



TOWN HEALTH INTERNATIONAL HOLDINGS COMPANY LIMITED

康健國際控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 8138)

RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31ST MARCH, 2007

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

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This announcement, for which the directors (the “Directors”) of Town Health International Holdings Company Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited (the “Listing Rules”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief:- (1) the information contained in this announcement is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this announcement misleading; and (3) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

FINANCIAL HIGHLIGHT

For the year ended 31st March, 2007:

- The Group recorded a revenue of approximately HK\$275,628,000, representing an increase of 19.2% as compared with prior year.
- The Group recorded a profit attributable to equity holders of approximately HK\$214,850,000, which was 10.7 times of the profit of prior year.
- The Group recorded a profit of approximately HK\$58,430,000 after excluding other expenses, gain on disposal of associates, gain on conversion of options embedded in convertible bonds, loss on early redemption features embedded in convertible bonds and increase in fair value of investment properties, which was 2.7 times of prior year (2006: approximately HK\$21,532,000).

The Group's current ratio and gearing ratio as at 31st March 2007 and 31st March 2006 are as follows:

	2007	2006
Current ratio (<i>Note 1</i>)	4.0	2.9
Gearing ratio (<i>Note 2</i>)	6.0%	26.5%

The Group also had bank balances and cash and pledged bank deposits of approximately HK\$85,624,000 as at 31st March, 2007.

The Directors do not recommend the payment of a cash dividend for the year ended 31st March, 2007 but propose for shareholders' approval a bonus issue of shares on the basis of two shares for every share held (2006: a cash dividend of HK0.2 cents per share amounting to approximately HK\$9,993,000).

Notes:

1. Current ratio represents total current assets divided by total current liabilities
2. Gearing ratio represents total long-term liabilities divided by total shareholders' equity.

FINAL RESULTS

The board of Directors (the “Board”) is pleased to announce the consolidated results of the Company and its subsidiaries (the “Group”) as at and for the year ended 31st March, 2007, together with the comparative figures as at and for the year ended 31st March, 2006, as follows:

Consolidated income statement

For the year ended 31st March, 2007

	NOTES	2007 HK\$	2006 HK\$
Revenue	<i>d</i>	275,627,568	231,179,362
Cost of sales		(146,652,218)	(119,340,223)
Gross profit		128,975,350	111,839,139
Other income	<i>e</i>	65,015,863	9,846,782
Administrative expenses		(120,123,006)	(90,987,300)
Other expenses	<i>f</i>	(21,291,471)	(3,865,435)
Finance costs	<i>g</i>	(3,491,133)	(2,399,910)
Gain on disposal of associates	<i>h</i>	1,915,423	–
Share of results of associates		2,739,050	(475,284)
Gain on conversion options embedded in convertible bonds		166,343,042	–
Loss on early redemption features embedded in convertible bonds		(912,839)	–
Increase in fair value of investment properties		2,300,000	3,781,630
Profit before taxation		221,470,279	27,739,622
Income tax expense	<i>i</i>	(14,686,224)	(6,291,163)
Profit for the year	<i>j</i>	<u>206,784,055</u>	<u>21,448,459</u>
Attributable to:			
Equity holders of the Company		214,850,183	20,030,499
Minority interests		(8,066,128)	1,417,960
		<u>206,784,055</u>	<u>21,448,459</u>
Dividends		<u>–</u>	<u>9,993,188</u>
Earnings per share	<i>k</i>		
– Basic		<u>4.18 cents</u>	<u>0.44 cents</u>
– Diluted		<u>N/A</u>	<u>N/A</u>

Consolidated balance sheet

At 31st March, 2007

	<i>NOTES</i>	2007 HK\$	2006 <i>HK\$</i>
Non-current assets			
Investment properties		38,125,000	35,825,000
Property, plant and equipment		15,797,901	16,223,250
Prepaid lease payments		9,509,148	9,750,235
Goodwill		37,172,357	50,963,605
Interests in associates		17,490,868	21,205,522
Available-for-sale investments		53,243,220	3,657,952
Deposit paid on acquisition of property, plant and equipment		10,097,585	17,206,909
		181,436,079	154,832,473
Current assets			
Inventories		13,777,997	13,782,789
Trade and other receivables	<i>l</i>	51,643,001	49,560,143
Prepaid lease payments		242,180	242,727
Amounts due from associates		26,527,106	13,047,359
Amounts due from investees		1,287,500	683,350
Amounts due from related parties		2,846,442	4,495,365
Amounts due from minority shareholders of subsidiaries		10,596,203	9,362,196
Amount due from a director		–	950,000
Tax recoverable		538,670	1,215,084
Held for trading investments		21,021,288	22,929,500
Conversion options embedded in convertible bonds		182,405,395	–
Pledged bank deposits		10,000,000	10,000,000
Bank balances and cash		75,624,316	116,406,424
		396,510,098	242,674,937
Current liabilities			
Trade and other payables	<i>m</i>	41,054,213	38,909,353
Early redemption option embedded in convertible bonds		912,839	–
Amounts due to minority shareholders of subsidiaries		11,541,974	4,737,290
Amounts due to related parties		914,859	–
Bank and other borrowings – due within one year		29,734,414	37,487,642
Obligations under finance leases – due within one year		45,600	–
Tax payable		14,427,577	2,056,083
		98,631,476	83,190,368
Net current assets		297,878,622	159,484,569
Total assets less current liabilities		479,314,701	314,317,042

