



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, 2008

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.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the main board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

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The Stock Exchange takes no responsibility for the contents of this announcement, makes no representation as to its accuracy or completeness and expressly disclaims any liabilities whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

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 (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.

* For identification purposes only

FINANCIAL HIGHLIGHT

For the year ended 31st March, 2008:

- The Group recorded a revenue from continuing operations of approximately HK\$338,823,000, representing an increase of 43% as compared with prior year.
- The Group recorded a profit attributable to equity holders of approximately HK\$253,714,000, representing an increase of 18% as compared with prior year.
- The Group recorded a profit of approximately HK\$82,452,000 after excluding non-operating income and expenses such as share-based payment expenses (included in administrative expenses), other expenses, gain on disposal/deemed disposal of associates, gain on disposal of subsidiaries, share of result of a jointly controlled entity, (loss) gain on fair value changes of conversion options embedded in convertible bonds, loss on fair value changes of early redemption features embedded in convertible bonds, gain on early redemption of convertible bonds and increase in fair value of investment properties, representing an increase of 23% as compared with prior year (2007: approximately HK\$67,069,000).

The Group's current ratio and gearing ratio as at 31st March, 2008 and 31st March, 2007 are as follows:

	2008	2007
Current ratio (<i>Note 1</i>)	2.2	4.0
Gearing ratio (<i>Note 2</i>)	2.4%	6.0%

The Group also had bank balances and cash and pledged bank deposits of approximately HK\$188,375,000 as at 31st March, 2008.

The Group plans to maintain an adequate level of liquid assets for the expansion of its core business to the mainland China. The Board does not recommend the payment of a dividend for the year ended 31st March, 2008.

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 audited consolidated results of the Company and its subsidiaries (the “Group”) as at and for the year ended 31st March, 2008, together with the comparative audited figures as at and for the year ended 31st March, 2007, as follows:

Consolidated income statement

For the year ended 31st March, 2008

	NOTE	2008 HK\$	2007 HK\$
Continuing operations			
Revenue	<i>d</i>	338,822,614	236,553,531
Cost of sales		(171,513,769)	(119,493,317)
Gross profit		167,308,845	117,060,214
Other income	<i>e</i>	44,324,776	64,789,138
Administrative expenses		(129,142,295)	(99,586,061)
Other expenses	<i>f</i>	(13,318,378)	(7,806,536)
Finance costs	<i>g</i>	(5,314,150)	(3,491,133)
Gain on disposal/deemed disposal of associates	<i>h</i>	31,371,779	1,915,423
Gain on disposal of subsidiaries		2,535,717	–
Share of results of associates		8,029,591	2,739,050
Share of result of a jointly controlled entity		235,641,714	–
(Loss) gain on fair value changes of conversion options embedded in convertible bonds		(71,669,378)	166,343,042
Loss on fair value changes of early redemption features embedded in convertible bonds		(30,155,834)	(912,839)
Gain on early redemption of convertible bonds		28,313,542	–
Increase in fair value of investment properties		4,050,000	2,300,000
Profit before tax		271,975,929	243,350,298
Income tax expense	<i>i</i>	(11,812,197)	(14,442,477)
Profit for the year from continuing operations		260,163,732	228,907,821
Discontinued operation			
Profit (loss) for the year from discontinued operation	<i>j</i>	826,383	(22,123,766)
Profit for the year	<i>k</i>	260,990,115	206,784,055
Attributable to:			
Equity holders of the Company		253,713,513	214,850,183
Minority interests		7,276,602	(8,066,128)
		260,990,115	206,784,055
Dividends	<i>l</i>	–	–
Earnings per share	<i>m</i>		
– Basic		1.54 cents	1.39 cents
– Diluted		1.54 cents	N/A
From continuing operations			
– Basic		1.54 cents	1.54 cents
– Diluted		1.54 cents	N/A

Consolidated balance sheet*At 31st March, 2008*

	<i>NOTE</i>	2008 HK\$	2007 HK\$
Non-current assets			
Investment properties		42,175,000	38,125,000
Property, plant and equipment		25,340,210	15,797,901
Prepaid lease payments		9,266,969	9,509,148
Goodwill		55,436,828	37,172,357
Intangible assets		10,173,488	–
Interests in associates		134,501,833	17,490,868
Interest in a jointly controlled entity		233,509,592	–
Available-for-sale investments		350,099,963	53,243,220
Deposits paid on acquisition of property, plant and equipment		6,846,400	10,097,585
		867,350,283	181,436,079
Current assets			
Inventories		8,785,620	13,777,997
Trade and other receivables	<i>n</i>	44,437,102	51,643,001
Prepaid lease payments		242,180	242,180
Amounts due from associates		13,886,752	26,527,106
Amounts due from investees		2,580,621	1,287,500
Amounts due from related parties		1,093,314	2,846,442
Amounts due from minority shareholders of subsidiaries		2,265,388	10,596,203
Amount due from a jointly controlled entity		33,706,096	–
Tax recoverable		209,691	538,670
Held for trading investments		–	21,021,288
Conversion options embedded in convertible bonds		126,648,922	182,405,395
Pledged bank deposits		10,000,000	10,000,000
Bank balances and cash		178,375,460	75,624,316
		422,231,146	396,510,098
Assets classified as held for sale		17,895,244	–
		440,126,390	396,510,098

