs <sup>3</sup>
HKAS 27 (Revised)	Consolidated and Separate Financial Statements <sup>4</sup>
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation <sup>3</sup>
HKAS 39 (Amendment)	Eligible hedged items <sup>4</sup>
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate <sup>3</sup>
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations <sup>3</sup>
HKFRS 3 (Revised)	Business Combinations <sup>4</sup>
HKFRS 7 (Amendment)	Improvement Disclosures about Financial Instruments <sup>3</sup>
HKFRS 8	Operating Segments <sup>3</sup>
HK(IFRIC) – Int 9 & HKAS 39 (Amendments)	Embedded Derivatives <sup>5</sup>
HK(IFRIC) – Int 13	Customer Loyalty Programmes <sup>6</sup>
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estate <sup>3</sup>
HK(IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation <sup>7</sup>
HK(IFRIC) – Int 17	Distribution of Non-cash Assets to Owners <sup>4</sup>
HK(IFRIC) – Int 18	Transfer of Assets from Customers <sup>8</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1st January, 2009 except the amendments to HKFRS 5, effective for annual periods beginning on or after 1st July, 2009

<sup>2</sup> Effective for annual periods beginning on or after 1st January, 2009, 1st July, 2009 and 1st January, 2010, as appropriate

<sup>3</sup> Effective for annual periods beginning on or after 1st January, 2009

<sup>4</sup> Effective for annual periods beginning on or after 1st July, 2009

<sup>5</sup> Effective for annual periods ending on or after 30th June, 2009

<sup>6</sup> Effective for annual periods beginning on or after 1st July, 2009

<sup>7</sup> Effective for annual periods beginning on or after 1st October, 2008

<sup>8</sup> Effective for transfers on or after 1st July, 2009

The application of HKFRS 3 (Revised) may affect the Group's accounting for business combination for which the acquisition date is on or after 1st January, 2010. The directors of the Company anticipate that the application of the other new or revised standards, amendments or interpretations will have no material impact on the results or the financial position of the Group.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2009

## 4. SIGNIFICANT ACCOUNTING POLICIES

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

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

### **Basis of consolidation**

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

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

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

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

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

### **Business combinations**

The acquisition of businesses is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under HKFRS 3 "Business Combinations" are recognised at their fair values at the acquisition date.

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2009

## 4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### **Goodwill**

#### *Goodwill arising on acquisitions before 1st January, 2005*

Goodwill arising on acquisition of net assets and operations of another entity for which the agreement date is before 1st January, 2005 represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of the relevant acquiree at the date of acquisition.

For previously capitalised goodwill arising on acquisitions of net assets and operations of another entity before 1st January, 2005, the Group has discontinued amortisation from 1st April, 2005 onwards, and such goodwill is tested for impairment annually, and whenever there is an indication that the cash-generating unit to which the goodwill related may be impaired.

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

Goodwill arising on an acquisition of a business for which the agreement date is on or after 1st January, 2005 represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of the relevant business or a jointly controlled entity at the date of acquisition. Such goodwill is carried at cost less any accumulated impairment losses.

Capitalised goodwill arising on an acquisition of a business is presented separately in the consolidated balance sheet.

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2009

## 4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### **Interests in associates**

An associate is an entity over which the investor has significant influence and that is neither a subsidiary nor an interest in a joint venture.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, investments in associates are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associate, less any identified impairment loss. When the Group's share of losses of an associate equals or exceeds its interest in that associate, the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

#### *Goodwill arising on acquisitions prior to 1st January, 2005*

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets and liabilities of the associate recognised at the date of acquisition is recognised as goodwill. From 1st January, 2005 onwards, the Group has discontinued amortisation of goodwill and such goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment.

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

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

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

### **Interests in jointly controlled entities**

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

#### *Jointly controlled entities are accounted for using the equity method*

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



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2009

## 4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### **Revenue recognition**

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

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

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

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

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

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

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

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

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

### **Property, plant and equipment**

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

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2009

## 4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### **Intangible assets**

#### *Intangible assets acquired in a business combination*

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

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

### **Prepaid lease payments**

Prepaid lease payments which represent up-front payments to acquire leasehold land interests, are stated at cost and released to the consolidated income statement over the period of the lease on a straight-line basis.

### **Investment properties**

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

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

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

### **Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2009

## 4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### **Impairment losses on tangible and intangible assets other than goodwill**

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

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

### **Inventories**

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

### **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 the consolidated income statement on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on a straight-line basis over the lease term.

#### *The Group as lessee*

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

### **Retirement benefit costs**

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

### **Foreign currencies**

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in its functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are re-translated at the rates prevailing on the balance sheet date.

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2009

## 4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### **Foreign currencies** *(Continued)*

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's operations in other parts of the People's Republic of China ("PRC") are translated into the presentation currency of the Group (i.e. Hong Kong dollars) at the rate of exchange prevailing at the balance sheet date, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised as a separate component of equity (the translation reserve). Such translation differences are recognised in profit or loss in the period in which the PRC operation is disposed of.

### **Taxation**

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated income statement 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 balance sheet date.

Deferred tax is recognised on 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, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2009

## 4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### **Financial instruments**

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

#### *Financial assets*

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

#### *Effective interest method*

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

Income is recognised on an effective interest basis for debt instruments other than those financial assets designated as at FVTPL, of which interest income is excluded from net gains or losses.

#### *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.

At each balance sheet date subsequent to initial recognition, financial assets at FVTPL are measured at fair value, with changes in fair value recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss excludes any dividend or interest earned in financial assets.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2009

## 4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### **Financial instruments** *(Continued)*

#### *Financial assets (Continued)*

##### Loans and receivables

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

##### Available-for-sale financial assets

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

At each balance sheet date subsequent to initial recognition, available-for-sale financial assets are measured at fair value. Changes in fair value are recognised in equity, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously recognised in equity is removed from equity and recognised in profit or loss.

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

##### Impairment of financial assets

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

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

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2009

## 4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### **Financial instruments** *(Continued)*

#### *Financial assets (Continued)*

##### *Impairment of financial assets (Continued)*

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

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

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

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

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2009

## 4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### **Financial instruments** *(Continued)*

#### *Financial liabilities and equity*

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

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

#### *Effective interest method*

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

Interest expense is recognised on an effective interest basis.

#### *Financial liabilities*

Financial liabilities, including trade and other payables, amounts due to minority shareholders of subsidiaries, amount(s) due to an investee/related parties and bank and other borrowings, are subsequently measured at amortised cost, using the effective interest method.

#### *Equity instruments*

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

#### *Embedded derivatives*

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

#### *Derecognition*

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

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



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2009

## 4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Equity-settled share-based payment transactions

#### *Share options granted to employees*

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

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

#### *Share options granted to suppliers/consultants*

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

## 5. KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

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

### Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating units and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. The carrying amount of goodwill at 31st March, 2009 and the details of the impairment test are disclosed in note 25.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2009

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

### **Estimated fair value of embedded derivatives**

Determining the fair value of embedded derivative requires estimation on the assumption used in Binomial model and The Black-Scholes Pricing Model. The Binomial model and The Black-Scholes Pricing Model requires the Group to estimate volatilities of the share price and a suitable discount rate in order to calculate the fair value. As at 31st March, 2009, the fair values of conversion options and early redemption options embedded in convertible bonds are Nil (2008: HK\$126,649,000) and Nil (2008: HK\$14,555,000) respectively. Details of the calculation are disclosed in note 39.

### **Estimated fair value of share options granted**

Determining the fair value of share options granted requires estimation on the assumption used in the Binomial model. The Binomial model requires the Group to estimate volatilities of the share price and a suitable discount rate in order to calculate the fair value. As at 31st March, 2009, the fair values of the share options granted recognised as share-based payment expenses are HK\$198,750,000 (2008: HK\$9,058,000). Details of the calculations are disclosed in note 48.

### **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 March, 2009, the carrying amount of loans receivable amounted to HK\$24,570,000 (2008: Nil).

### **Impairment loss on trade receivables**

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

### **Allowance for obsolete inventories**

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2009

## 6. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of debt, which includes equity attributable to equity holders of the Company, comprising issued share capital, reserves and accumulated losses.

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

## 7. FINANCIAL INSTRUMENTS

### 7a. Categories of financial instruments

	2009 HK\$'000	2008 HK\$'000
<b>Financial assets</b>		
Fair value through profit or loss ("FVTPL")		
– Held for trading investments	33,708	–
– Embedded conversion options classified as held for trading	–	126,649
Available-for-sale investments	39,916	350,100
Loans and receivables (including cash and cash equivalents)	549,895	267,483
<b>Financial liabilities</b>		
Amortised cost	13,683	174,675
Embedded early redemption option classified as held for trading	–	14,555

### 7b. Financial risk management objectives and policies

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2009

## 7. FINANCIAL INSTRUMENTS *(Continued)*

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

#### *Market risk*

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

#### (i) Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to variable-rate bank borrowings and is exposed to fair value interest rate risk in relation to the fixed-rate loans receivable and the debt element of the Convertible Bonds I and III in Hong Kong Health Check and the convertible bonds ("Convertible Bonds V") in Core Healthcare (included in available-for-sale investments). 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 directors consider the Group's exposure of the bank deposits and bank borrowings to fair value interest rate risk are not significant as most deposits and borrowings bear variable interest rate.

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

#### Sensitivity analysis

(I) The sensitivity analyses below have been determined based on the exposure to interest rates for variable-rate bank borrowings at the balance sheet dates. The analysis is prepared assuming the amounts outstanding at the balance sheet date were outstanding for the whole year. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's loss for the year ended 31st March, 2009 would decrease/increase by Nil (2008: profit for the year decrease/increase by approximately HK\$546,000). This is mainly attributable to the Group's exposure to interest rates on its variable-rate bank borrowings.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2009

## 7. FINANCIAL INSTRUMENTS *(Continued)*

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

#### *Market risk (Continued)*

#### (i) Interest rate risk *(Continued)*

##### *Sensitivity analysis (Continued)*

- (II) The sensitivity analyses below have been determined based on the exposure to interest rates for the debt element of convertible bonds in Hong Kong Health Check and Core Healthcare at 31st March, 2008. The analysis was prepared assuming the amount of the outstanding at 31st March, 2008 was outstanding for the whole year. A 50 basis point increase or decrease was used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates. If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's investment revaluation reserve would decrease/increase by approximately HK\$4,325,000. This was mainly attributable to the Group's exposure to interest rates on its debt element of convertible bonds in Hong Kong Health Check and Core Healthcare.

No sensitivity analysis is prepared on the exposure to interest rates for the debt element of convertible bonds in Hong Kong Health Check and Core Healthcare as at 31st March, 2009 as these convertible bonds had been redeemed during the year.

#### (ii) Price risk on listed securities

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

##### *Sensitivity analysis*

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

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

- loss for the year ended 31st March, 2009 would decrease/increase by HK\$1,407,000 (2008: Nil) as a result of the changes in fair value of financial assets at fair value through profit or loss.
- investments revaluation reserve would increase/decrease by HK\$1,985,000 (2008: increase/decrease by HK\$2,434,000) for the Group as a result of the changes in fair value of available-for-sale investments. For the year ended 31st March, 2009, any changes in investments revaluation reserve would then be impaired immediately in the consolidated income statement.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2009

## 7. FINANCIAL INSTRUMENTS *(Continued)*

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

#### *Market risk (Continued)*

(iii) Price risk on conversion option/early redemption embedded in convertible bonds

The Group was required to estimate the fair value of the conversion option embedded in the convertible bonds at 31st March, 2008 with changes in fair value to be recognised in the consolidated income statements as long as the convertible bonds were outstanding. The fair value adjustment would be affected either positively or negatively, amongst others, by the changes in share price volatility of Hong Kong Health Check and Core Healthcare, the convertible bonds issuers.

#### *Sensitivity analysis*

The sensitivity analyses below had been determined based on the exposure to the change of share price of Hong Kong Health Check and Core Healthcare at 31st March, 2008. If the share prices of Hong Kong Health Check and Core Healthcare had been 5% higher/lower and all other variables were held constant, the Group's profit for the year ended 31st March, 2008 (as a result of changes in fair value of conversion option and early redemption option components of convertible bonds), would increase/decrease by HK\$7,014,000.

In management's opinion, the sensitivity analyses are unrepresentative of the inherent market risk as the pricing model used in the fair value valuation of the conversion option and early redemption component of convertible bonds involves multiple variables and certain variables are interdependent.

No sensitivity analysis is prepared on the exposure to the change of share price of Hong Kong Health Check and Core Healthcare as at 31st March, 2009 as these convertible bonds held in Hong Kong Health Check and Core Healthcare had been early redeemed during the year.

#### *Credit risk*

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

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at each balance sheet date 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2009

## 7. FINANCIAL INSTRUMENTS (Continued)

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

#### Credit risk (Continued)

The Group's concentration of credit risk by geographical locations is mainly in HK, which accounted for 100% (2008: 100%) of the total trade receivables as at 31st March, 2009. The Group has concentration of credit risk by customer as 57% (2008: 56%) and 42% (2008: 45%) of the total trade receivables were due from the Group's five largest customers and largest customer respectively. As at 31st March, 2009, the Group has also concentration of credit risk on loans receivable due from four individuals amounting to HK\$17,641,000 and an employee amounting to HK\$6,929,000, who are all in Hong Kong with good credit history.

