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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Ms. Chong Sok Un (*Chairman*)
Dato' Wong Peng Chong
Mr. Kong Muk Yin

Independent Non-Executive Directors

Mr. Lau Siu Ki
Mr. Ma Wah Yan
Mr. Zhang Jian

AUDIT COMMITTEE

Mr. Lau Siu Ki (*Chairman*)
Mr. Ma Wah Yan
Mr. Zhang Jian

NOMINATION COMMITTEE

Ms. Chong Sok Un (*Chairman*)
Dato' Wong Peng Chong
Mr. Lau Siu Ki
Mr. Ma Wah Yan
Mr. Zhang Jian

REMUNERATION COMMITTEE

Mr. Ma Wah Yan (*Chairman*)
Dato' Wong Peng Chong
Mr. Kong Muk Yin
Mr. Lau Siu Ki
Mr. Zhang Jian

COMPANY SECRETARY

Ms. Fung Ching Man, Ada

AUDITOR

Deloitte Touche Tohmatsu
Certified Public Accountants

SOLICITORS

Robertsons
Fred Kan & Co.
P.C. Woo & Co.

PRINCIPAL BANKERS

Bank of China Limited
Industrial and Commercial Bank of China (Asia) Limited
Societe Generale Bank & Trust
Standard Chartered Bank (Hong Kong) Limited
The Hongkong and Shanghai Banking
Corporation Limited
UBS, AG

AMERICAN DEPOSITARY RECEIPTS

The Bank of New York Mellon
Depositary Receipts Division
101 Barclay Street
22/F., West New York
NY 10286
U.S.A.

REGISTERED OFFICE

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

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

47/F., China Online Centre
333 Lockhart Road
Wanchai, Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN BERMUDA

MUFG Fund Services (Bermuda) Limited
26 Burnaby Street
Hamilton HM 11
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

STOCK CODE

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WEBSITE

<http://www.colcapital.com.hk>
<http://www.irasia.com/listco/hk/colcapital/>

CHAIRMAN'S STATEMENT

On behalf of the Board of Directors (the "Board"), I have the pleasure to present the financial results of COL Capital Limited (the "Company"), together with its subsidiaries, (the "Group") for the year ended 30 June 2013.

FINANCIAL RESULTS

For the year ended 30 June 2013, the Group recorded a total revenue of HK\$1,298,331,000 (2012: HK\$538,434,000) and a loss for the year attributable to shareholders of HK\$780,719,000 (2012: restated HK\$531,425,000). The loss was mainly due to the realized losses and mark-to-market unrealized losses from its investment portfolio of HK\$189,014,000 (2012: HK\$293,461,000) and an increase in the share of losses (net of profits) of its associates of HK\$624,814,000 (2012: restated HK\$44,158,000) caused by the downturn in the commodity and equity prices. In addition, administrative expenses and finance costs were higher after the acquisition of Jiatai Tongren (Lianyungang) Healthcare Investment Company Limited (嘉泰同仁(連雲港)醫療產業投資有限公司) ("Jiatai Tongren") in September 2012. The loss per share for the year ended 30 June 2013 was HK\$1.44 (2012: restated HK\$0.97).

The Group's net asset value per share as at 30 June 2013 was HK\$1.81 (2012: HK\$3.31).

DIVIDENDS

The Directors do not recommend the payment of final dividend for the year ended 30 June 2013 (2012: nil).

CLOSURE OF REGISTER OF MEMBERS FOR ANNUAL GENERAL MEETING

The annual general meeting of the Company (the "Annual General Meeting") is scheduled to be held on Thursday, 5 December 2013. For determining the entitlement to attend and vote at the Annual General Meeting, the register of members of the Company will be closed from Tuesday, 3 December 2013 to Thursday, 5 December 2013, both dates inclusive, during which period no transfer of shares will be effected. In order to be eligible to attend and vote at the Annual General Meeting, all transfers of shares, accompanied by the relevant share certificates, must be lodged with the Company's share registrar in Hong Kong, Tricor Tengis Limited, at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on Monday, 2 December 2013.

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW OF OPERATIONS

Securities Trading and Investments

The positive economic and financial environment seen towards the end of 2012 was adversely affected in the first half of 2013 by the growing unease over the weaker than expected recovery and growth in the developed markets and concerns over the economic slowdown in the emerging markets such as China and India, that has affected the commodities and relevant equities markets. Compounding such a reversal in market sentiment was the fear that the United States ("U.S.") Federal Reserve ("Fed") would start slowing the pace of its policy of monetary stimulus sooner than expected and this has caused the flight of capital, increased interest rate levels, and adversely affected the prices of shares, currencies and commodities as investors rushed to unwind trades and exit the financial markets.

CHAIRMAN'S STATEMENT

The Group managed to realize part of its investment portfolio despite the weak and volatile market conditions and recorded a turnover of HK\$677,016,000 (2012: HK\$510,536,000) with a loss of HK\$189,014,000 (2012: HK\$293,461,000) for the year ended 30 June 2013, mostly due to the loss in fair value change of its trading portfolio of HK\$152,682,000 (2012: HK\$252,205,000) partially off-set by the gain in fair value change of derivative financial instruments of HK\$16,645,000 (2012: HK\$15,888,000). At the end of the 2013 financial year, the Group maintained a portfolio of available-for-sale investments of HK\$331,539,000 (2012: HK\$240,039,000) and a trading portfolio of HK\$957,197,000 (2012: HK\$1,123,202,000).

Money Lending

Although the Group's money lending business recorded a decreased interest income of HK\$15,726,000 (2012: HK\$24,569,000) due to a weak credit environment, a profit of HK\$9,558,000 (2012: HK\$14,369,000) was achieved during the year under review. As at 30 June 2013, the Group's loan portfolio was reduced to HK\$103,761,000 (2012: HK\$558,841,000).

Property Investments

The Group's investment properties located in Hong Kong and China registered an increased rental income of HK\$3,882,000 (2012: HK\$3,329,000) and a profit of HK\$59,415,000 (2012: HK\$9,787,000) for the year ended 30 June 2013, largely due to the gain from fair value changes on investment properties of HK\$57,589,000 (2012: HK\$16,961,000) as a result of the improved industrial property market in Hong Kong. As at 30 June 2013, the Group's investment properties portfolio amounted to HK\$208,112,000 (2012: HK\$159,227,000).

Hospital Operation

Upon the acquisition of an 19.34% interest in Extra Earn Holdings Limited ("Extra Earn"), the assets reorganization of Extra Earn and the subscription of equity interest in Jiatai Tongren in September 2012 and December 2012 respectively, the Company became directly interested in approximately 69.52% of the entire registered capital of Jiatai Tongren.

In March 2013, Jiatai Tongren entered into a cooperative agreement with Mr. Yu Zhen Kun ("Mr. Yu") to set up a joint venture in eye, ear, nose and throat specialty with an investment of RMB80 million. Jiatai Tongren has granted call options to Mr. Yu, exercisable upon fulfillment of certain performance targets. For the proposed joint venture, Jiatai Tongren will contribute RMB60 million for a 60% interest and Mr. Yu and his professional team will contribute RMB20 million for a 40% interest. Mr. Yu is a well-known ear, nose, throat, head and neck specialist in the PRC. The cooperative agreement will provide an invaluable opportunity to leverage on the medical expertise of Mr. Yu and strengthen Jiatai Tongren's medical and technical management team.

In May 2013, the Group reduced its interest in Jiatai Tongren to 60.52% with the disposal of a 9% interest for a consideration of RMB100 million. The Group considers the disposal as an opportunity to realize some gain from the partial realization of its investment, and to broaden and strengthen the investor base of Jiatai Tongren. Jiatai Tongren will continue to be a direct non wholly-owned subsidiary of the Company.

CHAIRMAN'S STATEMENT

Jiatai Tongren, and through its PRC subsidiaries (collectively "Jiatai Tongren Group"), is engaged in the investment and management and operation of healthcare and hospital businesses, trading of medical equipment and related supplies, property investment and development and strategic investment. Jiatai Tongren's hospital ownership and operation consists of the Nanjing Tongren Hospital (南京同仁醫院) opened in 2007 with a capacity of 1,200 beds, and 969 medical staff and employees; the Kunming Tongren Hospital (昆明同仁醫院) opened in 2010 with a capacity of 500 beds, and 665 medical staff and employees; and Yunnan Xinxinhua Hospital (雲南新新華醫院) opened in 2004 with a capacity of 240 beds, and 372 medical staff and employees. All three are integrated hospitals offering a wide range of comprehensive clinical and healthcare services.

By leveraging on these operating integrated hospitals, Jiatai Tongren aims to provide specialized services including high-end obstetrics, oral cavity and otorhinolaryngology services and strives to combine medical and healthcare services with elderly care real estate business to capture the opportunities in the fast growing healthcare and elderly care services in the PRC. Jiatai Tongren entered the healthcare and elderly care industry early in 2003 and it is currently one of the few PRC private enterprises with various operating integrated hospitals, healthcare resources and reserve of lands, and is well positioned to realize its strategic objectives.

During the year under review, the Group's hospital operation contributed a turnover of HK\$393,058,000, profit before depreciation and amortization of HK\$16,680,000 but a loss of HK\$40,464,000 due to high depreciation and amortization charges and the continued trend of increase in labour cost, especially medical and technical staff, in the PRC.

Property Development

Jiatai Tongren's property development business consists of the development of Phase 2 and 3 of Kangya Garden (康雅苑), located in the Jiangning Development Zone in Nanjing in the PRC. This development has a total gross floor area of approximately 125,400 sqm with construction expected to be completed in June 2013 and June 2015 respectively. The Group's property development business achieved a turnover of HK\$208,649,000 and a loss of HK\$825,000 during the second half of the year under review.

In March 2013, Jiatai Tongren entered into a sale and purchase agreement to dispose of the entire registered capital of Lianyungang Chengtai Property Limited ("Lianyungang Chengtai") for a consideration of RMB250 million. The sole asset of Lianyungang Chengtai are two pieces of vacant land with aggregate site area of 276 Mu in Lianyungang Economic and Technological Development Zone in the PRC. However, the purchaser failed to pay the deposit as prescribed in the agreement, and a notice of termination was issued on 14 April 2013.

PRINCIPAL ASSOCIATED COMPANIES

For the year ended 30 June 2013, the share of losses (net of profits) of associates of the Group, gain on partial disposal of associates, gain on deemed disposal of an associate and impairment loss recognized on the Group's interests in associates were HK\$624,814,000 (2012: restated HK\$44,158,000); HK\$466,000 (2012: HK\$13,596,000); HK\$34,794,000 (2012: nil) and nil (2012: restated HK\$245,549,000) respectively. As at 30 June 2013, the Group's investment in associates decreased to HK\$273,037,000 (2012: HK\$1,159,238,000).

CHAIRMAN'S STATEMENT

Mabuhay Holdings Corporation ("MHC") – approximately 29.85% owned by the Group

For the year ended 30 June 2013, the Group recorded a gain of HK\$466,000 (2012: HK\$2,980,000) from the partial disposal of its interest in MHC and its shareholding in MHC has decreased to 29.85% from 30.42%. MHC is a company incorporated in the Philippines with its common shares listed on the Philippine Stock Exchange and is engaged in investment in securities, properties, and other investments in the Philippines. MHC's major asset is its approximately 37% interest in IRC Properties, Inc. ("IRC"), whose common shares are also listed on the Philippine Stock Exchange. IRC is principally engaged in real estate development with three real estate projects, inclusive of two low cost socialize housing projects under development and a condominium project (in design phase), in the Binangonan area of Rizal Province close to Metro-Manila in the Philippines. Further, IRC is currently pursuing negotiations with a key real estate industry player to develop a portion of its Binangonan property.

Extra Earn – approximately 38.67% owned by the Group

Extra Earn is an investment holding company and through its PRC subsidiaries is engaged in urban infrastructure development, property development, hospital ownership and operations, and other investments in the PRC. Immediately before the acquisition and assets reorganization of Extra Earn as mentioned in the sections "Hospital Operation" and "Property Development" under Review of Operations, Extra Earn's result and assets and liabilities had been equity accounted for in the consolidated financial statement of the Group.

Think Future Investments Limited ("Think Future") – 30% owned by the Group

For the financial year 2013, following the allotment and subscription of new shares of Think Future, the Group's shareholding in Think Future decreased to 30% from 33.33%. Think Future is an investment holding company and through its direct subsidiary, TIDE HOLDINGS (CHINA) LIMITED (formerly known as Tide Holdings (H.K.) Limited, "TIDE") and other indirect subsidiaries (collectively the "Think Future Group"), is engaged in property development and project management businesses in the PRC. Currently Think Future Group has a development project located in Zhu Jia Jiao County, Shanghai which is to be developed into a showcase project comprising health industry headquarters and base, offering healthcare services packages to the elderly.

In Jan 2013, TIDE entered into a strategic cooperation agreement with China Jiu hao Health Industry Corporation Limited (formerly known as Media China Corporation Limited), a company incorporated in Cayman Islands with its shares listed on The Stock Exchange of Hong Kong Limited ("Hong Kong Stock Exchange"), to develop businesses and projects related to the development of the healthcare industry in the PRC.

APAC Resources Limited ("APAC") – approximately 29.81% owned by the Group

During the year ended 30 June 2013, as a result of the acquisition in July 2012 of 130,000,000 additional shares of APAC and the share repurchase conducted by APAC, the Group's shareholding in APAC has increased to approximately 29.81% from 27.9%. APAC, a company incorporated in Bermuda with its shares listed on the Hong Kong Stock Exchange, is an established natural resources investment and commodities company with business activities comprising of primary strategic investment, resource investment and commodity business.

CHAIRMAN'S STATEMENT

Its resource investment business is operated from Hong Kong, with the commodity business operating from Hong Kong and Shanghai. The commodity business is dominated by two offtake agreements with Mount Gibson Iron Limited ("MGX") and the shipments are sold on the spot market to steel mills and traders in China. APAC's two primary strategic investments are an approximately 27% interest in MGX and an approximately 24% interest in Metals X Limited ("MLX"), both with core assets and listings in Australia. MGX is a leading West Australian direct shipping ore ("DSO") hematite iron ore producer listed on the Australian Stock Exchange ("ASX"). MGX has three mines in production with an annual capacity of 10 million tonnes per annum of DSO. MLX is an Australian-based diversified resource group with a main focus on tin through its 50% interest in the tin producing Renison mine in Tasmania, nickel through its world-scale Wingellina nickel project, and gold through the Central Murchison gold project and the Rover gold and copper project. MLX also has an indirect exposure to copper and bauxite through its portfolio of strategic investments in Reed Resources Limited, Mongolian Resource Corporation, and Aziana Limited.

For the year under review, APAC recorded a revenue of HK\$1,104,617,000 (2012: HK\$1,050,205,000) and a loss attributable to shareholders of HK\$2,079,687,000 (2012: restated HK\$242,967,000). The significant loss has driven by an impairment provision of HK\$2,111,359,000 against the carrying values of APAC's two principal listed associates. APAC's primary strategic investments reported an attributable profit of HK\$347,152,000 (2012: restated HK\$218,792,000), and resource investment portfolio posted a loss of HK\$268,911,000 (2012: HK\$296,401,000). APAC's commodity business achieved a profit of HK\$16,556,000 (2012: HK\$5,571,000).

FINANCIAL RESOURCES, BORROWINGS, CAPITAL STRUCTURE AND EXPOSURES TO FLUCTUATIONS IN EXCHANGE RATES

As at 30 June 2013, the Group's non-current assets of HK\$2,164,204,000 (2012: HK\$1,526,170,000) consisted of investment properties of HK\$208,112,000 (2012: HK\$159,227,000); property, plant and equipment of HK\$1,451,117,000 (2012: HK\$6,751,000); prepaid lease payments of HK\$65,426,000 (2012: nil); interests in associates of HK\$273,037,000 (2012: HK\$1,159,238,000); available-for-sale investments of HK\$126,819,000 (2012: HK\$200,954,000); intangible assets of HK\$16,713,000 (2012: nil) and deposits for acquisition of property, plant and equipment of HK\$22,980,000 (2012: nil). These non-current assets are principally financed by shareholders' fund. As at 30 June 2013, the Group had net current assets of HK\$48,792,000 (2012: HK\$320,776,000) and current ratio of 1.02 times (2012: 1.20 times), calculated on the basis of the Group's current assets over current liabilities.

As at 30 June 2013, the total borrowings of the Group amounted to HK\$2,710,883,000 (2012: HK\$1,505,104,000) consisting of securities margin loans of HK\$1,128,582,000 (2012: HK\$1,340,196,000); unsecured term loan of HK\$70,000,000 (2012: HK\$150,000,000); secured term loan of nil (2012: HK\$14,908,000); promissory note of HK\$91,987,000 (2012: nil); secured bank borrowings of HK\$624,669,000 (2012: nil); unsecured bank borrowings of HK\$75,587,000 (2012: nil); unsecured other borrowings of HK\$122,102,000 (2012: nil), bills payable of HK\$350,956,000 (2012: nil) and bonds of HK\$247,000,000 (2012: nil). Among the total borrowings, an amount of HK\$220,661,000 (2012: nil) was with maturity over one year but not exceeding two years and an amount of HK\$70,000,000 (2012: nil) was with maturity of over two years but not exceeding five years.

CHAIRMAN'S STATEMENT

As at 30 June 2013, the Group's gearing ratio, calculated on the basis of the Group's net borrowings (after pledged bank deposits, restricted bank deposits and bank balances and cash) over total equity, was 143.1% (2012: 77.1%). The Group's gearing ratio would be adjusted to 65.2% (2012: 14.1%) with marketable securities inclusive of available-for-sale investments (under current assets) and investments held for trading deducted from the net borrowings.

Subsequent to the fiscal year end, Jiatai Tongren Group entered into a mutual guarantee agreement with China Huali Holdings Group Company Limited, a connected person of the Company, pursuant to which both parties agreed that should any party (inclusive of their subsidiaries) apply for a loan or loans from a bank or financial institution, and if the lender so requires, then the other party shall provide a corporate guarantee for the obligations of the borrower under the loan. The total loan amounts guaranteed by each party shall not exceed RMB300 million. A corporate guarantee from PRC corporations is commonly required as a security or additional security for financial transactions in the PRC to secure the obligations of the borrower and the mutual guarantee agreement would enable Jiatai Tongren Group to obtain loans from third party lenders in order to support its ordinary and usual course of business in the PRC.

During the year under review, the Group's assets, liabilities and transactions were mainly denominated in Hong Kong Dollar, Australian Dollar, Taiwan Dollar, Renminbi and Malaysian Ringgit. Because of the short term nature, the Group did not actively hedge risks arising from its Australian Dollar, Taiwan Dollars and Malaysian Ringgit denominated assets and transactions. The Group was not materially affected by its exposure to these currencies.

As at 30 June 2013, the Group had capital commitments contracted for but not provided of HK\$1,735,000 (2012: nil).

As at 30 June 2013, the Group had no material contingent liabilities (2012: nil).

CHARGE ON GROUP ASSETS

As at 30 June 2013, the Group's investments held for trading of HK\$916,835,000 (2012: HK\$1,074,602,000); interests in associates of HK\$248,261,000 (2012: HK\$906,570,000); buildings (included in the property, plant and equipment) of HK\$622,778,000 (2012: nil); available-for-sale investments of HK\$231,892,000 (2012: HK\$140,062,000); prepaid lease payments of HK\$97,286,000 (2012: nil); properties under development for sale of HK\$27,546,000 (2012: nil) and bank deposits of HK\$265,423,000 (2012: HK\$7,801,000) were pledged to banks and securities houses to secure credit facilities granted to the Group.

For the year ended 30 June 2013, the immediate holding company of Kunming Tongren Industrial and Kunming Tongren Hospital Company Limited, both non wholly-owned subsidiaries of the Group, pledged its equity interest in these two subsidiaries to banks for borrowings granted.

The Group's obligations under finance leases are secured by the Group's charge over the leased assets. As at 30 June 2013, the carrying amount of the Group's medical equipment includes an amount of HK\$174,937,000 (2012: nil) in respect of assets held under finance leases.

CHAIRMAN'S STATEMENT

EMPLOYEES

The Group's employees increased to 2,113 as at 30 June 2013 (2012: 16) following the acquisition of Jiatai Tongren in September 2012. The Group ensures that its employees are remunerated in line with market conditions and individual performance and the remuneration policies are reviewed on a regular basis.

POST BALANCE SHEET EVENTS

In June and July 2013, the Group realized part of its long term investments through on-market disposal of 80.9 million shares in Landing International Development Limited (formerly known as Greenfield Chemical Holdings Limited) for cash proceeds of approximately HK\$38.3 million.

In August 2013, Jiatai Tongren Group entered into a sale and purchase agreement to dispose of its interest in Kunming Tongren Industrial Development Company Limited ("Kunming Tongren Industrial") for a consideration of RMB324.995 million. Upon the completion of the assets transfer and restructuring of receivables and liabilities, Kunming Tongren Industrial's remaining assets will consist of the elderly care use land, the nursery land together with the existing buildings and structures thereon, the right and income entitlement in the 204 fixed parking spaces (developed but unsold) in Dianchi Yinxiang Garden and the right in the 24 flats (developed but unsold) in Dianchi Yinxiang Garden, in Kunming City, Yunnan Province, the PRC. The Group considers that the disposal would provide the Company with the opportunity to realize gains from its investments and enable it to reallocate its financial resources to other core business activities.

In September 2013, Jiatai Tongren Group entered into an agreement with Huaying Land Group Company Limited, a connected person of the Company, to dispose of its entire shareholding of 65% of the entire registered capital of Dongying Tongren International Health Centre Investment Company Limited ("Dongying Tongren") for a consideration of RMB13 million. The sole investment of Dongying Tongren is the Dongying Tongren International Health Centre project in Dongying in the Shangdong Province of the PRC, which is still in the preliminary planning stage. The disposal will enable the Group to recuperate its initial capital contribution and continue to participate in the projects of Dongying Tongren through the provision of management and consulting services.

PROSPECTS

The more positive economic data from the U.S., the euro zone countries and Japan indicates a likely return to a more sustainable recovery. China appears to have recently averted a sharp slowdown in its economy after the re-introduction of policies to encourage investment and push through structural reforms. All this has provided some comfort to the market. However, mounting concerns over the Fed's imminent tapering of its monetary stimulus policy has already negatively affected the currencies and financial markets of the emerging nations. Uncertainties over the fragile economic conditions, the political in-fighting and paralysis with the consequential social unrest in the developed world, together with the geo-political unrest in the Middle East, and the slowdown in the emerging markets will continue to weigh on the global economy and financial markets.

CHAIRMAN'S STATEMENT

In view of this, the Group has taken steps subsequent to the fiscal year end to strengthen its financial position and reallocate its capital and financial resources to other core businesses and to reduce its gearing level. As a value investor, the Group will continuously review and adjust its investment strategies and investment portfolio to the prevailing economic and investment environment to seek and identify grossly undervalued investment and business opportunities in China, Hong Kong and the Asia Pacific region.

APPRECIATION

On behalf the Board, I would like to extend my whole-hearted thanks to our shareholders for their continued support and to our staff for their contribution to the Group during the year.

Chong Sok Un

Chairman

Hong Kong, 25 September 2013

BIOGRAPHICAL DETAILS IN RESPECT OF DIRECTORS

EXECUTIVE DIRECTORS

Ms. Chong Sok Un, M.H. aged 59, was appointed as executive director and chairman of the Company on 23 August 2002. Ms. Chong is also executive director and chairman of APAC Resources Limited, the shares of which are listed on the main board of The Stock Exchange of Hong Kong Limited. She has been the chairman of Long Island Golf & Country Club, Dongguan, China since September 1998. Ms. Chong was awarded the Medal of Honour (M.H.) by the Government of the Hong Kong Special Administrative Region on 1 July 2011. She is a member of Dongguan Committee of the Chinese People's Political Consultative Conference, the Honorary Director of the Chinese Red Cross Foundation, Permanent Honorary Chairman of the Hong Kong Federation of Fujian Associations and Vice Chairman of the Hong Kong Federation of Fujian Associations Ladies Committee. She is now the namer and director of YOT Chong Sok Un Medical Fund (cancer aid) and a member of Yan Oi Tong Advisory Board. Ms. Chong was the chairman of the 31st Term of the Board of Directors of Yan Oi Tong 2010-2011. She was a non-executive director of ChinaVision Media Group Limited from 25 June 2007 to 23 April 2009.

