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

(Incorporated in the Cayman Islands and continued in Bermuda with limited liability)

(Stock Code: 3886)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2010

FINANCIAL HIGHLIGHTS

For the six months ended 30 June 2010:

– The Group recorded revenue of approximately HK$253,520,000 (1 April 2009 to 30 September 2009: approximately HK$301,298,000)

– The Group recorded a profit of approximately HK$21,198,000 (1 April 2009 to 30 September 2009: approximately HK$42,765,000)

As at 30 June 2010:

– The Group had a current ratio (defined as total current assets divided by total current liabilities) of 7.4 and a gearing ratio (defined as total bank and other borrowings divided by equity attributable to owners of the Company) of 0.8%.

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2010. (1 April 2009 to 30 September 2009: Nil)

RESULTS

The board of directors (the "Board") of Town Health International Investments Limited (the "Company") is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2010, together with the comparative unaudited figures for the six months ended 30 September 2009, as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	**1 January 2010 to 30 June 2010 (unaudited)** ***HK$'000***	1 April 2009 to 30 September 2009 (unaudited) *HK$'000*
Gross proceeds from operations	*4*	**589,175**	606,543
Revenue	*4*	**253,520**	301,298
Cost of sales		**(175,180)**	(208,425)
Gross profit		**78,340**	92,873
Other income	*6*	**15,935**	11,220
Administrative expenses			
– Others		**(90,741)**	(106,203)
– Share-based payment expenses		**(6,035)**	(4,831)
Finance costs	*7*	**(569)**	(403)
Gain on fair value changes on held for trading investments		**17,685**	53,756
Share of results of associates		**1,040**	1,039
Gain on disposal of subsidiaries		**10,189**	–
Gain on disposal of an associate		**–**	1,437
Gain on disposal of an investee		**–**	437
Profit before tax	*8*	**25,844**	49,325
Income tax expenses	*9*	**(4,646)**	(6,560)
Profit for the period		**21,198**	42,765
Profit for the period attributable to:			
Owners of the Company		**16,967**	37,422
Non-controlling interests		**4,231**	5,343
		21,198	42,765

	Notes	**1 January 2010 to 30 June 2010 (unaudited)** *HK$'000*	1 April 2009 to 30 September 2009 (unaudited) *HK$'000*
Earnings per share	*11*		
– Basic		**HK$0.04**	HK$0.12
– Diluted		**HK$0.04**	HK$0.12
Other comprehensive (expenses) income			
Fair value (loss) gain on available-for-sale financial assets		**(94,287)**	29,345
Total comprehensive (expenses) income for the period		**(73,089)**	72,110
Total comprehensive (expenses) income attributable to:			
Owners of the Company		**(77,320)**	66,767
Non-controlling interests		**4,231**	5,343
		(73,089)	72,110

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	30 June 2010 (unaudited) HK$'000	31 December 2009 (audited) HK$'000
Non-current assets			
Investment properties		**145,215**	132,975
Property, plant and equipment		**162,576**	165,567
Prepaid lease payments		**33,638**	34,018
Loans receivable	*12*	**147,135**	31,260
Goodwill		**35,570**	63,838
Intangible assets		**17,056**	15,824
Interests in associates		**245,395**	172,535
Available-for-sale investments		**180,842**	275,129
		967,427	891,146
Current assets			
Inventories		**20,965**	44,463
Trade and other receivables	*13*	**89,458**	100,169
Prepaid lease payments		**795**	795
Held for trading investments		**277,119**	110,514
Loans receivable	*12*	**2,614**	1,730
Amounts due from associates		**14,869**	3,997
Amounts due from investees		**63**	182
Amount due from a related party		**–**	5
Tax recoverable		**1,710**	5,945
Pledged bank deposits		**5,006**	5,005
Bank balances and cash		**262,824**	155,306
		675,423	428,111
Assets classified as held for sale		**–**	8,025
		675,423	436,136