	<i>NOTES</i>	2007 <i>HK\$</i>	2006 <i>HK\$</i>
Non-current liabilities			
Deferred tax liabilities		3,761,826	3,998,342
Bank and other borrowings – due after one year		23,288,039	25,120,982
Obligations under finance leases – due after one year		78,407	–
Convertible bonds		–	36,692,212
		<u>27,128,272</u>	<u>65,811,536</u>
		<u>452,186,429</u>	<u>248,505,506</u>
Capital and reserves			
Share capital		50,719,819	49,965,935
Reserves		385,867,406	199,189,296
		<u>436,587,225</u>	<u>249,155,231</u>
Equity attributable to equity holders of the Company		436,587,225	249,155,231
Minority interests		15,599,204	(649,725)
		<u>452,186,429</u>	<u>248,505,506</u>
Total equity		<u>452,186,429</u>	<u>248,505,506</u>

Consolidated statement of changes in equity

For the year ended 31st March, 2007

	Attributable to equity holders of the Company										
	Share capital HK\$	Share premium HK\$	Convertible bonds equity reserve HK\$	Capital reserve HK\$ (Note i)	Distributable reserve HK\$ (Note ii)	Investment revaluation reserve HK\$	Translation reserve HK\$	Accumulated (losses)/ Profits HK\$	Total HK\$	Minority interests HK\$	Total HK\$
At 1st April, 2005	17,467,966	148,121,569	-	10,032,822	72,670,245	-	-	(124,878,393)	123,414,209	11,969,021	135,383,230
Exchange difference arising on translation of foreign operations recognised directly in equity	-	-	-	-	-	-	220,364	-	220,364	172,231	392,595
Profit for the year	-	-	-	-	-	-	-	20,030,499	20,030,499	1,417,960	21,448,459
Total recognised income and expense for the year	-	-	-	-	-	-	220,364	20,030,499	20,250,863	1,590,191	21,841,054
Issue of new shares	23,849,320	64,393,166	-	-	-	-	-	-	88,242,486	-	88,242,486
Share issue expenses	-	(4,968,824)	-	-	-	-	-	-	(4,968,824)	-	(4,968,824)
Capital contributed by minority shareholders	-	-	-	-	-	-	-	-	-	227,707	227,707
Acquisition of subsidiaries (note iii)	-	-	-	-	-	-	-	-	-	(12,454,791)	(12,454,791)
Recognition of equity component of convertible bonds	-	-	3,202,959	-	-	-	-	-	3,202,959	-	3,202,959
Issue of shares upon conversion of convertible bonds	8,648,649	21,301,043	(942,966)	-	-	-	-	-	29,006,726	-	29,006,726
Dividend paid to minority shareholders	-	-	-	-	-	-	-	-	-	(1,981,853)	(1,981,853)
Dividends paid	-	-	-	-	(9,993,188)	-	-	-	(9,993,188)	-	(9,993,188)
At 31st March, 2006	49,965,935	228,846,954	2,259,993	10,032,822	62,677,057	-	220,364	(104,847,894)	249,155,231	(649,725)	248,505,506
Exchange difference arising on translation of foreign operations recognised directly in equity	-	-	-	-	-	-	286,432	-	286,432	223,870	510,302
Fair value changes in available-for-sale investments	-	-	-	-	-	2,543,927	-	-	2,543,927	-	2,543,927
Profit for the year	-	-	-	-	-	-	-	214,850,183	214,850,183	(8,066,128)	206,784,055
Total recognised income and expense for the year	-	-	-	-	-	2,543,927	286,432	214,850,183	217,680,542	(7,842,258)	209,838,284
Capital contributed by minority shareholders	-	-	-	-	-	-	-	-	-	8,952,421	8,952,421
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	68,935	68,935
Deemed disposal of subsidiaries	-	-	-	-	-	-	-	-	-	16,000,570	16,000,570
Issue of shares upon conversion of convertible bonds	3,809,524	35,396,812	(2,259,993)	-	-	-	-	-	36,946,343	-	36,946,343
Share repurchased	(3,055,640)	(64,139,251)	-	-	-	-	-	-	(67,194,891)	-	(67,194,891)
Dividend paid to minority shareholders	-	-	-	-	-	-	-	-	-	(930,739)	(930,739)
At 31st March, 2007	<u>50,719,819</u>	<u>200,104,515</u>	<u>-</u>	<u>10,032,822</u>	<u>62,677,057</u>	<u>2,543,927</u>	<u>506,796</u>	<u>110,002,289</u>	<u>436,587,225</u>	<u>15,599,204</u>	<u>452,186,429</u>

Notes:

- (i) Capital reserve of the Group represents the difference between the nominal value of HK\$350,000 of the ordinary shares issued by the Company and the nominal value of the share capital of approximately HK\$10,382,822 of Town Health (BVI) Limited, a subsidiary acquired through an exchange of shares pursuant to the group reorganisation in April 2000.
- (ii) The distributable reserve of the Group represents the amount arising from the reduction of share capital net of dividend paid.
- (iii) The amount represents the net liabilities of Hong Kong Health Check and Laboratory Holdings Company Limited (formerly know as Town Health Medical Technology Holdings Company Limited) (“Hong Kong Health Check”) at the date on which the Group included the results of Hong Kong Health Check into its consolidated financial statements in accordance with Hong Kong Accounting Standard 27 “Consolidated and Separate Financial Statements” issued by the Hong Kong Institute of Certified Public Accountants, details of which are set out in Note b below.

Notes:

a. General

The Company is incorporated as an exempted company with limited liability in the Cayman Islands and its shares are listed on the Growth Enterprise Market (“GEM Board”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). Its ultimate holding company at 31st March, 2007 was Broad Idea International Limited (“Broad Idea”) which is incorporated in the British Virgin Islands. Subsequent to the balance sheet date, Broad Idea ceased to be the ultimate holding company after the placements of the Company’s shares.