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

#### Liquidity risk

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

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

Liquidity and interest risk tables

	Weighted average effective interest rate	Less than 3 months HK\$'000	3-6 months HK\$'000	6 months to 1 year HK\$'000	1-5 years HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount at 31.3.2009 HK\$'000
<b>2009</b>							
<b>Non-derivative financial liabilities:</b>							
Trade and other payables	-	7,258	-	-	-	7,258	7,258
Amounts due to minority shareholders of subsidiaries	-	4,165	-	-	-	4,165	4,165
Amount due to related parties	-	16	-	-	-	16	16
Amount due to an investee	-	2,244	-	-	-	2,244	2,244
		<u>13,683</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,683</u>	<u>13,683</u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2009

## 7. FINANCIAL INSTRUMENTS (Continued)

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

Liquidity risk (Continued)

Liquidity and interest risk tables (Continued)

	Weighted average effective interest rate	Less than 3 months HK\$'000	3-6 months HK\$'000	6 months to 1 year HK\$'000	1-5 years HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount at 31.3.2008 HK\$'000
<b>2008</b>							
<b>Non-derivative financial liabilities:</b>							
Trade and other payables	-	8,274	-	-	-	8,274	8,274
Amounts due to minority shareholders of subsidiaries	-	5,679	-	-	-	5,679	5,679
Amounts due to related parties	1%	50,205	-	-	-	50,205	50,120
Amount due to an investee	-	1,260	-	-	-	1,260	1,260
Bank and other borrowings - variable rate (2% - 6.45%)	4.23%	86,809	708	1,415	24,144	113,076	109,342
		152,227	708	1,415	24,144	178,494	174,675
Early redemption option embedded in convertible bonds	-	14,555	-	-	-	14,555	14,555
		166,782	708	1,415	24,144	193,049	189,230

### 7c. Fair value

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

- the fair values of financial assets with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market bid price;
- the fair value of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices or rates from observable current market transactions as input, and
- for an option-based derivative, the fair value is estimated using either the Binomial or Black-Scholes model and the fair value of derivative instruments are calculated with reference to the valuation carried out by Greater China Appraisal Limited ("GCAL"), an independent firm of professional valuers not connected with the Group. GCAL possess appropriate qualifications and recent experiences in the valuation of similar derivative instruments.

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



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2009

## 8. 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, for both continuing and discontinued operations, is as follows:

	2009 HK\$'000	2008 HK\$'000
Continuing operations:		
Provision of healthcare and dental services	289,389	266,562
Sales of healthcare and pharmaceutical products	35,853	46,879
Provision of beauty and skincare services	976	–
Others	15,994	25,382
	<u>342,212</u>	<u>338,823</u>
Discontinued operation:		
Sale of cardiology and peripheral vascular related surgical equipment	–	35,189

## 9. BUSINESS AND GEOGRAPHICAL SEGMENTS

### Business segments

For management purposes, the Group was previously organised into three major operating divisions – (1) provision of healthcare and dental services, (2) sales of healthcare and pharmaceutical products and (3) others. In the current year, the Group is engaged in a new business segment, provision of beauty and skincare services, after the acquisition of the entire interest in Dermagic Skin Treatment Centre Company Limited as set out in note 49. These divisions are the basis on which the Group reports its primary segment information.

Principal activities are as follows:

- Provision of healthcare and dental services – Operations of the Group's medical and dental practices.
- Sales of healthcare and pharmaceutical products – Sales of healthcare and pharmaceutical products including radioactive isotopes for medical uses.
- Provision of beauty and skincare services – Operations of the Group's beauty and skincare services.
- Others – Catering services and provision of design, promotion, advertising and public relationship services.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2009

## 9. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

### Business segments (Continued)

During the year ended 31st March, 2008, the Group was also involved in the sales of cardiology and peripheral vascular related surgical equipment ("Cardiology Operation"). The Cardiology Operation was discontinued on 10th March, 2008 (See note 17).

### For the year ended 31st March, 2009

	Continuing operations				Total HK\$'000	Discontinued operation	Consolidated HK\$'000
	Provision of healthcare and dental services HK\$'000	Sales of healthcare and pharmaceutical products HK\$'000	Provision of beauty and skincare services HK\$'000	Others HK\$'000		Sales of cardiology and peripheral vascular related surgical equipment HK\$'000	
REVENUE	289,389	35,853	976	15,994	342,212	-	342,212
RESULTS							
Segment results	25,975	20,646	(7,144)	(1,656)	37,821	-	37,821
Other income					30,832	-	30,832
Unallocated corporate expenses					(145,772)	-	(145,772)
Share-based payment expenses					(198,750)	-	(198,750)
Finance costs					(5,822)	-	(5,822)
Loss on deemed disposal of an associate					(6,471)	-	(6,471)
Share of results of associates	(7,750)	-	-	-	(7,750)	-	(7,750)
Share of result of a jointly controlled entity	(203,581)	-	-	-	(203,581)	-	(203,581)
Impairment loss in respect of interests in associates	(83,133)	-	-	-	(83,133)	-	(83,133)
Loss on fair value changes of conversion options and early redemption features embedded in convertible bonds					(107,665)	-	(107,665)
Gain on early redemption of convertible bonds					54,867	-	54,867
Decrease in fair value of investment properties					(2,960)	-	(2,960)
Loss before tax					(638,384)	-	(638,384)
Income tax expense					(5,663)	-	(5,663)
Loss for the year					(644,047)	-	(644,047)

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2009

## 9. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

### Business segments (Continued)

For the year ended 31st March, 2009

	Continuing operations				Total HK\$'000	Discontinued operation	Consolidated HK\$'000
	Provision of healthcare and dental services HK\$'000	Sales of healthcare and pharmaceutical products HK\$'000	Provision of beauty and skincare services HK\$'000	Others HK\$'000		Sales of cardiology and peripheral vascular related surgical equipment HK\$'000	
<b>ASSETS</b>							
Segment assets	609,728	16,642	3,574	2,540	632,484	-	632,484
Interests in associates	118,402	-	-	-	118,402	-	118,402
Unallocated assets							190,992
Total assets							<u>941,878</u>
<b>LIABILITIES</b>							
Segment liabilities	10,315	496	12,481	881	24,173	-	24,173
Unallocated liabilities							<u>20,607</u>
Total liabilities							<u>44,780</u>
<b>OTHER INFORMATION</b>							
Capital expenditure	2,130	240	943	1,994	5,307	-	5,307
Depreciation of property, plant and equipment	8,949	108	172	619	9,848	-	9,848
Impairment loss recognised in respect of:							
- interests in associates	83,133	-	-	-	83,133	-	83,133
- goodwill arising on acquisition of subsidiaries, and medical and dental practices	21,696	1,078	5,590	-	28,364	-	28,364
- amounts due from associates	16,441	-	-	-	16,441	-	16,441
- amounts due from investees	1,663	-	-	-	1,663	-	1,663
- trade and other receivables	342	-	-	-	342	-	342
Release of prepaid lease payments	242	-	-	-	242	-	242

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2009

## 9. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

### Business segments (Continued)

For the year ended 31st March, 2008

	Continuing operations				Discontinued operation	Consolidated HK\$'000
	Provision of healthcare and dental services HK\$'000	Sales of healthcare and pharmaceutical products HK\$'000	Others HK\$'000	Total HK\$'000	Sales of cardiology and peripheral vascular related surgical equipment HK\$'000	
REVENUE	266,562	46,879	25,382	338,823	35,189	374,012
RESULTS						
Segment results	28,056	30,360	(6,637)	51,779	(3,555)	48,224
Other income				38,234	2,122	40,356
Unallocated corporate expenses				(6,203)	(117)	(6,320)
Share-based payment expenses				(9,058)	–	(9,058)
Finance costs				(5,314)	–	(5,314)
Gain on disposal/deemed disposal of associates	31,372	–	–	31,372	–	31,372
Gain on disposal of subsidiaries	2,536	–	–	2,536	2,564	5,100
Share of results of associates	8,029	–	–	8,029	–	8,029
Share of result of a jointly controlled entity	235,642	–	–	235,642	–	235,642
Loss on fair value changes of conversion options and early redemption features embedded in convertible bonds				(101,825)	–	(101,825)
Impairment loss recognised in respect of interests in associates	(5,580)	–	–	(5,580)	–	(5,580)
Gain on early redemption of convertible bonds				28,314	–	28,314
Increase in fair value of investment properties				4,050	–	4,050
Profit before tax				271,976	1,014	272,990
Income tax expense				(11,812)	(188)	(12,000)
Profit for the year				260,164	826	260,990

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2009

## 9. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

### Business segments (Continued)

For the year ended 31st March, 2008

	Continuing operations				Discontinued operation	Consolidated HK\$'000
	Provision of healthcare and dental services HK\$'000	Sales of healthcare and pharmaceutical products HK\$'000	Others HK\$'000	Total HK\$'000	Sales of cardiology and peripheral vascular related surgical equipment HK\$'000	
<b>ASSETS</b>						
Segment assets	315,428	29,927	3,549	348,904	–	348,904
Interests in associates	134,502	–	–	134,502	–	134,502
Interest in a jointly controlled entity	233,510	–	–	233,510	–	233,510
Unallocated assets						590,561
Total assets						<u>1,307,477</u>
<b>LIABILITIES</b>						
Segment liabilities	22,518	755	1,308	24,581	–	24,581
Unallocated liabilities						203,640
Total liabilities						<u>228,221</u>
<b>OTHER INFORMATION</b>						
Capital expenditure	19,423	1,029	965	21,417	168	21,585
Depreciation of property, plant and equipment	7,500	1,882	644	10,026	247	10,273
Impairment loss recognised in respect of:						
– goodwill arising on acquisition of subsidiaries, and medical and dental practices	4,951	–	–	4,951	–	4,951
– amounts due from associates	2,787	–	–	2,787	–	2,787
– trade and other receivables	168	–	–	168	–	168
– inventories	–	–	–	–	1,472	1,472
– unlisted securities	1,999	–	–	1,999	–	1,999
Release of prepaid lease payments	242	–	–	242	–	242

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2009

## 9. BUSINESS AND GEOGRAPHICAL SEGMENTS *(Continued)*

### Geographical segments

The Group's operations are located in Hong Kong and the PRC. Provision of healthcare and dental services, beauty and skincare services and sales of healthcare and pharmaceutical products are carried out in Hong Kong. Sales of cardiology and peripheral vascular related surgical equipment were carried out in the PRC and Hong Kong.

The following table provides an analysis of the Group's revenue by geographical market, irrespective of the origin of the goods/services:

	Revenue by geographical market	
	2009 HK\$'000	2008 HK\$'000
Continuing operations:		
Hong Kong	342,212	338,823
Discontinued operation:		
Hong Kong	-	8,661
PRC	-	26,528
	-	35,189

At the balance sheet dates, the carrying amounts of segment assets and additions to property, plant and equipment, analysed by geographical area in which the assets are located in Hong Kong.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2009

## 10. OTHER INCOME

	Continuing operations		Discontinued operation		Consolidated	
	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000
Interest income on bank deposits	2,416	3,286	-	20	2,416	3,306
Interest income on debt securities classified as available-for-sale investments	20,282	22,318	-	-	20,282	22,318
Compensation income	-	2,049	-	-	-	2,049
Dividend income from unlisted investments classified as available-for-sale investments	45	83	-	-	45	83
Gain on fair value changes on held-for-trading investments	-	4,502	-	-	-	4,502
Rental income	5,294	4,982	-	-	5,294	4,982
Reversal of impairment loss on amounts due from associates	-	956	-	-	-	956
Write back of allowance on trade receivables	595	5,234	-	-	595	5,234
Sundry income	2,200	915	-	2,102	2,200	3,017
	<b>30,832</b>	<b>44,325</b>	<b>-</b>	<b>2,122</b>	<b>30,832</b>	<b>46,447</b>

## 11. OTHER EXPENSES

	Continuing operations		Discontinued operation		Consolidated	
	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000
Loss on fair value changes on held-for-trading investments	16,739	-	-	-	16,739	-
Loss on disposal of available-for-sale investments	3,603	-	-	-	3,603	-
Impairment loss recognised in respect of:						
- available-for-sale investments	37,403	-	-	-	37,403	-
- interests in associates	83,133	5,580	-	-	83,133	5,580
- goodwill arising on acquisition of subsidiaries, and medical and dental practices	28,364	4,951	-	-	28,364	4,951
- amounts due from associates	16,441	2,787	-	-	16,441	2,787
- amounts due from investees	1,663	-	-	-	1,663	-
	<b>187,346</b>	<b>13,318</b>	<b>-</b>	<b>-</b>	<b>187,346</b>	<b>13,318</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2009

## 12. FINANCE COSTS

	Continuing operations		Discontinued operation		Consolidated	
	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000
Interest on:						
- Bank borrowings wholly repayable within five years	5,666	3,330	-	-	5,666	3,330
- Bank borrowings not wholly repayable within five years	-	1,386	-	-	-	1,386
- Bank overdrafts	73	478	-	-	73	478
- Amounts due to related parties	83	119	-	-	83	119
- Obligations under finance leases	-	1	-	-	-	1
	<b>5,822</b>	5,314	<b>-</b>	-	<b>5,822</b>	5,314

## 13. (LOSS) GAIN ON DEEMED DISPOSAL/DISPOSAL OF ASSOCIATES

	2009 HK\$'000	2008 HK\$'000
Smart Vision (Asia) Limited	-	7,786
Star Shine Limited	-	5,500
New Creative Limited	-	8
Gain on disposal of associates	-	13,294
(Loss) gain on deemed disposal of an associate	<b>(6,471)</b>	18,078
	<b>(6,471)</b>	31,372

During the year ended 31st March, 2008, the Group had disposed of certain of its investments in associates to independent third parties and gain on disposal of associates amounting to HK\$13,294,000 was credited to the consolidated income statement.

As set out in note 2, upon partial conversion of the Convertible Bond I during the year ended 31st March, 2008, the Group held 12.52% interest in Hong Kong Health Check. Following the issue of new shares by Hong Kong Health Check, the Group's interest was diluted from 12.52% to 10.7% on 31st March, 2008 and further diluted to 3.62% on 18th September, 2008. During the year ended 31st March, 2009, a deemed disposal loss of HK\$6,471,000 (2008: gain of HK\$18,078,000) was resulted and credited to the consolidated income statement.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2009

## 14. DIRECTORS' 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. None of the Directors has waived any emoluments during the year.