	Notes	**30 June 2010 (unaudited) *HK$'000***	31 December 2009 (audited) *HK$'000*
Current liabilities			
Trade and other payables	*14*	**55,558**	96,235
Amounts due to associates		**9,813**	–
Amount due to an investee		**302**	303
Amounts due to non-controlling shareholders of subsidiaries		**2,693**	2,693
Secured bank and other borrowings – due within one year		**11,415**	12,548
Tax payable		**11,616**	13,050
		91,397	124,829
Liabilities associated with assets classified as held for sale		**–**	13,050
		91,397	137,879
Net current assets		**584,026**	298,257
Total assets less current liabilities		**1,551,453**	1,189,403
Non-current liability			
Deferred tax liabilities		**5,603**	5,603
		1,545,850	1,183,800
Capital and reserves			
Share capital	*15*	**9,112**	3,237
Reserves		**1,504,423**	1,117,634
Equity attributable to owners of the Company		**1,513,535**	1,120,871
Non-controlling interests		**32,315**	62,929
Total equity		**1,545,850**	1,183,800

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL

The Company was formerly an exempted company with limited liability incorporated in the Cayman Islands. On 5 May 2009, the Company de-registered from the Cayman Islands and redomiciled in Bermuda as an exempted company under the laws of Bermuda. The Company listed its shares on The Stock Exchange of Hong Kong Limited ("Stock Exchange").

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

2. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") and with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

During the last financial period, the reporting date of the Group was changed from 31 March to 31 December because the directors of the Group determined to bring the annual reporting date of the Group in line with that of the statutory year end date of certain PRC operating subsidiaries acquired during the last period having financial year end on 31 December. Such alignment will facilitate the preparation of the Group's consolidated financial statements. Accordingly, the condensed consolidated financial statements for the current period cover the six months' period ended 30 June 2010. The corresponding comparative amounts shown for the condensed consolidated statement of comprehensive income and related notes cover a six-month period from 1 April 2009 to 30 September 2009 and therefore may not be comparable with amounts shown for the current period.

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

The condensed consolidated financial statements have been prepared under the historical cost basis, except for certain properties and financial instruments which are measured at fair values or revalued amounts, as appropriate.

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the nine months ended 31 December 2009.

In the current period, the Group has applied the following amendments and interpretations issued by the HKICPA which are or have become effective.

HKFRSs (Amendments)	Amendments to HKFRS 5 as a part of improvements to HKFRSs issued in 2008
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009
HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKAS 39 (Amendments)	Eligible Hedged Items
HKFRS 2 (Amendments)	Group Cash-settled Share-based Payment Transaction
HKFRS 3 (Revised)	Business Combinations
HK(IFRIC)-Int 17	Distributions of Non-cash Assets to Owners

HKAS 27 (Revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary.

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 1 July 2009.

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

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2010[1]
HKAS 24 (Revised)	Related Party Disclosures[4]
HKAS 32 (Amendments)	Classification of Right Issues[2]
HKFRS 9	Financial Instruments (relating to the classification and measurement of financial assets)[5]
HK(IFRIC)-Int 14 (Amendments)	Prepayments of a Minimum Funding Requirement[4]
HK(IFRIC)-Int 19	Extinguishing Financial Liabilities with Equity Instruments[3]

1 Effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate
2 Effective for annual periods beginning on or after 1 February 2010
3 Effective for annual periods beginning on or after 1 July 2010
4 Effective for annual periods beginning on or after 1 January 2011
5 Effective for annual periods beginning on or after 1 January 2013

The Group is in the process of making an assessment of what the impact of these amendments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Group's financial statements.

4. GROSS PROCEEDS FROM OPERATIONS AND REVENUE

Revenue represents the aggregate of the net amounts received and receivable from third parties for the period.

Gross proceeds from operations include the gross proceeds received and receivable under the business of securities trading and investments, in addition to the revenue.

An analysis of the Group's gross proceeds from operations for the period is as follows:

	1 January 2010 to 30 June 2010 *HK$'000*	1 April 2009 to 30 September 2009 *HK$'000*
Provision of healthcare and dental services	**138,305**	136,776
Sales of healthcare and pharmaceutical products	**106,375**	158,449
Others	**8,840**	6,073
Revenue	**253,520**	301,298
Gross proceeds from securities trading and investments	**335,655**	305,245
Gross proceeds from operations	**589,175**	606,543

5. **SEGMENT INFORMATION**

Segment revenue and results

For the six months ended 30 June 2010

	Provision of healthcare and dental services *HK$'000*	Sales of healthcare and pharmaceutical products *HK$'000*	Securities trading and investments *HK$'000*	Others *HK$'000*	Total *HK$'000*
GROSS PROCEEDS FROM OPERATIONS – SEGMENT REVENUE	138,305	106,375	335,655	8,840	589,175
RESULTS					
Segment results	10,872	9,708	23,434	(2,141)	41,873
Other income					10,186
Unallocated corporate expense					(30,840)
Share-based payment expenses					(6,035)
Finance costs					(569)
Gain on disposal of subsidiaries					10,189
Share of results of associates					1,040
Profit before tax					25,844
Income tax expenses					(4,646)
Profit for the period					21,198