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

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

The consolidated financial statements have been prepared under the historical cost basis except for the investment properties and financial instruments, which are measured at fair value.

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

b. Basis of preparation

Pursuant to a conditional subscription agreement 9th December, 2005 entered into between Hong Kong Health Check and Laboratory Holdings Company Limited (formerly known as Town Health Medical Technology Holdings Company Limited) (“Hong Kong Health Check”) and Top Act Group Limited (“Top Act”), a wholly-owned subsidiary of the Company, on 23rd February, 2006, Top Act subscribed convertible bonds (the “Convertible Bonds I”) of an aggregate principal amount of HK\$60,000,000 issued by Hong Kong Health Check.

Upon subscription in February 2006, the Convertible Bonds I were immediately convertible into 1,463,414,634 shares of Hong Kong Health Check at a conversion price of HK\$0.041. Upon conversion of the Convertible Bonds I, the Group would be given 55.79% of ownership interest and as a consequence voting rights in Hong Kong Health Check. As at 31st March, 2006, Hong Kong Health Check was consolidated as a subsidiary of the Group because the Group had the ability to exercise control over the financial and operating policies of Hong Kong Health Check as the Convertible Bonds I were currently convertible.

On 3rd October, 2006, Hong Kong Health Check further issued convertible bonds (the “Convertible Bonds II”) of an aggregate principal amount of HK\$40,000,000 at a conversion price of HK\$0.041 to third parties which were also immediately convertible. Upon conversion of both Convertible Bonds I by the Group and Convertible Bonds II by those third parties, the Group’s ownership interest in Hong Kong Health Check will be diluted to 35.75%.

Following the issue of the Convertible Bonds II, the Group did not have the ability to exercise control over the financial and operating policies of Hong Kong Health Check. Accordingly, the results and assets and liabilities of Hong Kong Health Check have to be incorporated in the consolidated financial statements using equity method of accounting.

Since the Group has no present equity interest in Hong Kong Health Check, no results and changes in shareholders' equity of Hong Kong Health Check were shared by the Group.

Regarding the Convertible Bonds I, the Group had reclassified all the debt element of the Convertible Bonds I as available-for-sale investments and the conversion option element of the Convertible Bonds I as conversion option embedded in convertible bonds.

c. Application of new Hong Kong Financial Reporting Standards

In the current year, the Group has applied, for the first time, a number of new standards, amendments and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are either effective for accounting periods beginning on or after 1st December, 2005 or 1st January, 2006. The adoption of the new HKFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

The Group has not early applied the following new standards, amendment or interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the application of these standards, amendment or interpretations will have no material impact on the results and the financial position of the Group.

HKAS 1 (Amendment)	Capital Disclosures ¹
HKAS 23 (Revised)	Borrowing Costs ²
HKFRS 7	Financial Instruments: Disclosures ¹
HKFRS 8	Operating Segments ²
HK(IFRIC)-Int 7	Applying the Restatement Approach under Hong Kong Accounting Standard 29 Financial Reporting in Hyperinflationary Economies ³
HK(IFRIC)-Int 8	Scope of HKFRS 2 ⁴
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives ⁵
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment ⁶
HK(IFRIC)-Int 11	HKFRS 2: Group and Treasury Shares Transactions ⁷
HK(IFRIC)-Int 12	Service Concession Arrangements ⁸

¹ Effective for annual periods beginning on or after 1st January, 2007

² Effective for annual periods beginning on or after 1st January, 2009

³ Effective for annual periods beginning on or after 1st March, 2006

⁴ Effective for annual periods beginning on or after 1st May, 2006

⁵ Effective for annual periods beginning on or after 1st June, 2006

⁶ Effective for annual periods beginning on or after 1st November, 2006

⁷ Effective for annual periods beginning on or after 1st March, 2007

⁸ Effective for annual periods beginning on or after 1st January, 2008

d. Revenue and segment information

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

	2007 <i>HK\$</i>	2006 <i>HK\$</i>
Provision of healthcare and dental services	187,200,428	137,037,105
Sales of healthcare and pharmaceutical products	21,392,280	16,701,566
Sales of cardiology and peripheral vascular related surgical equipment	39,074,037	56,545,860
Others	27,960,823	20,894,831
	<u>275,627,568</u>	<u>231,179,362</u>

For management purposes, the Group is currently organised into four major operating divisions – (1) provision of healthcare and dental services, (2) sales of healthcare and pharmaceutical products and (3) sales of cardiology and peripheral vascular related surgical equipment and (4) others. These divisions are the basis on which the Group reports its primary segment information.

Business segments

For the year ended 31st March, 2007

	Provision of healthcare and dental services <i>HK\$</i>	Sales of healthcare and pharmaceutical products <i>HK\$</i>	Sales of cardiology and peripheral vascular related surgical equipment <i>HK\$</i>	Others <i>HK\$</i>	Total <i>HK\$</i>
TURNOVER	187,200,428	21,392,280	39,074,037	27,960,823	275,627,568
RESULTS					
Segment results	<u>23,998,835</u>	<u>9,618,092</u>	<u>(22,351,314)</u>	<u>(1,310,917)</u>	9,954,696
Other income					62,868,647
Unallocated corporate expense					(19,658,599)
Finance costs					(3,491,133)
Gain on disposal of associates	1,915,423	–	–	–	1,915,423
Share of results of associates	2,739,050	–	–	–	2,739,050
Gain on conversion options embedded in convertible bonds					166,343,042
Impairment loss recognised in respect of goodwill arising on acquisition of associates	(588,008)	–	–	–	(588,008)
Loss on early redemption features embedded in convertible bonds					(912,839)
Increase in fair value of investment properties					2,300,000
Profit before taxation					221,470,279
Taxation					(14,686,224)
Profit for the year					<u>206,784,055</u>