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

### For the year ended 31st March, 2009

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2009

## 14. DIRECTORS' EMOLUMENTS (Continued)

For the year ended 31st March, 2008

	Fees HK\$'000	Salaries and other benefits HK\$'000	Retirement benefits scheme contributions HK\$'000	Total emoluments HK\$'000
<b>Executive Directors</b>				
Miss Choi Ka Yee, Crystal	–	–	–	–
Dr. Cho Kwai Chee	–	900	12	912
Mr. Cho Kwai Yee, Kevin	456	–	–	456
Dr. Fung Yiu Tong, Bennet	–	136	–	136
Dr. Hui Ka Wah, Ronnie, JP	48	–	–	48
	<u>504</u>	<u>1,036</u>	<u>12</u>	<u>1,552</u>
<b>Non-executive Directors</b>				
Mr. Chan Kam Chiu	50	–	–	50
Mr. Wai Kwok Hung, SBS, JP	50	–	–	50
Mr. Ho Kwok Wah, George	36	–	–	36
Dr. Choi Chee Ming, GBS, JP	–	–	–	–
	<u>136</u>	<u>–</u>	<u>–</u>	<u>136</u>
Total	<u>640</u>	<u>1,036</u>	<u>12</u>	<u>1,688</u>

Note: Mr. Cho Kwai Yee, Kevin and Dr. Fung Yiu Tong, Bennet resigned as Directors on 19th September, 2008.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2009

## 15. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, four executive Directors whose emoluments are included in note 14 above (2008: Nil). The emoluments of the remaining one (2008: five) individual were as follows:

	<b>2009</b> <b>HK\$'000</b>	2008 HK\$'000
Salaries and other allowances	<b>984</b>	5,788
Performance bonus (note)	<b>524</b>	3,754
Retirement benefits scheme contributions	<b>12</b>	60
Share-based payment expenses	<b>1,258</b>	2,714
	<b>2,778</b>	12,316

Their emoluments were within the following bands:

	<b>2009</b> <b>Number of</b> <b>employees</b>	2008 Number of employees
HK\$1,500,001 to HK\$2,000,000	–	3
HK\$2,500,001 to HK\$3,000,000	<b>1</b>	1
HK\$3,500,001 to HK\$4,000,000	–	1
	<b>1</b>	5

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2009

## 16. INCOME TAX EXPENSE

	Continuing operations		Discontinued operation		Consolidated	
	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000
The charge comprises:						
– Hong Kong Profits Tax attributable to the Group	5,849	10,981	–	230	5,849	11,211
– Under(over)provision in prior years	654	(165)	–	(42)	654	(207)
Deferred tax (note 46)						
– Current year	(576)	996	–	–	(576)	996
– Attributable to a change in tax rate	(264)	–	–	–	(264)	–
	<b>5,663</b>	<b>11,812</b>	<b>–</b>	<b>188</b>	<b>5,663</b>	<b>12,000</b>

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

No PRC income tax has been provided in respect of the Group's PRC subsidiaries since it incurred tax losses for the year.

Details of deferred taxation are set out in note 46.

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

	2009 HK\$'000	2008 HK\$'000
(Loss) profit before tax		
– Continuing operations	(638,384)	271,976
– Discontinued operation	–	1,014
	<b>(638,384)</b>	<b>272,990</b>
Tax at the domestic income tax rate of 16.5% (2008: 17.5%)	<b>(105,333)</b>	47,773
Tax effect of expenses that are not deductible in determining taxable profit	<b>83,051</b>	23,474
Tax effect of income that are not taxable in determining taxable profit	<b>(12,863)</b>	(16,894)
Tax effect of tax losses not recognised	<b>6,073</b>	2,746
Tax effect of share of results of associates	<b>1,279</b>	(1,405)
Tax effect of share of result of a jointly controlled entity	<b>33,591</b>	(41,237)
Tax effect of deductible temporary differences not recognised	<b>130</b>	287
Utilisation of tax losses not previously recognised	<b>(655)</b>	(2,537)
Under(over) provision in prior years	<b>654</b>	(207)
Effect of change in tax rate for deferred taxation	<b>(264)</b>	–
Income tax expense for the year	<b>5,663</b>	<b>12,000</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2009

## 17. DISCONTINUED OPERATION

During the year ended 31st March, 2008, the Group entered into a sale and purchase agreement to dispose of a subsidiary, Pacific Medical (Holding) Company Limited ("Pacific Medical"), which carried out the Group's Cardiology Operation. The disposal was effected in order to concentrate on the core business of provision of healthcare and dental services to the general public and generate cash flows for the expansion of the Group's other businesses. The disposal was completed on 10th March, 2008, on which date control of Pacific Medical, passed to the acquirer.

The gain for the period from the discontinued operation was analysed as follows:

	<b>1.4.2007 to 10.3.2008</b>
	HK\$'000
Loss of the Cardiology Operation for the period	(1,738)
Gain on disposal of the Cardiology Operation (note 51)	2,564
	<u>826</u>

The results of the Cardiology Operation for the period from 1st April, 2007 to 10th March, 2008, which had been included in the consolidated income statement, were as follows:

	<b>1.4.2007 to 10.3.2008</b>
	HK\$'000
Revenue	35,189
Cost of sales	(24,324)
Other income	2,122
Administrative expenses	(14,537)
Loss before tax	(1,550)
Income tax expense	(188)
Loss for the period	<u>(1,738)</u>

During the period ended 10th March, 2008, Pacific Medical contributed HK\$471,000 to the Group's net operating cash flows, contributed HK\$80,000 in respect of investing activities and no contribution in respect of financing activities.

The carrying amounts of the assets and liabilities of Pacific Medical at the date of disposal are disclosed in note 51.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2009

## 18. (LOSS) PROFIT FOR THE YEAR

	Continuing operations		Discontinued operation		Consolidated	
	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000
(Loss) profit for the year has been arrived at after charging:						
Staff costs						
– Directors' remuneration (note 14)	17,657	1,688	–	–	17,657	1,688
– Salaries, bonus and others benefits	162,415	136,863	–	3,628	162,415	140,491
– Other staff's retirement benefits scheme contributions	2,230	2,198	–	352	2,230	2,550
– Share-based payment expenses	24,659	9,058	–	–	24,659	9,058
	<b>206,961</b>	149,807	–	3,980	<b>206,961</b>	153,787
Auditor's remuneration	1,746	2,756	–	50	1,746	2,806
Cost of inventories recognised as expenses	37,654	36,013	–	26,311	37,654	62,324
Depreciation of property, plant and equipment	9,848	10,026	–	247	9,848	10,273
Impairment loss on slow moving inventories (included in cost of sales)	–	–	–	1,472	–	1,472
Impairment loss on trade and other receivables (included in administrative expenses)	342	168	–	–	342	168
Impairment loss on unlisted securities (included in administrative expenses)	–	1,999	–	–	–	1,999
Loss on disposal of property, plant and equipment	591	285	–	1	591	286
Net loss on foreign exchange	–	8	–	–	–	8
Release of prepaid lease payments	242	242	–	–	242	242
Amortisation of intangible assets (included in administrative expenses)	2,665	1,333	–	–	2,665	1,333
Share of tax of associates (included in share of results of associates)	304	1,687	–	–	304	1,687
Share-based payment expenses recognised on options granted to Ping An Trust & Investment Company Limited (note 48 (c))	174,091	–	–	–	174,091	–
and after crediting:						
Gross rental income from investment properties	5,294	4,982	–	–	5,294	4,982
Less: Direct operating expense that generated rental income	(25)	(30)	–	–	(25)	(30)
Net rental income from investment properties	5,269	4,952	–	–	5,269	4,952
Net gain on foreign exchange	65	–	–	–	65	–

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2009

## 19. DIVIDENDS

No dividend was paid or proposed during 2009, nor has any dividend been proposed since the balance sheet date (2008: Nil).

## 20. (LOSS) EARNINGS PER SHARE

### For continuing and discontinued operations

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

	2009 HK\$'000	2008 HK\$'000
<b>(Loss) earnings</b>		
(Loss) earnings for the purposes of basic and diluted (loss) earnings per share:		
(Loss) profit for the year attributable to equity holders of the Company	<u>(652,507)</u>	<u>253,714</u>
<b>Number of shares</b>		
	2009	2008
Weighted average number of ordinary shares for the purpose of basic (loss) earnings per share	<b>209,965,968</b>	164,447,714
Effect of dilutive potential ordinary shares:		
Share options	<u>N/A</u>	<u>277,561</u>
Weighted average number of ordinary shares for the purpose of diluted (loss) earnings per share	<u><b>209,965,968</b></u>	<u>164,725,275</u>

The weighted average number of ordinary shares for the purpose of basic (loss) earnings per share has been adjusted for the share consolidation on 25th May, 2009. Details of the transaction are set out in note 57(b).

No diluted loss per share was presented for the year ended 31st March, 2009 as the exercise of share options would result in a decrease in the loss per share from continuing operation.

The computation of diluted earnings per share does not assume the conversion of the outstanding convertible bonds issued by an associate of the Company and an associate of the jointly controlled entity of the Company, since their exercise would result in an increase in profit per share or the exercise price of the convertible bond was higher than the average market price for both years.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2009

## 20. (LOSS) EARNINGS PER SHARE (Continued)

### From continuing operations

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

(Loss) earnings figures are calculated as follows:

	2009 HK\$'000	2008 HK\$'000
(Loss) profit for the year attributable to equity holders of the Company	(652,507)	253,714
Less: Profit for the year from discontinued operation	—	(826)
(Loss) earnings for the purposes of basic and diluted (loss) earnings per share from continuing operations	<u>(652,507)</u>	<u>252,888</u>

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

No diluted loss per share was presented for the year ended 31st March, 2009 as the exercise of share options would result in a decrease in the loss per share from continuing operation.

The computation of diluted earnings per share for 2008 does not assume the conversion of the outstanding convertible bonds issued by an associate of the Company and an associate of the jointly controlled entity of the Company, since their exercise would result in an increase in profit per share or the exercise price of the convertible bond was higher than the average market price for the year.

### From discontinued operation

For the year ended 31st March, 2008, both basic and diluted earnings per share for the discontinued operation was HK0.01 cents per share based on the profit for the year from the discontinued operation of approximately HK\$0.83 million and the denominators detailed above for both basic and diluted earnings per share.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2009

## 21. INVESTMENT PROPERTIES

	HK\$'000
FAIR VALUE	
At 1st April, 2007	38,125
Increase in fair value recognised in the consolidated income statement	<u>4,050</u>
At 31st March, 2008	42,175
Decrease in fair value recognised in the consolidated income statement	<u>(2,960)</u>
<b>At 31st March, 2009</b>	<b><u>39,215</u></b>

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

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

The Group has pledged certain investment properties of carrying values of approximately HK\$20,015,000 (2008: HK\$42,175,000) to secure general banking facilities granted to the Group.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2009

## 22. PROPERTY, PLANT AND EQUIPMENT

	Buildings in Hong Kong under medium-term leases	Leasehold improvements	Furniture and fixtures	Motor vehicles	Tools and equipment	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
COST						
At 1st April, 2007	2,437	30,047	1,481	1,830	26,174	61,969
Additions	–	9,826	539	313	7,587	18,265
Acquisition of subsidiaries	–	1,712	1,056	–	552	3,320
Transfer to assets classified as held for sale	–	–	(739)	–	–	(739)
Disposals	–	(1,792)	(60)	(68)	(335)	(2,255)
Disposal of subsidiaries	–	–	(733)	(147)	(1,626)	(2,506)
At 31st March, 2008	2,437	39,793	1,544	1,928	32,352	78,054
Additions	–	1,863	184	226	1,140	3,413
Acquisition of subsidiaries	–	377	21	–	1,496	1,894
Disposals	–	(2,413)	(81)	(433)	(1,137)	(4,064)
<b>At 31st March, 2009</b>	<b>2,437</b>	<b>39,620</b>	<b>1,668</b>	<b>1,721</b>	<b>33,851</b>	<b>79,297</b>
ACCUMULATED DEPRECIATION						
At 1st April, 2007	526	26,559	554	732	17,800	46,171
Charge for the year	125	4,473	385	378	4,912	10,273
Eliminated on disposals	–	(1,545)	(30)	(54)	(268)	(1,897)
Eliminated on disposal of subsidiaries	–	–	(186)	(148)	(1,499)	(1,833)
At 31st March, 2008	651	29,487	723	908	20,945	52,714
Charge for the year	125	5,549	325	385	3,464	9,848
Eliminated on disposals	–	(1,720)	(50)	(337)	(1,060)	(3,167)
<b>At 31st March, 2009</b>	<b>776</b>	<b>33,316</b>	<b>998</b>	<b>956</b>	<b>23,349</b>	<b>59,395</b>
CARRYING VALUES						
<b>At 31st March, 2009</b>	<b>1,661</b>	<b>6,304</b>	<b>670</b>	<b>765</b>	<b>10,502</b>	<b>19,902</b>
At 31st March, 2008	1,786	10,306	821	1,020	11,407	25,340

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2009

## 22. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

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

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

The Group has pledged certain property, plant and equipment having carrying values of approximately HK\$3,915,000 (2008: HK\$4,075,000) to secure general banking facilities granted to the Group.