Dato' Wong Peng Chong, aged 69, was appointed as executive director of the Company on 15 March 2002. Dato' Wong is also a director of Mabuhay Holdings Corporation and IRC Properties, Inc., companies listed in The Philippine Stock Exchange, Inc..

Upon his graduation from the University of Malaya in 1967, Dato' Wong joined the Malaysian Foreign Service and served with several Malaysian diplomatic missions overseas in various capacities. He joined the private sector in 1985 and has served in various senior management positions, including executive directorships in public listed companies, in Hong Kong and Malaysia. He was the vice-president of ChinaVision Media Group Limited from 4 July 2007 to 9 December 2009. He was also an executive director of Landing International Development Limited (formerly known as Greenfield Chemical Holdings Limited) from 13 October 2009 to 21 January 2010.

Mr. Kong Muk Yin, aged 47, was appointed as executive director of the Company on 13 May 2002. He is also an executive director of APAC Resources Limited. Mr. Kong was appointed as an executive director of ChinaVision Media Group Limited ("ChinaVision") on 4 July 2007 and was re-designated to non-executive director of ChinaVision on 30 December 2010. Mr. Kong is also a director of Mabuhay Holdings Corporation and IRC Properties, Inc., companies listed in The Philippine Stock Exchange, Inc.. He was also an executive director of Landing International Development Limited (formerly known as Greenfield Chemical Holdings Limited) from 13 October 2009 to 21 January 2010.

Mr. Kong was graduated from City University of Hong Kong with a bachelor's degree in business studies. He is a fellow member of The Association of Chartered Certified Accountants, a member of the Hong Kong Institute of Certified Public Accountants and a Chartered Financial Analyst and he has extensive experience in corporate finance, financial management, accounting and auditing.

BIOGRAPHICAL DETAILS IN RESPECT OF DIRECTORS

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Lau Siu Ki, aged 55, was appointed as independent non-executive director of the Company on 3 June 2004. He has over 30 years of experience in corporate finance, financial advisory and management, accounting and auditing. He is currently working as a consultant in the financial advisory field. Prior to that, Mr. Lau had worked in an international accounting firm for over 15 years. He is a fellow member of both the Association of Chartered Certified Accountants (“ACCA”) as well as the Hong Kong Institute of Certified Public Accountants. Mr. Lau was a member of the Council of ACCA and a member of the Committee of the Hong Kong branch of ACCA. He was also the Chairman of ACCA Hong Kong for the year 2000/2001. Mr. Lau is also the independent non-executive director of Binhai Investment Company Limited, Comba Telecom Systems Holdings Limited, TCL Communication Technology Holdings Limited, Foxconn International Holdings Limited, Samson Holding Ltd. and Embry Holdings Limited. He was an independent non-executive director of Carry Wealth Holdings Limited from 20 February 2002 to 13 July 2011.

Mr. Ma Wah Yan, aged 65, was appointed as independent non-executive director of the Company on 8 March 2011. Mr. Ma is the Precedent Partner of Messrs. Hobson & Ma, Solicitors & Notaries and Council Member of the Law Society of Hong Kong. He is also a Notary Public, a solicitor of the High Court of Hong Kong Special Administrative Region, the Supreme Court of England and Wales, the Supreme Court of the Republic of Singapore and the Supreme Court of the Australian Capital Territory.

Mr. Zhang Jian, aged 71, was appointed as independent non-executive director of the Company on 16 October 2006. He is a professional senior engineer in PRC. He is the Honorary Chairman of Xian University of Architecture & Technology Peking Alumni Association and the Outside Director of China National Building Material Group Corporation and also the Chairman of the Board of Sino-Mining International Investment Co. Ltd. He has been awarded National Outstanding Intellect in 1997 and National Top 10 Honest Persons of Outstanding Ability in 2004. Mr. Zhang has been awarded as Influential Person to China Nonferrous Metal Industry in 2005. From 1982 to 1998, he held various senior positions in China Nonferrous Metal Industry Company. From 1998 to 2003, he acted as Chairman and General Manager of China Nonferrous Metal Construction Group Company Ltd.. From 2003 to 2005, he acted as General Manager of China Nonferrous Metal Mining & Construction (Group) Co., Ltd.

DIRECTORS' REPORT

The Directors of the Company (the "Director(s)") present their annual report and the audited consolidated financial statements for the year ended 30 June 2013.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The activities of its principal subsidiaries are set out in note 50 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 30 June 2013 are set out in the consolidated statement of profit or loss on page 32.

The Directors do not recommend the payment of a dividend for the year ended 30 June 2013 (2012:Nil).

SHARE CAPITAL

Details of movements during the year in the share capital of the Company are set out in note 37 to the consolidated financial statements.

INVESTMENT PROPERTIES AND PROPERTY, PLANT AND EQUIPMENT

The Group's investment properties were revalued at 30 June 2013 and the resulting revaluation increase of HK\$57,589,000 has been credited directly to the consolidated statement of profit or loss.

The Group's buildings were revalued at 30 June 2013 and a revaluation surplus on leasehold land and building in Hong Kong of approximately HK\$3,740,000 has been credited to the property revaluation reserve and revaluation deficit on building in the PRC of approximately HK\$35,487,000 has been debited to profit or loss.

Details of these and other movements in the investment properties, and property, plant and equipment of the Group during the year are set out in notes 16 and 17 to the consolidated financial statements, respectively.

DIRECTORS AND SERVICE CONTRACTS

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

Executive Directors:

Ms. Chong Sok Un (*Chairman*)

Dato' Wong Peng Chong

Mr. Kong Muk Yin

DIRECTORS' REPORT

Independent Non-Executive Directors:

Mr. Lau Siu Ki
 Mr. Ma Wah Yan
 Mr. Zhang Jian

In accordance with clause 99 of the Company's Bye-Laws, Ms. Chong Sok Un and Mr. Lau Siu Ki will retire and, being eligible, offer themselves for re-election at the forthcoming Annual General Meeting.

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.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

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

INTERESTS OF DIRECTORS AND CHIEF EXECUTIVE

As at 30 June 2013, the interests and short positions of the Directors and the chief executive of the Company and their associates in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Hong Kong (the "SFO")), as recorded in the register maintained by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") were as follows:

Long positions in the shares of the Company

Name of Director	Number of ordinary shares of HK\$0.01 each				Total	Percentage of issued ordinary shares
	Personal interests	Family interests	Corporate interests	Other interests		
Ms. Chong Sok Un ("Ms. Chong")	–	–	391,125,707 (Note)	–	391,125,707	72.13%

Note: Vigor Online Offshore Limited, a wholly-owned subsidiary of China Spirit Limited ("China Spirit"), owns 391,125,707 ordinary shares of the Company. Ms. Chong maintains 100% beneficial interests in China Spirit. Accordingly, Ms. Chong is deemed to have corporate interest in 391,125,707 ordinary shares of the Company.

DIRECTORS' REPORT

Save as disclosed above, as at 30 June 2013, none of the Directors, the chief executive of the Company nor their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register maintained by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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, underlying shares, or debentures of, the Company or any other body corporate.

INTERESTS OF SUBSTANTIAL SHAREHOLDERS

As at 30 June 2013, the following parties had interests or short positions in the shares and underlying shares of the Company as recorded in the register maintained by the Company pursuant to Section 336 of the SFO:

Long positions in the shares of the Company

Name	Capacity	Number of ordinary shares held	Percentage of issued ordinary shares
Ms. Chong Sok Un ("Ms. Chong")	Held by controlled corporation (Note)	391,125,707	72.13%
China Spirit Limited ("China Spirit")	Held by controlled corporation (Note)	391,125,707	72.13%
Vigor Online Offshore Limited ("Vigor") (Note)	Beneficial owner (Note)	391,125,707	72.13%

Note: Vigor, a wholly-owned subsidiary of China Spirit, owns 391,125,707 ordinary shares of the Company. Ms. Chong maintains 100% beneficial interests in China Spirit. Accordingly, Ms. Chong is deemed to have corporate interest in 391,125,707 ordinary shares of the Company.

Save as disclosed above, as at 30 June 2013, there were no other parties who had interests or short positions in the shares or underlying shares of the Company as recorded in the register maintained by the Company pursuant to Section 336 of the SFO.

DIRECTORS' REPORT

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the Group had no major customers and suppliers due to the nature of principal activities of the Group.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year, the Company repurchased a total of 2,196,000 ordinary shares in the capital of the Company on the Stock Exchange in the range from HK\$0.90 to HK\$1.18 per ordinary share for a total consideration of HK\$2,398,800. The said shares were subsequently cancelled.

The issued share capital of the Company was accordingly reduced by the par value of the repurchased ordinary shares so cancelled. The above repurchases were effected by the Directors pursuant to the mandate from shareholders, with a view to benefit Shareholders as a whole in enhancing the net assets value and/or earnings per share of the Company.

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.

INDEPENDENCE 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 Company considers all of the Independent Non-Executive Directors are independent.

EMOLUMENT POLICY

The emolument policy of the general staff of the Group is set up by the management of the Group on the basis of their merit, qualifications and competence.

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

PRE-EMPTIVE RIGHTS

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

DIRECTORS' REPORT

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float throughout the year ended 30 June 2013.

DONATIONS

During the year, the Group made donations amounting to HK\$558,000.

AUDITOR

A resolution will be submitted to the forthcoming Annual General Meeting to re-appoint Deloitte Touche Tohmatsu as auditor of the Company.

On behalf of the Board

Chong Sok Un

Chairman

Hong Kong, 25 September 2013

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

The board of directors of the Company (the "Board") believes that corporate governance is essential to the success of the Company and the enhancement of shareholders' value. Accordingly, the Company has adopted various measures to ensure that a high standard of corporate governance is maintained.

Throughout the year ended 30 June 2013, the Company has applied the principles and complied with the code provisions set out in the Corporate Governance Code and Corporate Governance Report (the "CG Code") as listed out in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The current practices will be reviewed and continuously updated.

BOARD OF DIRECTORS

The Board currently comprises six directors (the "Director") in total, with three Executive Directors and three Independent Non-Executive Directors.

The composition of the Board during the year under review and up to the date of this report is set out as follows:

Executive Directors

Ms. Chong Sok Un (*Chairman*)

Dato' Wong Peng Chong

Mr. Kong Muk Yin

Independent Non-Executive Directors

Mr. Lau Siu Ki

Mr. Ma Wah Yan

Mr. Zhang Jian

The Board members have no financial, business, family or other material/relevant relationships with one another. Such balanced Board composition is formed to ensure strong independence exists across the Board.

Throughout the year, the Board has at least one-third in number of its members comprising Independent Non-Executive Directors under Rule 3.10A of the Listing Rules and at least one of the Independent Non-Executive Directors possesses appropriate professional qualifications or accounting or related financial management expertise under Rule 3.10 of the Listing Rules.

The Board has received from each Independent Non-Executive Director an annual confirmation of his independence and considers that all the Independent Non-Executive Directors are independent under the guidelines set out in Rule 3.13 of the Listing Rules. The biographical details of the Directors are set out in pages 11 to 12 of this Annual Report.

CORPORATE GOVERNANCE REPORT

During the year, 4 Board meetings were held and the attendance of each Director at the Board meetings is set out as follows:

Name of Directors	Number of Board meetings attended/held	Attendance rate
Ms. Chong Sok Un (<i>Chairman</i>)	4/4	100%
Dato' Wong Peng Chong	4/4	100%
Mr. Kong Muk Yin	4/4	100%
Mr. Lau Siu Ki	4/4	100%
Mr. Ma Wah Yan	3/4	75%
Mr. Zhang Jian	4/4	100%

The schedule of Board meetings for a year is planned in the preceding year. At least 14 days notice of all Board meetings is given to all Directors and they can include matters for discussion in the agenda if the need arises. The company secretary of the Company (the "Company Secretary") assists the Chairman in preparing the agenda for meetings and ensures that all applicable rules and regulations are complied with. The agenda and the accompanying Board papers are sent to all Directors at least 3 days before the date of every Board meeting so that the Directors have the time to review the documents.

Every Board member is entitled to have access to Board papers and related materials and has unrestricted access to the advice and services of the Company Secretary, and has the liberty to seek external professional advice if so required. The Company Secretary continuously updates all Directors on the latest development of the Listing Rules and other applicable regulatory requirements to ensure compliance and upkeep of good corporate governance practices.

The Board is responsible for formulating overall strategy, monitoring and controlling the performance of the Group. In addition to its overall supervisory role, the Board also retains specific responsibilities such as approving specific senior appointments, approving financial accounts, recommending dividend payments, approving policies relating to the Board's compliance, etc. whilst managing the Group's business is the responsibility of the management of the Group (the "Management").

When the Board delegates aspects of its management and administration functions to the Management, it has given clear directions, to the powers of the Management, in particular, with respect to the circumstances where the Management shall report back and obtain prior approval from the Board before making decisions or entering into any commitments on behalf of the Company.

Training

Each newly appointed Director has received comprehensive, formal and tailored induction on appointment so as to ensure that he/she has appropriate understanding of the business and operations of the Group and that he/she is fully aware of his/her responsibilities under the Listing Rules, legal and other regulatory requirements.

During the year, the Company has arranged training for Directors to provide regular updates relating to the roles, functions and duties, corporate governance and change in regulatory requirements so as to enable the Directors to properly discharge their duties under the code provision A.6.5 of the CG Code. The Company has received confirmation from all Directors of their respective training records for the year ended 30 June 2013.

CORPORATE GOVERNANCE REPORT

Directors' and Officers' Liabilities Insurance

The Company has arranged appropriate insurance cover for Directors' and officers' liabilities in respect of legal actions against the Directors and officers of the Company and its subsidiaries arising out of corporate activities of the Group under code provision A.1.8 of the CG Code.

Roles of Chairman and Chief Executive Officer

The code provision A.2.1 of the CG Code requires that the roles of the Chairman and the chief executive officer are segregated and performed by separate individuals who have no relationship with each other, except as fellow Directors, to strike a balance of power and authority so that the job responsibilities are not concentrated on any one individual.

The Chairman of the Board is Ms. Chong Sok Un. She is responsible for the leadership and effective running of the Board. The functions of the chief executive officer are performed by the two Executive Directors, namely Dato' Wong Peng Chong who is in charge of day-to-day business operations of the Group and Mr. Kong Muk Yin who is in charge of finance and accounts aspect of the Group. The functions and responsibilities between the Chairman and the two Executive Directors performing the functions of chief executive officer are clearly segregated.

The list of Directors and their roles and functions are available on the websites of each of Stock Exchange and the Company at <http://www.irasia.com/listco/hk/colcapital/>.

Appointment and Re-election of Directors

Each of the Independent Non-Executive Directors has entered into a letter of appointment with the Company and appointed for a specific term, subject to retirement by rotation and re-election at least once every three years at the annual general meeting (the "AGM") of the Company in accordance with the Company's Bye-Laws. Any new Director appointed by the Board to fill a causal vacancy shall be subject to re-election by shareholders at the next following AGM after appointment.

Board Diversity Policy

The Board has adopted a board diversity policy on 30 August 2013 which sets out the approach to achieve a sustainable and balanced development of the Company and also to enhance the quality of performance of the Company.

The Company seeks to achieve Board diversity through the consideration of a number of factors, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

CORPORATE GOVERNANCE REPORT

Corporate Governance Function

The Board has adopted the written terms of reference on corporate governance function on 27 February 2012 so as to assist the Board in supervising the management of its business and office of the Group. During the year, the Board has performed the corporate governance duties in accordance with its terms of reference.

The duties of the Board in respect of corporate governance function are summarized as follows:

- i) to develop and review the Company's policies and practices on corporate governance and make recommendations to the Board;
- ii) to review and monitor the training and continuous professional development of Directors and senior management;
- iii) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- iv) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and
- v) to review the Company's compliance with the code provisions as set out in the CG Code and its disclosure requirements in the Corporate Governance Report.

BOARD COMMITTEES

The Board has established various committees to assist it in carrying out its responsibilities. The Board has appointed 5 Board committees, viz, the Executive Committee, Investment Committee, Remuneration Committee, Nomination Committee and Audit Committee to oversee particular aspects of the Group's affairs. Each of the committees has defined terms of reference setting out its duties, powers and functions. The committees report regularly to the Board and, where appropriate, make recommendations on matters discussed.

Executive Committee

The Executive Committee was established on 23 May 1998 with its written terms of reference adopted on 21 July 2005. The Committee is composed of the Chairman and two Executive Directors of the Board. The Executive Committee is responsible for approving and monitoring the daily operations of the Group. The Executive Committee held 4 meetings during the year.

Investment Committee

The Investment Committee was established on 2 February 2000 with its written terms of reference adopted on 19 December 2005. The Committee is composed of the Chairman and two Executive Directors of the Board. The Investment Committee is responsible for approving and monitoring the Group's investment related activities. The investment committee met 14 times during the year.

CORPORATE GOVERNANCE REPORT

Remuneration Committee

The Remuneration Committee was established on 15 April 2005 with its written terms of reference. The terms of reference of the Remuneration Committee are available on the website of each of Stock Exchange and the Company at <http://www.irasia.com/listco/hk/colcapital/>.

The Committee comprises two Executive Directors and three Independent Non-Executive Directors. The composition of the Remuneration Committee has complied with the requirements as set out in Rule 3.25 of the Listing Rules that a majority of the members of the Remuneration Committee should be Independent Non-Executive Directors and chaired by an Independent Non-Executive Director.

The meeting of the Remuneration Committee shall be held at least once a year. 1 meeting was held during the year and the attendance of each member is set out as follows:

Name of members	Number of meeting attended/held	Attendance rate
Mr. Ma Wah Yan (<i>Chairman</i>)	1/1	100%
Dato' Wong Peng Chong	1/1	100%
Mr. Kong Muk Yin	1/1	100%
Mr. Lau Siu Ki	1/1	100%
Mr. Zhang Jian	1/1	100%

The remuneration policy of the Group is to ensure all its employees are remunerated in line with market terms and individual performance.

At the meeting held during the year, the overall pay trend in Hong Kong of 2012/2013 was reviewed and noted.

The major roles and functions of the Remuneration Committee are as follows:

- i) to review annually and recommend to the Board the overall remuneration policy and structure for the Directors and senior management;
- ii) to review annually the performance of the Executive Directors and senior management and recommend to the Board specific adjustments in remuneration and/or reward payments;
- iii) to review and recommend the compensation payable to Executive Directors relating to any loss or termination of their office or appointment;
- iv) to review and recommend compensation arrangements relating to dismissal or removal of Directors for misconduct; and
- v) to responsible for establishing formal and transparent procedures for developing remuneration policy and structure to ensure no Director or any of his/her associates is involved in deciding his/her own remuneration.

CORPORATE GOVERNANCE REPORT

The Remuneration Committee has adopted the model that it will review the proposals made by the management on the remuneration of Executive Directors and senior management, and make recommendations to the Board. The Board will have final authority to approve the recommendations made by the Remuneration Committee.

Nomination Committee

The Nomination Committee was established on 27 February 2012 with its written terms of reference. The existing terms of reference of the Nomination Committee have been revised to comply with the amendments to Listing Rules on 1 September 2013. The terms of reference of the Nomination Committee are available on the website of each of Stock Exchange and the Company at <http://www.irasia.com/listco/hk/colcapital/>.

The Nomination Committee of the Company comprises five members including two Executive Directors and three Independent Non-Executive Directors.

The meeting of the Nomination Committee shall be held at least once a year. 1 meeting was held during the year and the attendance of each member is set out as follows:

Name of members	Number of Meeting attended/held	Attendance rate
Ms. Chong Sok Un (<i>Chairman</i>)	1/1	100%
Dato' Wong Peng Chong	1/1	100%
Mr. Lau Siu Ki	1/1	100%
Mr. Ma Wah Yan	0/1	0%
Mr. Zhang Jian	1/1	100%

The Nomination Committee is responsible for formulating nomination policy for the Board's consideration and implement the Board's approved nomination policy.

The major roles and functions of the Nomination Committee are as follows: -

- i) to review the structure, size and composition (including the skills, knowledge, experience and diversity of perspectives) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;
- ii) to identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships;
- iii) to assess the independence of Independent Non-Executive Directors;
- iv) to make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular the Chairman and the chief executive; and
- v) to review and monitor policy concerning diversity of Board members and make recommendations on any proposed changes to the Board.

CORPORATE GOVERNANCE REPORT

Audit Committee

The Audit Committee was established on 29 January 1999 with its written terms of reference. The terms of reference of the Audit Committee are available on the website of each of Stock Exchange and the Company at <http://www.irasia.com/listco/hk/colcapital/>.

The Audit Committee comprises three Independent Non-Executive Directors. The composition of the Audit Committee has complied with the requirements as set out in Rule 3.21 of the Listing Rules that majority of the members of the Audit Committee should be Independent Non-Executive Director.

The Audit Committee shall meet at least twice a year. 4 meetings were held during the year, the minutes of the Audit Committee meetings were tabled to the Board for noting and for action by the Board where appropriate, the attendance of each member is set out as follows:

Name of members	Number of meetings attended/held	Attendance rate
Mr. Lau Siu Ki (<i>Chairman</i>)	4/4	100%
Mr. Ma Wah Yan	4/4	100%
Mr. Zhang Jian	4/4	100%

During the year and up to the date of this report, the Audit Committee had performed the following work:

- i) reviewed the financial reports for the six months period ended 31 December 2012 and for the year ended 30 June 2013;
- ii) reviewed the effectiveness of internal control system;
- iii) reviewed the external auditor's statutory audit plan and engagement letter;
- iv) reviewed the management letter from the external auditor in relation to the audit of the Group for the year ended 30 June 2013;
- v) reviewed and recommended for approval by the Board the audit scope and fees for the year ended 30 June 2013; and
- vi) reviewed and recommended for the Board's approval the policy on the disclosure of inside information to align with the relevant amendments pursuant to the Securities and Futures (Amendment) Ordinance 2012 effective on 1st January 2013.

CORPORATE GOVERNANCE REPORT

The major roles and functions of the Audit Committee are as follows:

- i) to consider the appointment, re-appointment and removal of the external auditor, the audit fees, and any questions of resignation or dismissal of the external auditor of the Group;
- ii) to discuss with the external auditor the nature and scope of the audit;
- iii) to review the interim and annual financial statements before submission to the Board;
- iv) to discuss problems and reservations arising from the interim review and final audit, and any matters the external auditor may wish to discuss;
- v) to review the external auditor's management letters and management's response; and to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;
- vi) to review the Group's financial controls, internal controls and risk management systems to ensure that they are appropriate and functioning properly; and
- vii) to consider any findings of major investigations of internal control matters and management's response.

AUDITOR'S REMUNERATION

During the year ended 30 June 2013 under review, the remuneration paid or payable to the Group's external auditor, Messrs Deloitte Touche Tohmatsu, is set out as follows:

Services rendered	Fees paid/payable HK\$'000
Audit services	1,800
Non-audit services	551
	<u>2,351</u>

CORPORATE GOVERNANCE REPORT

INTERNAL CONTROL

The Board and senior management are responsible for establishing, maintaining and operating an effective system of internal control. The internal control system of the Company comprises a well-established organizational structure and comprehensive policies and standards. The Board has clearly defined the authorities and key responsibilities of each business and operational unit to ensure adequate checks and balances. The Board is of the view that the system of internal controls in place for the year ended 30 June 2013 under review and up to the date of issuance of the annual report and financial statements is sound and is sufficient to safeguard the interests of shareholders, employees, and the Group's assets.