	<i>NOTE</i>	2008 HK\$	2007 HK\$
Current liabilities			
Trade and other payables	<i>o</i>	24,581,798	41,054,213
Early redemption option embedded in convertible bonds		14,554,938	912,839
Amount due to an investee		1,259,555	–
Amounts due to minority shareholders of subsidiaries		5,679,762	11,541,974
Amounts due to related parties		50,119,726	914,859
Bank and other borrowings – due within one year		88,253,142	29,734,414
Obligations under finance leases – due within one year		–	45,600
Tax payable		11,784,051	14,427,577
		<u>196,232,972</u>	<u>98,631,476</u>
Liabilities associated with assets classified as held for sale		6,320,906	–
		<u>202,553,878</u>	<u>98,631,476</u>
Net current assets		<u>237,572,512</u>	<u>297,878,622</u>
Total assets less current liabilities		<u>1,104,922,795</u>	<u>479,314,701</u>
Non-current liabilities			
Bank and other borrowings – due after one year		21,088,726	23,288,039
Obligations under finance leases – due after one year		–	78,407
Deferred tax liabilities		4,578,483	3,761,826
		<u>25,667,209</u>	<u>27,128,272</u>
		<u>1,079,255,586</u>	<u>452,186,429</u>
Capital and reserves			
Share capital		169,679,157	50,719,819
Reserves		894,463,574	385,867,406
Equity attributable to equity holders of the Company		<u>1,064,142,731</u>	<u>436,587,225</u>
Minority interests		15,112,855	15,599,204
Total equity		<u>1,079,255,586</u>	<u>452,186,429</u>

Consolidated statement of changes in equity

For the year ended 31st March, 2008

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\$	Share options reserve HK\$	Total HK\$	Minority interests HK\$	Total HK\$
At 1st April, 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 a subsidiary	-	-	-	-	-	-	-	-	-	-	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
Shares repurchased and cancelled	(3,055,640)	(64,139,251)	-	-	-	-	-	-	-	(67,194,891)	-	(67,194,891)
Dividend paid to minority interests	-	-	-	-	-	-	-	-	-	-	(930,739)	(930,739)
At 31st March, 2007	50,719,819	200,104,515	-	10,032,822	62,677,057	2,543,927	506,796	110,002,289	-	436,587,225	15,599,204	452,186,429
Exchange difference arising on translation of foreign operations	-	-	-	-	-	-	(684,391)	-	-	(684,391)	-	(684,391)
Fair value changes in available-for-sale investments	-	-	-	-	-	54,484,083	-	-	-	54,484,083	-	54,484,083
Share of reserves of a jointly controlled entity	-	-	-	-	-	(2,132,130)	-	-	-	(2,132,130)	-	(2,132,130)
Share of reserves of an associate	-	-	-	-	-	(228,124)	189,283	-	-	(38,841)	-	(38,841)
Profit for the year	-	-	-	-	-	-	-	253,713,513	-	253,713,513	7,276,602	260,990,115
Total recognised income and expense for the year	-	-	-	-	-	52,123,829	(495,108)	253,713,513	-	305,342,234	7,276,602	312,618,836
Capital contribution from minority shareholder of a subsidiary	-	-	-	-	-	-	-	-	-	-	980,049	980,049
Shares issued	116,889,638	183,844,362	-	-	-	-	-	-	-	300,734,000	-	300,734,000
Transaction costs attributable to issue of shares	-	(10,426,144)	-	-	-	-	-	-	-	(10,426,144)	-	(10,426,144)
Shares repurchased and cancelled	(120,300)	(1,340,804)	-	-	-	-	-	-	-	(1,461,104)	-	(1,461,104)
Recognition of equity-settled share based payment expenses	-	-	-	-	-	-	-	-	9,057,520	9,057,520	-	9,057,520
Dividend paid to minority interests	-	-	-	-	-	-	-	-	-	-	(8,743,000)	(8,743,000)
Exercise of share options	2,190,000	25,885,800	-	-	-	-	-	-	(3,766,800)	24,309,000	-	24,309,000
At 31st March, 2008	169,679,157	398,067,729	-	10,032,822	62,677,057	54,667,756	11,688	363,715,802	5,290,720	1,064,142,731	15,112,855	1,079,255,586

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.

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”). At 31st March, 2007, its ultimate holding company was Broad Idea International Limited (“Broad Idea”), a company incorporated in the British Virgin Islands. During the year ended 31st March, 2008, Broad Idea ceased to be the ultimate holding company after the placements of the shares of the Company.

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

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

b. Basis of preparation

At 1st April, 2006, the Group held convertible bonds of HK\$60,000,000 (“Convertible Bonds I”) issued by Hong Kong Health Check and Laboratory Holdings Company Limited (“Hong Kong Health Check”). As the Convertible Bonds I were immediately convertible into shares in Hong Kong Health Check at a conversion price of HK\$0.041, the Group would be given 55.79% ownership interest and as a consequence voting rights in Hong Kong Health Check upon the conversion of the Convertible Bonds I. 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.

On 3rd October, 2006, the Group lost its ability to exercise control over the financial and operating policies of Hong Kong Health Check following the issue by Hong Kong Health Check of convertible bonds of HK\$40,000,000 to third parties (“Convertible Bonds II”) which were also immediately convertible and diluted the Group’s ownership interest to 35.75% upon conversion of both Convertible Bonds I and Convertible Bonds II.