For the six months ended 30 September 2009

	Provision of healthcare and dental services *HK$'000*	Sales of healthcare and pharmaceutical products *HK$'000*	Securities trading and investments *HK$'000*	Others *HK$'000*	Total *HK$'000*
GROSS PROCEEDS FROM OPERATIONS – SEGMENT REVENUE	136,776	158,449	305,245	6,073	606,543
RESULTS					
Segment results	9,669	10,920	54,280	(1,740)	73,129
Other income					10,696
Unallocated corporate expense					(32,179)
Share-based payment expenses					(4,831)
Finance costs					(403)
Gain on disposal of an associate					1,437
Gain on disposal of an investee					437
Share of results of associates					1,039
Profit before tax					49,325
Income tax expenses					(6,560)
Profit for the period					42,765

Geographical information

The Group's operations are located in Hong Kong and the PRC. Provision of healthcare and dental services, and securities trading and investments are carried out in Hong Kong. Sales of healthcare and pharmaceutical products are carried out in the PRC and Hong Kong.

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

	1 January 2010 to 30 June 2010 *HK$'000*	1 April 2009 to 30 September 2009 *HK$'000*
Hong Kong	**153,399**	165,385
PRC	**100,121**	135,913
	253,520	301,298

6. OTHER INCOME

	1 January 2010 to 30 June 2010 *HK$'000*	1 April 2009 to 30 September 2009 *HK$'000*
Interest income	**275**	1,228
Rental income	**3,621**	3,887
Dividend income	**5,749**	524
Sundry income	**6,290**	5,581
	15,935	11,220

7. FINANCE COSTS

	1 January 2010 to 30 June 2010 *HK$'000*	1 April 2009 to 30 September 2009 *HK$'000*
Interest on bank loans and overdrafts	**569**	401
Others	**–**	2
	569	403

8. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging:

	1 January 2010 to 30 June 2010 *HK$'000*	1 April 2009 to 30 September 2009 *HK$'000*
Depreciation	**4,504**	4,454
Release of prepaid lease payments	**397**	91
Amortisation of intangible assets	**1,818**	1,888

9. INCOME TAX EXPENSES

	1 January 2010 to 30 June 2010 *HK$'000*	1 April 2009 to 30 September 2009 *HK$'000*
The charge comprises:		
Hong Kong Profits Tax	**2,982**	4,946
PRC Enterprise Income Tax	**1,664**	1,614
	4,646	6,560

Hong Kong profits tax is calculated at 16.5% (1 April 2009 to 30 September 2009: 16.5%) of the estimated assessable profits for the period. Share of tax attributable to associates amounting to HK$595,000 (1 April 2009 to 30 September 2009: HK$144,000) is included in "Share of results of associates" on the face of the unaudited condensed consolidated statement of comprehensive income. PRC Enterprise Income Tax is calculated at the rates prevailing in the respective jurisdictions.

10. DIVIDENDS

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2010 (1 April 2009 to 30 September 2009: Nil).

11. EARNINGS PER SHARE

The calculation of the basic earnings per share for the six months ended 30 June 2010 is based on the unaudited profit attributable to owners of the Company of HK$16,967,000 (1 April 2009 to 30 September 2009: HK$37,422,000) and the weighted average number of 475,841,119 shares (1 April 2009 to 30 September 2009: 302,036,306 shares) in issue during the period.

The calculation of the diluted earnings per share for the six months ended 30 June 2010 is based on the unaudited profit attributable to owners of the Company of HK$16,967,000 (1 April 2009 to 30 September 2009: HK$37,422,000) and 475,869,213 shares (1 April 2009 to 30 September 2009: 302,072,770 shares), being the weighted average number of shares outstanding during the period, adjusted for the effect of all potential dilutive shares.