The Management assists the Board in the implementation of the Board's policies and procedures on risk and control by identifying and assessing the risks faced, and involving in the design, operation and monitoring of suitable internal controls to mitigate and control these risks.

The key processes that have been established in reviewing the adequacy and integrity of the system of internal controls include the following:

- a) The Executive Committee was established to ensure the effectiveness of the Group's daily operations and that the Group's operations are in accordance with the corporate objectives, strategies and the annual budget as well as the policies and business directions that have been approved.
- b) The Audit Committee reviews internal control issues identified by external auditor, regulatory authorities and management, and evaluates the adequacy and effectiveness of the Group's risk management and internal control systems. To further enhance control awareness, the Group has also approved launching a whistleblowing policy for employees to raise any concerns about possible improprieties in any matter related to the Group.
- c) The Investment Committee was established to monitor the Group's investment related activities and respective operating and financial policies.
- d) The Remuneration Committee was established to ensure all the Directors and the senior management of the Group are remunerated in line with market terms and individual performance.
- e) The corporate reporting functions are delegated to the accounting department in terms of proper and regular reviews on the deployment of resources and financial reporting systems. The corporate governance practices and compliance with the Listing Rules, Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) and other applicable regulations are delegated to the company secretarial department. The Management reviews the system of internal controls and briefs the reporting systems with the Executive Directors regularly and the Audit Committee annually.
- f) Every newly appointed director was provided with a comprehensive handout detailing the responsibilities and duties of being a director of the Company. In particular highlighting the respective applicable rules and regulation, including the Listing Rules, which a director should aware and be informed on the first occasion of his/her appointment with the Company.

CORPORATE GOVERNANCE REPORT

- g) The Company has adopted the code of conduct regarding Directors' securities transactions as set out in the Model Code for Securities Transactions by Directors of Listed Issuers in Appendix 10 of the Listing Rules (the "Model Code"). A copy of the Model Code was sent to each Director and the relevant employees of the Group who are required to be provided under the Model Code. Enquiries have been made with Directors and all the Directors have confirmed that they have complied with the required standards set out in the Model Code throughout the year ended 30 June 2013.

ACCOUNTABILITY AND AUDIT

The Directors are responsible for overseeing the preparation of accounts of each financial period, which give a true and fair view of the state of affairs of the Group and of the results and cash flow for that period. In preparing the accounts for the year ended 30 June 2013, the Directors have selected suitable accounting policies and have applied them consistently, adopted appropriate Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards which are pertinent to its operations and relevant to the financial statements, made judgments and estimates that are prudent and reasonable, and have prepared the accounts on the going concern basis.

SHAREHOLDERS' COMMUNICATION

A shareholder's communication policy was established on 27 February 2012. The Company has maintained different communication channels with its shareholders through the publication of annual and interim reports, circulars and announcements.

During the year ended 30 June 2013, an AGM was held and the attendance of each Director at the AGM is set out as follows:

Name of Directors	Number of AGM attended/held
Ms. Chong Sok Un (<i>Chairman</i>)	1/1
Dato' Wong Peng Chong	1/1
Mr. Kong Muk Yin	1/1
Mr. Lau Siu Ki	1/1
Mr. Ma Wah Yan	1/1
Mr. Zhang Jian	1/1

The AGM of the Company provides a useful forum for shareholders to exchange views with the Board. At the Company's last AGM, Chairman of the Board as well as Chairman of the Audit Committee, Remuneration Committee and Nomination Committee were present to answer shareholders' questions.

CORPORATE GOVERNANCE REPORT

Separate resolutions are proposed at the general meetings for each substantial issue, including the re-election of the retiring Directors.

The Company's last AGM was held on 29 November 2012 and the Securities Repurchase Circular was sent to shareholders at least 20 clear business days prior to the meeting, setting out details of each proposed resolution, voting procedures (including the procedures for conducting a poll) and other relevant information. The Chairman explained the procedures for conducting a poll again at the beginning of the meeting and revealed the level of proxies voted in respect of each resolution. All shareholders are encouraged to attend the general meetings or to appoint proxies to attend and vote at the meetings on their behalf if they are unable to attend the meetings.

The next AGM will be held on 5 December 2013, the notice of which will be sent to shareholders at least 20 clear business days before the meeting. An explanation of the detailed procedures for conducting a poll will be provided to the shareholders at the commencement of the meeting. The Chairman will answer any questions from shareholders regarding voting by way of a poll. The poll results will be published in accordance with the requirements of the Listing Rules.

SHAREHOLDERS' RIGHTS

Right to put enquiries to the Board

Shareholders should direct their enquiries about their shareholdings to the Company's branch share registrar and transfer office in Hong Kong, Tricor Tengis Limited at 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong. Other shareholders' enquiries can be directed to the head office and principal place of business of the Company in Hong Kong as set out in the Corporation Information section of this Annual Report for the attention of the Company Secretary.

Right to convene special general meeting

Pursuant to Section 74(1) of the Bermuda Companies Act and the bye-law 62 of the Bye-Laws of the Company, the shareholder(s) of the Company holding at the date of the deposit of the requisition not less than one-tenth of the paid-up capital of the Company as at the date of the deposit carries the right of voting at general meetings of the Company may request the Board to convene a special general meeting.

The requisition must state the purposes of the meeting, and must be signed by the requisitionists and deposited at the registered office of the Company at Canon's Court, 22 Victoria Street, Hamilton HM 12, Bermuda for the attention of the Company Secretary and may consist of several documents in like form each signed by one or more requisitionists.

If the Directors do not within twenty-one days from the date of the deposit of the requisition proceed duly to convene a meeting, the requisitionists, or any of them representing more than one half of the total voting rights of all of them, may themselves convene a meeting, but any meeting so convened shall not be held after the expiration of three months from the said date.

CORPORATE GOVERNANCE REPORT

Right to put forward proposals at general meetings

On the requisition in writing of either (i) any number of shareholder of the Company representing not less than one-twentieth of the total voting rights of all the shareholders having at the date of the requisition a right to vote at the meeting to which the requisition relates; or (ii) not less than 100 shareholders, the Company shall, at the expense of the requisitionists:

- a) to give to shareholders of the Company entitled to receive notice of the next annual general meeting notice of any resolution which may properly be moved and is intended to be moved at that meeting; and
- b) to circulate to shareholders entitled to have notice of any general meeting sent to them any statement of not more than one thousand words with respect to the matter referred to in any proposed resolution or the business to be dealt with at that meeting.

The requisition must be signed by the requisitionists and deposited at the registered office of the Company at Canon's Court, 22 Victoria Street, Hamilton HM 12, Bermuda for the attention of the Company Secretary.

INVESTOR RELATIONS

The Company maintains a website at <http://www.irasia.com/listco/hk/colcapital/> where information and updates on the list of Directors and their roles and functions, constitutional documents, terms of reference of the Board committees, procedures for nomination of Directors for election, announcements, circulars and reports released to the Stock Exchange and other information are posted. Information on the Company's website will be updated from time to time.

There was no significant change in the Company's constitutional documents during the year ended 30 June 2013.

On behalf of the Board
COL Capital Limited

Chong Sok Un
Chairman

Hong Kong, 25 September 2013

INDEPENDENT AUDITOR'S REPORT

Deloitte.

德勤

TO THE MEMBERS OF COL CAPITAL LIMITED

中國網絡資本有限公司

(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of COL Capital Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 32 to 122, which comprise the consolidated statement of financial position as at 30 June 2013, and the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

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

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

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

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 30 June 2013, 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

25 September 2013

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 30 June 2013

	NOTES	2013 HK\$'000	2012 HK\$'000 (restated)
Revenue	6	635,911	46,700
Gross proceeds from sale of investments held for trading		<u>662,420</u>	<u>491,734</u>
Total		<u>1,298,331</u>	<u>538,434</u>
Revenue	6	635,911	46,700
Cost of goods and services		<u>(572,949)</u>	<u>–</u>
Gross profit		62,962	46,700
Other gains and losses	8	(13,293)	(215,061)
Other income	9	18,401	21,697
Selling and distribution expenses		(3,554)	–
Administrative expenses		(108,264)	(47,225)
Finance costs	10	(137,025)	(67,227)
Other expenses		(9,078)	–
Impairment loss recognised on interests in associates		–	(245,549)
Share of losses of associates		<u>(624,814)</u>	<u>(44,158)</u>
Loss before taxation		(814,665)	(550,823)
Taxation	12	<u>5,877</u>	<u>(383)</u>
Loss for the year	13	<u>(808,788)</u>	<u>(551,206)</u>
Loss for the year attributable to:			
Owners of the Company		(780,719)	(531,425)
Non-controlling interests		<u>(28,069)</u>	<u>(19,781)</u>
		<u>(808,788)</u>	<u>(551,206)</u>
Loss per share	15		
– Basic		<u>HK\$(1.44)</u>	<u>HK\$(0.97)</u>
– Diluted		<u>HK\$(1.44)</u>	<u>N/A</u>

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2013

	2013 HK\$'000	2012 HK\$'000 (restated)
Loss for the year	(808,788)	(551,206)
Other comprehensive income (expense)		
Items that will be reclassified subsequently to profit or loss:		
Net gain (loss) on available-for-sale investments:		
Gain (loss) on fair value changes	14,119	(230,059)
Reclassification adjustments for the cumulative gain included in profit or loss upon disposal of available-for-sale investments	(745)	(5,978)
Reclassification adjustment upon impairment of available-for-sale investments	–	25,784
Share of changes in other comprehensive (expense) income of associates	(5,424)	3,061
	7,950	(207,192)
Exchange difference arising on translation:		
Exchange gain arising from translation of foreign operation	7,673	2,700
Share of changes in other comprehensive expense of associates	(83,666)	(31,706)
Reclassification adjustment – transfer translation reserve to profit or loss upon deemed disposal of an associate	(18,634)	–
	(94,627)	(29,006)
Items that will not be reclassified to profit or loss:		
Surplus on revaluation of leasehold land and buildings	3,740	1,750
Other comprehensive expense for the year	(82,937)	(234,448)
Total comprehensive expense for the year	(891,725)	(785,654)
Total comprehensive expense attributable to:		
Owners of the Company	(865,632)	(765,873)
Non-controlling interests	(26,093)	(19,781)
	(891,725)	(785,654)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2013

	NOTES	30.6.2013 HK\$'000	30.6.2012 HK\$'000 (restated)	1.7.2011 HK\$'000 (restated)
Non-current assets				
Investment properties	16	208,112	159,227	142,266
Property, plant and equipment	17	1,451,117	6,751	4,994
Prepaid lease payments	18	65,426	–	–
Interests in associates	19	273,037	1,159,238	1,444,470
Available-for-sale investments	20	126,819	200,954	668,264
Intangible assets	21	16,713	–	–
Deposits for acquisition of property, plant and equipment		22,980	–	–
		2,164,204	1,526,170	2,259,994
Current assets				
Inventories	22	16,496	–	–
Properties under development for sale	24	851,165	–	–
Properties held for sale	24	82,579	–	–
Prepaid lease payments	18	1,597	–	–
Loan notes		–	–	56,692
Available-for-sale investments	20	204,720	39,085	3,247
Investments held for trading	25	957,197	1,123,202	1,295,369
Debtors, deposits and prepayments	26	184,396	131,926	229,263
Loans receivable	27	103,761	558,841	369,843
Taxation recoverable		34,316	4,997	4,157
Pledged bank deposits	28	265,423	7,801	12,959
Restricted bank deposits	28	2,376	–	–
Bank balances and cash	28	309,509	74,007	94,895
		3,013,535	1,939,859	2,066,425
Assets classified as held for sale	29	107,578	–	–
		3,121,113	1,939,859	2,066,425
Current liabilities				
Creditors and accrued charges	30	332,621	19,108	21,899
Deposits received on sales of properties		274,028	–	–
Customers' deposits and receipts in advance		27,798	2,132	68,052
Consideration payable	31	88,472	–	–
Amount due to an associate	32	8,060	–	2,891
Borrowings – due within one year	33	2,173,222	1,505,104	1,470,792
Obligations under finance leases – due within one year	34	43,743	–	–
Derivative financial instruments	35	44,656	13,093	20,191
Taxation payable		79,721	79,646	80,049
		3,072,321	1,619,083	1,663,874

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2013

	NOTES	30.6.2013 HK\$'000	30.6.2012 HK\$'000 (restated)	1.7.2011 HK\$'000 (restated)
Net current assets		48,792	320,776	402,551
Total assets less current liabilities		2,212,996	1,846,946	2,662,545
Non-current liabilities				
Deferred tax liabilities	39	111,609	–	–
Borrowings – due after one year	33	290,661	–	–
Obligations under financial leases – due after one year	34	72,789	–	–
Bonds	36	247,000	–	–
		722,059	–	–
		1,490,937	1,846,946	2,662,545
Capital and reserves				
Share capital	37	5,423	5,445	5,563
Reserves	38	977,736	1,799,050	2,601,649
Equity attributable to owners of the Company		983,159	1,804,495	2,607,212
Non-controlling interests		507,778	42,451	55,333
Total equity		1,490,937	1,846,946	2,662,545

The financial statements on pages 32 to 122 were approved and authorised for issue by the Board of Directors on 25 September 2013 and are signed on its behalf by:

Ms. Chong Sok Un
DIRECTOR

Dato' Wong Peng Chong
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2013

	Attributable to owners of the Company									Non-controlling interests	Total
	Share capital	Share premium	Properties revaluation reserve	Investment revaluation reserve	Capital redemption reserve	Other reserve	Translation reserve	Retained profits	Total		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 July 2011, as originally stated	5,563	701,183	9,510	327,647	2,188	-	174,861	1,501,446	2,722,398	55,333	2,777,731
Effect of early adoption in accounting policies	-	-	-	-	-	-	(1,533)	(113,653)	(115,186)	-	(115,186)
At 1 July 2011, as restated	5,563	701,183	9,510	327,647	2,188	-	173,328	1,387,793	2,607,212	55,333	2,662,545
Loss for the year	-	-	-	-	-	-	-	(531,425)	(531,425)	(19,781)	(551,206)
Other comprehensive income (expenses) for the year	-	-	1,750	(207,192)	-	-	(29,006)	-	(234,448)	-	(234,448)
Total comprehensive income (expenses) for the year	-	-	1,750	(207,192)	-	-	(29,006)	(531,425)	(765,873)	(19,781)	(785,654)
Repurchase of shares	(118)	(14,804)	-	-	118	-	-	(118)	(14,922)	-	(14,922)
Dividends paid (note 14)	-	-	-	-	-	-	-	(21,922)	(21,922)	-	(21,922)
Capital contribution from non-controlling interests	-	-	-	-	-	-	-	-	-	2,475	2,475
Deemed disposal of a subsidiary	-	-	-	-	-	-	-	-	-	4,424	4,424
At 30 June 2012	5,445	686,379	11,260	120,455	2,306	-	144,322	834,328	1,804,495	42,451	1,846,946
Loss for the year	-	-	-	-	-	-	-	(780,719)	(780,719)	(28,069)	(808,788)
Other comprehensive income (expenses) for the year	-	-	3,740	7,950	-	-	(96,603)	-	(84,913)	1,976	(82,937)
Total comprehensive income (expenses) for the year	-	-	3,740	7,950	-	-	(96,603)	(780,719)	(865,632)	(26,093)	(891,725)
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	413,116	413,116
Acquisition of additional interest in a subsidiary through share subscription (note 46)	-	-	-	-	-	3,680	-	-	3,680	(3,680)	-
Disposal of partial interest in a subsidiary without losing control (note 46)	-	-	-	-	-	43,016	-	-	43,016	81,984	125,000
Repurchase of shares	(22)	(2,378)	-	-	22	-	-	(22)	(2,400)	-	(2,400)
At 30 June 2013	5,423	684,001	15,000	128,405	2,328	46,696	47,719	53,587	983,159	507,778	1,490,937

Note: Movement in other reserve arisen from the effect of changes in the Group's ownership interests in existing subsidiaries without losing control.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2013

	2013 HK\$'000	2012 HK\$'000 (restated)
OPERATING ACTIVITIES		
Loss before taxation	(814,665)	(550,823)
Adjustments for:		
Interest income	(8,399)	(20,308)
Depreciation of property, plant and equipment	60,097	374
Gain on disposal of property, plant and equipment	(3,963)	–
Interest expense	137,025	67,227
Cumulative gain reclassified from equity on disposal of available-for-sale investments	(745)	(5,978)
Change in fair value of investments held for trading	202,322	188,516
Fair value changes on investment properties	(57,589)	(16,961)
Share of losses of associates	624,814	44,158
Gain on partial disposal of associates	(466)	(13,596)
Gain on deemed disposal of a subsidiary	–	(10,346)
Impairment loss recognised on available-for-sale investments	–	25,784
Impairment loss recognised on other receivables	4,887	5,566
Impairment loss recognised on interests in associates	–	245,549
Gain on deemed disposal of an associate	(34,794)	–
Discount on acquisition of subsidiaries	(27,541)	–
Change in fair value of derivative financial instruments	31,563	(7,098)
Release of prepaid lease payments	1,524	–
Amortisation for intangible assets	619	–
Operating cash flow before movements in working capital	114,689	(47,936)
Decrease in inventories	2,411	–
Decrease in properties under development for sale and properties for sale	71,378	–
Increase in investments held for trading	(36,317)	(16,349)
Decrease in debtors, deposits and prepayments	99,553	90,926
Decrease (increase) in loans receivable	455,080	(188,998)
(Decrease) increase in creditors and accrued charges	(9,508)	4,415
Increase in deposits received on sale of properties	18,910	–
Increase (decrease) in customers' deposits and receipts in advance	2,976	(65,920)
Cash from (used in) operating activities	719,172	(223,862)
Interest paid	(163,759)	(67,227)
Tax paid	(33,518)	(1,626)
NET CASH FROM (USED IN) OPERATING ACTIVITIES	521,895	(292,715)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2013

	NOTES	2013 HK\$'000	2012 HK\$'000 (restated)
INVESTING ACTIVITIES			
Proceeds from disposal of loan notes		–	62,837
Proceeds from disposal of available-for-sale investments		888	219,819
Placement of pledged bank deposits/restricted bank deposits		(48,122)	(34,010)
Withdrawal of pledged bank deposits/restricted bank deposits		68,004	39,168
Interest received		8,399	14,163
Deposits paid for acquisition of property, plant and equipment		(22,980)	–
Proceeds from disposal of investment properties		8,704	–
Purchases of available-for-sale investments		(78,269)	(18,406)
Purchases of property, plant and equipment		(31,950)	(392)
Proceeds from disposal of property, plant and equipment		107,725	–
Loss of control on deemed disposal of a subsidiary	45	–	(14,155)
Acquisition of subsidiaries	46	131,908	–
Acquisition of additional interests in an associate		(39,140)	–
Capital injection into an associate		–	(5,523)
Proceeds from partial disposal of associates		908	6,113
Dividend received from associates		–	2,515
NET CASH FROM INVESTING ACTIVITIES		106,075	272,129
FINANCING ACTIVITIES			
Repayment to an associate		–	(2,891)
Proceeds from disposal of shareholding in a subsidiary without losing control		125,000	–
New borrowings raised		1,814,100	1,250,813
Repayments of borrowings		(2,555,860)	(1,216,501)
Dividends paid		–	(21,922)
Repurchase of shares		(2,400)	(14,922)
Capital contribution from a non-controlling shareholder of a subsidiary		–	2,475
Repayments of obligations under finance leases		(30,340)	–
Proceeds of the issuance of bonds		247,000	–
NET CASH USED IN FINANCING ACTIVITIES		(402,500)	(2,948)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		225,470	(23,534)
EFFECT OF CHANGES IN FOREIGN EXCHANGE RATES		10,032	2,646
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		74,007	94,895
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by bank balances and cash		309,509	74,007

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2013

1. GENERAL

The Company was incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Its immediate holding company is Vigor Online Offshore Limited (incorporated in British Virgin Islands ("BVI")) and the ultimate controlling shareholder is Ms. Chong Sok Un. The addresses of the registered office and principal place of business of the Company are disclosed on page 2 of the annual report.

The consolidated financial statements are presented in Hong Kong dollars ("HK\$"), which is the same as the functional currency of the Company.

The Company is an investment holding company. The activities of its principal subsidiaries are set out in note 50.

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

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

HKFRSs that become effective for the year

Amendments to HKAS 1	Presentation of items of other comprehensive income;
Amendments to HKAS 12	Deferred tax: Recovery of underlying assets; and

HKFRSs that have been early adopted for the year

HK(IFRIC) – INT 20	Stripping costs in the production phase of a surface mine
Amendments to HKAS 1	As part of the annual improvements to HKFRSs 2009-2011 cycle issued in 2012

Amendments to HKAS 1 Presentation of items of other comprehensive income

The amendments to HKAS 1 introduce new terminology for statement of comprehensive income and income statement. Upon application of the amendments to HKAS 1, the Group's statement of comprehensive income is renamed as statement of profit or loss and other comprehensive income and income statement is renamed as statement of profit or loss. The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met.

Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to HKAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2013

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (continued)

Amendments to HKAS 12 Deferred tax: recovery of underlying assets

Under the amendments to HKAS 12 “Deferred tax: recovery of underlying assets”, investment properties that are measured using the fair value model in accordance with HKAS 40 “Investment property” are presumed to be recovered through sale for the purposes of measuring deferred taxes, unless the presumption is rebutted in certain circumstances. The Group measures its investment properties using the fair value model. As a result of the application of the amendments to HKAS 12, the directors reviewed the Group’s investment property portfolios and concluded that the Group’s investment properties in Hong Kong and the People’s Republic of China (the “PRC”) are not held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, and that the presumption set out in the amendments to HKAS 12 is not rebutted.

As a result of the application of the amendments to HKAS 12, the Group does not recognise any deferred taxes on changes in fair value of the investment properties in Hong Kong. Previously, the Group recognised deferred taxes on changes in fair value of investment properties in Hong Kong on the basis that the entire carrying amounts of the properties were recovered through use. The amendments to HKAS 12 have been applied retrospectively, resulting in the Group’s deferred tax liabilities being decreased by HK\$3,614,000 as at 30 June 2013, 30 June 2012 and 1 July 2011, respectively. At the same time, a corresponding amount of deferred tax assets recognised regarding the tax losses is adjusted. There is no impact to the results of the Group during the years ended 30 June 2013 and 2012, respectively.

As a result of the application of amendments to HKAS 12, the Group should recognise additional deferred tax in respect of those investment properties in the PRC and are subject to land appreciation tax and enterprise income tax on disposal of these investment properties. Previously, the Group did not recognise deferred tax relating to land appreciation tax on changes in fair value of those investment properties on the basis that the deferred tax was measured based on assumption that the carrying amounts of these properties would be recovered through use. In the opinion of the directors of the Company, there is no deferred tax impact in respect of the land appreciation tax on the fair value changes relating to investment properties in the PRC as at 30 June 2013, 30 June 2012 and 1 July 2011, respectively, as the fair value of those investment properties are recorded below the acquisition costs. Accordingly, there is no impact to the results of the Group during the years ended 30 June 2013 and 2012 respectively.

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

Various amendments to HKFRSs were issued in June 2012, the title of which is Annual Improvements to HKFRSs (2009 – 2011 Cycle). In current year, the Group has applied for the first time the amendments to HKAS 1 in advance of the effective date (annual periods beginning on or after 1 July 2013).