	Provision of healthcare and dental services <i>HK\$</i>	Sales of healthcare and pharmaceutical products <i>HK\$</i>	Sales of cardiology and peripheral vascular related surgical equipment <i>HK\$</i>	Others <i>HK\$</i>	Total <i>HK\$</i>
ASSETS					
Segment assets	144,839,428	44,062,804	23,970,770	10,991,483	223,864,485
Interests in associates	17,490,868	–	–	–	17,490,868
Unallocated assets					336,590,824
Total assets					<u>577,946,177</u>
LIABILITIES					
Segment liabilities	17,578,529	721,048	17,720,693	5,033,943	41,054,213
Unallocated liabilities					84,705,535
Total liabilities					<u>125,759,748</u>
OTHER INFORMATION					
Capital expenditure	8,524,827	1,648,326	435,475	2,750,449	13,359,077
Depreciation of property, plant and equipment	4,573,554	1,876,336	373,204	854,878	7,677,972
Impairment loss recognised in respect of:					
– goodwill arising on acquisition of subsidiaries, and healthcare and dental practices	6,262,269	–	13,484,936	–	19,747,205
– amounts due from associates	956,258	–	–	–	956,258
– trade and other receivables	–	–	4,976,649	–	4,976,649
– inventories	–	–	1,650,500	–	1,650,500
Release of prepaid lease payments	241,634	–	–	–	241,634

For the year ended 31st March, 2006

	Provision of healthcare and dental services HK\$	Sales of healthcare and pharmaceutical products HK\$	Sales of cardiology and peripheral vascular related surgical equipment HK\$	Others HK\$	Total HK\$
TURNOVER	<u>137,037,105</u>	<u>16,701,566</u>	<u>56,545,860</u>	<u>20,894,831</u>	<u>231,179,362</u>
RESULTS					
Segment results	<u>23,216,924</u>	<u>6,212,066</u>	<u>2,638,175</u>	<u>(2,036,188)</u>	30,030,977
Other income					7,565,347
Unallocated corporate expenses					(7,436,058)
Finance costs					(2,399,910)
Share of results of associates	(475,284)	–	–	–	(475,284)
Impairment loss recognised in respect of goodwill arising on acquisition of associates	(3,327,080)	–	–	–	(3,327,080)
Increase in fair value of investment properties					<u>3,781,630</u>
Profit before taxation					27,739,622
Taxation					<u>(6,291,163)</u>
Profit for the year					<u>21,448,459</u>
	Provision of healthcare and dental services HK\$	Sales of healthcare and pharmaceutical products HK\$	Sales of cardiology and peripheral vascular related surgical equipment HK\$	Others HK\$	Total HK\$
ASSETS					
Segment assets	115,523,765	24,867,142	53,451,410	90,293,765	284,136,082
Interests in associates	21,205,522	–	–	–	21,205,522
Unallocated assets					<u>92,165,806</u>
Total assets					<u>397,507,410</u>
Segment liabilities	11,096,755	471,569	20,734,655	6,606,374	38,909,353
Unallocated liabilities					<u>110,092,551</u>
Total liabilities					<u>149,001,904</u>
OTHER INFORMATION					
Capital expenditure	46,322,975	289,715	204,979	2,157,655	48,975,324
Depreciation of property, plant and equipment	3,489,932	1,677,533	624,051	342,514	6,134,030
Impairment loss recognised in respect of:					
– trade and other receivable	–	–	2,537,632	–	2,537,632
– inventories	–	–	1,725,890	–	1,725,890
– goodwill arising on acquisition of associates	3,327,080	–	–	–	3,327,080
– amount due from investee	538,355	–	–	–	538,355
Release of prepaid lease payments	<u>169,616</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>169,616</u>

Geographical segments

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

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

	Sales revenue by geographical market	
	2007 HK\$	2006 HK\$
Hong Kong	246,678,319	183,710,985
PRC	28,949,249	47,468,377
	<u>275,627,568</u>	<u>231,179,362</u>

The following is an analysis of the carrying amount of segment assets and additions to property, plant and equipment, analysed by geographical area in which the assets are located:

	Carrying amount of segment assets At 31st March,		Capital expenditure For the year ended 31st March,	
	2007 HK\$	2006 HK\$	2007 HK\$	2006 HK\$
Hong Kong	212,836,429	257,163,762	13,175,478	48,875,074
PRC	11,028,056	26,972,320	183,599	100,250
	<u>223,864,485</u>	<u>284,136,082</u>	<u>13,359,077</u>	<u>48,975,324</u>

e. Other income

	2007 HK\$	2006 HK\$
Interest income on bank deposits	2,147,216	2,281,435
Interest income on debt securities	2,184,720	–
Dividend income from listed investments	187,486	2,700,265
Gain on fair value changes on held for trading investments	54,283,180	536,651
Rental income	2,093,800	664,548
Sundry income	4,119,461	3,663,883
	<u>65,015,863</u>	<u>9,846,782</u>

f. Other expenses

	2007 <i>HK\$</i>	2006 <i>HK\$</i>
Impairment loss recognised in respect of:		
– goodwill arising on acquisition of associates	588,008	3,327,080
– goodwill arising on acquisition of subsidiaries, and medical and dental practices	19,747,205	–
– amounts due from associates	956,258	–
– amounts due from investees	–	538,355
	<u>21,291,471</u>	<u>3,865,435</u>

g. Finance costs

	2007 <i>HK\$</i>	2006 <i>HK\$</i>
Interest on:		
– Bank borrowings wholly repayable within five years	2,185,995	377,320
– Bank overdrafts	231,478	196,620
– Convertible bonds	1,070,296	1,825,970
– Obligations under finance leases	3,364	–
	<u>3,491,133</u>	<u>2,399,910</u>

h. Gain on disposal of associates

The amount for the year ended 31st March, 2007 represents the gain on disposal of the Group's 11.27% interest in Core Healthcare Investment Holdings Limited (formerly known as Plasmagene Biosciences Limited) ("Core Healthcare"), a company listed on the GEM Board of the Stock Exchange.