## 23. PREPAID LEASE PAYMENTS

	<b>2009</b> <b>HK\$'000</b>	2008 HK\$'000
The Group's prepaid lease payments comprise leasehold interest in land in Hong Kong under medium-term lease	<b>9,267</b>	9,509
Analysed for reporting purposes as:		
Current assets	<b>242</b>	242
Non-current assets	<b>9,025</b>	9,267
	<b>9,267</b>	9,509

## 24. LOANS RECEIVABLE

	<b>2009</b> <b>HK\$'000</b>	2008 HK\$'000
Fixed-rate loans receivable	<b>24,570</b>	–
Analysed for reporting purposes as:		
Non-current portion (receivable after 12 months)	<b>18,476</b>	–
Current portion (receivable within 12 months)	<b>6,094</b>	–
	<b>24,570</b>	–

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2009

## 24. LOANS RECEIVABLE *(Continued)*

The range of effective interest rate (which are equal to contractual interest rates) on the Group's loans receivable are 1.5% to 2.25% (2008: Nil) per annum.

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

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

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

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

	<b>2009</b>	2008
	<b>HK\$'000</b>	HK\$'000
91-120 days	<b>150</b>	–

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2009

## 25. GOODWILL

	Subsidiaries HK\$'000	Medical and dental practices HK\$'000	Total HK\$'000
COST			
At 1st April, 2007	52,918	26,302	79,220
Arising on acquisition of subsidiaries, and medical and dental practices (notes 49 & 50)	37,880	2,203	40,083
Transfer to assets held for sale	(11,810)	–	(11,810)
Disposal	(22,135)	–	(22,135)
	<hr/>	<hr/>	<hr/>
At 31st March, 2008	56,853	28,505	85,358
Arising on acquisition of a subsidiary (note 49)	8,352	–	8,352
Arising on acquisition of additional interest in a subsidiary	639	–	639
	<hr/>	<hr/>	<hr/>
<b>At 31st March, 2009</b>	<b>65,844</b>	<b>28,505</b>	<b>94,349</b>
IMPAIRMENT			
At 1st April, 2007	30,106	11,942	42,048
Impairment loss recognised	907	4,044	4,951
Eliminated on disposals	(17,078)	–	(17,078)
	<hr/>	<hr/>	<hr/>
At 31st March, 2008	13,935	15,986	29,921
Impairment loss recognised	24,941	3,423	28,364
	<hr/>	<hr/>	<hr/>
<b>At 31st March, 2009</b>	<b>38,876</b>	<b>19,409</b>	<b>58,285</b>
CARRYING VALUES			
<b>At 31st March, 2009</b>	<b>26,968</b>	<b>9,096</b>	<b>36,064</b>
	<hr/>	<hr/>	<hr/>
At 31st March, 2008	42,918	12,519	55,437
	<hr/>	<hr/>	<hr/>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2009

## 25. GOODWILL (Continued)

As explained in note 9, the Group uses business segments as its primary segment for reporting segment information. For the purposes of impairment testing, goodwill have been allocated to various individual cash-generating units (CGUs) in 3 divisions of the Group, namely, healthcare and dental services, trading of healthcare and pharmaceutical products and provision of beauty and skincare services. The carrying amounts of goodwill (net of accumulated impairment losses) as at 31st March, 2009 allocated to these units are as follows:

	<b>2009</b> <b>HK\$'000</b>	2008 HK\$'000
Healthcare and dental services ("Division A"):		
Bright Dignity Limited ("Bright Dignity")	–	2,949
Dermatonic Skincare & Laser Treatment Centre Limited ("Dermatonic")	–	2,516
Town Health Dental Limited ("Town Health Dental")	<b>653</b>	653
Town Health Medical & Dental Services Limited ("Town Health M&D")	<b>8,442</b>	11,866
Noble Pioneer Limited ("Noble Pioneer")	<b>13,263</b>	26,070
Nu/Hart Hair Solutions Limited ("Nu/Hart")	<b>639</b>	–
	<b>22,997</b>	44,054
Trading of healthcare and pharmaceutical products ("Division B"):		
First Oriental Medical Technology Group Limited and its subsidiaries ("First Oriental"):		
– First Oriental Medical Technology Limited		
– First Oriental Cyclotron Limited	<b>8,367</b>	8,367
Audio Health Hearing Care (Shatin) Limited ("Audio Health")	<b>1,938</b>	3,016
	<b>10,305</b>	11,383
Provision of beauty and skincare services ("Division C"):		
Dermagic Skin Treatment Centre Company Limited ("Dermagic")	<b>2,762</b>	–
	<b>36,064</b>	55,437

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2009

## 25. GOODWILL *(Continued)*

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

### Division A

The recoverable amounts of CGUs of medical and dental practices have been determined based on value in use calculations. Those calculations use cash flow projections based on financial budgets approved by management covering a period of 5 years, and cash flows beyond 5 years are extrapolated by assuming no growth rate and discount rate of 12.3% (2008: 12.0%). 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, the Group recognised an impairment loss of approximately HK\$21,696,000 (2008: HK\$4,951,000) in relation to goodwill to CGUs of Bright Dignity, Dermatonic, Town Health M&D and Noble Pioneer in healthcare and dental services division due to the poor performance of certain medical and dental practices included in the Units.

### Division B

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

The cash flow forecasts for the CGU of trading in healthcare and pharmaceutical products is derived from the most recent financial budgets for the next 5 years and cash flows beyond 5 years and extrapolated by assuming no growth rate which is approved by management using a discount rate of 11.4% (2008: 10.6%). Cash flow projections during the budget period for the CGU are also based on the expected gross margins during the budget period and the same raw materials price inflation during the budget period. Budgeted gross margins and raw material price inflation have been determined based on past performance and management's expectations for the market development.

During the year, the Group recognised an impairment loss of approximately HK\$1,078,000 (2008: Nil) in relation to goodwill to CGU of Audio Health in trading of healthcare and pharmaceutical products due to adverse market change in the industries.

### Division C

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

During the year, the Group recognised an impairment loss of HK\$5,590,000 in relation to goodwill to CGU of Dermagic in provision of beauty and skincare services division due to adverse market change in the industry. The business was acquired during the year, details of which are set out in note 49.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2009

## 26. INTANGIBLE ASSETS

	Service agreement HK\$'000	Trade name HK\$'000	Business relationship with medical card sponsors HK\$'000	Total HK\$'000
<b>COST</b>				
At 1st April, 2007	–	–	–	–
Acquired on acquisition of a subsidiary (note 49)	1,820	5,977	3,709	11,506
At 31st March, 2008	1,820	5,977	3,709	11,506
Acquired on acquisition of a subsidiary (note 49)	–	1,864	–	1,864
<b>At 31st March, 2009</b>	<b>1,820</b>	<b>7,841</b>	<b>3,709</b>	<b>13,370</b>
<b>AMORTISATION</b>				
At 1st April, 2007	–	–	–	–
Charge for the year	364	598	371	1,333
At 31st March, 2008	364	598	371	1,333
Charge for the year	728	1,195	742	2,665
<b>At 31st March, 2009</b>	<b>1,092</b>	<b>1,793</b>	<b>1,113</b>	<b>3,998</b>
<b>CARRYING VALUES</b>				
<b>At 31st March, 2009</b>	<b>728</b>	<b>6,048</b>	<b>2,596</b>	<b>9,372</b>
At 31st March, 2008	1,456	5,379	3,338	10,173

The above intangible assets are purchased as part of a business combination during the year ended 31st March, 2009 and 2008.

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

Service agreement	2½ years
Trade name	5 years
Business relationship with medical card sponsors	5 years



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2009

## 27. INTERESTS IN ASSOCIATES

	<b>2009</b>	2008
	<b>HK\$'000</b>	HK\$'000
Cost less accumulated impairment of investments in associates:		
– Listed (note 29)	–	100,284
– Unlisted	<b>115,633</b>	6,318
Increase in share of net assets of an associate upon deemed disposal of partial interest in an associate	–	18,078
Share of post-acquisition profits, net of dividend received	<b>31</b>	9,861
Share of post-acquisition reserves	<b>2,738</b>	(39)
	<b>118,402</b>	134,502
Market value of listed shares at the balance sheet date	–	64,878

Included in the cost of investments in associates was goodwill of HK\$101,180,000 (2008: HK\$101,180,000) arising on acquisition of associates.

	<b>2009</b>	2008
	<b>HK\$'000</b>	HK\$'000
ACCUMULATED IMPAIRMENT		
At 1st April	<b>18,047</b>	12,467
Impairment loss recognised (note 11)	–	5,580
Written off	<b>83,133</b>	–
At 31st March	<b>101,180</b>	18,047

During the year ended 31st March, 2009, the Directors reviewed the carrying value of the Group's associates in view of the poor performance of certain associates. The recoverable amounts of these associates are determined with reference to the estimated cash flows in the coming five years and cash flow beyond 5 years are extrapolated by assuming no growth rate and using discount rates of ranging from 10.5% to 12% (2008: 10.5% to 12%) and growth rate of 5%. Accordingly, impairment loss of approximately HK\$83,133,000 (2008: HK\$5,580,000) was identified on those associates with poor performance and charged to the consolidated income statement.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2009

## 27. INTERESTS IN ASSOCIATES (Continued)

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

	<b>2009</b> <b>HK\$'000</b>	2008 HK\$'000
Total assets	<b>280,793</b>	962,040
Total liabilities	<b>(52,486)</b>	(389,725)
Net assets	<b>228,307</b>	572,315
Group's share of net assets of associates (Note)	<b>96,949</b>	51,358
Revenue	<b>2,535</b>	168,542
(Loss) profit for the year	<b>(167,372)</b>	44,261
Group's share of results of associates for the year	<b>(7,750)</b>	8,029

Note: At 31st March, 2009, 廣州中大控股有限公司, a shareholder of an associate had not paid up capital contribution of RMB50 million (approximately HK\$55 million) in accordance with the conditional framework agreement ("Framework Agreement") entered on 29th March, 2008 with a wholly-owned subsidiary of Hong Kong Health Check and Ping An Trust & Investment Company Limited.

The Group 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:

	<b>2009</b> <b>HK\$'000</b>	2008 HK\$'000
Unrecognised share of losses of associates for the year	<b>(5,463)</b>	(1,508)
Accumulated unrecognised share of losses of associates	<b>(11,218)</b>	(5,755)

Details of the Group's principal associates at 31st March, 2009 and 2008 are as follows:

Name of company	Form of business structure	Place of incorporation/ establishment	Attributable proportion of nominal value of issued/registered capital held by the Group	Principal activities
Advance Bond Limited	Incorporated	Hong Kong	49%	Operation of medical clinics in Hong Kong
Goldwell Investment Holdings Limited	Incorporated	Hong Kong	49%	Operation of medical clinics in Hong Kong

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2009

## 27. 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
Hong Kong Health Check	Incorporated	Bermuda	Note i	Provision of healthcare and medical checks services
Pak On Medical Company Limited	Incorporated	Hong Kong	49%	Operation of medical clinics in Hong Kong
Union Crown International Limited	Incorporated	Hong Kong	25%	Provision of medical diagnostic services
廣州宜康連鎖診所有限公司 (Guangzhou Yikang Medical Clinics Limited) ("Yikang")	Established	PRC	40% (Note ii)	Operation of medical clinics in PRC

Notes:

- i. During the year ended 31st March, 2008, the remaining Convertible Bonds I, Convertible Bonds II, Convertible Bonds III and Convertible Bonds IV issued by Hong Kong Health Check, if converted, will give the Group 39.5% voting power over Hong Kong Health Check. Based on management's assessment, the then currently exercisable Convertible Bonds I, Convertible Bonds II, Convertible Bonds III and Convertible Bonds IV provided the Group the potential voting rights in Hong Kong Health Check and taking into account that a director of the Company is appointed as a director of Hong Kong Health Check, the Directors consider that the Group has the ability to exercise significant influence on Hong Kong Health Check. In preparing the consolidated financial statements of the Group, the results and assets and liabilities of Hong Kong Health Check were equity accounted for in accordance with Hong Kong Auditing Standards 28 "Investment in Associates".

During the year ended 31st March, 2008, the Group converted HK\$20,000,000 of the Convertible Bonds I into 487,804,878 shares in Hong Kong Health Check which amounted to 12.5% equity interest in Hong Kong Health Check and was diluted at 10.7% following the issue of new shares by Hong Kong Health Check. Accordingly, 10.7% of results and assets and liabilities of Hong Kong Health Check were shared by the Group.

During the year ended 31st March, 2009, the Convertible Bonds I and Convertible Bonds III held by the Group were all early redeemed by Hong Kong Health Check and the Group's equity interest in Hong Kong Health Check was further diluted to 3.62%, the Group thus ceased to have significant influence on Hong Kong Health Check. Accordingly, the equity interest in it was therefore reclassified from interest in an associate to an available-for-sale investment. The carrying amount of the investment in Hong Kong Health Check was reclassified to available-for-sale investments and subsequently measured at fair value.

- ii. The Group entered into the Framework Agreement on 29th March, 2008 with a wholly-owned subsidiary of Hong Kong Health Check and Ping An Trust & Investment Company Limited regarding an exclusive cooperation right to develop and manage chain clinics in Guangdong Province, in particular in Pearl River Delta area through setting up a joint venture, Yikang, with 廣州中大控股有限公司, a limited liability company established by the Sun Yat-sen University in the PRC.

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

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

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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2009

## 28. INTEREST IN A JOINTLY CONTROLLED ENTITY

	2009 HK\$'000	2008 HK\$'000
Cost of unlisted investment in a jointly controlled entity (note)	–	–
Share of post-acquisition profits	–	235,642
Share of post-acquisition reserves	–	(2,132)
	<u>–</u>	<u>233,510</u>

Note: The cost of unlisted investment in a jointly controlled entity is HK\$8.