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2013

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

Amendments to HKAS 1 Presentation of financial statements (as a part of the Annual Improvement to HKFRSs 2009 – 2011 cycle issued in June 2012) (continued)

In current year, the Group has applied amendments to HKAS 12 and early adopted HK(IFRIC) -INT 20, which resulted in a material effect on the information in consolidated statement of financial position as at 1 July 2011. In accordance with the amendments to HKAS 1, the Group has therefore presented a third statement of financial position as at 1 July 2011 without related notes.

Early application of HK(IFRIC) – INT 20 "Stripping costs in the production phase of a surface mine"

During the current year, one of the Group's associates has early applied HK(IFRIC) – INT 20 as a result of early application of the interpretation by the associate's associate. HK(IFRIC) – INT 20 has no impact to other associates and group entities.

HK(IFRIC) – INT 20 applies to waste removal costs that are incurred in surface mining activity during the production phase of the mine ("production stripping costs"). Under the interpretation, the costs from this waste removal activity ("stripping") which provide improved access to ore is recognised as a non-current asset ("stripping activity asset") when certain criteria are met, whereas the costs of normal on-going operational stripping activities are accounted for in accordance with HKAS 2 "Inventories". The stripping activity asset is accounted for as an addition to, or as an enhancement of, an existing asset and classified as tangible or intangible according to the nature of the existing asset of which it forms part.

Prior to the issuance of HK(IFRIC) – INT 20, the relevant entity impacted by this interpretation adopted a life-of-mine approach and deferred all costs attributable to waste stripping and recognised as an expense the amortisation of capitalised waste stripping costs over the remaining ore reserves of the relevant mine. Amortisation was provided on the units-of-production method, with separate calculations being made for each mineral resource. Estimated future capital and waste development costs to be incurred in accessing the reserves and measured resources were taken into account in determining amortisation charges. The units-of-production method resulted in an amortisation charge proportional to the depletion of the economically recoverable mineral resources (comprising proven and probable reserves).

The requirements in accordance with HK(IFRIC) – INT 20 differs from the previous policies in that only waste stripping costs which provide improved access to ore can be capitalised when certain criteria are met, and the capitalisation and amortisation of waste stripping costs is undertaken at the level of individual deposits or components thereof rather than on a whole-of-mine basis. In addition, specific transitional rules are provided to deal with any opening deferred stripping balances recognised under the previous accounting policies.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2013

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (continued)

Early application of HK(IFRIC) – INT 20 “Stripping costs in the production phase of a surface mine” (continued)

HK(IFRIC) – INT 20 has been applied prospectively to production stripping costs incurred on or after the beginning of the earliest period presented, which is 1 July 2011. At the relevant entity’s level, any previously recognised asset balance that resulted from stripping activity undertaken during the production phase (predecessor stripping asset) is reclassified as a part of an existing asset to which the stripping activity related, to the extent that there remains an identifiable component of the orebody with which the predecessor stripping asset can be associated. Such balances are then amortised over the remaining expected useful life of the identified component of the orebody to which each predecessor stripping asset balance relates. If there is no identifiable component of the orebody to which the predecessor asset relates, it has been written off through opening retained earnings at the beginning of the earliest period presented, being 1 July 2011. Given the nature of the relevant entity’s mining operations and the way the entity plans to mine the remaining components of the orebodies, it has been determined that part of the entity’s predecessor stripping asset relates to components of the orebodies where the associated ore has already been extracted. Such early application has affected the amounts reported in the Group’s consolidated financial statements (see the tables below).

Summary of the effects

The effects of early application described above on the results and other comprehensive income for the year ended 30 June 2012 by line are as follows:

	2012 HK\$’000
Decrease in share of losses of associates	83,089
Decrease in impairment loss recognised on interests in associates	<u>30,564</u>
Decrease in losses for the year	<u>113,653</u>
Increase in share of exchange difference and other comprehensive income for the year	<u>1,533</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2013

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

Early application of HK(IFRIC) – INT 20 "Stripping costs in the production phase of a surface mine" (continued)

Summary of the effects (continued)

The effects of the above early application in accounting policy on the financial positions of the Group as at 1 July 2011 and 30 June 2012 are as follows:

	As at 1.7.2011 (originally stated) HK\$'000		As at 1.7.2011 (restated) HK\$'000		As at 30.6.2012 (originally stated) HK\$'000		As at 30.6.2012 (restated) HK\$'000	
		Adjustments HK\$'000				Adjustments HK\$'000 (note)		
Interests in associates and total effect on net assets	1,559,656	(115,186)	1,444,470	1,159,238	–		1,159,238	
Retained profits	1,501,446	(113,653)	1,387,793	834,328	–		834,328	
Translation reserve	174,861	(1,533)	173,328	144,322	–		144,322	
Total effects on equity	1,676,307	(115,186)	1,561,121	978,650	–		978,650	

Note: The accumulated impact on application of HK(IFRIC) – Int 20 is decreasing the interests in associates of HK\$30,564,000 as at 30 June 2012 while such effect is netted with the reversal of impairment loss recognised in respect of interests in an associate, APAC Resources Limited ("APAC"), of HK\$30,564,000. Thus, there is no impact to the Group as at 30 June 2012.

The effects of the above early application in accounting policy on the Group's basic loss per share for the year ended 30 June 2012 are as follows:

	HK\$
Figures before adjustments	(1.18)
Adjustments arising from change in the Group's accounting policy in relation to:	
– decrease in share of losses of associates	0.15
– decrease in impairment loss recognised on interests in associates	0.06
Figures after adjustments	(0.97)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2013

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (continued)

Early application of HK(IFRIC) – INT 20 “Stripping costs in the production phase of a surface mine” (continued)

The Group has not disclosed the relevant financial impacts for the year ended 30 June 2013 and as at 30 June 2013 resulting from the early application of HK(IFRIC) – INT 20, as the relevant entity has determined that it is not practicable to quantify such impact.

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

Amendments to HKFRSs	Annual improvements to HKFRSs 2009-2011 cycle except for amendments to HKAS 1 ¹
Amendments to HKFRS 7	Disclosures – Offsetting financial assets and financial liabilities ¹
Amendments to HKFRS 9 and HKFRS 7	Mandatory effective date of HKFRS 9 and transition disclosures ³
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated financial statements, joint arrangements and disclosure of interests in other entities: Transition guidance ¹
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment entities ²
HKFRS 9	Financial instruments ³
HKFRS 10	Consolidated financial statements ¹
HKFRS 11	Joint arrangements ¹
HKFRS 12	Disclosure of interests in other entities ¹
HKFRS 13	Fair value measurement ¹
HKAS 19 (as revised in 2011)	Employee benefits ¹
HKAS 27 (as revised in 2011)	Separate financial statements ¹
HKAS 28 (as revised in 2011)	Investments in associates and joint ventures ¹
Amendments to HKAS 32	Offsetting financial assets and financial liabilities ²
Amendments to HKAS 36	Recoverable amount disclosures for non-financial assets ²
Amendments to HKAS 39	Novation of derivatives and continuation of hedge accounting ²
HK(IFRIC) – INT 21	Levies ²

¹ Effective for annual periods beginning on or after 1 January 2013.

² Effective for annual periods beginning on or after 1 January 2014.

³ Effective for annual periods beginning on or after 1 January 2015.

HKFRS 9 Financial instruments

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2013

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

HKFRS 9 Financial instruments (continued)

Key requirements of HKFRS 9 are described as follows:

- HKFRS 9 requires all recognised financial assets that are within the scope of HKAS 39 "Financial instruments: Recognition and measurement" to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.
- The most significant effect of HKFRS 9 regarding the classification and measurement of financial liabilities relates to the presentation of changes in the fair value of a financial liability (designated as at fair value through profit or loss) attributable to changes in the credit risk of that liability. Specifically, under HKFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

The directors of the Company anticipate that the adoption of HKFRS 9 for the annual period beginning 1 July 2015 will affect the classification and measurement in respect of the Group's available-for-sale investments. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

New and revised Standards on consolidation, associates and disclosures

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

Key requirements of HKFRS 10 and HKFRS 12 are described below.

HKFRS 10 replaces the parts of HKAS 27 "Consolidated and separate financial statements" that deal with consolidated financial statements and HK(SIC) – INT 12 "Consolidation – Special Purpose Entities". HKFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in HKFRS 10 to deal with complex scenarios.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2013

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (continued)

New and revised Standards on consolidation, associates and disclosures (continued)

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

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

These five standards, together with the amendments relating to the transition guidance, are effective to the Group for annual period beginning on 1 July 2013.

The Directors anticipate that these standards may not have significant impact on amounts reported in the consolidated financial statements, but may result in more extensive disclosures in the consolidated financial statements.

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

The amendments to HKAS 36 remove the requirement to disclose recoverable amounts when there has been no impairment or reversal of impairment but require the following disclosures (in addition to the others already required by HKAS 36) when an impairment is recognised or reversed and recoverable amount is based on fair value less costs of disposal:

- the level of the HKFRS 13 ‘fair value hierarchy’ within which the fair value measurement of the asset or cash-generating unit has been determined.
- for fair value measurements at level 2 or level 3 of the fair value hierarchy: a description of the valuation techniques used and any changes in that valuation technique; key assumptions used in the measurement of fair value, including the discount rate(s) used in the current measurement and previous measure if fair value less costs of disposal is measured using a present value technique.

The directors of the Company anticipate that the amendments to HKAS 36 will be adopted in the Group’s consolidated financial statements for the annual period beginning 1 July 2014 retrospectively and that the application of the amendments may result in more extensive disclosures on impairment assessment on the interests in listed associates in the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2013

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (continued)

Amendments to HKAS 32 Offsetting financial assets and financial liabilities and amendments to HKFRS 7 Disclosures – offsetting financial assets and financial liabilities

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

The amendments to HKFRS 7 require entities to disclose information about rights of offset and related arrangements for financial instruments under an enforceable master netting agreement or similar arrangement.

The amendments to HKFRS 7 are effective to the Group for annual period beginning on 1 July 2013. The disclosures should also be provided retrospectively for all comparative periods. However, the amendments to HKAS 32 are not effective for the Group until annual period beginning on 1 July 2014, with retrospective application required.

The directors of the Company anticipate that the application of these amendments to HKAS 32 and HKFRS 7 may result in more disclosures being made with regard to certain debtors, creditors and margin loans.

HKFRS 13 Fair value measurement

HKFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The Standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of HKFRS 13 is broad and it applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in HKFRS 13 are more extensive than those in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under HKFRS 7 “Financial instruments: Disclosures” will be extended by HKFRS 13 to cover all assets and liabilities within its scope. A fair value measurement of a non-financial asset takes into account a market participant’s ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

HKFRS 13 will be adopted in the Group’s consolidated financial statements for the annual period beginning 1 July 2013 and that the application of the new standard may affect the amounts reported in the Group’s consolidated financial statements and result in more extensive disclosures in the consolidated financial statements.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2013

3. SIGNIFICANT ACCOUNTING POLICIES

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

The 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. The principal accounting policies are set out below.

Basis of consolidation

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

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

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

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

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

Allocation of total comprehensive income to non-controlling interests

Total comprehensive income and expense of a subsidiary is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2013

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation (continued)

Changes in the Group's ownership interests in existing subsidiaries

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

When the Group loses control of a subsidiary, it (i) derecognises the assets (including any goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost, (ii) derecognises the carrying amount of any non-controlling interests in the former subsidiary at the date when control is lost (including any components of other comprehensive income attributable to them), and (iii) recognises the aggregate of the fair value of the consideration received and the fair value of any retained interest, with any resulting difference being recognised as a gain or loss in profit or loss attributable to the Group. When assets of the subsidiary are carried at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Group had directly disposed of the related assets (i.e. reclassified to profit or loss or transferred directly to retained profits as specified by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39 "Financial instruments: Recognition and measurement" or, when applicable, the cost on initial recognition of an investment in an associate or a jointly controlled entity.

Business combinations

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

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

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 "Income taxes" and HKAS 19 "Employee benefits" respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 "Share-based payment" at the acquisition date (see the accounting policy below); and
- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 "Non-current assets held for sale and discontinued operations" are measured in accordance with that Standard.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2013

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Business combinations *(continued)*

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

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

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

Revenue recognition

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

Revenue from sale of goods and properties is recognised when all of the following criteria are satisfied:

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

The above criteria are met when the construction of relevant properties has been completed, and the properties have been delivered to the purchasers pursuant to the sales agreement and the collectability of related receivables is reasonably assumed. Deposits and installments received from purchasers on properties sold prior to meeting the above criteria on revenue recognition are included in the consolidated statement of financial position under current liabilities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2013

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenue recognition *(continued)*

Revenue from sale of goods is recognised when goods are delivered and titles have passed.

Hospital fees and charges (including sales of medicines, in-patient, out-patient and consultation services income) are recognised when goods are delivered and services are provided.

Rental income is recognised, on a straight-line basis, over the terms of the respective leases.

Dividend income from investments is recognised when the Group's rights to receive payment have been established.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

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 disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the item is derecognised.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Property, plant and equipment

Property, plant and equipment (other than construction in progress) are stated in the consolidated statement of financial position at cost or fair value less subsequent accumulated depreciation and accumulated impairment losses, if any.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2013

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Property, plant and equipment *(continued)*

Land and buildings held for use in the production or supply of goods or services, or for administrative purposes, are stated in the consolidated statement of financial position at their revalued amounts, being the fair value at the date of revaluation less any subsequent accumulated depreciation and any subsequent accumulated impairment losses. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at the end of the reporting period.

Any revaluation increase arising on the revaluation of land and buildings is recognised in other comprehensive income and accumulated in properties revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously charged. A decrease in carrying amount arising on revaluation of an asset is recognised in profit or loss to the extent that it exceeds the balance, if any, on the properties revaluation reserve relating to a previous revaluation of that asset. On the subsequent sale or retirement of a revalued asset, the attributable revaluation surplus is transferred to retained profits.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

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

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

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

Buildings under development for future owner-occupied purpose

When buildings are in the course of development for production or for administrative purposes, the amount of prepaid lease payments released during the construction period is included as part of costs of buildings under construction. Cost also includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policies. Buildings under construction are carried at cost, less any identified impairment losses. Depreciation of buildings commences when they are available for use (i.e. when they are in the location and condition necessary for them to be capable of operating in the manner intended by management).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2013

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Interests in associates

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

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, investments in associates are initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associates. When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

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

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 associates recognised at the date of acquisition is recognised as goodwill, which is included in the carrying amount of the investment.

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

Upon disposal of an associate that results in the Group losing significant influence over that associate, any retained investment is measured at fair value at that date and the fair value is regarded as its fair value on initial recognition as a financial asset in accordance with HKAS 39. The difference between the previous carrying amount of the associate attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when it loses significant influence over that associate. For partial disposals of associates that do not result in the Group losing significant influence, the difference between the proportionate share of the net assets of the associates and the fair value of consideration paid or received is recognised in profit or loss.

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

Acquisition of additional interests in associates

Goodwill is recognised at each acquisition date, being the excess of the consideration paid over the share of carrying amount of net assets attributable to the additional interests in associates acquired.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2013

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments

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

Financial assets

The Group's financial assets are classified into one of the three categories, including investments held for trading, loans and receivables and available-for-sale financial assets. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

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

Investments held for trading

A financial asset is classified as held for trading if:

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

Financial assets classified as held for trading are measured at fair value, with changes in fair value arising from remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss excludes any dividend or interest earned in the financial assets.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables including debtors, loans receivable, pledged bank deposits, restricted bank deposits and bank balances are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment of financial assets below).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2013

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets *(continued)*

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as loans and receivables, held-to-maturity instruments or financial assets at fair value through profit or loss. Available-for-sale financial assets are measured at fair value at the end of each reporting period. Changes in the carrying amount of available-for-sale debt instruments relating to interest income calculated using the effective interest method and dividends on available-for-sale equity investments are recognised in profit or loss. Other changes in the carrying amount of available-for-sale financial assets are recognised in other comprehensive income and accumulated under the heading of investment revaluation reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss (see the accounting policy in respect of impairment loss on financial assets below).

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

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, they are measured at cost less any identified impairment losses at the end of the reporting period.

Impairment of financial assets

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

For an available-for sale equity investment, a significant or prolonged 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
- breach of contract, such as default or delinquency in interest and principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial assets, such as debtors and loans receivable, 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 and observable changes in national or local economic conditions that correlate with default on receivables.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2013

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets *(continued)*

*Impairment of financial assets *(continued)**

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

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 debtors and loan receivables, 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 debtors are considered uncollectible, they are written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

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

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date of 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 carried at fair value will not be reversed in profit or loss in subsequent periods. Any increase in fair value subsequent to impairment loss is recognised directly in other comprehensive income and accumulated in investment revaluation reserve. For available-for-sale debt investments, impairment losses are subsequently reversed through profit or loss 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.

Financial liabilities and equity instruments

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

Equity instruments

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2013

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial liabilities and equity instruments (continued)

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (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 liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Financial liabilities

Financial liabilities, other than derivative financial instruments, including creditors and accrued charges, consideration payable, obligations under finance leases amount due to an associate and borrowings are subsequently measured at amortised cost, using the effective interest method.

Derivative financial instruments

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire.

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised directly in other comprehensive income and accumulated 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 and payable is recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2013

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Taxation

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

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

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

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

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

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

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

For the purposes of measuring deferred tax for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. If the presumption is rebutted, deferred tax for such investment properties are measured in accordance with the above general principles set out in HKAS 12 (i.e. based on the expected manner as to how the properties will be recovered).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2013

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Taxation *(continued)*

Current and deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Borrowing costs

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

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

Leasing

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

The Group as lessor

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

The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs (see the accounting policy below).

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

Leasehold land and building

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2013

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Leasing *(continued)*

Leasehold land and building (continued)

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

Intangible assets

Intangible assets acquired in a business combination

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

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

Gains or losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss in the period when the asset is derecognised.

Impairment losses on tangible assets and intangible assets

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

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

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

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 (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2013

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Inventories

Inventories, which comprise drugs, other medical and general consumable for hospital operations, are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method.

Properties under development for sale

Properties under development for sale are stated at lower of cost and net realisable value. Cost comprises both the acquisition cost of land use rights and development cost of the property. Net realisable value takes into account the price ultimately expected to be realised, less the anticipated costs to completion.

Development cost of property comprises construction costs, borrowing costs capitalised according to the Group's accounting policy and directly attributable cost incurred during the development period. On completion, the properties are transferred to properties held for sale.

Properties held for sale

Properties held for sale are stated at the lower of cost and net realisable value.

Foreign currencies

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

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in other comprehensive income, in which cases, the exchange differences are also recognised directly in other comprehensive income.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2013

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Foreign currencies *(continued)*

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

Retirement benefits scheme

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

Non-current assets held for sale

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the non-current asset is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Immediately before the initial classification as held for sale, the non-current assets are measured in accordance with applicable HKFRSs. Subsequent to classification, non-current assets that are within the scope of the measurement requirements of HKFRS 5 "Non-current assets held for sale and discontinued operations" are measured at the lower of their previous carrying amount and fair value less costs to sell.

On disposal of the non-current assets, any gain or loss (calculated as the difference between the net disposal proceeds and the carrying amount of the non-current assets) is included in the profit or loss in the period in which the assets are disposed of.

Equity-settled share-based payment transactions

Share options granted to employees of the Group for their services to the Group

The fair value of services rendered determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share option reserve). Vesting conditions, other than market conditions, shall not be taken into account when estimating the fair value of the share options at the grant date.

At the end of the reporting period, for share options, which are conditional upon satisfying non-market performance condition and service condition, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the original estimates during the vesting period, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share option reserve.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2013

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Equity-settled share-based payment transactions *(continued)*

Share options granted to employees of the Group for their services to the Group (continued)

In case of share options granted by a subsidiary, the share option reserve of the subsidiary is classified as and grouped under non-controlling interests by the Group on consolidation. At the time when share options are exercised, the amount previously recognised in share option reserve will be transferred to share premium of that subsidiary. The Group will account for the dilution as an equity transaction in accordance with HKAS 27 "Consolidated and Separate Financial Statements" if the exercise of share options does not constitute a loss of the Group's control over the subsidiary. 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 option reserve will be transferred to retained profits of the Group and non-controlling interests' share of net assets of that subsidiary according to the proportion of interests held by the Group and non-controlling shareholders on consolidation.

4. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY

Critical judgements in applying accounting policies

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

Deferred taxation on investment properties

For the purposes of measuring deferred taxation arising from investment properties that are measured using the fair value model, the directors of the Company have reviewed the Group's investment property portfolios and concluded that the Group's investment properties are not held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time and that the presumption set out in amendment to HKAS 12 is not rebutted. Therefore, in measuring the Group's deferred taxation on investment properties, the directors have determined that the carrying amounts of investment properties measured using the fair value model are presumed to be recovered entirely through sale.

Key sources of estimation uncertainty

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

Income taxes

As at 30 June 2013, no deferred tax asset has been recognised in the Group's consolidated statement of financial position in relation to the estimated unused tax losses of approximately HK\$2,609 million (2012: HK\$2,390 million). The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future profits generated are more than expected, further recognition of deferred tax asset in relation to unutilised tax losses may arise, which would be recognised in profit or loss for the period in which such a recognition or reversal takes place.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2013

4. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(continued)*

Impairment of intangible assets, prepaid lease payments and property, plant and equipment

Determining whether an impairment requires an estimation of recoverable amounts of relevant intangible assets, prepaid lease payments and property, plant and equipment or the respective CGU in which the intangible assets, prepaid lease payments and property, plant and equipment belong, which is the higher of value in use and fair value less costs to sell. If there is any indication that an asset may be impaired, recoverable amount is estimated for relevant asset individually. If it is not possible to estimate the recoverable amount of the individual asset, the Group determines the recoverable amount of the CGU to which the asset belongs.

The value in use calculation requires the Group to estimate the future cash flows expected to arise from the assets or CGU and a suitable discount rate in order to calculate the present value. The discount rate represents rate that reflects current market assessments of time value of money and the risks specific to the asset or CGU for which the future cash flow estimates have not been adjusted. Where the actual future cash flows are less than expected or there is a downward revision of future estimated cash flows due to unfavourable changes in facts and circumstances, a material impairment loss may arise. Details of the recoverable amount calculation of CGU are disclosed in note 23.

Land appreciation tax ("LAT")

The Group is subject to land appreciation tax on investment properties, properties under development for sale and properties for sale in the PRC. However, the implementation and settlement of the tax varies amongst different tax jurisdictions in various cities of the PRC and certain projects of the Group have not yet finalised their land appreciation tax calculations and payments with any local tax authorities in the PRC. Accordingly, significant judgment is required in determining the amount of land appreciation and its related current and deferred tax provisions. The Group recognised the land appreciation tax based on management's best estimates. The final tax outcome could be different from the amounts that were initially recorded, and these differences will impact the current and deferred tax expense and the related current and deferred tax provisions in the periods in which such tax is finalised with local tax authorities.

5. FINANCIAL INSTRUMENTS

Capital risk management

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

The capital structure of the Group consists of net debt, which includes borrowings, net of cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital, reserves and retained profits.