After completion of the disposal, the Group holds approximately 8% interest in Core Healthcare. The investment in Core Healthcare was reclassified from interests in associates to available-for-sale investments.

i. Income tax expenses

	2007 <i>HK\$</i>	2006 <i>HK\$</i>
The charge comprises:		
– Hong Kong Profits Tax attributable to the Group	14,908,183	1,765,527
– Underprovision in prior years	14,557	2,042,042
Deferred tax	(236,516)	2,483,594
	<u>14,686,224</u>	<u>6,291,163</u>

Hong Kong Profits Tax is calculated at 17.5% (2006: 17.5%) of the estimated assessable profit for the year.

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

The charge for the year can be reconciled to the profit before taxation per the consolidated income statement as follows:

	2007 HK\$	2006 HK\$
Profit before taxation	<u>221,470,279</u>	<u>27,739,622</u>
Tax at the domestic income tax rate of 17.5% (2006: 17.5%)	38,757,299	4,854,434
Tax effect of expenses that are not deductible in determining taxable profit	5,089,496	2,911,825
Tax effect of income that are not taxable in determining taxable profit	(30,296,430)	(1,843,993)
Tax effect of tax losses not recognised	1,507,469	754,441
Tax effect of share of results of associates	479,334	(83,175)
Tax effect of deductible temporary differences not recognized	610,996	687,832
Utilisation of tax losses not previously recognised	(1,476,497)	(3,032,243)
Underprovision in prior years	14,557	2,042,042
Income tax expense for the year	<u>14,686,224</u>	<u>6,291,163</u>

j. Profit for the year

	2007 HK\$	2006 HK\$
Profit for the year has been arrived at after charging:		
Staff costs		
– Directors’ remuneration	2,427,749	7,646,692
– Other staff costs	111,780,644	78,188,021
– Other staff’s retirement benefits scheme contributions	2,558,085	1,804,220
	<u>116,766,478</u>	87,638,933
Auditors’ remuneration	2,334,000	2,065,420
Cost of inventories recognised as expenses	58,940,589	55,412,957
Depreciation and amortization of property, plant and equipment	7,677,972	6,134,030
Impairment loss on slow moving inventories (included in cost of sales)	1,650,500	1,725,890
Impairment loss on trade and other receivables (included in administrative expenses)	4,976,649	2,537,632
Loss on disposal of property, plant and equipment	395,686	73,639
Net loss on foreign exchange	309,749	–
Release of prepaid lease payments	241,634	169,616
Share of taxation of associates (included in share of results of associates)	<u>765,581</u>	<u>934,097</u>

and after crediting:

Gross rental income from investment properties	2,093,800	737,795
Less: Direct operating expenses that generated rental income	<u>(58,996)</u>	<u>(73,247)</u>
Net rental income from investment properties	2,034,804	664,548
Write back of impairment loss on trade and other receivables (included in administrative expenses)	632,315	2,398,978
Write back of impairment loss on slow moving inventories (included in cost of sales)	2,101,767	1,268,712
Net gain on foreign exchange	<u>–</u>	<u>152,450</u>

k. Earnings per share

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

Earnings

	2007 HK\$	2006 HK\$
Earnings for the purpose of basic earnings per share	<u>214,850,183</u>	<u>20,030,499</u>

Number of shares

	2007	2006
Weighted average number of ordinary shares for the purposes of basic earnings per share	<u>5,143,531,458</u>	<u>4,527,985,666</u>

The computation of diluted earnings per share for both years does not assume the conversion of the Company's outstanding convertible bonds since their exercise would result in an increase in profit per share.

l. Trade and other receivables

	2007 HK\$	2006 HK\$
Trade receivables	35,783,456	23,478,374
Less: accumulated impairment	<u>(6,640,533)</u>	<u>(2,296,199)</u>
	29,142,923	21,182,175
Deposits	11,996,779	11,413,337
Other receivables	8,458,222	10,591,536
Prepayments	<u>2,045,077</u>	<u>6,373,095</u>
	<u>51,643,001</u>	<u>49,560,143</u>

Notes:

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

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

	2007 HK\$	2006 HK\$
0 – 60 days	15,621,024	11,249,713
61 – 120 days	8,278,161	3,964,888
121 – 180 days	4,297,058	2,998,540
181 – 240 days	1,500,406	3,546,680
241 – 360 days	2,866,369	888,366
Over 361 days	<u>3,220,438</u>	<u>830,187</u>
	<u>35,783,456</u>	<u>23,478,374</u>

- ii. The Group's trade and other receivables included HK\$6,085,060 (2006: HK\$8,632,906) that is denominated in Renminbi ("RMB").

m. Trade and other payables

	2007	2006
	<i>HK\$</i>	<i>HK\$</i>
Trade payables (<i>note</i>)	17,400,076	18,127,828
Other payables	8,722,426	5,507,406
Accruals	14,931,711	15,274,119
	<u>41,054,213</u>	<u>38,909,353</u>

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

	2007	2006
	<i>HK\$</i>	<i>HK\$</i>
0 - 60 days	9,115,326	6,607,492
61 - 120 days	5,895,877	10,475,403
121 - 240 days	–	–
Over 241 days	2,388,873	1,044,933
	<u>17,400,076</u>	<u>18,127,828</u>

DIVIDEND

The Directors do not recommend the payment of a cash dividend for the year ended 31st March, 2007 but propose for shareholders' approval a bonus issue of shares on the basis of two bonus shares for every one existing share held (2006: a cash dividend of HK0.2 cents per share amounting to approximately HK\$9,993,000).