12. LOANS RECEIVABLE

	30 June 2010 *HK$'000*	31 December 2009 *HK$'000*
Senior notes, at cost	**116,220**	–
Fixed-rate loans receivable	**33,529**	32,990
	149,749	32,990

The senior notes represent the investment in the five-year interest-bearing senior notes (13.5% per annum) issued by Kaisa Group Holdings Ltd., a company incorporated in the Cayman Islands and the five-year interest-bearing senior notes (14.0% per annum) issued by Fantasia Holdings Group Company Limited, a company incorporated in the Cayman Islands respectively. Both senior notes are denominated in USD.

13. TRADE AND OTHER RECEIVABLES

	30 June 2010	31 December 2009
	HK$'000	*HK$'000*
Trade receivables	**20,177**	43,889
Less: allowance for doubtful debts	**–**	(1,810)
	20,177	42,079
Prepayments, deposits and other receivables	**69,281**	58,090
	89,458	100,169

An aged analysis of trade receivables at the reporting date is as follows:

	30 June 2010	31 December 2009
	HK$'000	*HK$'000*
0-60 days	**11,998**	33,096
61-120 days	**5,229**	6,811
121-180 days	**2,634**	2,841
181-240 days	**237**	193
241-360 days	**79**	948
	20,177	43,889

The Group allows its trade customers with an average credit period of 60 days to 240 days.

14. TRADE AND OTHER PAYABLES

	30 June 2010	31 December 2009
	HK$'000	*HK$'000*
Trade payable	**17,815**	32,917
Other payables and accruals	**37,743**	63,318
	55,558	96,235

An aged analysis of trade payables at the reporting date is as follows:

	30 June 2010	31 December 2009
	HK$'000	*HK$'000*
0-60 days	**8,587**	25,990
61-120 days	**3,142**	1,627
121-240 days	**6,086**	5,152
Over 240 days	**–**	148
	17,815	32,917

15. SHARE CAPITAL

	Number of shares	Amount *HK$'000*
Authorised:		
As at 31 December 2009 and 30 June 2010	30,000,000,000	300,000
Issued and fully paid:		
As at 31 December 2009	323,694,710	3,237
Issue of shares by way of placements (Note)	587,500,000	5,875
As at 30 June 2010	911,194,710	9,112

Note:

In April 2010, the Company placed, through the placing agent, 150,000,000 ordinary shares of HK$0.01 each in the capital of the Company to independent investors at a price of HK$0.81 per share.

In May 2010, the Company placed, through the placing agent, 192,000,000 ordinary shares of HK$0.01 each in the capital of the Company to independent investors at a price of HK$0.81 per share.

In June 2010, the Company placed, through the placing agent, 245,500,000 ordinary shares of HK$0.01 each in the capital of the Company to independent investors at a price of HK$0.81 per share.

MANAGEMENT DISCUSSION AND ANALYSIS

Change of financial year end date and company name

The Company has changed its financial year end date from 31 March to 31 December effective from the financial year ended 31 December 2009. As a result of the change in the financial year end date, the current interim period covers the six-month period from 1 January 2010 to 30 June 2010.

During the period under review, the Group successfully diversified its core business into the securities trading and investments business. To better reflect the Group's plan to diversify into investment and asset management business and to provide the Company with a new corporate identity and image, the Board has changed the name of the Company to "Town Health International Investments Limited" and "康健國際投資有限公司" in Chinese in the second quarter of 2010.

Financial review

The Group announced satisfactory results for the period under review. Turnover amounted to HK$253,520,000 (1 April 2009 to 30 September 2009: HK$301,298,000) and profit approximately HK$21,198,000 for the period (1 April 2009 to 30 September 2009: HK$42,765,000). Gross profit margin for the six months ended 30 June 2010 was 30.9% (1 April 2009 to 30 September 2009: 30.8%). Basic earnings per share were HK$0.04.

Review of operations

Healthy Growth in Healthcare and Dental Services

With our extensive medical network and comprehensive services, the Group's healthcare and dental services business enjoyed steady growth and the business segment remained the key revenue driver for the Group. During the period under review, the Group's healthcare and dental services division achieved a turnover of approximately HK$138,305,000, accounting for 54.6% of the Group's revenue.

During the period, the Group expanded the clinic network progressively to different districts in Hong Kong and broadened its specialist outpatient services, reaching nearly 90 clinics/integrated healthcare centres in total.

Meanwhile, the Group continued to seek opportunities for establishing our foothold in the PRC. The project with Ping An Insurance Group for the provision of management and consultancy services to poly-clinics and health check centre in Guangdong Province has been developing satisfactorily.