The Directors of the Company review the capital structure by considering 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 and share buy-backs as well as the issue of new debt or the redemption of existing debt.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2013

5. FINANCIAL INSTRUMENTS (continued)

Categories of financial instruments

	2013 HK\$'000	2012 HK\$'000
Financial assets		
Investments held for trading	957,197	1,123,202
Loans and receivables (including cash and cash equivalents)	812,151	771,578
Available-for-sale financial assets	331,539	240,039
Financial liabilities		
Amortised cost	3,140,036	1,515,704
Derivative financial instruments	44,656	13,093

Financial risk management objectives and policies

The Group's major financial instruments include equity and debt investments, amount due to an associate, loans receivable, debtors, creditors and accrued charges, borrowings, obligations under finance leases, derivative financial instruments, consideration payable, bonds, pledged bank deposits, restricted bank deposits, and bank balances and cash. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

Currency risk

Foreign exchange risk is the risk of loss due to adverse movement in foreign exchange rate relating to foreign currency denominated loans receivable, bank balances, other debtors and other borrowings from financial institutions for both years and foreign currency denominated available-for-sale debt investments and bonds as at 30 June 2013. The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

The carrying amounts of the Group's foreign currency denominated monetary assets and liabilities at the reporting date are as follows:

	Assets		Liabilities	
	2013 HK\$'000	2012 HK\$'000	2013 HK\$'000	2012 HK\$'000
United States Dollars ("USD")	72,949	72,040	117,000	14,908
Renminbi ("RMB")	–	79,539	–	–
Australian Dollars ("AUD")	11,579	29,744	–	–
Japanese Yen ("JPY")	7,236	–	–	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2013

5. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

Market risk (continued)

Sensitivity analysis

As HK\$ is pegged to USD, the Group does not expect any significant movements in the USD/HK\$ exchange rates and thus USD is not included in sensitivity analysis.

The following table details the Group's sensitivity to a 10% (2012: 10%) increase and decrease in HK\$ against relevant foreign currencies and all other variables were held constant. 10% (2012: 10%) is the sensitivity rate used by management in the assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currencies denominated monetary items and adjusts its translation at the period end for a 10% (2012: 10%) change in foreign currencies rates. A positive number below indicates a decrease in post-tax loss for the year where foreign currencies strengthen 10% (2012: 10%) against HK\$. For a 10% (2012: 10%) weakening of foreign currencies against HK\$ there would be an equal and opposite impact on the result for the year.

	RMB Impact		AUD Impact		JPY Impact	
	2013	2012	2013	2012	2013	2012
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Decrease in post-tax loss for the year	-	6,642	967	2,484	604	-

Other price risk

(i) Equity price risk

The Group is exposed to equity price risk through its available-for-sale investments, investments held for trading and derivative financial instruments. The Group's available-for-sale investments, investments held for trading and derivative financial instruments have significant concentration of price risk in Hong Kong, Malaysian and Australian stock markets. Management manages the exposure by maintaining a portfolio of equity investments of the Group with different risk profiles.

The Group is also exposed to equity price risk relating to equity securities classified as available-for-sale investments and investment held for trading held by an associate of the Group. Management monitors the exposure by reviewing monthly statements provided from the associate.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to equity price risks at the end of the reporting period. Also, the equity price risk relating to equity securities held by an associate of the Group is included in the sensitivity analysis. For sensitivity analysis purpose, the sensitivity rate remains at 30% in the current year.

If the prices of the respective equity instruments had been 30% (2012: 30%) higher/lower and all other variables were held constant, the Group's:

- post-tax loss for the year ended 30 June 2013 would decrease/increase approximately by HK\$309,262,000 (2012: HK\$310,059,000) as a result of the changes in fair value of held for trading investments;

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2013

5. FINANCIAL INSTRUMENTS *(continued)*

Financial risk management objectives and policies *(continued)*

Market risk *(continued)*

Currency risk *(continued)*

Other price risk *(continued)*

Sensitivity analysis *(continued)*

- investment revaluation reserve would increase/decrease approximately by HK\$99,238,000/HK\$99,238,000 (2012: HK\$59,782,000/HK\$59,739,000) as a result of the changes in fair value of certain available-for-sale investments. For the year ended 30 June 2012, post-tax loss for the year would decrease/increase approximately by HK\$1,958,000/HK\$1,994,000 as a result of changes in impairment loss recognised on certain available-for-sale investments; and
- post-tax loss for the year ended 30 June 2013 would decrease/increase by HK\$5,547,000/HK\$5,318,000 (2012: HK\$3,974,000/HK\$3,786,000) as a result of the changes in the fair value of derivative instruments on gross-settled option contracts linked with equity securities listed in Hong Kong..

(ii) Foreign currencies risk on non-monetary items

The Group is engaged in securities trading and investments which are denominated in foreign currencies and is therefore exposed to foreign currency price risk. Approximately 70% (2012: 61%) of the Group's equity investments are denominated in currencies other than the functional currency of the group entities.

The carrying amounts of the Group's foreign currency denominated equity investments held for trading and available-for-sale investments at the reporting date are as follows:

	Assets	
	2013	2012
	HK\$'000	HK\$'000
USD	241,257	114,179
AUD	124,124	366,922
MYR	128,674	145,105
Pound Sterling ("GBP")	20,602	15,900
New Taiwan Dollars ("TWD")	122,764	133,470
JPY	5,680	59,144

The Group also exposed to foreign currencies price risk through gross-settled option contracts linked with exchange rate between AUD and USD and between JPY and USD and equity securities held by an associate of the Group. The equity securities held by an associate are mainly determined USD and AUD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2013

5. FINANCIAL INSTRUMENTS *(continued)*

Financial risk management objectives and policies *(continued)*

Market risk *(continued)*

Other price risk *(continued)*

Sensitivity analysis

The following table details the Group's sensitivity to a 10% (2012: 10%) increase and decrease in HK\$ against foreign currencies and all other variables were held constant. USD is not included in sensitivity analysis, as HK\$ is pegged to USD and the Group does not expect any significant movements in the USD/HK\$ exchange rate. 10% (2012: 10%) is the sensitivity rate used by management in the assessment of the reasonably possible change in foreign exchange rates. A positive number below indicates a decrease in post-tax loss/increase in investment revaluation reserve for the period where foreign currencies strengthen 10% (2012: 10%) against HK\$. For a 10% (2012: 10%) weakening of foreign currencies against HK\$ there would be an equal and opposite impact on the result for the year and the investment revaluation reserve.

	2013 HK\$'000	2012 HK\$'000
Decrease in post-tax loss for the year	42,780	70,913
Increase in investment revaluation reserve	10,582	13,790

(iii) Price risk on debt instruments

The Group is exposed to other price risk regarding debt instruments. Management manages the exposure by maintaining a portfolio of debt investments of the Group with different interest risk profiles.

If the market interest rate on the available-for-sale debt instruments had been 100 basis points higher/lower and all other variables were held constant, the Group's investment revaluation reserve for the year would decrease/increase approximately by HK\$833,000 (2012: nil).

Interest rate risk

The Group's fair value interest rate risk relates primarily to fixed rate obligations under finance lease, fixed rate pledged bank deposits, fixed rate restricted bank deposits, fixed rate loan receivable and fixed rate borrowings. The Group's cash flow interest rate risk relates to its variable-rate loans receivable, bank balances and securities margin loans.

The Group currently does not have an interest rate hedging policy. However, management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of prime rate arising from the Group's variable interest rate instruments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2013

5. FINANCIAL INSTRUMENTS *(continued)*

Financial risk management objectives and policies *(continued)*

Market risk *(continued)*

Interest rate risk (continued)

Management considers that the Group's exposure to future cash flow risk on variable-rate bank balances as a result of the change of market interest rate is insignificant and thus variable-rate bank balances are not included in the sensitivity analysis.

A 100 basis point change is used which represents management's assessment of the reasonably possible change in interest rates. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year.

If the interest rate of variable-rate loans receivable and securities margin loans had been 100 basis point higher/lower and all other variables were held constant, the Group's post-tax loss for the period would increase/decrease approximately by HK\$9,407,000 (2012: HK\$11,174,000).

In the management's opinion, the sensitivity analyses prepared on currency risk, other price risk and interest rate risk are unrepresentative of respective inherent risk as the year end exposure does not reflect the exposure during the year.

Credit risk

The Group's credit risk is primarily attributable to available-for-sale debt securities, debtors, loans receivable, pledged bank deposits, restricted bank deposits and bank balances for both years.

The Group's maximum exposure to credit risk which will cause a financial loss to the Group in the event of the counterparties' failure to perform their obligations as at 30 June 2013 and 30 June 2012 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated statement of financial position.

Trade receivables arising from hospital operation consist of a large number of customers, thus the Group does not have significant concentration on credit risk. In order to minimise the credit risk on trade receivables arising from hospital operation, 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, management reviews the recoverable amount of each individual debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts.

Bank balances, restricted bank deposits and pledged bank deposits are placed in various banks and the Group has limited exposure to any single financial institution. The credit risk on liquid funds is limited because the counterparties are banks with good reputation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2013

5. FINANCIAL INSTRUMENTS *(continued)*

Financial risk management objectives and policies *(continued)*

Credit risk (continued)

The Group has significant concentration of credit risk on available-for-sale debt securities and loans receivable.

In order to minimise credit risk on loans receivable, management has delegated a team to be responsible for the determination of loan limits, approvals and other monitoring procedure, such as creditworthiness, type and amount of collateral pledged, and risk concentration of the counterparties. After the grant of the loans receivable, management closely monitors the subsequent settlement of the customers and does not grant long credit period to the counterparties. Also, management may request for collaterals in order to minimise the exposure of credit risk due to discharge an obligation by the counterparties. In addition, management reviews the recoverable amount of each individual debt and loans receivable at the end of the reporting period to ensure that adequate impairment losses are recognised for irrecoverable debts. In this regard, management considers that the Group's credit risk is significantly reduced.

The credit risk on available-for-sale debt instruments is limited because the counterparty is a company listed in the Stock Exchange. The directors consider the default in payment upon maturity to be low. In addition, management of the Group reviewed the public announcements and financial information of the listed company in order to assess its credit quality. In this regard, the Directors considered that the Group's credit risk was significantly reduced.

Liquidity risk

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

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. Specifically, bank loans with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of the reporting period.

For derivative financial instruments, the Group has approximately HK\$57,887,000 (2012: HK\$99,384,000) and HK\$211,472,000 (2012: HK\$612,945,000) contractual cash outflow in return with listed securities and foreign currencies within 1 year respectively. The nature of the derivative financial instruments is disclosed in note 35.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2013

5. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

Liquidity risk (continued)

	Weighted average interest rate %	Repayable on demand HK\$'000	Less than 3 months HK\$'000	3 months to 1 year HK\$'000	1 to 5 years HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount at the end of the reporting period HK\$'000
As at 30 June 2013							
Non-derivative financial liabilities							
Creditors and accrued charges	-	-	195,408	137,213	-	332,621	332,621
Consideration payable	-	-	-	88,472	-	88,472	88,472
Amount due to an associate	-	8,060	-	-	-	8,060	8,060
Borrowings							
- variable rates	prime rate plus spread	1,128,582	-	-	-	1,128,582	1,128,582
- fixed rates	3% - 15%	-	505,048	589,158	311,611	1,405,817	1,335,301
Obligations under finance leases	3% - 8.63%	-	15,029	37,771	86,765	139,565	116,532
Bonds	6% - 8%	-	4,355	13,065	254,258	271,678	247,000
		<u>1,136,642</u>	<u>719,840</u>	<u>865,679</u>	<u>652,634</u>	<u>3,374,795</u>	<u>3,256,568</u>
As at 30 June 2012							
Non-derivative financial liabilities							
Creditors	-	-	10,600	-	-	10,600	10,600
Other borrowings							
- variable rates	prime rate plus spread	1,340,196	-	-	-	1,340,196	1,340,196
- fixed rates	1.52% - 6%	150,000	14,917	-	-	164,917	164,908
		<u>1,490,196</u>	<u>25,517</u>	<u>-</u>	<u>-</u>	<u>1,515,713</u>	<u>1,515,704</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2013

5. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

Liquidity risk (continued)

As at 30 June 2013, there is no borrowing contains a repayment on demand clause. As at 30 June 2012, the aggregate undiscounted principal amount of a term loan with repayment on demand clause amounting to HK\$150,000,000 is included in "Repayment on demand" time band in the above maturity analysis. Taking into account the Group's financial position, the Directors do not believe that it is probable that the counterparty will exercise their discretionary rights to demand immediate repayment. The Directors believe that such term loans will be repaid within 4 months after the end of the reporting period in accordance with the scheduled repayment date set out in the loan agreements. For the purpose of managing liquidity risk, the management reviews the expected cash flow information of the Group's term loan based on the scheduled repayment dates set out in the agreement as set out in the table below:

	Weighted average interest rate %	Repayable on demand HK\$'000	Less than 1 month HK\$'000	1-3 months HK\$'000	3 months to 1 year HK\$'000	1 year to 2 years HK\$'000	2 years to 5 years HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount at the end of the reporting period HK\$'000
Term loan									
30 June 2012	6%	-	750	1,500	150,750	-	-	153,000	150,000

The amounts included above for variable interest rate instruments for non-derivative financial liabilities is subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

Fair values

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

- the fair values of financial assets with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market bid prices;
- the fair values of the unit trusts classified as available-for-sale investment have been determined based on the trust unit price which was derived by reference to the fair value of the underlying listed shares of the trust portfolio;
- the fair values of other financial assets and financial liabilities (excluding derivative financial instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis; and
- the fair values of derivative financial instruments are calculated using option pricing model.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2013

5. FINANCIAL INSTRUMENTS (continued)

Fair values (continued)

Fair value measurements recognised in the consolidated statement of financial position

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

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	2013			Total HK\$'000
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	
Financial assets				
Non-derivative financial assets				
Investments held for trading	957,197	–	–	957,197
Available-for-sale financial assets				
Listed equity securities	231,891	–	–	231,891
Unlisted unit trusts	–	45,562	–	45,562
Listed debt securities	4,918	–	–	4,918
Listed fixed rate bonds	48,422	–	–	48,422
Unlisted club debentures	–	678	–	678
Total	<u>1,242,428</u>	<u>46,240</u>	<u>–</u>	<u>1,288,668</u>
Financial liabilities				
Derivative financial liabilities	<u>–</u>	<u>–</u>	<u>44,656</u>	<u>44,656</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2013

5. FINANCIAL INSTRUMENTS (continued)

Fair values (continued)

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

	2012			Total HK\$'000
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	
Financial assets				
Non-derivative financial assets				
Investments held for trading	1,123,202	–	–	1,123,202
Available-for-sale financial assets				
Listed equity securities	200,208	–	–	200,208
Unlisted unit trusts	–	39,085	–	39,085
Unlisted club debentures	–	678	–	678
Total	1,323,410	39,763	–	1,363,173
Financial liabilities				
Derivative financial liabilities	–	–	13,093	13,093

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

Reconciliation of Level 3 fair value measurements of financial liabilities

	Derivative financial instruments HK\$'000
At 1 July 2011	20,191
Realised gain in profit or loss	(28,981)
Unrealised loss in profit or loss	13,093
Settlements	8,790
At 30 June 2012	13,093
Realised gain in profit or loss	(61,301)
Unrealised loss in profit or loss	44,656
Settlements	48,208
At 30 June 2013	44,656

Of the total gains or losses for the period included in profit or loss, HK\$44,656,000 (2012: HK\$13,093,000) relates to derivative financial instruments held at the end of the reporting period. Fair value gains or losses on derivative financial instruments are included in 'Other gains and losses' in the consolidated statement of profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2013

6. REVENUE

	2013 HK\$'000	2012 HK\$'000
Dividend income from listed investments	14,596	18,802
Interest income from loans receivable	15,726	24,569
Rental income	3,882	3,329
Hospital fees and charges	393,058	–
Revenue from sale of properties	208,649	–
	635,911	46,700

7. SEGMENT INFORMATION

Information regularly reviewed by the chief operating decision maker, represented by the executive directors of the Company, for the purpose of allocating resources to segments and assessing their performance focuses on the types of goods or services delivered or provided. No operating segments identified by the chief operating decision maker have been aggregated in arriving at the reporting segments of the Group.

The Group is organised into five operating and reportable segments as follows:

Securities trading and investments – trading of securities in Hong Kong and overseas markets.

Financial services – provision of financial services.

Property investment – leasing of residential and office properties.

Property development – developing and selling of properties and land in the People's Republic of China ("PRC").

Hospital – operation of hospitals in the PRC.

The property development and hospital businesses are new operating and reportable segments subsequent to the Group's acquisition of these new businesses through the acquisition of Extra Earn Holdings Limited ("Extra Earn") (details of which are set out in note 46) during the year ended 30 June 2013.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2013

7. SEGMENT INFORMATION (continued)

Segment revenues and results

The following is an analysis of the Group's revenue and results by operating and reportable segment.

For the year ended 30 June 2013

	Securities trading and investments HK\$'000	Financial services HK\$'000	Property investment HK\$'000	Property development HK\$'000	Hospital HK\$'000	Consolidated HK\$'000
Gross proceeds from sale of investments held for trading	662,420	–	–	–	–	662,420
Revenue	14,596	15,726	3,882	208,649	393,058	635,911
Segment (loss) profit	(189,014)	9,558	59,415	(825)	(40,464)	(161,330)
Share of losses of associates						(624,814)
Other income						7,858
Net foreign exchange gain						172
Central corporate expenses						(50,906)
Gain on partial disposal of associates						466
Gain on deemed disposal of associates						34,794
Discount on acquisition of subsidiaries						27,541
Finance costs						(48,446)
Loss before taxation						(814,665)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2013

7. SEGMENT INFORMATION *(continued)*

Segment revenues and results *(continued)*

For the year ended 30 June 2012 (restated)

	Securities trading and investments HK\$'000	Financial services HK\$'000	Property investment HK\$'000	Consolidated HK\$'000
Gross proceeds from sale of investments held for trading	491,734	–	–	491,734
Revenue	18,802	24,569	3,329	46,700
Segment (loss) profit	(293,461)	14,369	9,787	(269,305)
Share of losses of associates				(44,158)
Other income				1,572
Net foreign exchange loss				(221)
Central corporate expenses				(6,758)
Gain on partial disposal of associates				13,596
Impairment loss recognised on interests in associates				(245,549)
Loss before taxation				(550,823)

All of the segment revenue reported above is from external customers.

The accounting policies of the operating and reportable segments are the same as the Group's accounting policies described in note 3. Segment profit (loss) represents the profit earned/losses incurred by each segment without allocation of share of losses of associates, certain other income, certain net foreign exchange gain/loss, central corporate expenses, discount on acquisition of subsidiaries, gain on deemed disposal of associates, gain on partial disposal of associates and impairment loss recognised on interests in associates. This is the measure reported to the executive directors of the Company for the purpose of resource allocation and performance assessment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2013

7. SEGMENT INFORMATION (continued)

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by operating and reportable segment:

At 30 June 2013

	Securities trading and investments HK\$'000	Financial services HK\$'000	Property investment HK\$'000	Property development HK\$'000	Hospital HK\$'000	Consolidated HK\$'000
Segment assets	1,344,498	106,398	208,275	996,422	1,580,343	4,235,936
Interests in associates						273,037
Corporate assets						668,766
Assets classified as held for sale						107,578
Consolidated assets						5,285,317
Segment liabilities	1,214,100	70,307	948	719,362	657,413	2,662,130
Corporate liabilities						1,132,250
Consolidated liabilities						3,794,380

At 30 June 2012

	Securities trading and investments HK\$'000	Financial services HK\$'000	Property investment HK\$'000	Consolidated HK\$'000 (restated)
Segment assets	1,504,856	564,429	159,556	2,228,841
Interests in associates				1,159,238
Corporate assets				77,950
Consolidated assets				3,466,029
Segment liabilities	1,457,324	151,260	931	1,609,515
Corporate liabilities				9,568
Consolidated liabilities				1,619,083

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2013

7. SEGMENT INFORMATION (continued)

Segment assets and liabilities (continued)

For the purposes of monitoring segment performances and allocating resources between segments:

- all assets are allocated to operating and reportable segments other than certain property, plant and equipment, interests in associates, deposits and prepayments, taxation recoverable, assets classified as held for sale, pledged bank deposits and certain bank balances and cash.
- all liabilities are allocated to operating and reportable segments other than certain creditors and accrued charges, consideration payable, certain borrowings, deferred tax liabilities, taxation payable, amount due to an associate and bonds.

Other segment information

For the year ended 30 June 2013

	Securities trading and investments HK\$'000	Financial services HK\$'000	Property investment HK\$'000	Property development HK\$'000	Hospital HK\$'000	Unallocated HK\$'000	Total HK\$'000
Amounts charged (credited) included in the measure of segment results or segment assets							
Interest income (including interest income from loans receivable)	(3,314)	(15,726)	-	-	-	(5,085)	(24,125)
Finance costs	66,530	5,528	-	-	16,521	48,446	137,025
Depreciation of property, plant and equipment	-	-	31	-	56,525	3,541	60,097
Additions to property, plant and equipment	-	-	-	-	134,155	6,062	140,217
Additions to property, plant and equipment through acquisition of subsidiaries	-	-	-	5,378	1,400,446	32,231	1,438,055
Additions to prepaid lease payments through acquisition of subsidiaries	-	-	-	-	66,142	61,204	127,346
Additions to intangible assets through acquisition of subsidiaries	-	-	-	-	16,816	-	16,816
Release of prepaid lease payments	-	-	-	-	783	741	1,524
Amortisation of intangible assets	-	-	-	-	619	-	619
Fair value changes on investment properties	-	-	(57,589)	-	-	-	(57,589)
Net foreign exchange (gain) loss	(2,856)	494	1	-	-	(172)	(2,533)
Loss in fair value change of investments held for trading	152,682	-	-	-	-	-	152,682
Gain in fair value change of derivative financial instruments	(16,645)	-	-	-	-	-	(16,645)
Net gain on disposal of available-for- sale investments	(745)	-	-	-	-	-	(745)
Gain on disposal of property, plant and equipment	-	-	-	-	(3,963)	-	(3,963)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2013

7. SEGMENT INFORMATION (continued)

Other segment information (continued)

For the year ended 30 June 2012

	Securities trading and investments HK\$'000	Financial services HK\$'000	Property investment HK\$'000	Unallocated HK\$'000	Total HK\$'000
Amounts charged (credited) included in the measure of segment results or segment assets					
Interest income (including interest income from loans receivables)	(20,308)	(24,569)	–	–	(44,877)
Finance costs	58,202	9,025	–	–	67,227
Depreciation of property, plant and equipment	–	–	27	347	374
Additions to property, plant and equipment	–	–	–	392	392
Fair value changes on investment properties	–	–	(16,961)	–	(16,961)
Loss in fair value change of investments held for trading	252,205	–	–	–	252,205
Loss in fair value change of derivative financial instruments	(15,888)	–	–	–	(15,888)
Net gain on disposal of available-for-sale investments	(5,978)	–	–	–	(5,978)
Impairment loss recognised on available-for-sale investments	25,784	–	–	–	25,784
Net foreign exchange (gain) loss	(5,960)	(13)	81	221	(5,671)

Geographical information

The Group's securities trading and investments and financial services are mainly carried out in Hong Kong. Rental income from property investment is derived from Hong Kong and the PRC. The Group's operations in property development and hospital are located in PRC.

The Group's revenue from external customers and information about non-current assets by geographical location of the customers and assets (where the investment properties, property, plant and equipment, prepaid lease payments and deposits for acquisition for property, plant and equipment are located and where the associates are incorporated/listed) respectively are detailed below:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2013

7. SEGMENT INFORMATION (continued)

Geographical information (continued)

	Revenue from external customers		Non-current assets	
	2013 HK\$'000	2012 HK\$'000	2013 HK\$'000	2012 HK\$'000 (restated)
Hong Kong	31,595	44,179	435,103	1,040,202
The PRC	604,316	2,521	1,570,555	255,442
The Philippines	–	–	31,727	29,572
	635,911	46,700	2,037,385	1,325,216

Note: Non-current assets excluded financial instruments.