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday 23th July, 2007 to Friday 27th July, 2007, both days inclusive, during which period no share transfers will be registered. In order to qualify for voting in the Company's annual general meeting, all transfer documents accompanied by relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tengis Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong no later than 4:00 p.m. on Friday 20th July, 2007.

CHAIRMAN'S STATEMENT

On behalf of Town Health International Holdings Company Limited (“Town Health” or the “Company”), I am pleased to present this annual report for the year ended 31st March, 2007 (the “Year”) to our shareholders.

Business Review

During the 2006-07 fiscal year, Town Health has achieved robust results and set new record high in both turnover and earnings performance since its listing on the Stock Exchange. In addition, the Company has established the largest medical and healthcare network in Hong Kong. With more than eighty clinics throughout Hong Kong Island, Kowloon and the New Territories, the Company is now providing services to more than 700,000 patients. The Company has already become the largest private medical service group equipped with the most complete and advanced facilities and become the best alternative of medical services other than public medical service institutions.

During the Year, the Company continued to register a robust increase of approximately 19% in turnover compared to last year. With the gradual recovery of Hong Kong's economy and consequent increasing personal income, local citizens' average spending in healthcare services has also increased, which contributes to a horizontal growth in the Company's business. During the Year, Town Health has established a dental specialty center covering 5,000 sq. ft. in Jordan, Kowloon. Meanwhile, the Company also holds the convertible bonds of Hong Kong Health Check and Laboratory Holdings Company Limited, one of the largest medical service companies with the most advanced medical diagnoses equipment in Hong Kong. In addition, the Company is proactively exploring business opportunities in the medical beauty business sector, which further strengthened its service role at the established hair-planting centre. Diversification of medical-related business is one of the key drivers for the Company's success in its operations.

Our profits significantly surged 10.7 times, amounting to HK\$214,850,000 in the period. Since the Company has experienced rapid expansion in its scale of operations and with the increase of clinics sharing medical resources, the economy of scale enhanced correspondingly. Together with the implementation of cost control strategies, profit for the year has increased significantly. Meanwhile, the Company continued to develop medical-related business with higher profit margin, which also contributed to the multiple times increase in profit for the year.

FUTURE PROSPECT

Looking ahead, the Company will capitalize on solidifying the existing business foundation and target to set new height. For its core medical diagnostic services, the Company will focus on its development and continue to open new clinics in appropriate locations of Hong Kong, expand its medical service network, as well as acquire other well-known medical diagnostic group, in order to secure the market share of its core business.

As men in cosmopolitan are increasingly conscious of their self-image, and together with a record upwards trend in men's disease such as prostate disease, the Company sees the need to establish a healthcare service center for men with systemized and with complete systematic equipment that provides male patients with all-in-one healthcare service.

As domestic economy sustains its dynamic growth, and with Chinese people becoming more health conscious, the developing momentum of China's medical care market will be tremendous. According to the forecast of an industrial authority, China's medical care market is expected to achieve an annual growth rate exceeding 10% in the next three years. And China has become the third largest medical care market in the world, ranking only behind US and Japan. In 5 to 8 years, China is expected to outpace Japan and become the second largest. The Company is determined to take hold of this valuable opportunity and continue to proactively explore the domestic medical care market. As a short-term goal, we are going to set up chain dental clinics in China. During the Year, through cooperation with "Hua Xia Healthcare", a HKSE-listed company, our first dental hospital was set up in Fuzhou City. In addition, the Company plans to establish a chain hospital network in China under the brand name of Town Health through acquisitions, target to open near 20 specialized chain hospitals in the near future, making Town Health one of the most important medical services providers in China.

The Company also plans to expand its lifestyle-related healthcare services, such as hair-planting and medical beauty treatment, to mainland China and the wider Asia-Pacific region. Having built a solid foundation in Hong Kong over the past 18 years, "Town Health" now aims to promote its brand name to the international healthcare services markets in future.

The Board of Directors understands that our remarkable achievements today are the result of combined efforts of our staff and a dedicated team of professional medical personnel, and would like to take this opportunity to extend sincere gratitude to them, and is expecting greater success with their continuous contributions. We would also like to express appreciation to the internationally renowned institutional investors, who have joined us one after the other as our strategic shareholders, for their unswerving support to and confidence in the Company.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial review

The Group is principally engaged in the provision of healthcare and dental services, sale of healthcare and pharmaceutical products, and sale of cardiology and peripheral vascular related surgical equipment. The Group recorded a revenue of approximately HK\$275,628,000 for the year ended 31st March, 2007 (2006: approximately HK\$231,179,000), representing an increase of 19.2% as compared with the prior year. The increase was mainly due to the significant improvement in the performance of the Group's core business – provision of healthcare and dental services.

Gross profit margin for the year ended 31st March, 2007 was 46.8% (2006: 48.4%).

Other income for the current year amounted to approximately HK\$65,016,000 (2006: approximately HK\$9,847,000), out of which, approximately HK\$54,283,000 represents gain on fair value changes of held-for-trading investments acquired by the Group during the year with idle funds of the Group.