Given that the Group has ability to exercise significant influence on the financial and operating policy of Hong Kong Health Check by exercising Convertible Bonds I, the Group has accounted for Hong Kong Health Check as an associate and the results and assets and liabilities of Hong Kong Health Check have to be incorporated in the consolidated financial statements by using equity method of accounting.

Since the Group had no equity interest in Hong Kong Health Check, no results and changes in shareholders’ equity of Hong Kong Health Check were shared by the Group during the year ended 31st March, 2007.

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

On 9th July, 2007, the Group converted HK\$20,000,000 of its Convertible Bonds I into 487,804,878 shares in Hong Kong Health Check at a conversion price of HK\$0.041 and accordingly held 12.52% equity interest in Hong Kong Health Check, which was further diluted to 10.70% upon issue of new shares by Hong Kong Health Check.

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

By consider that upon conversion of the remaining amount of the Convertible Bonds I, Convertible Bonds II, Convertible Bonds III and Convertible Bonds IV, the Group can obtain 39.54% ownership interest in Hong Kong Health Check and the 10.70% equity interest currently held in Hong Kong Health Check, the directors consider that the Group has ability to exercise significant influence the financial and operating policies of Hong Kong Health Check. The equity interest in it is therefore considered an associate of the Group. 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 commencing from 3rd October, 2006.

As the Group has no equity interest in Hong Kong Health Check since 3rd October, 2006, no results and changes in shareholders' equity of Hong Kong Health Check were shared by the Group thereafter.

Accordingly, the Group was equity accounted for the interest in Hong Kong Health Check as an associate and shared 10.7% in the results and changes in shareholders' equity in Hong Kong Health Check during the period from 9th July, 2007 to 31st March, 2008.

c. Application of new and revised Hong Kong Financial Reporting Standards (“HKFRSs”)

In the current year, the Group has applied, for the first time, the following new standard, amendment and interpretations (“new HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”), which are effective for the Group’s financial year beginning 1st April, 2007.

HKAS 1 (Amendment)	Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC) – INT 8	Scope of HKFRS 2
HK(IFRIC) – INT 9	Reassessment of Embedded Derivatives
HK(IFRIC) – INT 10	Interim Financial Reporting and Impairment
HK(IFRIC) – INT 11	HKFRS 2: Group and Treasury Share Transactions

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

The Group has applied the disclosure requirements under HKAS 1 (Amendment) and HKFRS 7 retrospectively. Certain information presented in prior year under the requirements of HKAS 32 has been removed and the relevant comparative information based on the requirements of HKAS 1 (Amendment) and HKFRS 7 has been presented for the first time in the current year.

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

HKAS 1 (Revised)	Presentation of Financial Statements ¹
HKAS 23 (Revised)	Borrowing Costs ¹
HKAS 27 (Revised)	Consolidated and Separate Financial Statements ²
HKFRS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation ¹
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations ¹
HKFRS 3 (Revised)	Business Combinations ²
HKFRS 8	Operating Segments ¹
HK(IFRIC) – Int 12	Service Concession Arrangements ³
HK(IFRIC) – Int 13	Customer Loyalty Programmes ⁴
HK(IFRIC) – Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction ³

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

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

³ Effective for annual periods beginning on or after 1st January, 2008

⁴ Effective for annual periods beginning on or after 1st July, 2008

The adoption of HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1st July, 2009. HKAS 27 (Revised) will affect the accounting treatment for changes in a parent’s ownership interest in a subsidiary that do not result in a loss of control, which will be accounted for as equity transactions. The directors of the Company anticipate that the application of these standards or interpretations will have no material impact on the results and the financial position of the Group.

d. Revenue and segmental 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, for both continuing and discontinued operations, is as follows:

	2008	2007
	<i>HK\$</i>	<i>HK\$</i>
Continuing operations:		
Provision of healthcare and dental services	266,561,450	187,200,428
Sales of healthcare and pharmaceutical products	46,878,693	21,392,280
Others	25,382,471	27,960,823
	<u>338,822,614</u>	<u>236,553,531</u>
Discontinued operation:		
Sale of cardiology and peripheral vascular related surgical equipment	<u>35,189,099</u>	<u>39,074,037</u>

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

Principal activities are as follows:

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

The Group was also involved in the sales of cardiology and peripheral vascular related surgical equipment ("Cardiology Operation"). The Cardiology Operation was discontinued on 10th March, 2008.