As at 31st March, 2009 and 2008, the Group has interest in the following jointly controlled entity:

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

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

	2009 HK\$'000	2008 HK\$'000
Non-current assets, comprising debt component of Convertible Bonds V (Note)	<u>–</u>	<u>77,638</u>
Current assets, comprising embedded derivatives component of Convertible Bonds V (Note)	<u>5</u>	<u>456,793</u>
Current liabilities	<u>5</u>	<u>67,412</u>
Group's share of net assets of jointly controlled entity	<u>–</u>	<u>233,510</u>
Income (Note)	<u>18,990</u>	<u>471,533</u>
Expenses (Note)	<u>426,151</u>	<u>250</u>
Group's share of (loss) profit of a jointly controlled entity for the year	<u>(203,581)</u>	<u>235,642</u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2009

## 28. INTEREST IN A JOINTLY CONTROLLED ENTITY *(Continued)*

Note:

During the year ended 31st March, 2008, the Group and Hong Kong Health Check formed the above jointly controlled entity to subscribe the Convertible Bonds V with an aggregate principal amount of HK\$150,000,000 from Core Healthcare with a conversion price of HK\$0.019. The Convertible Bonds V carry interest at 1% per annum payable yearly with maturity on 30th January, 2012. Core Healthcare is a public limited company with its shares listed on the Stock Exchange. The share price as at year ended 31st March, 2008 was HK\$0.13. Details of the valuation of the Convertible Bonds V is set out in note 29.

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

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

## 29. AVAILABLE-FOR-SALE INVESTMENTS

Available-for-sale investments comprise:

	2009 HK\$'000	2008 HK\$'000
Listed securities:		
– Equity securities	39,690	48,685
Unlisted securities:		
– Equity securities (note a)	226	226
– Convertible debt securities (note b)	–	301,189
Total	<b>39,916</b>	350,100

Notes:

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2009

## 29. AVAILABLE-FOR-SALE INVESTMENTS *(Continued)*

Notes: *(Continued)*

(b) (i) *(Continued)*

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

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

During the year ended 31st March, 2009, Hong Kong Health Check changes its intention to early redeem the Convertible Bonds I and therefore, there is a change in estimation arising from the redemption feature of the Convertible Bonds I of HK\$5,392,000 (2008: Nil) and is charged to the consolidated income statement.

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

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

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

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2009

## 29. AVAILABLE-FOR-SALE INVESTMENTS (Continued)

Notes: (Continued)

(b) (i) (Continued)

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

	Debt element HK\$'000	Conversion option element HK\$'000	Early redemption element HK\$'000	Total HK\$'000
As at 1st April, 2007	48,589	182,405	(913)	230,081
Effective interest income	2,766	–	–	2,766
Increase (decrease) in fair value	2,297	(36,017)	913	(32,807)
Transfer to interest in an associate (note 27)	(17,340)	(82,944)	–	(100,284)
As at 31st March, 2008	36,312	63,444	–	99,756
Effective interest income	3,381	–	–	3,381
Decrease in fair value	(6,209)	(58,052)	(5,392)	(69,653)
Early redemption during the year	(33,484)	(5,392)	5,392	(33,484)
<b>As at 31st March, 2009</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>

The loss on fair value change of debt element of Convertible Bonds I recognised and debited to equity is amounted to HK\$6,209,000 (2008: gain of HK\$2,297,000 credited to equity).

At 31st March, 2009, the effective interest rate for the debt element of Convertible Bonds I is 17.94% (2008: ranging from 6.59% to 8.29%) per annum.

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

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2009

## 29. AVAILABLE-FOR-SALE INVESTMENTS (Continued)

Notes: (Continued)

(b) (ii) (Continued)

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

	Debt element HK\$'000	Conversion option element HK\$'000	Early redemption element HK\$'000	Total HK\$'000
As at 2nd August, 2007	398,125	179,044	(91,334)	485,835
Effective interest income	14,584	–	–	14,584
Increase (decrease) in fair value	5,930	(112,821)	60,265	(46,626)
Early redemption during the year	(161,187)	(37,012)	16,514	(181,685)
As at 31st March, 2008	257,452	29,211	(14,555)	272,108
Effective interest income	15,460	–	–	15,460
Decrease in fair value	(60,075)	(12,865)	(1,115)	(74,055)
Early redemption during the year	(212,837)	(16,346)	15,670	(213,513)
<b>As at 31st March, 2009</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>

The loss on fair value change of debt component of Convertible Bonds III recognised and debited to equity during the year amounted to HK\$60,075,000 (2008: gain of HK\$5,930,000 credited to equity).

At 31st March, 2009, the effective interest rate for the debt element of Convertible Bonds III is ranging from 14.48% to 17.10% (2008: ranging from 7.92% to 8.06%) per annum.

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

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

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

	Debt element HK\$'000	Conversion option element HK\$'000	Early redemption element HK\$'000	Total HK\$'000
As at 28th March, 2008 and 31st March, 2008	7,425	33,994	–	41,419
Effective interest income	1,441	–	–	1,441
Decrease in fair value	(2,603)	(19,022)	(11,219)	(32,844)
Early redemption during the year	(6,263)	(14,972)	11,219	(10,016)
<b>As at 31st March, 2009</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2009

## 29. AVAILABLE-FOR-SALE INVESTMENTS (Continued)

Notes: (Continued)

(b) (iii) (Continued)

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

### (1) Valuation of debt component

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

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

### (2) Valuation of conversion option element

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

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

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

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2009

## 29. AVAILABLE-FOR-SALE INVESTMENTS (Continued)

Notes: (Continued)

(b) (iii) (Continued)

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

Note:

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

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

### (3) Valuation of early redemption element

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

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

## 30. DEPOSITS PAID ON ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT

For the year ended 31st March, 2009, the deposit was paid by the Group in connection with the acquisition of a property in Hong Kong. The amount in last year represented the deposit paid for the acquisition of certain medical equipment for future expansion. The related capital commitments are set out in note 53.

## 31. DEPOSIT PAID ON ACQUISITION OF INTEREST IN A SUBSIDIARY

The deposit was paid by the Group in connection with the acquisition of 51% equity interest in a subsidiary in which it holds a group of PRC companies which are engaged in distribution and sale of pharmaceutical products in the PRC. The acquisition was completed in April 2009.

The related capital commitment is set out in note 53.

## 32. INVENTORIES

	2009 HK\$'000	2008 HK\$'000
Pharmaceutical supplies	6,867	6,805
Healthcare equipment	834	1,118
Dental materials and supplies	606	502
Isotope for medical uses	380	361
	<b>8,687</b>	<b>8,786</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2009

## 33. TRADE AND OTHER RECEIVABLES

	2009 HK\$'000	2008 HK\$'000
Trade receivables	14,883	15,427
Less: allowance for doubtful debts	(1,321)	(1,574)
Total trade receivables, net of allowance	13,562	13,853
Deposits	15,786	15,292
Other receivables	10,526	11,723
Prepayments	3,719	3,569
	<b>43,593</b>	<b>44,437</b>

Notes:

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

The following is an aged analysis of trade receivables at the balance sheet date:

	2009 HK\$'000	2008 HK\$'000
0 – 60 days	8,836	8,133
61 – 120 days	3,963	4,065
121 – 180 days	1,995	3,178
181 – 240 days	15	51
241 – 360 days	74	–
	<b>14,883</b>	<b>15,427</b>

- b. The Group's trade and other receivables included nil (2008: HK\$4,795,000) that is denominated in RMB.
- c. These receivables relate to a number of independent customers that have a good track record with the Group. The management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit risk and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

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

	2009 HK\$'000	2008 HK\$'000
61 – 120 days	15	51
121 – 180 days	74	–
Total	<b>89</b>	<b>51</b>

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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2009

## 33. TRADE AND OTHER RECEIVABLES (Continued)

Notes: (Continued)

c. (Continued)

Movement in the allowance for doubtful debts:

	2009 HK\$'000	2008 HK\$'000
Balance at beginning of the year	1,574	6,640
Impairment losses recognised on receivables	342	168
Write back of impairment loss	(595)	(5,234)
Balance at end of the year	<b>1,321</b>	1,574

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.

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

In addition, included in other receivables as at 31st March, 2008 was a sales proceed receivable from the disposal of a subsidiary, Next Dimension, of HK\$2,599,000. The amounts were unsecured, interest-free and fully settled in May 2008.

## 34. HELD FOR TRADING INVESTMENTS

	2009 HK\$'000	2008 HK\$'000
Fair value		
– Listed equity securities in Hong Kong	<b>33,708</b>	–

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

## 35. AMOUNTS DUE FROM ASSOCIATES

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

At 31st March, 2009, the balance includes accumulated allowances for amounts due from associates of HK\$22,628,000 (2008: HK\$6,187,000).

## 36. AMOUNTS DUE FROM (TO) INVESTEES

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

At 31st March, 2009, the balance of amounts due from investees includes accumulated allowances of HK\$1,663,000 (2008: Nil).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2009

## 37. AMOUNTS DUE FROM RELATED PARTIES

	<b>2009</b>	2008
	<b>HK\$'000</b>	HK\$'000
First Oriental Nuclear Medicine Limited (note a)	<b>458</b>	797
Kowloon Hearing Services Limited (note b)	–	296
	<b>458</b>	1,093

Notes:

- (a) A company in which Dr. Yeung Wah Hin, Alex (“Dr. Yeung”) is a director and shareholder. Dr. Yeung is also a director of First Oriental Cyclotron Limited, a non-wholly owned subsidiary of the Company. The maximum balance during the year was HK\$797,000 (2008: HK\$797,000).
- (b) A company in which Mr. Lai Kwok Fai (“Mr. Lai”) is a director and shareholder. Mr. Lai is also a director of Audio Health Hearing Care (Shatin) Limited, a non-wholly owned subsidiary of the Company. The maximum balance during the year was HK\$296,000 (2008: HK\$296,000).

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

## 38. AMOUNTS DUE FROM/TO MINORITY SHAREHOLDERS OF SUBSIDIARIES/A JOINTLY CONTROLLED ENTITY

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

## 39. CONVERSION OPTIONS EMBEDDED IN CONVERTIBLE BONDS/EARLY REDEMPTION OPTION EMBEDDED IN CONVERTIBLE BONDS

	<b>2009</b>	2008
	<b>HK\$'000</b>	HK\$'000
Unlisted conversion options embedded in convertible bonds	–	126,649
Unlisted early redemption option embedded in convertible bonds	–	(14,555)

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

As explained in note 29, the Group subscribed the Convertible Bonds III of Hong Kong Health Check during the year ended 31st March, 2008, an amount of HK\$179,043,000 and HK\$91,334,000 were recognised as conversion options and early redemption option embedded in convertible bonds upon the subscription which were measured at fair value at initial recognition and changes in fair value were directly recognised in profit or loss in subsequent period.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2009

## **39. CONVERSION OPTIONS EMBEDDED IN CONVERTIBLE BONDS/EARLY REDEMPTION OPTION EMBEDDED IN CONVERTIBLE BONDS** *(Continued)*

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

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

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

Total loss on fair value changes of the conversion options and early redemption options of HK\$107,665,000 (2008: HK\$101,825,000) was recognised in the consolidated income statement which represents the aggregate loss on fair value changes of HK\$107,665,000 (2008: HK\$87,660,000) of the derivatives and the loss on initial recognition of Convertible Bonds III of Nil (2008: HK\$14,165,000) during the year.

## **40. PLEDGED BANK DEPOSITS**

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

The deposits carried interest rate which ranged from 3.4% to 3.8% (2008: 3.4% to 4.1%) per annum. The pledged bank deposits will be released upon the termination of the general banking facilities.

## **41. BANK BALANCES AND CASH**

Bank balances and cash comprises cash held by the Group and bank balances that bear interest at prevailing market rates ranging from 0.01% to 2.9% (2008: 0.1% to 6.5%) per annum and have original maturity of three months or less.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2009

## 42. ASSETS CLASSIFIED AS HELD FOR SALE

On 18th March, 2008, the directors entered into agreement to dispose of one of its subsidiaries, Healthy International Limited ("Healthy International") which engaged in the sales of healthcare and pharmaceutical products, to third parties. The assets and liabilities attributable to Healthy International had been classified as a disposal group held for sale and were presented separately in the balance sheet (see below). The disposal was completed in April 2008 and a gain on disposal of HK\$426,000 was recognised.

The major classes of assets and liabilities of Healthy International classified as held for sale at 31st March, 2008 were as follows:

	2008 HK\$'000
Total assets classified as held for sale	<u>17,895</u>
Total liabilities classified as held for sale	<u>6,321</u>

The carrying amounts of the assets and liabilities of Healthy International at the date of disposal are disclosed in note 51.

## 43. TRADE AND OTHER PAYABLES

	2009 HK\$'000	2008 HK\$'000
Trade payables (note)	<b>5,737</b>	6,057
Other payables	<b>2,750</b>	3,021
Accruals	<b>15,684</b>	15,503
	<u><b>24,171</b></u>	<u>24,581</u>

Note:

The following is an aged analysis of trade payables at the balance sheet dates:

	2009 HK\$'000	2008 HK\$'000
0 – 60 days	<b>5,653</b>	5,872
61 – 120 days	<b>84</b>	59
121 – 240 days	–	5
Over 240 days	–	121
	<u><b>5,737</b></u>	<u>6,057</u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2009

## 44. AMOUNTS DUE TO RELATED PARTIES

	<b>2009</b>	2008
	<b>HK\$'000</b>	HK\$'000
Classictime Investments Limited (note a)	–	50,120
Kowloon Hearing Services Limited (note b)	<b>16</b>	–
	<b>16</b>	50,120

Notes:

- (a) A wholly-owned subsidiary of Hong Kong Health Check, an associate of the Company.
- (b) A company in which Mr. Lai is a director and shareholder. Mr. Lai is also a director of a subsidiary of the Company, Audio Health Hearing Care (Shatin) Limited.

As at 31st March, 2009, the amount is unsecured, interest-free and repayable on demand.