Other expenses increased to approximately HK\$21,291,000 from approximately HK\$3,865,000 registered in prior year. In current year, the Group re-assessed the prospect of its investments in subsidiaries, medical and dental practices and associated companies. In view of the current market conditions and the prospect of such investments, the Group, for prudence sake, recognised an impairment loss of approximately HK\$20,335,000 in respect of the goodwill arising on the acquisitions of certain of such investments.

Liquidity and financial resources

As at 31st March, 2007, the Group held cash and bank balances of approximately HK\$75,624,000 (2006: approximately HK\$116,406,000). Net current assets amounted to approximately HK\$297,879,000 (2006: approximately HK\$159,485,000). Current ratio (defined as total current assets divided by total current liabilities) was 4.0 (2006: 2.9).

As at 31st March, 2007, the Group had outstanding bank and other borrowings of approximately HK\$53,022,000 (2006: approximately HK\$62,609,000). The Group had variable-rate borrowings on bank loan which carry interest at prime rate less 2.8% to 1.5%. The range of effective interest rates (which were also equal to contracted interest rates) on the Group's borrowings were as follows:

	2007	2006
Effective interest rate:		
Variable-rate borrowings	5.2% to 6.3%	2.7% to 5.7%

The other loan is unsecured, interest free and repayable on demand.

Capital structure

As at 31st March, 2007, the Group had equity attributable to equity holders of the Company of approximately HK\$436,587,000 (2006: approximately HK\$249,155,000).

As at 31st March, 2007, gearing ratio (defined as total long-term liabilities divided by total shareholders' equity) of the Group was 6.0% (2006: 26.5%).

Major currencies used for the Group's transactions were Hong Kong Dollars, Renminbi and US Dollars. As Hong Kong Dollars are pegged to the US Dollars and the fiscal policy of the Central Government of the People's Republic of China in relation to Renminbi is relatively stable throughout the year, the Group considers that the potential foreign exchange exposure of the Group is limited.

Employee information

A breakdown of the number of staff of the Group by responsibilities as at 31st March, 2007 and 2006 is set out below:

	2007	2006
Medical and dental practitioners	96	66
Assistant nurses	162	132
Management	27	17
Sales/Administration/Clerical support/Others	163	145
	<hr/>	<hr/>
	448	360
	<hr/> <hr/>	<hr/> <hr/>

Approximately 7.1% of the total employees are stationed in the PRC and other countries, and the remaining are stationed in Hong Kong.

The Group remunerates its employees mainly based on industry practices and individual's performance and experience. On top of regular remuneration, discretionary bonus and share option may be granted to eligible staff by reference to the Group's performance as well as individual's performance.

The Group maintains good relationship with its staff. There has not been any interruption to its operations as a result of labour disputes. In addition, the Group provides provident fund to its employees in accordance with the statutory requirements of the respective jurisdictions in where the employees reside.

Contingent liabilities

As at 31st March, 2007, the Group had no significant contingent liabilities.

Pledge of assets

As at 31st March, 2007, certain property, plant and equipment and investment properties of the Group with the carrying value of HK\$994,000 (2006: HK\$5,585,000) and HK\$38,125,000 (2006: HK\$35,825,000) respectively and bank deposits of HK\$10,000,000 (2006: HK\$10,000,000) were pledged to secure general bank facilities granted to the Group.

Capital commitments

As at 31st March, 2007, the Group had capital expenditure contracted for but not provided in the financial statements in respect of the acquisition of property, plant and equipment of approximately HK\$2,257,000 (2006: approximately HK\$38,600,000).

Post balance sheet events

- (a) On 29th March, 2007, Hong Kong Health Check entered into an option agreement with Top Act Group Limited (“Top Act”), a wholly owned subsidiary of the Group. Pursuant to the option agreement, Hong Kong Health Check has agreed to grant an option to Top Act at a nominal consideration of HK\$1.00. Pursuant to the option agreement, Top Act shall be entitled to require Hong Kong Health Check to issue the Convertible Bond II in an aggregate principal amount of HK\$500,000,000 during the period of one month commencing from the date of fulfillment of certain conditions, including approval of independent shareholder’s approval in an extraordinary meeting, the Stock Exchange and Bermuda Monetary Authority, precedent of the option agreement. The convertible bonds can be converted into ordinary shares of Hong Kong Health Check at a conversion price of HK\$0.25.

Details of these are disclosed in an announcement of the Company dated 11th April, 2007.

- (b) On 2nd May, 2007 the Company entered into a conditional placing agreement with an independent placing agent for the placing of up to 195,000,000 new shares to the subscribers at the placing price of HK\$0.5412 per placing share. The placement was completed on 25th May, 2007.

Details of these are disclosed in announcements of the Company dated 3rd May, 2007 and 25th May, 2007.

- (c) On 8th May, 2007 the Company entered into another conditional placing agreement with an independent placing agent for the placing of up to 320,000,000 new shares to the subscribers at the placing price of HK\$0.61 per placing share.

Details of these are disclosed in announcements of the Company dated 8th May, 2007.

- (d) On 15th May, 2007, the Company entered into a non-binding term sheet in relation to the Group’s possible acquisition of 51% equity interest in a number of companies which operate eight existing Nu/Hart Hair Clinics located in Atlanta, Chicago, New York, Philadelphia and Pittsburgh in the United States of America and in Dubai, Manila, and Puerto Rico for a cash consideration of US\$3,225,750 (equivalent to approximately HK\$25,160,850), subject to adjustment.

The Nu/Hart Hair Clinics are principally engaged in provision of hair transplant and laser hair re-growth services.