For the year ended 31st March, 2008

	Continuing operations			Total HK\$	Discontinued operation	Consolidated HK\$
	Provision of healthcare and dental services HK\$	Sales of healthcare and pharmaceutical products HK\$	Others HK\$		Sales of cardiology and peripheral vascular related surgical equipment HK\$	
REVENUE	<u>266,561,450</u>	<u>46,878,693</u>	<u>25,382,471</u>	<u>338,822,614</u>	<u>35,189,099</u>	<u>374,011,713</u>
RESULTS						
Segment results	<u>33,007,231</u>	<u>30,360,515</u>	<u>(6,636,978)</u>	<u>56,730,768</u>	<u>(3,554,930)</u>	<u>53,175,838</u>
Other income				38,233,637	2,122,617	40,356,254
Unallocated corporate expense				(20,211,848)	(117,005)	(20,328,853)
Finance costs				(5,314,150)		(5,314,150)
Gain on disposal/deemed disposal of associates	31,371,779	–	–	31,371,779		31,371,779
Gain on disposal of subsidiaries	2,535,717	–	–	2,535,717	2,564,187	5,099,904
Share of results of associates	8,029,591	–	–	8,029,591		8,029,591
Share of result of a jointly controlled entity	235,641,714	–	–	235,641,714	–	235,641,714
Loss on fair value changes of conversion options embedded in convertible bonds				(71,669,378)		(71,669,378)
Loss on fair value changes of early redemption features embedded in convertible bonds				(30,155,834)		(30,155,834)
Impairment loss recognised in respect of interests in associates	(5,579,609)			(5,579,609)		(5,579,609)
Gain on early redemption of convertible bonds				28,313,542		28,313,542
Increase in fair value of investment properties				4,050,000		4,050,000
Profit before tax				271,975,929	1,014,869	272,990,798
Income tax expenses				(11,812,197)	(188,486)	(12,000,683)
Profit for the year				<u>260,163,732</u>	<u>826,383</u>	<u>260,990,115</u>

	Continuing operations				Discontinued operation	Consolidated HK\$
	Provision of healthcare and dental services HK\$	Sales of healthcare and pharmaceutical products HK\$	Others HK\$	Total HK\$	Sales of cardiology and peripheral vascular related surgical equipment HK\$	
ASSETS						
Segment assets	315,427,856	29,927,542	3,548,859	348,904,257	–	348,904,257
Interests in associates	134,501,833			134,501,833		134,501,833
Interest in a jointly controlled entity	233,509,592			233,509,592		233,509,592
Unallocated assets						590,560,991
Total assets						<u>1,307,476,673</u>
LIABILITIES						
Segment liabilities	22,518,524	754,980	1,308,294	24,581,798	–	24,581,798
Unallocated liabilities						203,639,289
Total liabilities						<u>228,221,087</u>
OTHER INFORMATION						
Capital expenditure	46,956,304	1,029,390	965,287	48,950,981	167,712	49,118,693
Depreciation of property, plant and equipment	7,499,692	1,881,978	643,529	10,025,199	247,384	10,272,583
Impairment loss recognised in respect of:						
– goodwill arising on acquisition of subsidiaries, and healthcare and dental practices	4,951,305	–	–	4,951,305	–	4,951,305
– amounts due from associates	2,787,464	–	–	2,787,464	–	2,787,464
– trade and other receivables	167,506	–	–	167,506	–	167,506
– inventories	–	–	–	–	1,471,754	1,471,754
Release of prepaid lease payments	242,179	–	–	242,179	–	242,179

For the year ended 31st March, 2007

	Continuing operations				Discontinued operation	Consolidated HK\$
	Provision of healthcare and dental services HK\$	Sales of healthcare and pharmaceutical products HK\$	Others HK\$	Total HK\$	Sales of cardiology and peripheral vascular related surgical equipment HK\$	
REVENUE	<u>187,200,428</u>	<u>21,392,280</u>	<u>27,960,823</u>	<u>236,553,531</u>	<u>39,074,037</u>	<u>275,627,568</u>
RESULTS						
Segment results	<u>23,998,835</u>	<u>9,618,092</u>	<u>(1,310,917)</u>	<u>32,306,010</u>	<u>(22,351,314)</u>	<u>9,954,696</u>
Other income				62,397,352	471,295	62,868,647
Unallocated corporate expense				(19,658,599)	–	(19,658,599)
Finance costs				(3,491,133)	–	(3,491,133)
Gain on disposal of associates	1,915,423	–	–	1,915,423	–	1,915,423
Share of results of associates	2,739,050	–	–	2,739,050	–	2,739,050
Gain on fair value changes of conversion options embedded in convertible bonds				166,343,042	–	166,343,042
Impairment loss recognised in respect of interests in associates	(588,008)	–	–	(588,008)	–	(588,008)
Loss on fair value changes of early redemption features embedded in convertible bonds				(912,839)	–	(912,839)
Increase in fair value of investment properties				<u>2,300,000</u>	–	<u>2,300,000</u>
Profit (loss) before tax				243,350,298	(21,880,019)	221,470,279
Income tax expense				<u>(14,442,477)</u>	<u>(243,747)</u>	<u>(14,686,224)</u>
Profit (loss) for the year				<u>228,907,821</u>	<u>(22,123,766)</u>	<u>206,784,055</u>

	Continuing operations				Discontinued operation	Consolidated HK\$
	Provision of healthcare and dental services HK\$	Sales of healthcare and pharmaceutical products HK\$	Others HK\$	Total HK\$	Sales of cardiology and peripheral vascular related surgical equipment HK\$	
ASSETS						
Segment assets	144,839,428	44,062,804	10,991,483	199,893,715	23,970,770	223,864,485
Interests in associates	17,490,868	–	–	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	5,033,943	23,333,520	17,720,693	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	2,750,449	12,923,602	435,475	13,359,077
Depreciation of property, plant and equipment	4,573,554	1,876,336	854,878	7,304,768	373,204	7,677,972
Impairment loss recognised in respect of:						
– interests in associates	588,008	–	–	588,008	–	588,008
– goodwill arising on acquisition of subsidiaries, and healthcare and dental practices	6,262,269	–	–	6,262,269	13,484,936	19,747,205
– amounts due from associates	956,258	–	–	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	–	241,634

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 were carried out in the PRC and Hong Kong.