Revenue from major products and services

The following is an analysis of the Group's revenue from its major products and services:

	2013 HK\$'000	2012 HK\$'000
Revenue from medical and consultation services (note)	366,194	–
Revenue from rendering health screening services	26,864	–
Revenue from rendering financial services	15,726	24,569
Revenue from rental services	3,882	3,329
Sales of residential properties in the PRC	208,649	–
	621,315	27,898

Note: Revenue from medical and consultation services includes sales of medicine and in-patient, out-patient and consultation services income from hospital operation. In the opinion of the Directors, it is time consuming and excessive costs to provide further analysis in respect of sales of medicines and different kind of service income of the hospital operation. Accordingly, no such information is included in the segment information.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2013

7. SEGMENT INFORMATION (continued)

Information about major customers

Revenues from customers of the corresponding year contributing over 10% of the total sales of the Group are as follows:

	2013 HK\$'000	2012 HK\$'000
Customer A ¹	– ²	5,785
Customer B ¹	– ²	6,176

¹ Revenue from financial services.

² The corresponding revenue did not contributed over 10% of total sales of the Group.

8. OTHER GAINS AND LOSSES

	2013 HK\$'000	2012 HK\$'000
Loss in fair value change of investments held for trading (Note a)	(152,682)	(252,205)
Gain in fair value change of derivative financial instruments (Note b)	16,645	15,888
Net gain on disposal of available-for-sale investments	745	5,978
Gain on partial disposal of associates	466	13,596
Impairment loss recognised on available-for-sale investments	–	(25,784)
Impairment loss recognised on other receivables	(4,887)	(5,566)
Fair value changes on investment properties	57,589	16,961
Net foreign exchange gain	2,533	5,671
Gain on deemed disposal of a subsidiary (note 45)	–	10,346
Gain on deemed disposal of an associate (note 46)	34,794	–
Discount on acquisition of subsidiaries (note 46)	27,541	–
Gain on disposal of property, plant and equipment	3,963	–
Others	–	54
	(13,293)	(215,061)

Notes:

- (a) Net realised gain of approximately HK\$49,640,000 (2012: net realised loss of HK\$63,689,000) on disposal of investments held for trading is included in change in fair value of investments held for trading.
- (b) Net realised gain of approximately HK\$61,301,000 (2012: net realised gain of HK\$28,983,000) on derivative financial instruments is included in change in fair value of derivative financial instruments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2013

9. OTHER INCOME

	2013 HK\$'000	2012 HK\$'000
Interest income from:		
– Loan notes	–	6,145
– Available-for-sale debt instruments	3,314	12,605
– Bank deposits	5,085	1,018
– Others	–	540
	8,399	20,308
Government grants	7,229	–
Others	2,773	1,389
	18,401	21,697

10. FINANCE COSTS

The amounts represent interest on bank and other borrowings as follows:

	2013 HK\$'000	2012 HK\$'000
Interest on:		
Other borrowings wholly repayable within five years	69,390	67,227
Bank borrowings wholly repayable within five years	70,781	–
Promissory note	8,569	–
Bonds	9,870	–
Obligations under finance leases	5,149	–
Total borrowing costs	163,759	67,227
Less: Amounts capitalised	(26,734)	–
	137,025	67,227

During the year ended 30 June 2013, interest expenses arising on specific loans were capitalised in properties under development for sale and construction in progress included in property, plant and equipment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2013

11. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS

Directors' emoluments

The Directors' and the chief executive's emoluments are analysed as follows:

	For the year ended 30 June 2013				Total emoluments HK\$'000
	Directors' fees HK\$'000	Salaries and other benefits HK\$'000	Performance related incentive payments HK\$'000 (Note)	Retirement benefits scheme contributions HK\$'000	
<i>Executive directors</i>					
Ms. Chong Sok Un	–	455	–	15	470
Dato' Wong Peng Chong	–	1,560	240	15	1,815
Mr. Kong Muk Yin	–	1,560	240	15	1,815
<i>Independent non-executive directors</i>					
Mr. Lau Siu Ki	180	–	–	–	180
Mr. Ma Wah Yan	180	–	–	–	180
Mr. Zhang Jian	80	–	–	–	80
	440	3,575	480	45	4,540

	For the year ended 30 June 2012				Total emoluments HK\$'000
	Directors' fees HK\$'000	Salaries and other benefits HK\$'000	Performance related incentive payments HK\$'000 (Note)	Retirement benefits scheme contributions HK\$'000	
<i>Executive directors</i>					
Ms. Chong Sok Un	–	455	–	12	467
Dato' Wong Peng Chong	–	1,560	240	12	1,812
Mr. Kong Muk Yin	–	1,560	240	12	1,812
<i>Independent non-executive directors</i>					
Mr. Lau Siu Ki	255	–	–	–	255
Mr. Ma Wah Yan	135	–	–	–	135
Mr. Zhang Jian	113	–	–	–	113
	503	3,575	480	36	4,594

Note: The performance related incentive payments are determined by reference to the individual performance of the Directors and approved by the Remuneration Committee.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2013

11. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS (continued)

Directors' emoluments (continued)

Ms. Chong Sok Un is also the Chief Executive of the Company and her emoluments disclosed above include those for services rendered by her as the Chief Executive.

During the year, no remuneration was 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 remuneration during the year.

Five highest paid individuals

During the year, the five highest paid individuals included two Directors (2012: two), details of their emoluments are set out above. The emoluments for the remaining three (2012: three) highest paid individuals of the Group are as follows:

	2013 HK\$'000	2012 HK\$'000
Salaries and other benefits	4,507	2,830
Retirement benefits scheme contributions	122	36
	4,629	2,866

The emoluments are within the following bands:

	2013 Number of employee	2012 Number of employee
Nil to HK\$1,000,000	–	2
HK\$1,000,001 to HK\$1,500,000	2	1
HK\$1,500,001 to HK\$2,000,000	1	–

12. TAXATION CREDIT (CHARGE)

	2013 HK\$'000	2012 HK\$'000
Current tax credit (charge):		
Underprovision of Hong Kong Profits Tax in previous years	(2,934)	–
Enterprise Income Tax in the PRC	(1,340)	(383)
Deferred tax credit (note 39)	10,151	–
	5,877	(383)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2013

12. TAXATION CREDIT (CHARGE) (continued)

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for both years. No tax is arising in Hong Kong for the year ended 30 June 2013 since there is no assessable profit for the year. No tax is payable on the profit for year ended 30 June 2012 arising in Hong Kong since the assessable profit is wholly absorbed by tax losses brought forward.

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards.

Pursuant to the relevant laws and regulations in the PRC, certain PRC subsidiaries of the Group are exempted from the PRC EIT for two years starting from their first profit-making year (i.e. 31 December 2008), followed by a 50% reduction for the next three years. The exemption is ended on 31 December 2012.

Under the Provisional Regulations on LAT implemented upon the issuance of the Provisional Regulations of the PRC on 27 January 1995, all gains arising from transfer of real estate property in the PRC effective from 1 January 1994 are subject to LAT at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including borrowings costs and all property development expenditures.

The taxation for the year can be reconciled to the loss before taxation per the consolidated statement of profit or loss as follows:

	2013 HK\$'000	2012 HK\$'000 (restated)
Loss before taxation	(814,665)	(550,823)
Taxation at the domestic income tax rate of 16.5%	134,420	90,886
Tax effect of share of losses of associates	(103,094)	(7,286)
Tax effect of expenses that are not deductible	(61,640)	(69,745)
Tax effect of income that is not taxable	35,889	19,351
Tax effect of utilisation of tax losses/deductible temporary differences previously not recognised	17,975	55
Tax effect of tax losses not recognised	(17,787)	(33,545)
Underprovision of Hong Kong Profits Tax in previous years	(2,934)	–
Effect of different tax rates of subsidiaries operating in other jurisdictions	3,048	(99)
Taxation for the year	5,877	(383)

During the year ended 30 June 2013, Hong Kong Inland Revenue Department ("IRD") queried against a subsidiary of the Company regarding the chargeability of offshore profits on trading securities from the year of assessment 2006/2007 to year of assessment 2008/2009. The IRD has issued estimated/additional assessments demanding final tax ("Assessments") to a subsidiary of the Company for the year of assessment 2006/2007. Up to 30 June 2013, the Group has purchased tax reserve certificates of approximately HK\$34,316,000 (2012: nil) for conditional standover order of objection against the Assessments for the year of assessment 2006/2007 and the amount is included in taxation recoverable. The case is still at fact-finding stage and the directors are of the view that no provision is made during the year ended 30 June 2013.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2013

13. LOSS FOR THE YEAR

	2013 HK\$'000	2012 HK\$'000
Loss for the year has been arrived at after charging(crediting):		
Auditor's remuneration	1,400	2,061
Depreciation of property, plant and equipment	60,097	374
Staff cost, inclusive of directors' emoluments	154,311	15,905
Gross rental income from properties	(3,882)	(3,329)
Less: Direct operating expenses that generated rental income	741	713
Direct operating expenses that did not generate rental income	365	453
Net rental income	(2,776)	(2,163)
Release of prepaid lease payments	1,524	–
Amortisation of intangible assets (included in cost of goods and services)	619	–
Cost of inventories recognised as an expense (included in cost of goods and services)	175,331	–
Cost of properties held for sale recognised as an expense (included in cost of goods and services)	191,040	–

14. DIVIDENDS

	2013 HK\$'000	2012 HK\$'000
Dividends recognised as distribution during the year:		
Final dividend for eighteen months ended 30 June 2011 of HK\$0.04 per share	–	21,922

No dividend was proposed during the years ended 30 June 2013 and 2012, nor has any dividend been proposed since the end of the reporting period.

15. LOSS PER SHARE

The calculation of basic and diluted loss (2012: basic loss) per share attributable to the owners of the Company is based on the following data:

	2013 HK\$'000	2012 HK\$'000 (restated)
Loss for the purpose of basic and diluted loss (2012: basic loss) per share for the year attributable to owners of the Company	(780,719)	(531,425)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2013

15. LOSS PER SHARE (continued)

	Number of shares	Number of shares
Weighted average number of ordinary shares for the purposes of basic and diluted loss (2012: basic loss) per share	542,689,806	548,245,442

The computation of diluted loss per share for the year ended 30 June 2013 does not assume the exercise of share options granted by a subsidiary since such assumed exercise would decrease the loss per share.

No diluted loss per share has been presented as there was no potential ordinary share outstanding for the year ended 30 June 2012.

16. INVESTMENT PROPERTIES

	HK\$'000
FAIR VALUE	
At 1 July 2011	142,266
Net increase in fair value recognised in profit or loss	16,961
At 30 June 2012	159,227
Net increase in fair value recognised in profit or loss	57,589
Disposals	(8,704)
At 30 June 2013	208,112

The Group's investment properties are analysed as follows:

	2013 HK\$'000	2012 HK\$'000
Properties held under medium-term leases:		
– in Hong Kong	162,850	108,480
– in the PRC	40,040	45,667
Properties situated in the PRC held under long term leases	5,222	5,080
	208,112	159,227

The fair values of the Group's investment properties at 30 June 2013 and 30 June 2012 were arrived at on the basis of a valuation carried out on that date by DTZ Debeham Tie Leung Limited ("DTZ"), independent qualified professional valuers not connected with the Group. The valuation was arrived at by reference to market evidence of transaction prices for similar properties in the same locations and conditions and on the basis of capitalisation of the net income with due allowance for the reversionary income.

All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment properties.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2013

17. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings under medium- term lease in Hong Kong HK\$'000	Hospital buildings under medium- term lease in the PRC HK\$'000	Other buildings under medium- term lease in the PRC HK\$'000	Construction in progress HK\$'000	Computer, medical and electronic equipment HK\$'000	Furniture and fixtures HK\$'000	Office equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
COST OR VALUATION									
At 1 July 2011	4,460	-	-	-	1,105	1,874	-	678	8,117
Additions	-	-	-	-	242	150	-	-	392
Revaluation increase	1,750	-	-	-	-	-	-	-	1,750
Disposal of a subsidiary	-	-	-	-	-	(67)	-	-	(67)
At 30 June 2012	6,210	-	-	-	1,347	1,957	-	678	10,192
Additions	-	-	-	19,489	114,666	223	4,059	1,780	140,217
Transfer	-	19,061	-	(19,061)	-	-	-	-	-
Revaluation increase (decrease)	3,740	(32,639)	(2,848)	-	-	-	-	-	(31,747)
Acquisition of subsidiaries	-	990,746	81,281	143,686	208,336	1,909	8,161	3,936	1,438,055
Disposals	-	-	-	-	(107,451)	-	(6)	(535)	(107,992)
Transfer to assets classified as held for sale	-	-	(12,886)	(5,153)	-	-	-	-	(18,039)
Exchange differences	-	30,395	2,498	4,524	6,688	62	337	149	44,653
At 30 June 2013	9,950	1,007,563	68,045	143,485	223,586	4,151	12,551	6,008	1,475,339
Comprising:									
At cost – 2013	-	-	-	143,485	223,586	4,151	12,551	6,008	389,781
At valuation – 2013	9,950	1,007,563	68,045	-	-	-	-	-	1,085,558
	9,950	1,007,563	68,045	143,485	223,586	4,151	12,551	6,008	1,475,339
DEPRECIATION									
At 1 July 2011	-	-	-	-	901	1,770	-	452	3,123
Provided for the year	54	-	-	-	121	64	-	135	374
Eliminated on revaluation	(54)	-	-	-	-	-	-	-	(54)
Eliminated on disposal of a subsidiary	-	-	-	-	-	(2)	-	-	(2)
At 30 June 2012	-	-	-	-	1,022	1,832	-	587	3,441
Provided for the year	166	32,639	2,848	-	20,872	377	2,262	933	60,097
Eliminated on revaluation	(166)	(32,639)	(2,848)	-	-	-	-	-	(35,653)
Eliminated on disposal	-	-	-	-	(3,828)	-	(6)	(230)	(4,064)
Exchange difference	-	-	-	-	336	7	45	13	401
At 30 June 2013	-	-	-	-	18,402	2,216	2,301	1,303	24,222
CARRYING VALUES									
At 30 June 2013	9,950	1,007,563	68,045	143,485	205,184	1,935	10,250	4,705	1,451,117
At 30 June 2012	6,210	-	-	-	325	125	-	91	6,751

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2013

17. PROPERTY, PLANT AND EQUIPMENT *(continued)*

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

Leasehold land and buildings	Over the shorter of the lease terms or 30-50 years
Computer, medical and electronic equipment	10% – 20%
Furniture and fixtures	20%
Office equipment	20%
Motor vehicles	20% – 50%

The construction in progress represented hospital buildings under construction which are situated in the PRC.

The buildings in Hong Kong were valued on 30 June 2013 and 30 June 2012 by DTZ and the buildings in the PRC were valued on 30 June 2013 by Asset Appraisal Limited, firms of independent professional property valuers. The buildings (other than hospital buildings) have been valued using direct comparison approach by making reference to comparable sales transactions available in the relevant market. Hospital buildings have been valued using depreciated replacement cost method by reference to the construction costs required to rebuild the buildings and deducting for physical deterioration and all relevant forms of obsolescence and optimisations.

A revaluation surplus on leasehold land and buildings in Hong Kong of approximately HK\$3,740,000 (2012: HK\$1,750,000) has been credited to the properties revaluation reserve and revaluation deficit on buildings in the PRC of approximately HK\$35,487,000 (2012: nil) has been debited to profit or loss.

Asset Appraisal Limited and DTZ are not connected with the Group.

If the leasehold land and buildings had not been revalued, they would have been included in these consolidated financial statements at historical cost less accumulated depreciation of HK\$1,076,076,000 (2012: HK\$634,000).

The Group has not obtained the building certificates for the buildings with carrying value of approximately HK\$1,008,030,000 as at 30 June 2013 (2012: nil).

The Group pledged buildings with carrying value of approximately HK\$604,739,000 (2012: nil) to secure general banking facilities granted to the Group as at 30 June 2013.

Details of impairment assessment are disclosed in note 23.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2013

18. PREPAID LEASE PAYMENTS

	2013 HK\$'000	2012 HK\$'000
The Group's prepaid lease payments comprise:		
Medium-term leasehold land in the PRC	67,023	–
Analysed for reporting purposes as:		
Non-current assets	65,426	–
Current assets	1,597	–
	67,023	–

Prepaid lease payments are held under medium-term lease in the PRC through acquisition of subsidiaries during the year ended 30 June 2013. The prepaid lease payments are amortised over the terms of the lease from 40 to 45 years.

The Group pledged prepaid lease payments with carrying value of approximately HK\$35,293,000 (2012: nil) to secure general banking facilities granted to the Group as at 30 June 2013.

Details of impairment assessment are disclosed in note 23.

19. INTERESTS IN ASSOCIATES

	2013 HK\$'000	2012 HK\$'000 (restated)
Cost of investments in associates		
Listed in the Philippines	26,448	26,889
Listed in Hong Kong	973,467	934,327
Unlisted	44,559	327,893
Share of post-acquisition (losses) profits and other comprehensive income, net of dividends received	(452,871)	188,695
Less: Impairment loss	(318,566)	(318,566)
	273,037	1,159,238
Fair value of listed investments	290,719	571,339

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2013

19. INTERESTS IN ASSOCIATES (continued)

As at 30 June 2013 and 30 June 2012, the Group had interests in the following associates:

Name of entities	Form of business structure	Country/ place of incorporation/ registration	Principal place of operation	Class of share held	Number of shares/paid-up capital held by the Group as at 30.6.2013	Proportion of nominal value of issued capital held by the Group		Proportion of voting power held		Principal activity
						2013 %	2012 %	2013 %	2012 %	
APAC (Note a)	Incorporated	Bermuda	Hong Kong	Ordinary	2,030,939,562 (2012: 1,900,939,562)	29.81	27.9	29.81	27.9	Investment holding
Essence International Holdings Limited ("Essence") (Note b)	Incorporated	Hong Kong	Hong Kong/ PRC	Ordinary	4,500,000	30	30	30	30	Japanese Ramen restaurant
Extra Earn Holdings Limited ("Extra Earn") (Note c)	Incorporated	BVI	PRC	Ordinary	270,000	N/A	38.7	N/A	38.7	Investment holding
Mabuhay Holdings Corporation ("Mabuhay") (Note d)	Incorporated	The Philippines	The Philippines	Ordinary	358,242,000	29.85	30.42	29.85	30.42	Investment holding
Printronic Electronics Limited ("Printronic")	Incorporated	Hong Kong	Hong Kong	Ordinary	2	40	40	40	40	Inactive
Think Future Investments Limited ("Think Future") (Note e)	Incorporated	BVI	PRC	Ordinary	600	30	33.3	30	33.3	Investment holding
焦作同仁醫療產業投資有限公司	Incorporated	PRC	PRC	Registered	RMB13,000,000	21.67%	N/A	21.67%	N/A	Hospital operation but not yet started operation

Notes:

- (a) During the year ended 30 June 2013, the Group acquired 130,000,000 shares which represented equity interest of 1.91% of APAC at a consideration of approximately HK\$39,140,000. After the acquisition, the Group's equity interest in APAC increased to 29.81% as at 30 June 2013. The principal activities of APAC are investment in the two Australian listed companies as associates and trading of mineral resources and securities trading.

As at 30 June 2012, the carrying amount of the Group's interests in APAC was higher than its fair value. The Group conducted an impairment assessment of the associates. In determining the value in use of the interests in APAC, the directors estimated the present value of the estimated future cash flows expected ultimate disposal, by using discount rates of 14% to discount the cash flow projections to net present values. Based on the assessment, the recoverable amounts of the Group's interests in APAC is estimated to be less than the carrying amounts (before impairment) and an impairment loss of HK\$245,549,000 (as restated) is recognised to profit or loss during the year ended 30 June 2012.

As at 30 June 2013, impairment was assessed based on the fair value less cost to sell approach and no further impairment is considered necessary.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2013

19. INTERESTS IN ASSOCIATES (continued)

Notes: (continued)

- (b) The Group subscribed 30% equity interest in Essence, a private company incorporated in Hong Kong during the year ended 30 June 2012, for a total consideration of RMB4,500,000 (approximately HK\$5,523,000). Essence is mainly engaged in Japanese ramen restaurant in the PRC and Hong Kong.
- (c) During the year ended 30 June 2012, Extra Earn issued 15,450 new shares to an independent third party. The Group's equity interest in Extra Earn was decreased from 40% to 38.67%. A gain on partial disposal of Extra Earn of HK\$10,616,000 is recognised to profit or loss during the year ended 30 June 2012.

On 19 September 2012, the Group entered into a sale and purchase agreement with a vendor to acquire 19.34% equity interest of Extra Earn at a consideration of HK\$89,860,000. Upon completion of this acquisition, the Group had 58.04% equity interest in Extra Earn which has become a subsidiary of the Group. Accordingly, there is a deemed disposal of an associate during the year ended 30 June 2013. Details of this transaction are set out in note 46.

- (d) During the year ended 30 June 2013, the Group disposed of 0.57% (2012: 3.66%) equity interests in Mabuhay for a consideration of approximately HK\$908,000 (2012: HK\$6,113,000). A gain on partial disposal of Mabuhay of HK\$466,000 (2012: HK\$2,980,000) is recognised to profit or loss during the year ended 30 June 2013. Mabuhay is a company listed on The Philippines Stock Exchange. The principal activities of Mabuhay's subsidiaries are property investment in the Philippines.
- (e) At 30 June 2011, the Group had 80% equity interest in Think Future and was accounted for as a subsidiary at 30 June 2011. On 2 April 2012, Think Future issued new shares to the Group, the other shareholder and a new shareholder. After the issuance of new shares, the Group has 33.33% equity interest in Think Future while the other two shareholders have 22.22% and 44.45% equity interest in Think Future. As a result, the Group lost control in Think Future and Think Future ceased as a subsidiary of the Company with effect from 2 April 2012. As the Group has significant influence in Think Future, the Group accounted for Think Future as an associate since 2 April 2012.

During the year ended 30 June 2013, one of shareholders of Think Future subscribed 8% of enlarged share capital of Think Future at a consideration of HK\$10,001,000. The shareholding in Think Future by the Group is then decreased from 33.3% to 30%. The gain/loss on dilution in shareholding in Think Future is not significant to the results of the Group.

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

	2013 HK\$'000	2012 HK\$'000
Total assets	3,832,693	9,297,053
Total liabilities	(1,255,550)	(3,419,272)
Net assets	<u>2,577,143</u>	<u>5,877,781</u>
Group's share of net assets of associates	<u>273,037</u>	<u>1,159,238</u>
Total revenue	<u>1,119,297</u>	<u>1,827,965</u>
Total loss for the year	<u>(2,060,209)</u>	<u>(427,820)</u>
Total other comprehensive expense for the year	<u>(317,193)</u>	<u>(236,914)</u>
Group's share of losses and other comprehensive expense of associates for the year	<u>(713,904)</u>	<u>(72,803)</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2013

20. AVAILABLE-FOR-SALE INVESTMENTS

Available-for-sale investments comprise:

	2013 HK\$'000	2012 HK\$'000
Listed investments:		
– Equity securities listed in Hong Kong	126,073	67,963
– Equity securities listed elsewhere	105,818	132,245
– Listed debt securities	4,918	–
– Listed fixed rate bonds	48,422	–
	<u>285,231</u>	<u>200,208</u>
Unlisted investments:		
– Unit trusts denominated in USD	45,562	39,085
– Club debentures	678	678
– Equity securities, at cost	68	68
	<u>46,308</u>	<u>39,831</u>
Total	<u>331,539</u>	<u>240,039</u>
Analysed for reporting purposes as:		
Current assets	204,720	39,085
Non-current assets	126,819	200,954
	<u>331,539</u>	<u>240,039</u>

The equity securities listed elsewhere are denominated in TWD and the listed debt securities and unlisted unsecured fixed rate bonds are denominated in USD as at 30 June 2013.