Betterment of Healthcare and Pharmaceutical Products Segment

During the period under review, the Group further expanded, restructured and streamlined its mainland pharmaceutical business to take advantage of the PRC medical reform plan.

In January 2010, by reason of its unsatisfactory financial and operational performances, the Group disposed of the entire equity interest in 海南泓鋭醫藥有限公司 (unofficial English translation being Hainan Hong Rui Pharmaceutical Co. Ltd.), an indirect non wholly-owned subsidiary of the Company, which was principally engaged in the distribution of pharmaceutical products in the PRC, at a consideration of RMB1 million (equivalent to HK$1.14 million). The disposal is to the benefit to the Group and will help optimize the shareholders' return in the future.

In March 2010, the Group acquired the entire issued share capital of Jet Rich Investment Limited, a company incorporated in Hong Kong whose sole asset is the entire equity interest in 北京創新美凱科技開發有限公司 (unofficial English translation being Beijing Chuang Xin Mei Kai Technology Development Company Limited) ("Beijing Chuang Xin"), a wholly foreign-owned enterprise established in the PRC. Beijing Chuang Xin is principally engaged in technology development and promotion of medicines for cardio-cerebrovascular, anti-tumour, diabetes and hepatic-related diseases. The Group will make all the registered capital contribution of Beijing Chuang Xin in the amount of HK$30 million, of which HK$15 million was made during the period.

In June 2010, the Group completed the disposal of 3% of the issued share capital of Max Goodrich International Limited ("Max Goodrich") at a consideration of HK$4.80 million to Mr. He Lin Xing who is the director and legal representative of certain subsidiaries of Max Goodrich in the PRC. Max Goodrich and its subsidiaries (the "Max Goodrich Group") are principally engaged in distribution of Chinese herbal medicine, chemical raw pharmaceutical, antibiotics, biomedical and other pharmaceutical products in the PRC. The transaction will secure Mr. He's long term commitment and contribution to the Max Goodrich Group, which will be invaluable to the growth and development of the Max Goodrich Group's business.

Impressive Returns of Securities Trading and Investments

The investment portfolio of the Group included listed and unlisted securities as well as retail and office properties in prime locations. In April 2010, the Group subscribed for 54,000,000 new shares (equivalent to 9,000,000 shares before distribution of bonus shares) and acquired 11,400,000 shares (equivalent to 1,900,000 shares before distribution of bonus shares) of Bonjour Holdings Limited ("Bonjour") (Stock code: 653) on market. Bonjour and its subsidiaries are principally engaged in the retail and wholesale of brand name beauty and healthcare products, as well as the operation of beauty and health salons in Hong Kong. The Group is expected to benefit from the synergy created together with Bonjour in areas of healthcare and related business. The investment is also expected to provide the Group with good recurring returns in dividends.

Benefited from the growth of the Hong Kong stock market, the Group had impressive returns in the securities trading and investments business. During the period under review, revenue generated from the securities trading and investments business amounted to HK$335,655,000, representing approximately 57.0% of the Group's total gross proceeds from operations.

All investment activities were carried out under prudent risk management and the Group will cautiously monitor its investments. We believe that our investments will enhance both investment returns and shareholders' value.

Solid Liquidity Position

After completion of the three tranches of placing during the period under review, an aggregate of 587,500,000 new shares at HK$0.81 per share were allotted and issued by the Company. The net proceeds therefrom of approximately HK$463,948,000 will be used for asset investment, and acquisition of healthcare or non-healthcare related investment, with stable and good return as well as general working capital of the Group.

As of 30 June 2010, the Group held cash and cash equivalents of HK$262,824,000 (30 September 2009: HK$181,529,000). The Group has exercised a prudent development and expansion plan, emphasizing a low gearing and debt ratio and maintaining ample recurring cash flow. Building on the strong fundamentals of a solid balance sheet and financial flexibility, the Group is well positioned to seize and capture any growth opportunities.

Outlook

Strengthen Leading Position in Healthcare and Medical Services Business

As the pioneer in the chain clinic business, the Group continues to be the leading healthcare and medical services group in Hong Kong. The Group always strives for professionalism, service excellence as well as sustainable growth. On top of the business expansion in Hong Kong, its development plan in the PRC rolled out smoothly, with the management and consultancy services to poly-clinics and health check centre in Guangdong Province started. According to the PRC's medical reform plan, RMB850 billion will be spent by 2011 to provide universal medical coverage, so that at least 90% of the population will have basic medical coverage. The Group is very positive on the growth prospect of the PRC business sector and will also actively look for investment opportunities in healthcare related businesses in the PRC.