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

	Sales revenue by geographical market	
	2008 HK\$	2007 HK\$
Continuing operations:		
Hong Kong	338,822,614	236,553,531
Discontinued operations:		
Hong Kong	8,661,423	10,124,788
PRC	26,527,676	28,949,249
	35,189,099	39,074,037

e. Other Income

	Continuing operations		Discontinued operation		Consolidated	
	2008 HK\$	2007 HK\$	2008 HK\$	2007 HK\$	2008 HK\$	2007 HK\$
Interest income on bank deposits	3,285,419	2,117,526	20,348	29,690	3,305,767	2,147,216
Interest income on debt securities classified as available-for-sale investments	22,318,013	2,184,720	–	–	22,318,013	2,184,720
Compensation income	2,048,572	–	–	–	2,048,572	–
Dividend income from listed investments classified as held for trading investments	83,471	187,486	–	–	83,471	187,486
Gain on fair value changes on held-for-trading investments	4,502,141	54,283,180	–	–	4,502,141	54,283,180
Rental income	4,981,775	2,093,800	–	–	4,981,775	2,093,800
Reversal of impairment loss on amounts due from associates	956,258	–	–	–	956,258	–
Write back of allowance on trade and other receivables	5,233,871	–	–	–	5,233,871	–
Sundry income	915,256	3,922,426	2,102,269	197,035	3,017,525	4,119,461
	44,324,776	64,789,138	2,122,617	226,725	46,447,393	65,015,863

f. Other expenses

	Continuing operations		Discontinued operation		Consolidated	
	2008	2007	2008	2007	2008	2007
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
Impairment loss recognised in respect of:						
– interest in associates	5,579,609	588,008	–	–	5,579,609	588,008
– goodwill arising on acquisition of subsidiaries, and medical and dental practices	4,951,305	6,262,270	–	13,484,935	4,951,305	19,747,205
– amounts due from associates	2,787,464	956,258	–	–	2,787,464	956,258
	<u>13,318,378</u>	<u>7,806,536</u>	<u>–</u>	<u>13,484,935</u>	<u>13,318,378</u>	<u>21,291,471</u>

g. Finance costs

	Continuing operations		Discontinued operation		Consolidated	
	2008	2007	2008	2007	2008	2007
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
Interest on:						
– bank borrowings wholly repayable within five years	3,330,113	743,280	–	–	3,330,113	743,280
– bank borrowings not wholly repayable within five years	1,386,095	1,442,715	–	–	1,386,095	1,442,715
– bank overdrafts	477,658	231,478	–	–	477,658	231,478
– amounts due to related parties	119,726	–	–	–	119,726	–
– convertible bonds	–	1,070,296	–	–	–	1,070,296
– obligations under finance leases	558	3,364	–	–	558	3,364
	<u>5,314,150</u>	<u>3,491,133</u>	<u>–</u>	<u>–</u>	<u>5,314,150</u>	<u>3,491,133</u>

h. Gain on disposal/deemed disposal of associates

	2008	2007
	HK\$	HK\$
Core Healthcare Investment Holdings Limited	–	1,915,423
Smart Vision (Asia) Limited	7,786,182	–
Star Shine Limited	5,500,000	–
New Creative Limited	8,002	–
	<u>13,294,184</u>	<u>1,915,423</u>
Gain on disposal of associates	13,294,184	1,915,423
Gain on deemed disposal of associates	18,077,595	–
	<u>31,371,779</u>	<u>1,915,423</u>

i. Income tax expense

	Continuing operations		Discontinued operation		Consolidated	
	2008	2007	2008	2007	2008	2007
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
The charge comprises:						
– Hong Kong Profits Tax attributable to the Group	10,980,487	14,664,436	230,000	243,747	11,210,487	14,908,183
– (Over)underprovision in prior years	(164,947)	14,557	(41,514)	–	(206,461)	14,557
Deferred tax	996,657	(236,516)	–	–	996,657	(236,516)
	<u>11,812,197</u>	<u>14,442,477</u>	<u>188,486</u>	<u>243,747</u>	<u>12,000,683</u>	<u>14,686,224</u>

Hong Kong Profits Tax is calculated at 17.5% (2007: 17.5%) of the estimated assessable profit for the year.

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

j. Discontinued operation

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

The gain (loss) for the period/year from the discontinued operation is analysed as follows:

	1.4.2007 to 10.3.2008 HK\$	1.4.2006 to 31.3.2007 HK\$
Loss of Cardiology Operation for the year	(1,737,804)	(22,123,766)
Gain on disposal of the Cardiology Operation	<u>2,564,187</u>	–
	<u>826,383</u>	<u>(22,123,766)</u>