As at 30 June 2013, listed investment with carrying amount of HK\$105,818,000 (2012: nil) is classified as current asset as the directors determine that the investment is highly probable to be disposed within twelve months. Moreover, unlisted investments with carrying amounts of HK\$45,562,000 (2012: HK\$39,085,000), listed fixed rate bonds of HK\$48,422,000 (2012: nil) and listed debt securities of HK\$4,918,000 (2012: nil) are classified as current assets as the directors determine that the investments are highly probable to be recovered within twelve months.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2013

21. INTANGIBLE ASSETS

	HK\$'000
<hr/>	
COST	
At 1 July 2011 and 30 June 2012	–
Acquisition of subsidiaries	16,816
Exchange differences	528
	<hr/>
At 30 June 2013	17,344
	<hr/>
AMORTISATION	
At 1 July 2011 and 30 June 2012	–
Charge for the year	619
Exchange differences	12
	<hr/>
At 30 June 2013	631
	<hr/>
CARRYING AMOUNT	
At 30 June 2013	16,713
	<hr/>
At 30 June 2012	–
	<hr/>

The intangible assets represented the trademark of “Tongren” and is amortised on straight-line basis over 20 years starting from the acquisition date.

Details of impairment assessment are disclosed in note 23.

22. INVENTORIES

	2013 HK\$'000	2012 HK\$'000
<hr/>		
Medical consumables	10,308	–
Medicines	6,188	–
	<hr/>	<hr/>
	16,496	–
	<hr/>	<hr/>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2013

23. IMPAIRMENT ASSESSMENT ON INTANGIBLE ASSETS, PREPAID LEASE PAYMENTS AND PROPERTY, PLANT AND EQUIPMENT

During the year ended 30 June 2013, the hospital segment incurred on segment loss and caused an impairment indication on the assets allocating the hospital segment. An impairment assessment requires an estimation of recoverable amount of the respective CGU in which the intangible assets, prepaid lease payments and property, plant and equipment belong, which is determined at the higher of value in use and fair value less costs to sell. Specifically, the carrying amount of intangible assets, prepaid lease payments and property, plant and equipment allocating to hospital operation in Nanjing and Kunming as at 30 June 2013 are as follows:

	Hospital at Nanjing HK\$'000	Hospital at Kunming HK\$'000	Total HK\$'000
Property, plant and equipment	849,333	582,627	1,431,960
Prepaid lease payments	31,729	35,294	67,023
Intangible assets	16,713	–	16,713
	<u>897,775</u>	<u>617,921</u>	<u>1,515,696</u>

The recoverable amount of the CGUs of hospital operation in Nanjing and Kunming have been determined based on value in use calculation. The value in use calculation uses cash flow projections based on financial budgets approved by management covering a 5-year period and discount rate of 15.89% (2012: nil). The cash flows beyond the 5-year period are extrapolated using a growth rate of 3% (2012: nil). No impairment on this CGUs is made in current year as the recoverable amount exceeded the carrying amount. Management believes that any reasonably possible change in any of the assumptions would not cause the aggregate carrying amount of the above CGUs to exceed the aggregate recoverable amount of the above CGUs.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2013

24. PROPERTIES UNDER DEVELOPMENT FOR SALE/PROPERTIES HELD FOR SALE

Properties under development for sale

	2013 HK\$'000	2012 HK\$'000
COST		
At the beginning of the year	–	–
Additions through acquisition of subsidiaries	621,695	–
Transfer from deposit paid for acquisition of land use right for property development	332,045	–
Additions	121,496	–
Exchange adjustments	22,979	–
Transfer to properties held for sale	(247,050)	–
	851,165	–
At the end of the year	851,165	–
Properties under development for sales of which:		
– expected to be realised within 12 months	203,935	–
– expected to be realised over 12 months	647,230	–
	851,165	–

The properties under development for sale of the Group are situated in the PRC and located on the leasehold lands under medium-term leases.

Properties held for sale

The Group's properties held for sale are situated in the PRC. All the properties held for sale are stated at cost. In the opinion of the directors, properties held for sale will be realised within twelve months.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2013

25. INVESTMENTS HELD FOR TRADING

Investments held for trading include:

	2013 HK\$'000	2012 HK\$'000
Listed securities:		
– Equity securities listed in Hong Kong	518,816	459,812
– Equity securities listed in Australia	124,124	366,922
– Equity securities listed in Malaysia	128,674	145,105
– Equity securities listed in the United States of America	142,355	75,094
– Equity securities listed elsewhere (Note)	43,228	76,269
	957,197	1,123,202

Note: The equity securities listed elsewhere are mainly denominated in JPY of HK\$5,680,000 (2012: HK\$59,144,000), TWD of HK\$16,946,000 (2012: HK\$1,225,000) and GBP of HK\$20,602,000 (2012: HK\$15,900,000) as at 30 June 2013.

26. DEBTORS, DEPOSITS AND PREPAYMENTS

	2013 HK\$'000	2012 HK\$'000
Debtors from securities trading	17,474	5,727
Trade receivables arising from hospital operation	40,323	–
Deposits with and receivables from the financial institutions	38,125	97,754
Prepayments	13,474	–
Prepaid business taxes and other PRC taxes	23,583	–
Deposits paid to suppliers	16,527	–
Other debtors and deposits	34,890	28,445
	184,396	131,926

The settlement terms of debtors from securities trading are 2-3 days after trade date and they are aged within 2-3 days as at 30 June 2013 and 2012.

The customers of hospital operations are either settled by cash, credit card or medical insurance. For credit card payment, the banks will pay the Group usually 7 days after the trade date. The medical insurance companies will usually pay the Group 90 days after the trade date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2013

26. DEBTORS, DEPOSITS AND PREPAYMENTS (continued)

The following is an aged analysis of trade receivables from hospital operations presented based on the invoice date (approximate the trade date) at the end of the reporting period:

	2013 HK\$'000	2012 HK\$'000
0 – 30 days	19,912	–
31 – 60 days	12,197	–
61 – 90 days	8,214	–
	40,323	–

As at 30 June 2013, trade receivables from hospital operation disclosed above are neither past due nor impaired for which the Group believes that the amounts are considered recoverable because the receivables are related to a number of independent customers that have good repayment records with the Group.

The Group has policy for recognition of impairment which is based on the evaluation of collectability and age analysis of accounts and on management's judgment including creditworthiness and the past collection history of each customer.

As at 30 June 2013, other debtors, deposits and prepayments are netted off by an impairment of HK\$10,453,000 (2012: HK\$5,566,000). During the year ended 30 June 2013, impairment losses in respect of other receivables of HK\$4,887,000 (2012: HK\$5,566,000) is recognised.

27. LOANS RECEIVABLE

	2013 HK\$'000	2012 HK\$'000
Fixed-rate loan	101,761	556,841
Variable-rate loan	2,000	2,000
	103,761	558,841

The loans receivable had contractual maturity dates within 1 year as at 30 June 2013 and 30 June 2012.

As at 30 June 2013, loans receivable with carrying amount of HK\$48,761,000 (2012: HK\$503,841,000) was due from an associate of the Group.

The Group has policy for allowance of bad and doubtful debts which is based on the evaluation of collectability and aging analysis of accounts and on management's judgment, including the current creditworthiness, collaterals and the past collection history of each client.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2013

27. LOANS RECEIVABLE *(continued)*

In determining the recoverability of the loans receivable, the Group considers any change in the credit quality of the loans receivable from the date credit was initially granted up to the end of the reporting period. Accordingly, the Directors believe that there is no further credit provision required. There is no loans receivables which were past due but not impaired at the end of reporting period for which the Group believes that the amounts are considered recoverable as the creditworthiness and the past collection history of each client are satisfactory.

The average interest rate for the fixed-rate loans receivable was ranging from 12% to 20% (2012: 10% to 15%) per annum.

The contracted interest rates of the variable-rate loans receivable denominated in Hong Kong dollars ("HKD") is The Hongkong and Shanghai Banking Corporation Limited ("HSBC") prime rate with effective interest rate of 5% (2012: 5%) per annum. Interest is normally repriced every six months.

The loans receivable with a carrying amount of HK\$50,761,000 (2012: HK\$503,841,000) are secured by listed securities at the fair value of approximately HK\$79,187,000. The fair value of pledged marketable securities of the individual clients is higher than the corresponding outstanding loans.

28. PLEDGED BANK DEPOSITS, RESTRICTED BANK DEPOSITS AND BANK BALANCES AND CASH

Pledged bank deposits

The amounts represented that the bank deposits were pledged to secure the short-term general banking facilities granted to the Group. The deposits carried interest with a range from 0.50% to 3.5% per annum (2012: 0.5% – 1%).

Restricted bank deposits

As at 30 June 2013, in accordance with the applicable government regulations, HK\$2,376,000 (2012: nil) were placed in bank deposits which could only be used in the designated property development projects. The deposits carried interest at average market rates of 0.50% per annum (2012: nil).

Bank balances and cash

Bank balances and cash comprise cash and bank balances held by the Group with original maturity of three months or less and carried interest with a range from 0.001% to 5.0% per annum (2012: 0.001% to 4.3%).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2013

29. ASSETS CLASSIFIED AS HELD FOR SALE

In June 2013, the Directors determined to dispose of the land use rights for the development of elderly care services, land use rights and buildings for kindergarten and properties held for sale in Kunming (the "Properties") and considered that the disposal of the Properties is highly probable, thus the Properties is classified to assets classified as held for sale in accordance with HKFRS 5 "Non-current assets held for sale and discontinued operations". Details of Properties as at 30 June 2013 classified as asset classified held for sale are as follows:

	HK\$'000
Buildings and construction in progress	18,039
Prepaid lease payments	61,993
Properties held for sale	<u>27,546</u>
	<u>107,578</u>

Subsequent to the end of the reporting period, the Group entered into a sale and purchase agreement to dispose the Properties. Details of the transaction are disclosed in note 48(b) to the consolidated financial statements.

30. CREDITORS AND ACCRUED CHARGES

	2013 HK\$'000	2012 HK\$'000
Trade payables to construction contractors and of hospital operations	167,791	–
Creditors from securities trading	40,862	9,737
Accrued compensation for late delivery of properties held for sale	9,902	–
Accrued construction cost for properties under development for sale	37,388	–
Construction cost payable for hospital buildings classified as property, plant and equipment	12,238	–
Other creditors and accrued charges	<u>64,440</u>	<u>9,371</u>
	<u>332,621</u>	<u>19,108</u>

The settlement terms of creditors from securities trading are 2 – 3 days after trade date.

Trade payables of hospital operations principally comprise amounts outstanding for trade purchases. Trade payables to construction contractors comprise construction costs for property development and other projects. The normal credit period taken for these trade payables is 30 – 60 days.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2013

30. CREDITORS AND ACCRUED CHARGES (continued)

The following is an aged analysis of trade payables to construction contractors and of hospital operations presented based on the invoice date at the end of the reporting period:

	2013 HK\$'000	2012 HK\$'000
0 – 30 days	21,087	–
31 – 60 days	20,555	–
61 – 90 days	26,972	–
91 – 365 days	89,914	–
Over 1 year but not exceeding 2 years	–	–
Over 2 years but not exceeding 5 years	9,263	–
	167,791	–

31. CONSIDERATION PAYABLE

Prior to the acquisition of Jiatai Tongren (as defined in note 46) in September 2012, Jiatai Tongren acquired additional 27.5% equity interests in 同仁醫療產業集團有限公司 Tongren Healthcare Industry Group Company Limited, an indirectly held subsidiary of Jiatai Tongren, from the non-controlling shareholders at a consideration of RMB110,000,000 (equivalent to HK\$136,000,000), of which RMB40,000,000 (equivalent to HK\$49,200,000) was settled by cash, in April 2012. The remaining consideration of RMB70,000,000 (equivalent to HK\$88,472,000) will be settled by 31 March 2014. The amount is unsecured and interest-free.

32. AMOUNT DUE TO AN ASSOCIATE

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2013

33. BORROWINGS

The following table provides an analysis of the bank and other borrowings:

	2013 HK\$'000	2012 HK\$'000
Securities margin loans (Note a)	1,128,582	1,340,196
Unsecured term loan (Note b)	70,000	150,000
Secured term loan (Note c)	–	14,908
Promissory note (Note d)	91,987	–
Secured bank borrowings (Note e)	624,669	–
Unsecured bank borrowings (Note e)	75,587	–
Unsecured other borrowings (Note f)	122,102	–
Discounted bills (Note g)	350,956	–
	2,463,883	1,505,104

Carrying amount repayable based on scheduled repayment dates set out in the loan agreements:

	2013 HK\$'000	2012 HK\$'000
On demand or within one year	2,173,222	1,505,104
Over one year but not exceeding two years	220,661	–
Over two years but not exceeding five years	70,000	–
	2,463,883	1,505,104
Less: Amount due within one year shown under current liabilities	(2,173,222)	(1,505,104)
Amount shown under non-current liabilities	290,661	–

Notes:

- (a) Securities margin loans

This represents securities margin financing received from stock broking, futures and options broking house and were secured by certain collateral of the Group as disclosed in note 40. Additional funds or collateral are required if the balance of the borrowings exceeds the eligible margin value of securities pledged to the broking house. The collateral can be sold at the broking house's discretion to settle any outstanding borrowings owed by the Group. The entire loans are secured by the Group's marketable securities as disclosed in note 40, repayable on demand and bear variable interest with a range from 3.75% to 5.25% (2012: 3.75% to 5.25%) per annum.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2013

33. BORROWINGS (continued)

Notes: (continued)

(b) Unsecured term loan

As at 30 June 2013, the unsecured term loan of HK\$70,000,000 (2012: HK\$150,000,000) is denominated in HKD bearing fixed interest rate of 6% per annum.

(c) Secured term loan

As at 30 June 2012, the secured term loan of HK\$14,908,000 was denominated in USD bearing fixed interest rate of 1.52% per annum. The entire loan was secured by the Group's marketable securities as disclosed in note 40.

(d) Promissory note

During the year ended 30 June 2013, the Group acquired additional 19.34% equity interest of Extra Earn at a consideration of HK\$89,860,000, which was satisfied by the Group issuing a promissory note to the vendor. The promissory note carries interest of 12% per annum and is repayable on 19 September 2013. In the opinion of the Directors, the carrying amount of promissory note approximates its fair value at the date of issuance. On 30 November 2012, the maturity date of promissory note is agreed to be extended to 30 November 2014 and the promissory note is classified as non-current liabilities in the consolidated statement of financial position.

(e) Bank borrowings

Bank borrowings are denominated in RMB, which is the functional currency of respective entities of the Group. The interest rates per annum (which are also equal to contracted interest rates) of the fixed-rate bank borrowings are ranged from 3% to 8.65% (2012: nil).

(f) Other borrowings

Other borrowings are denominated in RMB, which is the functional currency of respective entities of the Group. The interest rates per annum (which are also equal to contracted interest rates) of the fixed-rate other borrowings are ranged from 10% to 15% (2012: nil).

(g) Discounted bills

Discounted bills are denominated in RMB, which is the functional currency of respective entities of the Group. The effective interest of the discounted bills is averagely 3% per annum. Bills are issued through inter-group transactions and the relevant group entities discounted the bills to independent third parties. The bills receivable and payable issued between group entities were fully eliminated on consolidation.

The securities margin loans, secured term loan and secured bank borrowings are secured by the Group's assets as disclosed in note 40. The Group's bank borrowings of HK\$316,000,000 (2012: nil) were generated by the companies beneficially owned by a director of a non wholly-owned subsidiary.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2013

34. OBLIGATIONS UNDER FINANCE LEASES

	2013 HK\$'000	2012 HK\$'000
Analysed for reporting purpose as:		
Current liabilities	43,743	–
Non-current liabilities	72,789	–
	116,532	–

The Group leased certain of its medical equipment under finance leases. The lease terms are ranged from three to six years. Interest rates underlying all obligations under finance leases are fixed at from 3% to 8.63% per annum. No arrangement was entered into for contingent rental payments.

	Minimum lease payments		Present value of minimum lease payments	
	2013 HK\$'000	2012 HK\$'000	2013 HK\$'000	2012 HK\$'000
Amount payable under finance leases:				
Within one year	52,800	–	43,743	–
In more than one year but not more than two years	50,778	–	43,890	–
In more than two years but not more than five years	35,987	–	28,899	–
	139,565	–	116,532	–
Less: Future finance charges	(23,033)	–	N/A	–
Present value of lease obligations	116,532	–	116,532	–
Less: Amount due for settlement within one year (shown under current liabilities)			(43,743)	–
Amount due for settlement after one year			72,789	–

The Group's obligations under finance leases were secured by the lessor's charge over the leased assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2013

35. DERIVATIVE FINANCIAL INSTRUMENTS

The derivative financial instruments comprise gross-settled option contracts linked with equity securities listed in Hong Kong and option contracts linked with exchange rate between AUD and USD and between JPY and USD for a period of one year. The fair value of derivative financial instruments is quoted by counterparties and determined based on valuation techniques that incorporated market observable date.

36. BONDS

During the year ended 30 June 2013, the Company issued unsecured bonds in an aggregated principle amount of approximately HK\$247,000,000 with maturity of two years. The bonds carry fixed interest rate of ranging from 6% to 8% per annum and interest payable in arrears half yearly. Pursuant to the agreements, the holders have no right to redeem the bonds before the maturity date unless the events of default set out in the agreements occurred while the Company, at its option, can redeem the bonds at par at any time before the maturity date by giving not less than seven days' prior written notice to the holders. As there was no event of default occurred and the directors of the Company have no intention to redeem the bonds before the maturity date, the bonds are classified as non-current liabilities in the consolidated statement of financial position.

37. SHARE CAPITAL

	Note	Number of shares		Carrying value	
		2013	2012	2013	2012
				HK\$'000	HK\$'000
Ordinary shares of HK\$0.01 each					
Authorised:					
At beginning and end of the year		<u>30,000,000,000</u>	<u>30,000,000,000</u>	<u>300,000</u>	<u>300,000</u>
Issued and fully paid:					
At beginning of the year		<u>544,458,697</u>	556,286,697	<u>5,445</u>	5,563
Repurchase of shares	(a)	<u>(2,196,000)</u>	<u>(11,828,000)</u>	<u>(22)</u>	<u>(118)</u>
At end of the year		<u>542,262,697</u>	<u>544,458,697</u>	<u>5,423</u>	<u>5,445</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2013

37. SHARE CAPITAL (continued)

Note:

- (a) During the years ended 30 June 2013 and 30 June 2012, the Company repurchased its own shares through the Stock Exchange as follows:

Month of repurchase	Number of ordinary shares of HK\$0.01 each	Price per share		Aggregate consideration paid HK\$'000
		Highest HK\$	Lowest HK\$	
Year ended 30 June 2013				
July 2012	1,324,000	1.13	1.05	1,466
August 2012	172,000	1.18	1.12	197
December 2012	316,000	1.05	0.90	319
January 2013	384,000	1.11	1.07	418
	<u>2,196,000</u>			<u>2,400</u>
Year ended 30 June 2012				
July 2011	712,000	1.51	1.46	1,067
August 2011	5,168,000	1.50	1.30	7,676
September 2011	1,376,000	1.12	0.95	1,423
October 2011	296,000	0.95	0.90	271
November 2011	808,000	1.06	1.01	843
December 2011	360,000	1.01	0.98	363
January 2012	224,000	1.05	1.05	235
April 2012	568,000	1.03	0.94	567
May 2012	1,024,000	1.10	1.03	1,089
June 2012	1,292,000	1.08	1.04	1,388
	<u>11,828,000</u>			<u>14,922</u>

The repurchased shares were cancelled upon repurchase and the issued share capital of the Company was reduced by the nominal value of the repurchased shares. The premium payable on repurchase of the shares of HK\$2,378,000 (2012: HK\$14,821,000) was charged to the share premium account. An amount equivalent to the nominal value of the shares cancelled has been transferred from the retained profits of the Company to the capital redemption reserve.

The repurchases of the Company's shares during the year ended 30 June 2013 and 30 June 2012 were effected by the Directors, pursuant to the mandate from shareholders, with a view to benefiting shareholders as a whole by enhancing the net asset value per share and earnings per share of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2013

38. RESERVES

Properties revaluation reserve

	2013 HK\$'000	2012 HK\$'000
At 1 July	11,260	9,510
Surplus on revaluation of leasehold land and buildings	<u>3,740</u>	<u>1,750</u>
At 30 June	<u>15,000</u>	<u>11,260</u>

Note: At 30 June 2013, the balance of properties revaluation reserve included surplus of HK\$5,456,000 (2012: HK\$5,456,000), arising from revaluation of leasehold land and buildings on transfer of leasehold land and buildings to investment properties carried at fair value.

Investment revaluation reserve

	2013 HK\$'000	2012 HK\$'000
At 1 July	120,455	327,647
Gain (loss) on fair value changes of available-for-sale investments	14,119	(230,059)
Reclassification adjustments for the cumulative gain included in profit or loss upon disposal of available-for-sale investments	(745)	(5,978)
Reclassification adjustments upon impairment of available-for-sale investments	–	25,784
Share of changes in other comprehensive (expense) income of associates	<u>(5,424)</u>	<u>3,061</u>
At 30 June	<u>128,405</u>	<u>120,455</u>

Translation reserve

	2013 HK\$'000	2012 HK\$'000 (restated)
At 1 July	144,322	173,328
Share of changes in other comprehensive income of associates	(83,666)	(31,706)
Exchange gain arising from translation of foreign operation	5,697	2,700
Reclassification adjustment – transfer to profit or loss upon deemed disposal of an associate	<u>(18,634)</u>	<u>–</u>
At 30 June	<u>47,719</u>	<u>144,322</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2013

39. DEFERRED TAXATION

The following are the major deferred tax liabilities recognised and movements thereon during the current year and prior year:

	Fair value adjustment on business combination	Revaluation of properties	Tax losses	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 July 2011 and 30 June 2012, as originally stated	–	3,614	(3,614)	–
Effect in change in accounting policies	–	(3,614)	3,614	–
At 1 July 2012, as restated	–	–	–	–
Acquisition of subsidiaries (note 46)	119,271	–	–	119,271
Credit to profit or loss for the year	(10,151)	–	–	(10,151)
Exchange difference	2,489	–	–	2,489
At 30 June 2013	111,609	–	–	111,609

At 30 June 2013, the Group had estimated unused tax losses of approximately HK\$2,609 million (2012: HK\$2,390 million) for offset against future profits. No deferred tax asset has been recognised in respect of estimated tax losses due to the unpredictability of future profit streams. The estimated tax losses of HK\$2,329 million (2012: HK\$2,390 million) may be carried forward indefinitely. Unused tax losses of HK\$280 million (2012: nil) will expire by 2018 (2012: nil).

Under the EIT Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to accumulated profits of the PRC subsidiaries amounting to HK\$79 (2012: nil) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2013

40. PLEDGE OF ASSETS

At the end of the reporting period, the following assets of the Group were pledged to banks and securities houses to secure credit facilities granted to the Group:

	2013 HK\$'000	2012 HK\$'000
Investments held for trading	916,835	1,074,602
Interests in associates	248,261	906,570
Buildings (included in the property, plant and equipment) (note)	622,778	–
Available-for-sale investments	231,892	140,062
Prepaid lease payments (note)	97,286	–
Properties under development for sale (note)	27,546	–
Pledged bank deposits	265,423	7,801
	2,410,021	2,129,035

Note: Pledged prepaid lease payments of HK\$61,993,000, pledged properties under development for sale of HK\$27,546,000 and pledged buildings of HK\$18,039,000 are classified as assets classified as held for sale as at 30 June 2013.

During the year ended 30 June 2013, the immediate holding company of Kunming Tongren Industrial Development Company Limited ("Kunming Tongren Industrial") and Kunming Tongren Hospital Company Limited, both non wholly-owned subsidiaries of the Company, pledged its equity interest in these two subsidiaries to banks for borrowings granted.

The Group's obligations under finance leases are secured by the Group's charge over the leased assets. At 30 June 2013, the carrying amount of the Group's medical equipment includes an amount of HK\$174,937,000 (2012: nil) in respect of assets held under finance leases.