As at 31st March, 2008, the amount was unsecured, interest bearing at 1% per annum and repayable on demand.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2009

## 45. BANK AND OTHER BORROWINGS

	<b>2009</b>	2008
	<b>HK\$'000</b>	HK\$'000
Bank overdrafts	–	19,101
Bank loans	–	90,241
	<u>–</u>	<u>109,342</u>
Analysed as:		
Secured	–	42,342
Unsecured	–	67,000
	<u>–</u>	<u>109,342</u>
Carrying amount repayable:		
Within one year or on demand	–	88,253
In the second year	–	2,221
In the third year	–	2,290
In the fourth year	–	2,299
In the fifth year	–	2,179
Over five years	–	12,100
	<u>–</u>	<u>109,342</u>
Less: Amount due within one year included under current liabilities	–	(88,253)
	<u>–</u>	<u>21,089</u>

At 31st March, 2008, the Group had variable-rate borrowings on bank loans which carried interest at prime rate over 1.25% to prime rate less 1.5% per annum. Interest was repriced every year. The variable-rate borrowings were fully repaid during the year ended 31st March, 2009.

The ranges of effective interest rates (which are also equal to contracted interest rates) on the Group's borrowings were as follows:

	<b>2009</b>	2008
Effective interest rate:		
Variable-rate borrowings	<b>N/A</b>	2.7% to 5%

During the year ended 31st March, 2009, the Group obtained a loan from a bank in the amount of HK\$90,000,000 (2008: HK\$67,000,000) and the loan was fully repaid during the year.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2009

## 46. DEFERRED TAX LIABILITIES

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

	<b>Accelerated tax depreciation and revaluation of investment properties</b>	<b>Tax losses</b>	<b>Others</b>	<b>Total</b>
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1st April, 2007	4,022	(33)	(227)	3,762
Acquisition of subsidiaries	(180)	–	–	(180)
Charge (credit) to consolidated income statement for the year	1,017	–	(21)	996
At 31st March, 2008	4,859	(33)	(248)	4,578
Effect of change in tax rate	(278)	–	14	(264)
(Credit) charge to consolidated income statement for the year	(604)	–	28	(576)
<b>At 31st March, 2009</b>	<b>3,977</b>	<b>(33)</b>	<b>(206)</b>	<b>3,738</b>

At 31st March, 2009, the Group has unused tax losses of HK\$55,857,000 (2008: HK\$26,608,000) available for offset against future profits. A deferred tax asset has been recognised in respect of such losses of HK\$200,000 (2008: HK\$189,000).

No deferred tax asset has been recognised in respect of the remaining tax losses of HK\$47,267,000 (2008: HK\$26,419,000) due to the unpredictability of future profit streams and may be carried forward indefinitely.

At 31st March, 2009, the Group has deductible temporary differences associated with specific provision on trade receivables and inventories of HK\$1,321,000 (2008: HK\$1,574,000). No deferred tax asset has been recognised in relation to HK\$1,248,000 (2008: HK\$1,417,000) of such deductible temporary difference as it is uncertain that taxable profit will be available against which the deductible temporary differences can be utilised.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2009

## 47. SHARE CAPITAL

	Number of shares	Amount HK\$'000
Authorised:		
Ordinary shares of HK\$0.01 each at 1st April, 2007, 31st March, 2008	20,000,000,000	200,000
Increase in authorised share capital (note a)	10,000,000,000	100,000
	<u>30,000,000,000</u>	<u>300,000</u>
Issued and fully paid:		
Ordinary shares of HK\$0.01 each at 1st April, 2007	5,071,981,908	50,720
Issue of new shares (note b)	515,000,000	5,150
Bonus issue of shares (note c)	11,173,963,816	111,739
Shares repurchased and cancelled (note d)	(12,030,000)	(120)
Exercise of share options (note e)	219,000,000	2,190
	<u>16,967,915,724</u>	<u>169,679</u>
Ordinary shares of HK\$0.01 each at 31st March, 2008	16,967,915,724	169,679
Issue of new shares (note f)	7,930,000,000	79,300
Exercise of share options (note g)	4,782,600,000	47,826
	<u>29,680,515,724</u>	<u>296,805</u>
Ordinary shares of HK\$0.01 each at 31st March, 2009	<u>29,680,515,724</u>	<u>296,805</u>

### Notes:

- (a) Pursuant to a resolution passed at an extraordinary general meeting on 9th May, 2008, the authorised share capital of the Company was increased from HK\$200,000,000 to HK\$300,000,000 by the creation of additional 10,000,000,000 ordinary shares of HK\$0.01 each.
- (b) On 25th May, 2007, arrangement was made for a placement to independent investors of 195,000,000 shares of HK\$0.01 each of the Company in cash at a price of HK\$0.5412 per share representing a discount of approximately 66% to the closing price of HK\$0.82 per share as quoted on the Stock Exchange on 25th May, 2007.
- On 29th June, 2007, arrangement was made for a placement to independent private investors of 320,000,000 shares of HK\$0.01 each of the Company in cash at a price of HK\$0.61 per share representing a discount of approximately 82% to the closing price of HK\$0.74 per share as quoted on the Stock Exchange on 29th June, 2007.
- (c) On 9th August, 2007, 11,173,963,816 bonus shares were issued under the bonus issue, representing approximately 200% of the issued share capital. The bonus issue was to be made on the basis of two bonus shares for every existing one share held on 27th July, 2007. The bonus shares were issued and credited as fully paid at par.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2009

## 47. SHARE CAPITAL (Continued)

Notes: (Continued)

- (d) During the year ended 31st March, 2008, the Company repurchased its own shares through the Stock Exchange as follows:

Month of repurchase	No. of ordinary shares of HK\$0.01 each	Price per share		Aggregate consideration paid HK\$'000
		Highest HK\$	Lowest HK\$	
November 2007	6,680,000	0.150	0.140	954
January 2008	5,350,000	0.100	0.090	507
	<u>12,030,000</u>			<u>1,461</u>

The above shares were cancelled upon repurchase.

All the shares issued during the year rank pari passu with the then existing ordinary shares in all respects.

- (e) During the year ended 31st March, 2008, 219,000,000 share options were exercised at a subscription price of HK\$0.111 per share, resulting in the issue of 219,000,000 ordinary shares of HK\$0.01 each in the Company and giving a total cash consideration of approximately HK\$24,309,000.
- (f) On 25th September, 2008, arrangement was made for a placement to independent private investors of 3,400,000,000 shares of HK\$0.01 each in the Company in cash at a price of HK\$0.04 per share representing a discount of approximately 17.70% to the closing price of HK\$0.0486 per share as quoted on the Stock Exchange on 25th September, 2008.

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

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

## 48. SHARE-BASED PAYMENT TRANSACTIONS

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

### (a) 2002 Scheme

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2009

## 48. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

### (a) 2002 Scheme (Continued)

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

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

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

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

#### Year 2008

	Date of grant	Exercisable period	Exercise price per share HK\$	Number of share options			
				Outstanding at 1st April, 2007	Granted during the year	Exercised during the year	Outstanding at 31st March, 2008
Employees and other eligible persons	9.10.2007	9.10.2007 to 8.10.2017	0.111	–	526,600,000	(219,000,000)	307,600,000
Exercisable at the end of the year							307,600,000

#### Year 2009

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2009

## 48. SHARE-BASED PAYMENT TRANSACTIONS *(Continued)*

### (a) 2002 Scheme *(Continued)*

During the year ended 31st March, 2009, the options were granted on 10th July, 2008. The estimated fair values of the options granted for the year is HK\$10,850,000 (2008: HK\$9,058,000).

During the year, the weighted average closing price of the Company's shares immediately before the respective dates on which the share options under the 2002 Scheme were exercised was HK\$0.125 (2008: HK\$0.146).

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

Options granted are fully vested at the date of grant.

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

	2009	2008
Closing share price at the date of grant	<b>HK\$0.104</b>	HK\$0.10
Exercise price	<b>HK\$0.104</b>	HK\$0.111
Expected volatility	<b>78.38%</b>	82.45%
Expected life	<b>1 year</b>	7 years
Risk-free rate	<b>1.800%</b>	4.28%
Fair value per share option	<b>HK\$0.0217</b>	HK\$0.0172

Expected volatility was determined by using the annualised historical volatility of the Company's share price over the previous one year. The expected life used in the model is based on management's best estimate, for the effects of non transferability, exercise restrictions and behavioural considerations.

The Group recognised the total expense of HK\$10,850,000 for the year ended 31st March, 2009 (2008: HK\$9,058,000) in relation to share options granted by the Company under the 2002 Scheme.

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2009

## 48. SHARE-BASED PAYMENT TRANSACTIONS *(Continued)*

### (b) 2008 Scheme

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

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

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

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

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2009

## 48. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

### (b) 2008 Scheme (Continued)

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

#### Year 2009

	Date of grant	Exercisable period	Exercise price per share HK\$	Number of share options			
				Outstanding at 1st April, 2008	Granted during the year	Exercised during the year	Outstanding at 31st March, 2009
Employees and other eligible persons	28.10.2008	28.10.2008 to 27.10.2009	0.016	-	1,769,000,000 (1,769,000,000)		-
Employees and other eligible persons	4.2.2009	4.2.2009 to 3.2.2010	0.013	-	2,286,000,000 (2,286,000,000)		-
<b>Exercisable at the end of the year</b>							<b>-</b>

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

During the year, the weighted average closing price of the Company's shares immediately before the respective dates on which the share options under the 2008 Scheme were exercised was HK\$0.016 and HK\$0.013 respectively (2008: Nil).

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

Options granted are fully vested at the date of grant.

The fair values of the options granted are as follows:

Date of grant	Fair value per share option
28th October, 2008	HK\$0.0038
4th February, 2009	HK\$0.0031

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

Closing share prices at the dates of grant	HK\$0.013 to HK\$0.016
Exercise prices	HK\$0.013 to HK\$0.016
Expected volatility	119.85% to 121.75%
Expected life	1 year
Risk-free rate	0.33% to 0.73%



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2009

## 48. SHARE-BASED PAYMENT TRANSACTIONS *(Continued)*

### (b) 2008 Scheme *(Continued)*

Expected volatility was determined by using the annualised historical volatility of the Company's share price over the previous one year. The expected life used in the model is based on management's best estimate, for the effects of non transferability, exercise restrictions and behavioural considerations.

The Group recognised total expense of HK\$13,809,000 for the year ended 31st March, 2009 (2008: Nil) in relation to share options granted by the Company under the 2008 Scheme.

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

### (c) Ping An Option

Pursuant to a resolution passed at an extraordinary general meeting on 9th May, 2008, the Company granted options to Ping An Trust & Investment Company Limited ("Ping An Trust"), a wholly-owned subsidiary of Ping An Trust Insurance (Group) Company of China Limited ("Ping An Group"), the rights to subscribe for up to 3,393,583,143 shares of the Company ("Ping An Option") on 23rd June, 2008, representing approximately 19.99% of the issued share capital of the Company.

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

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

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

The estimated fair values of Ping An Option granted during the year are approximately HK\$174,091,000.

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

Closing share price at the date of grant	HK\$0.12
Exercise price	HK\$0.12
Expected volatility	75.23%
Expected life	1.67 years
Risk-free rate	2.504%
Fair value per option	HK\$0.0513

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2009

## 48. SHARE-BASED PAYMENT TRANSACTIONS *(Continued)*

### (c) Ping An Option *(Continued)*

Expected volatility was determined by using the annualised historical volatility of the Company's share price over the previous one year. The expected life used in the model is based on management's best estimate, for the effects of non transferability, exercise restrictions and behavioral considerations.

The Group recognised total expense of HK\$174,091,000 for the year ended 31st March, 2009 (2008: Nil) in relation to Ping An Option granted by the Company.

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

## 49. ACQUISITION OF SUBSIDIARIES

### For the year ended 31st March, 2009

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

On 15th December, 2008, the Group acquired the entire interest in Dermagic Skin Treatment Centre Company Limited ("Dermagic"), a company incorporated in Hong Kong, at a cash consideration of HK\$10,000,000. Dermagic is engaged in the provision of skincare and laser treatment services in Hong Kong. The acquisition has been accounted for using the purchase method. The amount of goodwill arising as a result of the acquisition was HK\$8,352,000.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2009

## 49. ACQUISITION OF SUBSIDIARIES (Continued)

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

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

	Hope Rich	Dermagic			Total
	Acquiree's carrying amount before combination (note) HK\$'000	Acquiree's carrying amount before combination HK\$'000	Fair value adjustment HK\$'000	Fair value HK\$'000	
Net assets acquired:					
Property, plant and equipment	1	1,893	–	1,893	1,894
Intangible assets (note 26)	–	–	1,864	1,864	1,864
Inventories	214	294	–	294	508
Trade receivables	75	14	–	14	89
Other receivables	126	743	–	743	869
Bank balances and cash	–	215	–	215	215
Trade payables	(134)	(316)	–	(316)	(450)
Other payables	(55)	(3,059)	–	(3,059)	(3,114)
	<u>227</u>	<u>(216)</u>	<u>1,864</u>	<u>1,648</u>	<u>1,875</u>
Minority interests	(45)			–	(45)
Goodwill (note 25)	–			8,352	8,352
Discount on acquisition	(27)			–	(27)
	<u>155</u>			<u>10,000</u>	<u>10,155</u>
Total consideration					
Total consideration satisfied by:					
Cash consideration paid	64			10,000	10,064
Share of net assets of an associate	91			–	91
	<u>155</u>			<u>10,000</u>	<u>10,155</u>
Net cash outflow arising on acquisitions:					
Cash consideration paid	(64)			(10,000)	(10,064)
Cash and cash equivalents acquired	–			215	215
	<u>(64)</u>			<u>(9,785)</u>	<u>(9,849)</u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2009

## 49. ACQUISITION OF SUBSIDIARIES *(Continued)*

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

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

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

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

### **For the year ended 31st March, 2008**

On 29th September, 2007, the Group acquired the entire equity interest in Healthy International Limited ("Healthy International"), a company incorporated in Hong Kong, at a consideration of HK\$810,000. Healthy International and its subsidiary is engaged in the trading of healthcare products in Hong Kong. This acquisition has been accounted for using the purchase method. The amount of goodwill arising as a result of the acquisition was HK\$11,810,000.