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

	1.4.2007 to 10.3.2008 HK\$	1.4.2006 to 31.3.2007 HK\$
Revenue	35,189,099	39,074,037
Cost of sales	(24,324,539)	(27,158,901)
Other income	2,122,617	226,725
Administrative expenses	(14,536,495)	(20,536,945)
Other expenses	–	(13,484,935)
Loss before tax	(1,549,318)	(21,880,019)
Income tax expense	(188,486)	(243,747)
Loss for the period/year	<u>(1,737,804)</u>	<u>(22,123,766)</u>

k. Profit for the year

	Continuing operations		Discontinued operation		Consolidated	
	2008 HK\$	2007 HK\$	2008 HK\$	2007 HK\$	2008 HK\$	2007 HK\$
Profit for the year has been arrived at after charging:						
Staff costs						
– Directors’ remuneration	1,687,517	2,427,749	–	–	1,687,517	2,427,749
– Other staff costs	136,862,974	108,734,561	3,628,260	3,046,083	140,491,234	111,780,644
– Other staff’s retirement benefits scheme contributions	2,198,737	2,321,279	351,612	236,806	2,550,349	2,558,085
– Share-based payment expenses	9,057,520	–	–	–	9,057,520	–
	149,806,748	113,483,589	3,979,872	3,282,889	153,786,620	116,766,478
Auditor’s remuneration	2,755,800	2,141,000	50,000	193,000	2,805,800	2,334,000
Cost of inventories recognised as expenses	36,013,241	30,726,524	26,310,636	28,214,065	62,323,877	58,940,589
Depreciation of property, plant and equipment	10,025,199	7,304,768	247,384	373,204	10,272,583	7,677,972
Impairment loss on slow moving inventories (included in cost of sales)	–	–	1,471,754	1,650,500	1,471,754	1,650,500
Impairment loss on trade and other receivables (included in administrative expenses)	167,506	–	–	4,976,649	167,506	4,976,649
Loss on disposal of property, plant and equipment	285,096	351,796	1,458	43,890	286,554	395,686
Net loss on foreign exchange	7,788	309,749	–	–	7,788	309,749
Release of prepaid lease payments	242,179	241,634	–	–	242,179	241,634
Amortisation of intangible assets	1,332,584	–	–	–	1,332,584	–
Share of tax of associates (included in share of results of associates)	1,687,465	765,581	–	–	1,687,465	765,581
and after crediting:						
Gross rental income from investment properties	4,981,775	2,093,800	–	–	4,981,775	2,093,800
Less: Direct operating expense that generated rental income	(30,026)	(58,996)	–	–	(30,026)	(58,996)
Net rental income from investment properties	4,951,749	2,034,804	–	–	4,951,749	2,034,804
Write back of impairment loss on trade and other receivables (included in administrative expenses)	–	–	–	632,315	–	632,315
Write back of impairment loss on slow moving inventories (included in cost of sales)	–	–	–	2,101,767	–	2,101,767

l. Dividends

No dividend was paid or proposed during 2008, nor has any dividend been proposed since the balance sheet date (2007: Nil).

m. Earnings per share

For continuing and discontinued operations

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

	2008 <i>HK\$</i>	2007 <i>HK\$</i>
Earnings		
Earnings for the purposes of basic and diluted earnings per share:		
Profit for the year attributable to equity holders of the Company	<u>253,713,513</u>	<u>214,850,183</u>
Number of shares		
	2008	2007
Weighted average number of ordinary shares for the purposes of basic earnings per share	16,444,771,368	15,430,594,374
Effect of dilutive potential ordinary shares:		
Options	<u>27,756,085</u>	<u>–</u>
Weighted average number of ordinary shares for the purposes of diluted earnings per share	<u>16,472,527,453</u>	<u>15,430,594,374</u>

The weighted average number of ordinary shares for the purpose of basic earnings per share for the year ended 31st March, 2007 has been adjusted for the bonus issue.

The computation of diluted earnings per share for 2007 does not assume the conversion of the Company's outstanding convertible bonds since their exercise would result in decrease in earnings per share.

From continuing operations

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

Earnings figures are calculated as follows:

	2008 <i>HK\$</i>	2007 <i>HK\$</i>
Profit for the year attributable to equity holders of the Company	253,713,513	214,850,183
Less: Profit (loss) for the year from discontinued operation	<u>(826,383)</u>	<u>22,123,766</u>
Earnings for the purposes of basic and (diluted) per share from continuing operations	<u>252,887,130</u>	<u>236,973,949</u>

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

From discontinued operation

Basic earnings (loss) per share for the discontinued operation is HK0.01 cents per share (2007: loss per share of HK0.14 cents) and diluted earnings per share for the discontinued operation for 2008 is HK\$0.01 cents per share based on the profit for the year from the discontinued operation of approximately HK\$0.83 million (2007: loss of HK\$22.12 million) and the denominators detailed above for both basic and diluted earnings per share. The computation of diluted loss per share for 2007 does not assume the conversion of the Company's outstanding convertible bonds since their exercise would result in decrease in loss per share.

n. Trade and other receivables

	2008 HK\$	2007 HK\$
Trade receivables (<i>Note</i>)	15,427,213	35,783,456
<i>Less:</i> allowance for doubtful debts	(1,574,168)	(6,640,533)
	<hr/>	<hr/>
Total trade receivables, net of allowance	13,853,045	29,142,923
Deposits	15,292,558	11,996,779
Other receivables	11,722,730	8,458,222
Prepayments	3,568,769	2,045,077
	<hr/>	<hr/>
	44,437,102	51,643,001
	<hr/> <hr/>	<hr/> <hr/>

Note:

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

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

	2008 HK\$	2007 HK\$
0 – 60 days	8,133,046	15,621,024
61 – 120 days	4,064,586	8,278,161
121 – 180 days	3,178,230	4,297,058
181 – 240 days	51,351	1,500,406
241 – 360 days	–	2,866,369
Over 360 days	–	3,220,438
	<hr/>	<hr/>
	15,427,213	35,783,456
	<hr/> <hr/>	<hr/> <hr/>

o. Trade and other payables

	2008 HK\$	2007 HK\$
Trade payables (<i>Note</i>)	6,056,926	17,400,076
Other payables	3,021,144	8,722,426
Accruals	15,503,728	14,931,711
	24,581,798	41,054,213

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

	2008 HK\$	2007 HK\$
0 – 60 days	5,871,804	9,115,326
61 – 120 days	59,346	5,895,877
121 – 240 days	5,040	–
Over 240 days	120,736	2,388,873
	6,056,926	17,400,076

DIVIDEND

The Board does not recommend the payment of a dividend for the year ended 31st March, 2008 (2007: Nil).