41. LEASE COMMITMENTS

The Group as lessee

	2013 HK\$'000	2012 HK\$'000
Minimum lease payments paid under operating leases in respect of premises	2,126	2,099

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2013

41. LEASE COMMITMENTS (continued)

The Group as lessee (continued)

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

	2013 HK\$'000	2012 HK\$'000
Within one year	2,126	2,099
In the second to fifth year inclusive	1,998	4,023
	4,124	6,122

Operating lease payments represent rentals payable by the Group for certain of its office premises. Leases are negotiated and rentals are fixed for a lease term of four years.

The Group as lessor

Property rental income earned during the year was approximately HK\$3,882,000 (2012: HK\$3,329,000). The properties held have committed tenants for a lease term ranging from two to three years.

At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease payments under non-cancellable operating leases in respect of rented premises which fall due as follows:

	2013 HK\$'000	2012 HK\$'000
Within one year	1,790	2,295
In the second to fifth year inclusive	416	1,575
	2,206	3,870

42. CAPITAL COMMITMENTS

	2013 HK\$'000	2012 HK\$'000
Capital expenditure contracted for but not provided – acquisition of property, plant and equipment	1,735	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2013

43. RETIREMENT BENEFITS SCHEMES

The Group operates a Mandatory Provident Fund Scheme ("MPF Scheme") for all qualifying employees in Hong Kong. The assets of the schemes are held separately from those of the Group, in funds under the control of trustees. Both the Group and the employees contribute a fixed percentage of the relevant payroll to the MPF Scheme. Effective from June 2012, the cap of contribution amount has been changed from HK\$1,000 to HK\$1,250 per employee per month. The only obligation of the Group with respect of the MPF Scheme is to make the required contributions under the scheme.

The Group operates various benefits schemes for its full-time employees in the PRC in accordance with the relevant PRC regulations and rules, including provision of housing provident fund, medical insurance, retirement insurance, unemployment insurance, labour injury insurance and pregnancy insurance. Pursuant to the existing schemes, the Group contributes 7%, 5%, 17%, 2%, 0.5% and 0.5% of the basic salary of its employees to the housing provident fund, medical insurance, retirement insurance, unemployment insurance, labour injury and pregnancy insurance respectively. The only obligation of the Group with respect of the various benefits schemes is to make the required contributions under the scheme.

During the period ended 30 June 2013, the retirement benefits scheme contributions charged to consolidated statement of profit or loss were HK\$6,173,000 (2012: HK\$152,000).

44. RELATED PARTY TRANSACTIONS

The Group had the following transactions with related parties:

	2013 HK\$'000	2012 HK\$'000
Interest income from loans granted to associates of the Company	<u>8,060</u>	<u>7,835</u>

As at 30 June 2013, loans receivable with carrying amount of HK\$48,761,000 (2012: HK\$503,841,000) was due from associates of the Company.

Compensation of key management personnel

The remuneration of directors, who are the key management of the Group during the year was as follows:

	2013 HK\$'000	2012 HK\$'000
Salaries and other short-term employee benefits	4,495	4,558
Retirement benefits costs	<u>45</u>	<u>36</u>
	<u>4,540</u>	<u>4,594</u>

The remuneration of Directors is determined by the Remuneration Committee having regard to the performance of individuals and market trends.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2013

45. LOSS OF CONTROL OF DEEMED DISPOSAL OF A SUBSIDIARY

As referred to in note 19(e), on 2 April 2012, Think Future issued new shares to the Group, the other shareholder and a new shareholder. Based on the subscription agreements, the other shareholder and the new shareholder contributed HK\$60,000,000 in aggregate to Think Future on 2 April 2012. At the same time, the shareholder's loan of HK\$30,000,000 due to the Group was capitalised as additional capital contribution to Think Future. After the issuance of new shares, the Group, the other shareholder and the new shareholder each holds 33.33%, 22.22% and 44.45% respectively. As the Group's equity interest in Think Future decreased from 80% to 33.33%, Think Future has ceased as a subsidiary of the Company with effect from 2 April 2012.

The net liabilities of Think Future, immediately prior to the capital contribution of HK\$60 million and capitalisation loan of HK\$30 million, were as follows:

	2.4.2012
	HK\$'000
<hr/>	
Analysis of assets and liabilities over which control was lost:	
Property and equipment	65
Prepayments, deposits and other receivables	845
Bank balances and cash	14,155
Accrued liabilities and other payables	(7,206)
Shareholder's loan due to the Group	<u>(30,000)</u>
Net liabilities disposed of	<u>(22,141)</u>
	HK\$'000
<hr/>	
Gain on losing control of a subsidiary:	
Deemed investment costs at date of loss of control	(30,000)
Fair value of the remaining equity interest in Think Future	22,629
Net liabilities disposed of	22,141
Non-controlling interests	<u>(4,424)</u>
Gain on loss of control or deemed disposal of a subsidiary	<u>10,346</u>
Net cash outflow arising on loss of control:	
Bank balances and cash disposed of	<u>(14,155)</u>

The principal activities of Think Future and its subsidiaries are development of elderly services in the PRC. During the year ended 30 June 2012, Think Future had no revenue generated and incurred administrative expenses and operating cash outflows of HK\$22,117,000 before the date of loss of control. The expenses incurred by Think Future before the date of loss of control are staff costs and other expenses incurred in the identification of suitable locations in the PRC for development of elderly service centers. As at the date of loss of control, Think Future did not materialise any contracts regarding elderly service centers.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2013

46. ACQUISITION OF SUBSIDIARIES

On 19 September 2012, the Group entered into a sale and purchase agreement with an independent third party to acquire additional 19.34% equity interest of Extra Earn at a consideration of HK\$89,860,000 ("Acquisition") which was satisfied by the Group issuing promissory note to the independent third party. Details of the promissory note are disclosed in note 33 (d). The Directors consider that the Acquisition is a valuable opportunity to participate in the property development, hospital ownership and operations in the PRC and secure its footing in such industries in the PRC, which is also in conformity with the Group's strategy to seek and identify grossly undervalued investment and business opportunities in the PRC.

Before the acquisition of additional interests in Extra Earn by the Group, the Group has 38.67% equity interest in Extra Earn and Extra Earn is an investment holding company with 100% equity interest in Jiatai Tongren (Lianyungang) Healthcare Investment Ltd. 嘉泰同仁(連雲港)醫療產業投資有限公司 ("Jiatai Tongren" and formerly known as Lianyungang Jiatai City Development Co. Ltd. 連雲港嘉泰城市發展有限公司). Jiatai Tongren is an investment holding company and its subsidiaries are engaged in property development and hospital operations in the PRC.

Immediately after the acquisition, Extra Earn performed a reorganisation by means of the transfer of an aggregate of entire equity interest in Jiatai Tongren to the Company and other two shareholders based on their proportionate equity interest, and the repurchase and cancellation of Extra Earn's 180,000 shares and 15,450 shares (total represented 41.99% issued shares of Extra Earn from the other two shareholders of Extra Earn ("Extra Earn Reorganisation").

Upon the completion of the Acquisition and Extra Earn Reorganisation, the Group's equity interests in Extra Earn and Jiatai Tongren have increased from 38.67% to 100% and 58.01% respectively. These transactions were completed on 19 September 2012. The Acquisition has been accounted for using the purchase method.

Acquisition-related costs amounting to approximately HK\$752,000 have been excluded from the consideration transferred and have been recognised as an expense in the current period, within the other expenses line item in the consolidated statement of profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2013

46. ACQUISITION OF SUBSIDIARIES (continued)

Assets acquired and liabilities recognised at the date of acquisition:

	HK\$'000
Property, plant and equipment	1,438,055
Prepaid lease payments	127,346
Intangible assets	16,816
Interests in associates	15,931
Inventories	18,907
Properties under development for sale	621,695
Properties held for sale	39,441
Debtors, deposits and prepayments (Note)	152,129
Deposit paid for acquisition of land use right for property development	332,045
Pledged bank deposits	222,023
Restricted bank deposits	57,857
Bank balances and cash	131,908
Creditor and accrued charges	(589,626)
Consideration payable	(85,784)
Deposits received on sales of properties	(247,345)
Receipts in advance	(21,999)
Amount due to an associate	(7,966)
Bank borrowings	(1,216,544)
Obligations under finance leases	(56,613)
Deferred tax liabilities	(119,271)
Amount due to the subsidiary of the Company	(54,474)
	<hr/>
Net assets acquired	774,531
Less: Non-controlling interests on Jiatai Tongren's subsidiaries	(111,901)
	<hr/>
	662,630

Note: The fair value of debtors at the date of acquisition amounted to HK\$117,554,000, which is the same as the gross contractual amounts of debtors at the date of acquisition.

Discount on acquisition:

	HK\$'000
Consideration for acquisition of 19.34% equity interest of Extra Earn	89,860
Previously held interests in Extra Earn as an associate, at fair value	244,014
Plus: Non-controlling interests of Jiatai Tongren	301,215
Plus: Non-controlling interests on Jiatai Tongren's subsidiaries	111,901
Less: Net assets acquired	(774,531)
	<hr/>
	(27,541)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2013

46. ACQUISITION OF SUBSIDIARIES (continued)

Non-controlling interests of Jitai Tongren and Jitai Tongren's subsidiaries are measured at their proportionate share of net assets acquired.

In the opinion of the Directors, discount in acquisition was resulted because Jiatai Tongren and its subsidiaries (collectively known as "Jiatai Tongren Group") needed additional funds to settle its short-term borrowings and then sought for shareholders' further capital contribution to finance the daily operation of Jiatai Tongren Group. The vendor considered that there was no cash return from the investment in Extra Earn and the vendor was in financial difficulty to provide further capital contribution to Jiatai Tongren Group. Therefore, the vendor would like to exit this investment. Thus, the vendor was willing to offer a favourable price to the Group.

Gain on deemed disposal of associate:

	HK\$'000
Carrying amount of Extra Earn as at date of disposal	(227,854)
Cumulative exchange differences shared by the associate reclassified from equity to profit or loss	18,634
Fair value of the Group's previously held equity interest in Extra Earn	244,014
	<u>34,794</u>

Cash inflow arising on acquisition:

	HK\$'000
Cash consideration paid	–
Less: Bank balances and cash acquired	131,908
	<u>131,908</u>

Included in loss for the year is HK\$50,214,000 attributable to Jitai Tongren Group. Revenue for the year includes HK\$601,707,000 generated from Jitai Tongren Group.

Had the acquisition been effected at the beginning of the reporting period, the total amount of revenue of the Group for the year ended 30 June 2013 would have been HK\$797,858,000, and the amount of the loss for the year would have been HK\$821,114,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed at the beginning of the reporting period, nor is it intended to be a projection of the results.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2013

46. ACQUISITION OF SUBSIDIARIES (continued)

On 6 December 2012, the Company and Jiatai Tongren entered into subscription agreement that the Company agreed to subscribe Jiatai Tongren's registered capital at a consideration of US\$32,000,000 (equivalent to HK\$249,000,000). After the subscription, the Company's equity interest over Jiatai Tongren is increased from 58.01% to 69.52%. The difference between the amount by which the non-controlling interests of Jiatai Tongren adjusted and the fair value of the consideration paid by the Company is HK\$3,680,000 and then credited to other reserve and accumulated in equity.

On 16 May 2013, the Company entered into a sale and purchase agreement with an independent third party pursuant to which the Company agreed to dispose of 9% equity interests in Jiatai Tongren at a consideration of RMB100,000,000 (equivalent to HK\$125,000,000). After the disposal, the Company's equity interest in Jiatai Tongren decreased from 69.52% to 60.52%. The difference between the amount by which the non-controlling interests of Jiatai Tongren are adjusted and fair value of the consideration received by the Company is HK\$43,016,000 and then credited to other reserve and accumulated in the equity.

47. SHARE-BASED PAYMENT TRANSACTIONS

In March 2013, Jiatai Tongren, the non wholly-owned subsidiary of the Company, signed a cooperative agreement ("Cooperative Agreement") with a doctor so as to employ the doctor to be the hospital in-charge in Nanjing Tongren Hospital for ten years. At the same time, Jiatai Tongren has granted a call option to the doctor so as to provide an incentive to the doctor to serve the Group for the benefit of the development of Nanjing Tongren Hospital. The call option can be exercised within 6 months upon the completion of five years employment and the satisfaction of performance targets. The performance targets are based on revenue amounting of RMB600 million and profit excluding finance costs of RMB90 million in Nanjing Tongren Hospital in the fifth year commencing on the date of the employment of the doctor (i.e. from May 2018 to April 2019) ("Performance Target") as per the management account of Nanjing Tongren Hospital from May 2018 to April 2019.

An option of acquiring RMB30,000,000 registered capital of Jiatai Tongren is granted from existing equity owners of Jiatai Tongren. The exercise price is RMB1 per unit capital of the registered capital of Jiatai Tongren. The call option may be exercisable based on the factors as follows:

1. If the Performance Target reaches 90%, 100% of call option can be exercised;
2. If the Performance Target reaches 80%, 90% of call option can be exercised;
3. If the Performance Target reaches 70%, 80% of call option can be exercised;
4. If the Performance Target falls below 70%, no call option can be exercised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2013

47. SHARE-BASED PAYMENT TRANSACTIONS (continued)

Based on the current registered paid up capital of Jiatai Tongren, and assuming no increase in the registered paid up capital of Jiatai Tongren until the exercise of the call option, the doctor will be interested in 3.7% of the registered capital of Jiatai Tongren upon full exercise of the call option.

The fair value of the call option is calculated using the Binominal pricing model. The variables and assumptions used in the computing the fair value of the call option is based on the best estimation of the Directors. The value of the call option varies with different variables of certain subjective assumptions. The inputs in the model were as follows:

Equity value of Jaitai Tongren	RMB1.36
Exercise price	RMB1.00
Expected volatility (Note a)	45.34%
Expected life of option	5 years
Risk-free rate (Note b)	3.075%
Expected dividend yield	Nil

Notes:

- (a) Expected volatility for options is based on historical daily price movements of comparable listed companies in the same industry over historical period of 5 years.
- (b) The risk-free rate is determined by reference to the yield of China Fixed Rate Government Bond.

The estimated fair value of the call option is approximately HK\$22,520,000.

48. EVENTS AFTER THE REPORTING PERIOD

Subsequent to 30 June 2013, the Group entered into the following transactions:

- (a) On 18 July 2013, the Group and China Huali Holding Group Company Limited ("Huali"), a company owned by a director of the non wholly-owned subsidiary of the Company, entered into an agreement pursuant to which both parties agreed to grant certain guarantees with respect to each other. Under the agreement, both parties agreed that should any party apply for a loan or loans from a bank or financial institution ("Lenders"), if the Lenders require the other party shall provide a guarantee for the obligations of the party under the loan. The total loan amounts guaranteed by each party shall not exceed RMB300,000,000 and the effective period of the agreement shall be approximately 18 months from 18 July 2013 to 31 December 2014. Details of this transaction are set out in the circular issued by the Company dated 19 August 2013. The Directors are in the progress of assessing the financial impact of this transaction to the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2013

48. EVENTS AFTER THE REPORTING PERIOD (continued)

- (b) On 27 August 2013, the Group entered into a sale and purchase agreement with an independent third party pursuant to which the Group agreed to dispose of the Properties through disposal of the entire registered capital of Kunming Tongren Industrial to the independent third party at a consideration of RMB324,995,000. Pursuant to the agreement, the Group shall procure Kunming Tongren Industrial to strip off its certain assets and restructure its existing receivables and liabilities so that Kunming Tongren Industrial will only own the Properties upon completion of the disposal. The assets stripping and the restructuring of the receivables and liabilities are required to be completed within six months from the agreement. Details of the carrying amount of the Properties are set out in note 29 to the consolidated financial statements while details of this transaction are set out in the announcement made by the Company on 27 August 2013. The Directors are in the progress of assessing the financial impact of this transaction to the Group.
- (c) On 4 September 2013, the Group entered into a sale and purchase agreement with Huaying Land Group Company Limited ("Huaying"), a company owned by a director of the non wholly-owned subsidiary of the Company to which the Group agreed to dispose of the entire registered capital of 東營同仁國際健康城投資有限公司 (Dongying Tongren International Health Centre Investment Company Limited) to Huaying at a consideration of RMB13,000,000. Details of the transaction are set out in the Company's announcement dated 4 September 2013. The Directors are in the progress of assessing the financial impact of this transaction to the Group.

49. NON-CASH TRANSACTION

During year ended 30 June 2013, the Group acquired certain medical equipment of approximately HK\$88,480,000 (2012: nil) under finance leases.

50. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Particulars of the principal subsidiaries as at 30 June 2013 and 30 June 2012 are as follows:

Name of subsidiary	Country/ place of incorporation/ registration	Nominal value of issued ordinary share/ registered capital	Percentage of capital/registered capital held by the Group		Principal activities
			2013	2012	
Directly held by the Company					
Besford International Limited	BVI	Ordinary US\$1	100%	100%	Investment holding
Classic Fortune Limited	BVI	Ordinary US\$1	100%	100%	Investment holding
Mission Time Holdings Limited	BVI	Ordinary US\$1	100%	100%	Investment holding
Star Paging (BVI) Limited	BVI	Ordinary US\$400	100%	100%	Investment holding
Yuenwell Holdings Limited	BVI	Ordinary US\$1	100%	100%	Investment holding
Jitai Tongren**	PRC	Registered US\$116,790,000	60.52%	–	Investment holding

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2013

50. PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

Name of subsidiary	Country/ place of incorporation/ registration	Nominal value of issued ordinary share/ registered capital	Percentage of capital/registered capital held by the Group 2013	2012	Principal activities
Indirectly held by the Company					
China Online (Bermuda) Limited	Hong Kong	Ordinary HK\$2	100%	100%	Investment holding
China Online Nominees Limited	Hong Kong	Ordinary HK\$200	100%	100%	Investment holding and provision of nominee services
China Online Secretaries Limited	Hong Kong	Ordinary HK\$2	100%	100%	Provision of secretarial services
Focus Clear Limited	BVI	Ordinary US\$1	100%	100%	Securities trading in Hong Kong
Forepower Limited	BVI	Ordinary US\$1	100%	100%	Property investment in Hong Kong
Future Rise Investments Limited	BVI	Ordinary US\$1	100%	100%	Securities trading in overseas
Genwo Limited	Hong Kong	Ordinary HK\$200,000	100%	100%	Property investment
Gold Chopsticks Limited	BVI	Ordinary US\$1	100%	100%	Investment holding
Honest Opportunity Limited	BVI	Ordinary US\$1	100%	100%	Securities trading and investment in Hong Kong and overseas
Join Capital Limited	Hong Kong	Ordinary HK\$2	100%	100%	Money lending
Keentime Investments Limited*	BVI	Ordinary US\$2	50%	50%	Securities trading in Hong Kong
Kintic Limited	Hong Kong	Ordinary HK\$2	100%	100%	Property investment
Konnac Limited	Hong Kong	Ordinary HK\$2	100%	100%	Property investment
Pacific Orchid Investments Limited	BVI	Ordinary US\$10,000	100%	100%	Investment holding
Rise Cheer Investments Limited	BVI	Ordinary US\$1	100%	100%	Investment holding
Sparkling Summer Limited	BVI	Ordinary US\$6,500,000	100%	100%	Securities trading in Hong Kong and overseas
Star Telecom (China Investment) Limited	Hong Kong	Ordinary HK\$2	100%	100%	Investment holding
Star Telecom Holding Limited	Hong Kong	Ordinary HK\$200 Deferred# HK\$4,000,000	100%	100%	Investment holding
Star Telecom Properties Limited	Hong Kong	Ordinary HK\$200	100%	100%	Investment and property holding
Success East Investment Limited	Hong Kong	Ordinary HK\$280,000,000	81%	81%	Securities trading and investment in Hong Kong
Taskwell Limited	BVI	Ordinary US\$1	100%	100%	Investment holding

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2013

50. PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

Name of subsidiary	Country/ place of incorporation/ registration	Nominal value of issued ordinary share/ registered capital	Percentage of capital/registered capital held by the Group 2013	2012	Principal activities
Indirectly held by the Company (continued)					
Tricom Tianchi Limited	Hong Kong	Ordinary HK\$2	81%	81%	Investment holding
True Focus Limited	BVI	Ordinary US\$1	100%	100%	Investment holding
Vinka Limited	Hong Kong	Ordinary HK\$2	81%	81%	Investment holding
Widerich Limited	Hong Kong	Ordinary HK\$2	100%	100%	Property investment
星電電子技術發展(深圳)有限公司**	PRC	Registered HK\$1,000,000	100%	100%	Investment holding
南京同仁實業有限公司***	PRC	Registered RMB80,000,000	60.52%		– Property development
昆明同仁實業開發有限公司***	PRC	Registered RMB80,000,000	60.52%		– Property development
南京同仁醫院有限公司***	PRC	Registered RMB50,000,000	60.52%		– Operation of a hospital in Nanjing
昆明同仁醫院有限公司***	PRC	Registered RMB80,000,000	60.52%		– Operation of a hospital in Kunming

The deferred shares, which are not held by the Group, practically carry no rights to any dividend or to receive notice of or to attend or vote at any general meeting of the company or to any distribution in winding up.

* The Group is able to control the voting power at all general meetings of Keentime Investments Limited, accordingly, Keentime Investments Limited is accounted for as a subsidiary of the Company.

** Wholly foreign-owned enterprise.

*** Domestic owned enterprise.

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

All subsidiaries operate principally in their places of incorporation unless specified otherwise under "Principal activities".

None of the subsidiaries had any debts securities subsisting at 30 June 2013 and 30 June 2012 or at any time during the respective year.

FINANCIAL SUMMARY

The results and the assets and liabilities of the Group for the past five financial years/period, as extracted from the Group's published audited consolidated financial statements and reclassified as appropriate, are set out below. The financial information (including results and assets and liabilities of the Group) has been restated due to adoption of HK(IFRIC) – INT20:

RESULTS

	For the year ended 31 December		For the period from 1 January 2010 to 30 June	For the year ended 30 June	
	2008 HK\$'000	2009 HK\$'000	2011 HK\$'000 (restated)	2012 HK\$'000 (restated)	2013 HK\$'000
Revenue					
Continuing operations	660,308	1,115,002	2,234,930	538,434	1,298,331
Discontinued operation	–	71,355	–	–	–
	660,308	1,186,357	2,234,930	538,434	1,298,331
Profit (loss) before taxation					
Continuing operations	(2,806,060)	931,651	402,126	(550,823)	(814,665)
Discontinued operation	–	124,449	–	–	–
	(2,806,060)	1,056,100	402,126	(550,823)	(814,665)
Taxation (charge) credit	2,377	(15,066)	(483)	(383)	5,877
Profit (loss) for the year	(2,803,683)	1,041,034	401,643	(551,206)	(808,788)
Attributable to:					
Owners of the Company	(2,799,811)	1,025,401	399,481	(531,425)	(780,719)
Non-controlling interests	(3,872)	15,633	2,162	(19,781)	(28,069)
	(2,803,683)	1,041,034	401,643	(551,206)	(808,788)

ASSETS AND LIABILITIES

	As at 31 December		As at 30 June		
	2008 HK\$'000	2009 HK\$'000	2011 HK\$'000 (restated)	2012 HK\$'000 (restated)	2013 HK\$'000
Total assets	1,817,576	2,597,422	4,326,419	3,466,029	5,285,317
Total liabilities	(1,037,235)	(561,515)	(1,663,874)	(1,619,083)	(3,794,380)
	780,341	2,035,907	2,662,545	1,846,946	1,490,937
Equity attributable to owners of the Company	780,341	1,982,736	2,607,212	1,804,495	983,159
Non-controlling interests	–	53,171	55,333	42,451	507,778
	780,341	2,035,907	2,662,545	1,846,946	1,490,937