Details of these are disclosed in an announcement of the Company dated 16th May, 2007.

Change in auditors of the Company in the preceding three years

Messrs. Deloitte Touche Tohmatsu were first appointed as auditors of the Company on 13th March, 2003. Messrs. Deloitte Touche Tohmatsu, who have been acting as auditors of the Group since then, will offer themselves for re-appointment at the forthcoming annual general meeting of the Company.

COMPETING INTERESTS

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

AUDIT COMMITTEE

The Company has established an audit committee with written terms of reference in compliance with Rules 5.28 to 5.33 of the GEM Listing Rules. The primary duties of the audit committee are to review the Company's annual report and accounts, interim reports and quarterly reports and to provide advice and comments thereon to the Board of Directors. The audit committee will also be responsible for reviewing and supervising the Group's financial reporting and internal control procedures.

The audit committee comprises three independent non-executive directors, namely Mr. Chan Kam Chiu, Mr. Wai Kwok Hung *JP* and Mr. Ho Kwok Wah, George. Mr. Chan Kam Chiu is the chairman of the Committee. The Committee has met four times during the year.

The audit committee has reviewed the Group's results for the year ended 31st March, 2007.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the year ended 31st March, 2007, the Company repurchased its own shares on GEM as follows:

Month of repurchase	Number of shares repurchased	Price per share		Aggregate consideration HK\$
		Highest HK\$	Lowest HK\$	
August 2006	19,554,000	0.228	0.224	4,474,286
September 2006	21,262,000	0.230	0.229	4,931,919
October 2006	133,828,000	0.233	0.227	31,144,320
January 2007	130,920,000	0.202	0.198	26,644,366
	<u>305,564,000</u>			<u>67,194,891</u>

The above shares were cancelled upon repurchases and accordingly the issued share capital of the Company was reduced by the par value of these shares which amounted to HK\$3,055,640. Apart from the repurchases of the shares as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's shares during the year ended 31st March, 2007.

SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules throughout the period. The Company has also made specific enquiry to all Directors and the Company was not aware of any non-compliance with the required standard of dealing and its code of conduct regarding securities transactions by Directors.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company endeavors in maintaining high standard of corporate governance for the enhancement of shareholders' value. The Company has complied with the required code provisions set out in the Code on Corporate Governance Practices contained in Appendix 15 to the GEM Listing Rules for the year ended 31st March, 2007, except for the following deviations:

Code Provision A.2.1

This code stipulates that the role of chairman and chief executive officer should be separate and should not be performed by the same individual. During the period up to 25th October, 2006, Dr. Cho Kwai Chee ("Dr. Cho") was the chairman and chief executive officer of the Company who was responsible for managing the Board and the Group's businesses. The Board considered that Dr. Cho's in-depth professional knowledge of and extensive network in the healthcare industry would bring invaluable input to the Board. The Board also considered a balance of power and authority could be ensured by the participation of experienced and high caliber members of the Board which meets regularly to discuss issues affecting operations of the Company.

Though no abuse in power and authority was ever experienced, the Board re-visited the respective function of the Board and the management. In a view to more effectively utilize the valuable time and effort of the senior executives of the Group, the Board resolved that, with effect from 26th October, 2006, Dr. Cho resigned as chairman of the Board but remains as an executive director and the chief executive officer of the Company. Miss Choi Ka Yee, Crystal, an executive director of the Company, was appointed as chairman of the Company.

Code Provision A.4

This code stipulates that all directors should be subject to re-election at regular intervals. The then Articles of Association of the Company do not provide for retirement by rotation of a director holding office as managing director or joint managing director. A resolution was put forward to the shareholders at the Company's last annual general meeting held on 28th July, 2006 for amending the Articles to comply with the Code on Corporate Governance practices. The resolution was passed.

Code Provision A.4.2

This code stipulates that all directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment. The then Articles of Association of the Company only requires such directors who are appointed to fill a casual vacancy to be re-elected at the next annual general meeting. A resolution was put forward to the shareholders at the Company's last annual general meeting held on 28th July, 2006 for amending the Articles to comply with the Code on Corporate Governance practices. The resolution was passed.

Code Provision A.4.4

This code stipulates that listed issuers should establish a nomination committee with specific written terms of reference. The nomination committee should, among others, (i) reviews the structure, size and composition of the board and make recommendations to the board regarding any proposed changes; (ii) identify individuals suitably qualified to become board members; (iii) assess the independence of independent non-executive directors; and (iv) make recommendations to the board on matters relating to the appointment or re-appointment of directors and succession planning for directors.

The Company has not established a nomination committee. Instead, the full Board is involved in the appointment of new Directors. The Board will take into consideration criteria such as expertise, experience, integrity and commitment when considering new Director appointment. The Board will conduct in-depth assessment on the independence of candidates for post of independent Directors.

By order of the Board
Town Health International Holdings Company Limited
Choi Ka Yee, Crystal
Chairman

Hong Kong, 27th June, 2007

As at the date of this announcement, the executive directors of the Company are Miss Choi Ka Yee, Crystal, Dr. Cho Kwai Chee, Mr. Cho Kwai Yee, Kevin and Dr. Fung Yiu Tong, Bennet, the non-executive director of the Company is Dr. Francis Choi Chee Ming JP, and the independent non-executive directors of the Company are Mr. Chan Kam Chiu, Mr. Wai Kwok Hung JP and Mr. Ho Kwok Wah, George.

This announcement will remain on the GEM website at <http://www.hkgem.com> on the “Latest Company Announcements” page for at least 7 days from the day of its posting and on the website of Town Health International Holdings Company Limited.