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, 2008 to our shareholders.

Business review

2007 was an eventful year for Town Health. I am pleased to report that in the past financial year, Town Health has continued its good work in delivering good services and value to the community as well as our key stakeholders. The Company's consolidated profit attributable to equity holders for the financial year ended 31st March, 2008, was HK\$253,713,513, representing an increase of 18% as compared to last financial year.

(i) Strong Focus on Clinic Chain Business

Our core business of healthcare and dental services provision has continued to be the main driver of the Group's excellent business growth in 2007. Town Health remains firmly focused on its chain clinic business and continue to look for strategic developments along that direction.

In Hong Kong, the Company further strengthened its market leading position by successfully acquiring a local chain clinics network in September 2007, increasing the total number of clinics in the "Town Health Clinic Chain" to almost 100, and further enhancing our solid patient base. Town Health chain clinics network is now the largest in Hong Kong.

In order to stay focused, the Company has announced the sale of Pacific Medical Group which is principally in the medical equipment distribution business, and also 60% equity interest in United First Investments Limited, a subsidiary engaging in management and consultancy services for dental care business in China, in March and April 2008 respectively. These strategic moves enabled the Group to focus on its core chain clinic business in both Hong Kong and Mainland China markets.

(ii) Entering Mainland China's Healthcare and Pharmaceutical Market

With Town Health's unique competitive edge, the Group believes that it's high time for the group to venture into the mainland healthcare market. It is widely agreed that the mainland healthcare industry has a huge growth potential. Rapid economic growth, increasingly high health awareness, ongoing urbanization and the fast aging Chinese population are among the reasons behind the market growth. The year 2008 also earmarks the year of healthcare reform of the Chinese Central Government. All these provide the Group great opportunities in entering the mainland healthcare market. With the long history of our successful chain clinics operation model, well established infrastructure, expertise and experience, the Group believes that it could enjoy the best competitive advantage when entering into the mainland market and replicating its chain clinics operation model there.

The Group has also aligned with Hong Kong Health Check (stock code: 397) and established a jointly controlled entity to enter into a convertible bonds subscription agreement of Core Healthcare Investment Holdings Limited ("Core Healthcare") (stock code: 8250). This enabled the Group to invest in the pharmaceutical business and distribution network in China through collaboration with other companies.

(iii) Maintaining Operational Excellence

Town Health is equipped with the necessary resources to invest in enhancing its chain clinics core business. The Group has been improving its operating efficiency and internal control systems, and will continue its efforts in controlling the costs and streamlining the manpower deployment so as to improve its overall operating efficiency and thus profitability margin.

Outlook

(i) To Become Premier Clinic Chain Business in Hong Kong

Town Health strives to expand its chain clinics network and to provide first-class general and specialty healthcare services to the public. In the last Policy Address delivered by Chief Executive in October 2007, the Hong Kong Government proposed a 3-year trial scheme in which all elderly residents would be subsidized for seeking primary medical care services in the private market. Other initiatives were also proposed to address the public private imbalance. These government-driven policy changes and initiatives would create an exceptionally favourable environment for the private healthcare industry, and herald a new era of collaboration between public and private healthcare sectors. The Group expects that it could benefit substantially from the future favourable business environment.

(ii) Develop & Manage Chain Clinics Operation in Mainland China

The Group's vision is to become the leading chain clinics operator in the Mainland China market. In April 2008, the Group has entered into an exclusive framework agreement with Ping An Insurance Group ("Ping An") to develop and manage chain clinics in Guangdong province.

The mainland chain clinics project will deliver quality medical services to residents in the Pearl River Delta region initially, and throughout the whole country eventually. Backed up by our strong and reputable Chinese partner, Ping An Insurance Group, Town Health will be the pioneer in the mainland chain clinics market. The group will leverage on its successful chain clinics business model in Hong Kong and replicate the model in Mainland China, a market 185 times bigger than Hong Kong. The rapidly booming mainland healthcare market and the increasing demand for quality clinic services will offer the Group enormous business opportunities.

(iii) Strive to maintain Rapid Growth

Town Health was included in Morgan Stanley Capital International (MSCI) Hong Kong Small Cap Index Series in 2007, an index comprising medium-sized companies with sustainable growth.

Thanks to the past few years' favourable performance results, and the strength of the Group's core business, the Board is now consider investing strategically in its associated companies or subsidiaries so as to capture the growth potential in other healthcare related businesses.