Grasp the Opportunities in the Pharmaceutical Sector

In light of the booming PRC pharmaceutical market, and the opportunities brought by the PRC medical reform, the Group has optimized its pharmaceutical division through disposal and acquisitions during the period under review. The Group is better positioned to greatly expand its pharmaceutical business spanning from technology development and promotion of medicines for cardio-cerebrovascular, anti-tumour, diabetes and hepatic-related diseases, to distribution of Chinese herbal medicine, western medicine, chemical raw pharmaceutical, antibiotics, biomedicine and other pharmaceutical products.

The Group also launched health supplement in Hong Kong under "th's life" (康健生活) brand in its chain clinics. Meanwhile, negotiation with other large chain distribution networks is in the pipeline to further expand the sales network. We are confident that the pharmaceutical products and health supplement businesses will bring profits to the Group in the long run, leveraging our reputation, professional knowledge and extensive client base.

Remain Cautiously Optimistic in Securities and Asset Investment

The securities trading and investments segment has brought impressive returns to our shareholders for the period under review. The pledge by the US Federal Reserve in the second quarter of 2010 to keep interest rates at exceptionally low levels for an extended period suggested that an investor-friendly environment will continue to prevail. Supported by abundant financial resources, we are cautiously optimistic about the prospects of the stock and property markets and will actively look for investment opportunities. The Group is dedicated to diversifying its investment into the property and securities markets, so as to effectively hedge our business risks and generate better returns for our shareholders.

Renovate and Relocate to Office Block

In addition, the Group has acquired a full-block building in Shatin and renovation was underway during the period under review. It will be officially opened in the second half of 2010, and all divisions of the Group could move in. This will help enhance productivity, operating efficiency and employees' sense of belongings by centralizing the various divisions of the Group.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2010, the Group held cash and bank balances of approximately HK$262,824,000 (31 December 2009: approximately HK$155,306,000). The Group had bank borrowings of approximately HK$11,415,000 which are all repayable within one year (31 December 2009: approximately HK$12,548,000). Net current assets amounted to approximately HK$584,026,000 (31 December 2009: approximately HK$298,257,000). Current ratio (defined as total current assets divided by total current liabilities) was 7.4 (31 December 2009: 3.2).

As at 30 June 2010, gearing ratio (defined as total bank and other borrowings divided by equity attributable to owners of the Company) was 0.8% (31 December 2009: 1.1%). Major currencies used for the Group's transactions were Hong Kong Dollars, Renminbi and US Dollars. As Hong Kong Dollars are pegged to the US Dollars and the fiscal policy of the Central Government of the PRC in relation to Renminbi is stable throughout the period, the Group considers that the potential foreign exchange exposure of the Group is limited.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2010, the Group had 749 full time employees, 78% of whom were located in Hong Kong. The Group remunerates its employees mainly based on industry practices and individual performance and experience. On top of the regular remuneration, discretionary bonus and share options may be granted to selected staff by reference to the Group's performance as well as the individual's performance. Other benefits, such as medical and retirement benefits and training programs, are also provided.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2010.

CORPORATE GOVERNANCE

In the opinion of the directors of the Company, the Company has complied with the code provisions as set out in the Code on Corporate Governance Practices in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited throughout the six months ended 30 June 2010.

AUDIT COMMITTEE

The audit committee currently comprises three independent non-executive directors, namely Mr. Chan Kam Chiu, Mr. Ho Kwok Wah, George and Mr. Wai Kwok Hung, *SBS, JP*. The audit committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed the internal control and financial reporting matters including the review of the unaudited financial statements of the Group for the six months ended 30 June 2010.

By order of the Board
Town Health International Investments Limited
Cho Kwai Chee
Executive Director

Hong Kong, 25 August 2010

As at the date of this announcement, the executive directors of the Company are Miss Choi Ka Yee, Crystal, Dr. Cho Kwai Chee, Mr. Lee Chik Yuet and Dr. Hui Ka Wah, Ronnie, JP; the non-executive director of the Company is Dr. Choi Chee Ming, GBS, JP; and the independent non-executive directors of the Company are Mr. Chan Kam Chiu, Mr. Ho Kwok Wah, George and Mr. Wai Kwok Hung, SBS, JP.