On 29th September, 2007, the Group acquired the entire equity interest in Jolly Park Limited ("Jolly Park"), a company incorporated in the British Virgin Islands, at a consideration of approximately HK\$45.7 million. Jolly Park and its subsidiary is engaged in the provision of medical services in Hong Kong. This acquisition has been accounted for using the purchase method. The amount of goodwill arising as a result of the acquisition was HK\$26,070,000.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2009

## 49. ACQUISITION OF SUBSIDIARIES (Continued)

For the year ended 31st March, 2008 (Continued)

	Healthy International	Jolly Park		Total HK\$'000	
	Acquiree's carrying amount before combination (note) HK\$'000	Acquiree's carrying amount before combination HK\$'000	Fair value adjustment HK\$'000		Fair value HK\$'000
Net assets acquired:					
Property, plant and equipment	739	2,581	–	2,581	3,320
Intangible assets (note 26)	–	–	11,506	11,506	11,506
Inventories	938	1,955	–	1,955	2,893
Trade and other receivables	4,990	4,781	–	4,781	9,771
Banks balances and cash	1,159	1,424	–	1,424	2,583
Deferred tax assets	–	180	–	180	180
Trade and other payables	(18,826)	(2,267)	–	(2,267)	(21,093)
Tax payable	–	(493)	–	(493)	(493)
	(11,000)	8,161	11,506	19,667	8,667
Goodwill (note 25)	11,810			26,070	37,880
	<u>810</u>			<u>45,737</u>	<u>46,547</u>
Satisfied by:					
Cash consideration paid	<u>810</u>			<u>45,737</u>	<u>46,547</u>
Analysis of net outflow (inflow) of cash and cash equivalents in connection with the acquisition of subsidiaries:					
Cash consideration paid	810			45,737	46,547
Bank balances and cash acquired	(1,159)			(1,424)	(2,583)
Net cash (inflow) outflow in respect of the acquisition of subsidiaries	<u>(349)</u>			<u>44,313</u>	<u>43,964</u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2009

## 49. ACQUISITION OF SUBSIDIARIES *(Continued)*

### For the year ended 31st March, 2008 *(Continued)*

The goodwill arising on acquisition of Noble Pioneer is attributable to the anticipated profitability of its business. In addition, the consideration paid for the combination effectively included amount in relation to the benefit of assembled workforce amounted HK\$560,000 of Jolly Park. This benefit is not recognised separately from goodwill as the amount is not significant.

The subsidiaries acquired during the year ended 31st March, 2008 contributed HK\$33,627,000 to the Group's revenue and HK\$1,119,000 to the Group's profit for the year.

Had the acquisitions during the year ended 31st March, 2008 been completed on 1st April, 2007, the Group's revenue and profit for the year from continuing operations would have been HK\$365,055,000 and HK\$275,205,000, respectively. This pro forma information is for illustrative purposes only and is not necessarily indicative of the revenue and results of the Group that would actually have been impacted had the acquisitions been completed on 1st April, 2007, nor is it intended to be a projection of future results.

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

## 50. ACQUISITION OF MEDICAL AND DENTAL PRACTICES

During the year ended 31st March, 2008, the Group acquired two medical and dental practices at a cash consideration of HK\$6,045,000.

	HK\$'000
Net assets acquired:	
Property, plant and equipment	2,969
Inventories	873
	<hr/>
	3,842
Goodwill (note 25)	2,203
	<hr/>
	6,045
	<hr/>
Satisfied by:	
Cash	6,045
	<hr/>

For the expansion of the Group's business, the Group acquired medical and dental practices with experienced doctors and nurses. Goodwill is attributable to the anticipated profitability from these clinics and the skill and experience of the employees.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2009

## **50. ACQUISITION OF MEDICAL AND DENTAL PRACTICES** *(Continued)*

The medical and dental practices acquired contributed HK\$21,703,000 and a loss of HK\$7,234,000 to the Group's revenue and profit for the year, respectively, during the year ended 31st March, 2008 between the dates of acquisition and the balance sheet date.

Had the acquisitions during the year ended 31st March, 2008 been completed on 1st April, 2007, the Group's revenue and profit for the year from continuing operations would have been HK\$344,345,000 and HK\$226,239,000, respectively. This proforma information is for illustrative purposes only and is not necessarily indicative of the turnover and results of the Group that would actually have been impacted had the acquisitions been completed on 1st April, 2007, nor is it intended to be a projection of future results.

## **51. DISPOSAL OF SUBSIDIARIES**

### **For the year ended 31st March, 2009**

During the year, the Group had the following disposal of subsidiaries:

- (a) In April 2008, the Group disposed of its entire interest in United First Investments Limited ("United First") for a consideration of HK\$3,500,000.
- (b) In April 2008, the Group disposed of its entire interest in Healthy International for a consideration of HK\$12,000,000. Healthy International was previously classified as a disposal group held for sale of the Group.
- (c) In December 2008, the Group disposed of its entire interest in Hong Kong Cyclotron Laboratories Limited ("HKCL") for a consideration of HK\$100.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2009

## 51. DISPOSAL OF SUBSIDIARIES *(Continued)*

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

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

	United First HK\$'000	HKCL HK\$'000	Sub-total HK\$'000	Healthy International HK\$'000 (note 42)	Total HK\$'000
NET ASSETS DISPOSED OF					
Deposit paid on acquisition of property, plant and equipment	-	9,793	9,793	-	9,793
Trade and other receivables	4,777	496	5,273	-	5,273
Bank balances and cash	2,708	561	3,269	-	3,269
Assets classified as held for sale	-	-	-	17,895	17,895
Trade and other payables	(5)	-	(5)	-	(5)
Amounts due to shareholders	(2,999)	(10,970)	(13,969)	-	(13,969)
Liabilities associated with assets classified as held for sale	-	-	-	(6,321)	(6,321)
	4,481	(120)	4,361	11,574	15,935
(Loss) gain on disposal	(981)	120	(861)	426	(435)
Total consideration	3,500	-	3,500	12,000	15,500
Satisfied by:					
Cash	3,500	-	3,500	12,000	15,500
Net cash inflow arising on disposal:					
Cash consideration	3,500	-	3,500	12,000	15,500
Bank balances and cash disposed of	(2,708)	(561)	(3,269)	-	(3,269)
	792	(561)	231	12,000	12,231



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2009

## 51. DISPOSAL OF SUBSIDIARIES (Continued)

### For the year ended 31st March, 2008

As referred to in note 17, on 10th March, 2008, the Group discontinued its Cardiology Operations at the time of disposal of its subsidiary, Pacific Medical.

Other than the disposal of discontinued operation which set out in note 17, the Group also disposed of 100% interest in Next Dimension Advertising (H.K.) Company Limited ("Next Dimension") for a consideration of HK\$3,599,000. In addition, the Group has dissolved certain subsidiaries, namely Manifold China Limited ("Manifold China") and Spring Biotech (China) Limited ("Spring Biotech").

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

	Next Dimension HK\$'000	Manifold China HK\$'000	Spring Biotech HK\$'000	Sub-total HK\$'000	Dis- continued operation HK\$'000 (note 17)	Total HK\$'000
NET ASSETS DISPOSED OF						
Property, plant and equipment	314	–	–	314	359	673
Inventories	–	–	–	–	5,978	5,978
Amounts due from shareholders	–	–	–	–	5,380	5,380
Trade and other receivables	2,941	–	–	2,941	5,960	8,901
Bank balances and cash	61	–	–	61	3,222	3,283
Trade and other payables	(2,703)	–	–	(2,703)	(16,775)	(19,478)
Amounts due to shareholders	(1,743)	(35)	(41)	(1,819)	–	(1,819)
Bank overdraft	(837)	–	–	(837)	–	(837)
Tax payable	–	–	–	–	(2,764)	(2,764)
Obligations under finance leases	(68)	–	–	(68)	–	(68)
	(2,035)	(35)	(41)	(2,111)	1,360	(751)
Goodwill	3,174	–	–	3,174	1,882	5,056
Gain on disposal	2,460	35	41	2,536	2,564	5,100
Total consideration	3,599	–	–	3,599	5,806	9,405
Satisfied by:						
Cash	1,000	–	–	1,000	5,806	6,806
Other receivable	2,599	–	–	2,599	–	2,599
	<u>3,599</u>	<u>–</u>	<u>–</u>	<u>3,599</u>	<u>5,806</u>	<u>9,405</u>
Net cash inflow arising on disposal:						
Cash consideration	1,000	–	–	1,000	5,806	6,806
Bank overdraft	837	–	–	837	–	837
Bank balances and cash disposed of	(61)	–	–	(61)	(3,222)	(3,283)
	<u>1,776</u>	<u>–</u>	<u>–</u>	<u>1,776</u>	<u>2,584</u>	<u>4,360</u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2009

## 52. RETIREMENT BENEFITS SCHEME

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

The total cost charged to the consolidated income statement of HK\$2,230,000 (2008: HK\$2,198,000) represents contributions payable to the above schemes by the Group during the year.

## 53. CAPITAL COMMITMENTS

	2009 HK\$'000	2008 HK\$'000
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of		
– acquisition of property, plant and equipment	20,000	1,712
– investment in a PRC associate	56,709	–
– investment in a subsidiary	23,600	–
	<u>23,600</u>	<u>–</u>

## 54. OPERATING LEASES

### The Group as lessee

	2009 HK\$'000	2008 HK\$'000
Minimum lease payments paid under operating leases in respect of properties during the year	<u>47,292</u>	<u>44,437</u>

At the balance sheet date, the Group had commitments for future minimum leases payments under non-cancellable operating leases which fall due as follows:

	2009 HK\$'000	2008 HK\$'000
Within one year	31,847	34,578
In the second to fifth year inclusive	22,326	21,448
	<u>54,173</u>	<u>56,026</u>

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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2009

## 54. OPERATING LEASES (Continued)

### The Group as lessor

During the year, the Group had property rental income of HK\$5,294,000 (2008: HK\$4,982,000).

At the balance sheet date, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of premises which would fall due as follows:

	2009 HK\$'000	2008 HK\$'000
Within one year	3,609	2,058
In the second to fifth year inclusive	1,799	564
	<b>5,408</b>	<b>2,622</b>

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

## 55. PLEDGE OF ASSETS

As at 31st March, 2009, certain property, plant and equipment, investment properties and prepaid lease payments of the Group with the carrying value of HK\$3,915,000 (2008: HK\$4,075,000), HK\$20,015,000 (2008: HK\$42,175,000) and Nil (2008: HK\$2,368,000), respectively, and bank deposits of HK\$5,000,000 (2008: HK\$10,000,000) were pledged to secure general bank facilities granted to the Group.

## 56. 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	2009 HK\$'000	2008 HK\$'000
Kowloon Hearing Services Limited (note b)	Purchase of healthcare products	90	847
Brava (Hong Kong) Limited (note a)	Purchase of healthcare products	–	34
NSA Far East Limited (note a)	Purchase of healthcare products	–	9
Wise Best International Limited (note a)	Management services fee income	1,266	–
Long Faith International Limited (note a)	Management services fee income	81	885
Skin Health and Laser Centre Limited (note a)	Management services fee income Consultancy fee paid	258 737	223 –

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2009

## 56. RELATED PARTY TRANSACTIONS AND BALANCES *(Continued)*

Name of related party	Nature of transactions	2009 HK\$'000	2008 HK\$'000
Hope Rich Limited (note a)	Management services fee income	<b>1,240</b>	960
Mutual Consultants Limited (note a)	Management services fee income	<b>822</b>	1,015
Best Mega Management Limited (note a)	Management services fee income	–	332
Bright Top Investment Limited (note a)	Management services fee income	–	599
Advance Bond Limited (note a)	Consultancy fee income	–	932
	Rental income	<b>828</b>	828
	Dividend income received	–	931
Hong Kong Health Check (note c)	Management services fee income	<b>3,414</b>	6,623
	Laboratory fee paid	<b>233</b>	844
New Creative Limited (note a)	Management services fee income	–	1,994
Classictime Investments Limited (note d)	Loan interest paid	–	120
Pak On Medical Company Limited (note a)	Dividend income received	–	127
Goldwell Investment Holdings Limited (note a)	Dividend income received	<b>392</b>	240
Union Crown International Limited (note a)	Dividend income received	<b>1,000</b>	–
Essential Health Limited (note a)	Dividend income received	<b>250</b>	–
Hong Kong Bariatric and Metabolic Institute Limited (note a)	Management services fee income	<b>844</b>	–
Hong Kong Traumatology and Orthopaedics Institute Limited (note a)	Management services fee income	<b>426</b>	–

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2009

## 56. RELATED PARTY TRANSACTIONS AND BALANCES *(Continued)*

Notes:

- (a) The Group's associates during the year.
- (b) A company in which Mr. Lai Kwok Fai ("Mr. Lai") is a director and shareholder. Mr. Lai is also a director of a subsidiary of the Company, Audio Health Hearing Care (Shatin) Limited.
- (c) An associate of the Group, which ceased to be an associate during the current financial year. Miss Choi Ka Yee, Crystal, a director of the Company, is also a director of Hong Kong Health Check.
- (d) A company which is a wholly-owned subsidiary of Hong Kong Health Check.

In addition, Dr. Cho Kwai Chee issued personal guarantees to a bank to secure general banking facilities granted to the Group during the year ended 31st March, 2008 at nil consideration.

Details of balance with related parties as at the balance sheet date are set out in the consolidated balance sheet and in notes 35, 36, 37, 38 and 44.