I would like to thank our management and medical team for their excellent work in the past year. Not only have the team successfully managed a growing and challenging business, they have also made key successful strategic development decisions. Their work definitely showed their skills, capabilities and commitment to the full.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial review

The Group posted impressive results for this financial year, continuing its robust growth in the previous years. The Group's revenue from continuing operations rose 43% to a record high of 338,822,614, reflecting strong organic growth. Top-line growth was driven primarily by the core healthcare and dental services business.

Gross profit margin from continuing operations remains stable at 49.4% for the year ended 31st March, 2008. The Group will continue its efforts in controlling the costs and streamlining the manpower deployment so as to improve its overall operating efficiency and thus profitability margin.

Basic earnings per share was HK1.54 cents. This was up from HK1.39 cents a year ago, as adjusted for the effect of a bonus issue of shares, on the basis of two bonus shares for every one existing share held, effective August 2007.

Profit attributable to equity holders of the Group for the year ended 31st March, 2008 was approximately HK\$253,714,000 (2007: HK\$214,850,000). In view of the Group's major Mainland China chain clinics development as well as its plan to expand further the core medical businesses here in Hong Kong, the Board does not recommend the payment of dividend for the year ended 31st March, 2008.

Review of operations

(i) *Established a Strong Clinic Chain Network in Hong Kong*

During the period, the Group's provision of healthcare and dental services achieved strong results. The business made a profit of HK\$33,007,231 during the year, compared with HK\$23,998,835 a year ago. Revenue increased by 42% to HK\$266,561,450. The demand for private medical services continues to grow, partly because of the rapidly aging population.

In September 2007, the Group completed a Sale and Purchase Agreement with Jolly Park Limited in relation to the acquisition of a 100% equity interest comprising 21 medical clinics. Following the completion of the deal, the total number of clinics in the Group's chain network increased to almost 100, and this would further boost the Group's clinic and patient base.

Town Health's clinic chain is continuing its leading position in the healthcare market, thanks to the frontline staff's high professionalism and their dedication to providing high standard and quality medical and specialty services to the public.

(ii) *Tapping into China Healthcare & Medical Market*

The Group has ventured into the pharmaceutical business and distribution network in China, through collaboration with other companies. A jointly controlled entity which is 50% owned by the Group and 50% owned by Hong Kong Health Check entered into an agreement under which Core Healthcare agreed to issue convertible bonds with an aggregate principal amount of HK\$150 million in November 2007. The transaction made the jointly controlled entity the largest shareholder in Core Healthcare.

Liquidity and financial resources

As at 31st March, 2008, the Group had cash and bank balances of approximately HK\$178,375,000 (2007: HK\$75,624,000). Net current assets amounted to approximately HK\$237,573,000 (2007: HK\$297,879,000). Current ratio (defined as total current assets divided by total current liabilities) was 2.2 (2007: 4.0).

As at 31st March, 2008, the Group had outstanding bank and other borrowings of approximately HK\$109,342,000 (2007: HK\$53,022,000). The bank borrowings bore interest at prevailing market rates and repayable in accordance with the relevant loan agreements.

Capital Structure

As at 31st March, 2008, the Group had shareholders' equity of approximately HK\$1,064,143,000 (2007: HK\$436,587,000).

As at 31st March, 2008, gearing ratio (defined as total long-term liabilities divided by total shareholders' equity) was 2.4% (2007: 6.0%). Major currencies used for the Group's transactions were Hong Kong Dollars and Renminbi. As the fiscal policy of the Central Government of the People's Republic of China in relation to Renminbi is stable throughout the year, the Group considers that the potential foreign exchange exposure of the Group is limited.

Employee information

As at 31st March, 2008, there were approximately 548 staff members (2007: 448) employed by the Group. The remuneration policies are formulated on the basis of performance of individual employees and the prevailing salaries' trends in the various regions. They are subject to be reviewed every year. The Group also provided employee training programs, a mandatory provident fund scheme and discretionary bonuses. Share options are awarded to employees on a merit basis.

Contingent liabilities

At 31st March, 2008, the Group had no significant contingent liabilities.

Pledge of Assets

At 31st March, 2008, certain property, plant and equipment, investment properties and prepaid leases payment of the Group with the carrying value of HK\$4,075,000 (2007: HK\$994,000), HK\$42,175,000 (2007: HK\$38,125,000) and HK\$2,368,048 (2007: NIL) respectively and bank deposits of HK\$10,000,000 (2007: HK\$10,000,000) were pledged to secure general bank facilities granted to the Group.

Capital commitments

At 31st March, 2008, the Group had capital expenditure contracted for but not provided in the consolidated financial statements in respect of the acquisition of property, plant and equipment of approximately HK\$1,712,000 (2007: approximately HK\$2,257,000).

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 audited results for the year ended 31st March, 2008.

Purchase, sale or redemption of shares

During the year, the Company repurchased a total of 12,030,000 ordinary shares of HK\$0.01 each on The Stock Exchange at an aggregate price of HK\$1,461,104 representing an average price of HK\$0.12 paid for each share repurchased. All of these shares were cancelled upon repurchase.

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.

Corporate Governance

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

The Company has adopted the code provisions set out in the Code on Corporate Governance Practices (the “Code”) contained in Appendix 15 to the GEM Listing Rules. The Company has complied with all the applicable code provisions in the Code throughout the year ended 31st March, 2008.

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

Hong Kong, 20th June, 2008

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, Dr. Ronnie Hui Ka Wah JP 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 date of its publication and on the website of the Company at <http://www.townhealth.com>.