### Compensation of key management personnel

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

	<b>2009</b>	2008
	<b>HK\$'000</b>	HK\$'000
Short-term benefits	<b>17,645</b>	1,676
Post-employment benefits	<b>12</b>	12
Share-based payment expenses	<b>–</b>	172
	<b>17,657</b>	1,860

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2009

## 57. POST BALANCE SHEET EVENTS

- (a) On 24th December, 2008, the Group entered into an agreement to acquire 51% equity interest in Max Goodrich International Limited ("Max Goodrich"), a company incorporated in the BVI, at a cash consideration of RMB66,600,000 (equivalent to approximately HK\$74,855,000). Max Goodrich is an investment holding company in a group of PRC companies which are engaged in manufacture, distribution and sale of pharmaceutical products. The acquisition was completed in April 2009.

The directors of the Company are in the progress of assessing the financial impact.

- (b) Pursuant to the extraordinary general meeting held on 20th April, 2009, a capital reorganization resolution was duly passed in which every 100 issued shares of HK\$0.01 each in the Company will be consolidated into one consolidated share of HK\$1.00 and the paid-up capital of the consolidated shares will be reduced from HK\$1.00 each to HK\$0.01 by cancelling HK\$0.99 thereof so as to form the reorganised shares of HK\$0.01 each. The capital reorganisation was effective on 25th May, 2009.
- (c) On 23rd April, 2009, Bright Dignity Limited ("Bright Dignity"), a wholly-owned subsidiary of the Company, entered into the provisional agreement with an independent third party ("Vendor") pursuant to which Bright Dignity agreed to acquire and Vendor agreed to sell a property in Hong Kong at a consideration of HK\$15,800,000. The transaction was completed at the date of this report.

Details of these are disclosed in an announcement of the Company dated 27th April, 2009.

- (d) On 18th February, 2009, National Charm Holdings Limited ("National Charm") was incorporated by Town Health (BVI) Limited ("TH (BVI)"). On 9th April, 2009, National Charm entered into Shareholders' Agreement with Fair Jade Group Limited ("Fair Jade") and Hoarder Rich Investments Limited ("Hoarder Rich") that each company subscribed for approximately 49%, 20% and 31% interest of Profit Sources Limited ("Profit Sources"), respectively.

On 11th May, 2009, TH (BVI), a wholly-owned subsidiary of the Company, and Charm Advance Limited ("Charm Advance"), a wholly-owned subsidiary of Hong Kong Health Check, entered into an agreement ("First Agreement") pursuant to which TH (BVI) has agreed to purchase and Charm Advance agreed to sell, the entire issued share capital of, and the shareholder's loan to, Fair Jade, a wholly-owned subsidiary of Charm Advance, at a consideration of HK\$26,368,000.

On the same date, TH (BVI) and Ms. Ho Ching Wai ("Ms. Ho") entered into an agreement ("Second Agreement") pursuant to which TH (BVI) has agreed to purchase, and Ms. Ho has agreed to sell, the entire issued share capital of, and the shareholder's loan to, Hoarder Rich, a company wholly and beneficially owned by Ms. Ho, at a consideration of HK\$40,870,400.

After completion of the First Agreement and the Second Agreement, the Group will indirectly own 100% interest in Profit Sources Limited, a company incorporated in Hong Kong held by National Charm, Fair Jade and Hoarder Rich, which holds a leasehold property in Hong Kong.

The transaction was completed at the date of this report.

Details of these are disclosed in an announcement of the Company dated 11th May, 2009.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2009

## 57. POST BALANCE SHEET EVENTS *(Continued)*

- (e) On 18th May, 2009, Town Health Preventive Healthcare Services Limited ("TH Preventive"), a wholly-owned subsidiary of the Company, entered into the agreement with Mr. Zhang Tao Tao ("Mr. Zhang") pursuant to which TH Preventive agreed to acquire and Mr. Zhang agreed to sell the shares and the shareholder loan of Good Pace International Limited ("Good Pace"), a company incorporated in the British Virgin Islands and wholly and beneficially owned by Mr. Zhang, at a consideration of HK\$29 million. Good Pace is an investment holding company of a PRC joint venture engaged in the manufacture, distribution and sale of pharmaceutical products. The transaction was completed at the date of this report.

Details of these are disclosed in an announcement of the Company dated 18th May, 2009.

- (f) On 18th May, 2009, the Group disposed of an aggregate of 358,955,240 shares of Core Healthcare, a company incorporated in the Cayman Islands with limited liability and whose issued shares are listed on GEM of Stock Exchange. The transaction was completed at the date of this report.

Details of these are disclosed in an announcement of the Company dated 18th May, 2009.

- (g) On 1st June 2009, the Group, through Health Walk Limited ("Health Walk"), an indirect wholly-owned subsidiary of the Company, entered into the sale and purchase agreement with Helix Overseas Holdings Limited ("Helix Overseas") to acquire the 27% interest in the issued share capital of First Oriental Medical Technology Group Limited and its subsidiaries ("First Oriental Group") at a consideration of HK\$32 million (the "Agreement"). At the date of the Agreement, First Oriental Group was a beneficially owned as to 51% by Health Walk. Helix Overseas was a company wholly-owned by Ms. Leung Yuet Kwan, Belinda ("Ms. Leung") who is a substantial shareholder of First Oriental Group. In addition, Ms. Leung is the wife of Mr. Ng Yau Sing who was one of the founders and has been a director of each of the member companies of First Oriental Group. Accordingly, Helix Overseas is a connected person of the Company and the acquisition therefore also constitutes a connected transaction for the Company under the Listing Rules. At the date of this report, the transaction was completed. Details of these are disclosed in an announcement of the Company dated 1st June 2009.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2009

## 58. BALANCE SHEET OF THE COMPANY

	<b>2009</b>	2008
	<b>HK\$'000</b>	HK\$'000
<b>ASSETS AND LIABILITIES</b>		
Total assets	<b>864,461</b>	680,960
Total liabilities	<b>(79,435)</b>	(163,673)
	<b>785,026</b>	517,287
<b>CAPITAL RESERVES</b>		
Share capital	<b>296,805</b>	169,679
Reserves (note)	<b>488,221</b>	347,608
	<b>785,026</b>	517,287

Note:

### Reserves

	Share premium HK\$'000	Contributed surplus HK\$'000	Distributable reserve HK\$'000	Share options reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1st April, 2007	200,104	28,180	62,677	–	(120,835)	170,126
Placing of new shares	295,584	–	–	–	–	295,584
Bonus issue	(111,739)	–	–	–	–	(111,739)
Transaction costs attributable to issue of shares	(10,426)	–	–	–	–	(10,426)
Issue of shares upon exercise of share options	25,886	–	–	(3,767)	–	22,119
Share repurchased	(1,341)	–	–	–	–	(1,341)
Loss for the year	–	–	–	–	(25,772)	(25,772)
Recognition of equity settled share-based payment expenses	–	–	–	9,057	–	9,057
At 31st March, 2008	398,068	28,180	62,677	5,290	(146,607)	347,608
Placing of new shares	124,650	–	–	–	–	124,650
Transaction costs attributable to issue of shares	(5,992)	–	–	–	–	(5,992)
Issue of shares upon exercise of share options	116,183	–	–	(28,303)	–	87,880
Loss for the year	–	–	–	–	(264,675)	(264,675)
Recognition of equity settled share-based payment expenses	–	–	–	198,750	–	198,750
<b>At 31st March, 2009</b>	<b>632,909</b>	<b>28,180</b>	<b>62,677</b>	<b>175,737</b>	<b>(411,282)</b>	<b>488,221</b>



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2009

## 58. BALANCE SHEET OF THE COMPANY *(Continued)*

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

The distributable reserve of the Company represents the amount arising from the reduction of share capital net of dividend paid.

## 59. PRINCIPAL SUBSIDIARIES

Particulars of the Company's principal subsidiaries at 31st March, 2009 and 2008 are as follows:

Name of company	Place of incorporation/ form of legal entity	Issued and fully paid share capital/ registered capital	Proportion of nominal value of issued capital/registered capital held by the Company				Principal activities
			2009		2008		
			Directly	Indirectly	Directly	Indirectly	
Audio Health Hearing Care (Shatin) Limited	Hong Kong/ limited liability company	HK\$1,000	-	70%	-	70%	Provision of audio diagnostic tests and sale of hearing-aid devices
Billion Advance Limited	Hong Kong/ limited liability company	HK\$100	-	70%	-	70%	Property investment services
Dermatonic Skincare & Laser Treatment Centre Limited	Hong Kong/ limited liability company	HK\$100	-	100%	-	100%	Provision of skincare and laser treatment services
Dermagic Skin Treatment Centre Company Limited	Hong Kong/ limited liability company	HK\$460	-	100%	-	100%	Provision of beauty and skincare services
First Oriental Cyclotron Limited	Hong Kong/ limited liability company	HK\$10,000	-	94%	-	94%	Production of isotopes for medical uses
First Oriental Medical Technology Group Limited	British Virgin Islands/ limited liability company	US\$1,100	-	51%	-	51%	Investment holding

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2009

## 59. PRINCIPAL SUBSIDIARIES (Continued)

Name of company	Place of incorporation/ form of legal entity	Issued and fully paid share capital/ registered capital	Proportion of nominal value of issued capital/registered capital held by the Company				Principal activities
			2009		2008		
			Directly	Indirectly	Directly	Indirectly	
First Oriental Medical Technology Limited	Hong Kong/ limited liability company	HK\$1,000,000	-	51%	-	51%	Investment holding
Morning Ray Limited	Hong Kong/ limited liability company	HK\$100	-	100%	-	100%	Provision of medical services
Noble Pioneer Limited	Hong Kong/ limited liability company	HK\$2	-	100%	-	100%	Provision of medical and dental consultation services
Nu/Hart Hair Solutions Limited	Hong Kong/ limited liability company	HK\$100,000	-	56%	-	51%	Operating of a hair transplant centre
Oriental Elite Limited	Hong Kong/ limited liability company	HK\$100	-	100%	-	100%	Property investments
Pherson Limited	Hong Kong/ limited liability company	HK\$500,000	-	100%	-	69%	Property investments
Silver Ascot Limited	Hong Kong/ limited liability company	HK\$3	-	66%	-	66%	Provision of medical and dental consultation services
Spring Biotech Limited	British Virgin Islands/ limited liability company	US\$1	-	100%	-	100%	Investment holding
Town Health (Asia) Limited	Hong Kong/ limited liability company	HK\$2	-	100%	-	100%	Trading of listed securities

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2009

## 59. PRINCIPAL SUBSIDIARIES (Continued)

Name of company	Place of incorporation/ form of legal entity	Issued and fully paid share capital/ registered capital	Proportion of nominal value of issued capital/registered capital held by the Company				Principal activities
			2009		2008		
			Directly	Indirectly	Directly	Indirectly	
Town Health Bio-Medical Technology Limited	British Virgin Islands/ limited liability company	US\$1,000	100%	–	100%	–	Investment holding
Town Health (BVI) Limited	British Virgin Islands/limited liability company	US\$1,331,131	100%	–	100%	–	Investment holding
Town Health Children's Land Limited	Hong Kong/ limited liability company	HK\$500,000	–	65%	–	65%	Operation of an education centre
Town Health Dental Limited	Hong Kong/ limited liability company	HK\$2	–	100%	–	100%	Provision of dental consultation services
Town Health Food and Beverage Culture Company Limited	Hong Kong/ limited liability company	HK\$2	–	100%	–	100%	Catering business
Town Health Management and Services Limited	Hong Kong/ limited liability company	HK\$2	–	100%	–	100%	Provision of management and administrative services
Town Health Medical & Dental Services Limited	Hong Kong/ limited liability company	HK\$2	–	100%	–	100%	Provision of medical services
Town Health Para-medical Services Limited	Hong Kong/ limited liability company	HK\$2	–	100%	–	100%	Investment holding
Town Health Preventive Healthcare Services Limited	British Virgin Islands/limited liability company	US\$1	–	100%	–	100%	Investment holding

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2009

## 59. PRINCIPAL SUBSIDIARIES *(Continued)*

Name of company	Place of incorporation/ form of legal entity	Issued and fully paid share capital/ registered capital	Proportion of nominal value of issued capital/registered capital held by the Company				Principal activities
			2009		2008		
			Directly	Indirectly	Directly	Indirectly	
Town Health Traditional Chinese Medicine Services Limited	Hong Kong/ limited liability company	HK\$2	-	100%	-	100%	Trading of listed securities

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

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

## FINANCIAL SUMMARY

	Year ended 31st March,				
	2009 HK\$'000	2008 HK\$'000	2007 HK\$'000	2006 HK\$'000	2005 HK\$'000
Revenue	<b>342,212</b>	338,823	236,554	231,179	179,536
(Loss) profit for the year from continuing operations	<b>(644,047)</b>	260,164	228,908	19,117	(76,610)
Profit (loss) for the year from discontinued operation	–	826	(22,124)	2,331	(1,771)
(Loss) profit for the year	<b>(644,047)</b>	260,990	206,784	21,448	(78,381)
Attributable to:					
Equity holders of the Company	<b>(652,507)</b>	253,714	214,850	20,030	(84,331)
Minority interests	<b>8,460</b>	7,276	(8,066)	1,418	5,950
	<b>(644,047)</b>	260,990	206,784	21,448	(78,381)

## CONSOLIDATED BALANCE SHEET

	At 31st March,				
	2009 HK\$'000	2008 HK\$'000	2007 HK\$'000	2006 HK\$'000	2005 HK\$'000
Total assets	<b>941,878</b>	1,307,477	577,946	397,507	177,288
Total liabilities	<b>(44,780)</b>	(228,221)	(125,760)	(149,002)	(41,905)
	<b>897,098</b>	1,079,256	452,186	248,505	135,383
Assets attributable to equity holders of the Company	<b>892,108</b>	1,064,143	436,587	249,155	123,414
Minority interests	<b>4,990</b>	15,113	15,599	(650)	11,969
	<b>897,098</b>	1,079,256	452,186	248,505	135,383