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 RESULTS FOR THE YEAR ENDED 31 DECEMBER 2010

FINANCIAL HIGHLIGHTS

For the year ended 31 December 2010:

– The Group recorded revenue from continuing operations of approximately HK$307,447,000 (1.4.2009 to 31.12.2009: approximately HK$245,100,000)

– The Group recorded a profit for the year of approximately HK$104,399,000 (1.4.2009 to 31.12.2009: loss for the period of approximately HK$12,223,000)

As at 31 December 2010:

– The Group held bank balances and cash of approximately HK$369,510,000 (31.12.2009: approximately HK$155,306,000)

– The Group had a current ratio (defined as total current assets divided by total current liabilities) of 4.74 and a gearing ratio (defined as total bank borrowing divided by equity attributable to owners of the Company) of 6.12%.

– The Group had total assets amounted to approximately HK$1,770,087,000 (31.12.2009: approximately HK$1,327,282,000)

The Board recommends the payment of a final dividend of HK$0.05 per share (1.4.2009 to 31.12.2009: Nil).

RESULTS

The board of directors (the "Board") of Town Health International Investments Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2010, together with the comparative figures for the nine months ended 31 December 2009, as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	**(Twelve months) 1.1.2010 to 31.12.2010** ***HK$'000***	(Nine months) 1.4.2009 to 31.12.2009 *HK$'000*
Continuing operations			
Gross proceeds from continuing operations	*4&5*	**1,425,962**	620,084
Revenue	*4*	**307,447**	245,100
Cost of sales		**(206,044)**	(153,820)
Gross profit		**101,403**	91,280
Other income		**38,219**	13,742
Administrative expenses			
– Others		**(190,347)**	(142,440)
– Share-based payment expenses		**(29,538)**	(4,831)
Other expenses, gains and losses	*6*	**263,315**	20,383
Finance costs	*7*	**(869)**	(157)
Gain on deemed disposal/disposal of an associate		**100**	1,437
Gain on disposal of subsidiaries		**1,853**	141
Share of results of associates		**(37,161)**	(7,497)
Increase in fair value of investment properties		**25,568**	11,727
Profit (loss) before tax		**172,543**	(16,215)
Income tax expenses	*8*	**(45,595)**	(5,766)
Profit (loss) for the year/period from continuing operations		**126,948**	(21,981)
Discontinued operations			
(Loss) profit for the year/period from discontinued operations		**(22,549)**	9,758
Profit (loss) for the year/period	*9*	**104,399**	(12,223)

	Notes	(Twelve months) 1.1.2010 to 31.12.2010 HK$'000	(Nine months) 1.4.2009 to 31.12.2009 HK$'000
Other comprehensive (expense) income for the year/period			
Reclassification adjustments for the accumulative gain included in profit or loss upon disposal of available-for-sale investments		**(27,456)**	–
Fair value (loss) gain on available-for-sale financial assets		**(130,667)**	205,539
Total comprehensive (expense) income for the year/period		**(53,724)**	193,316
Profit (loss) for the year/period attributable to:			
Owners of the Company			
Profit (loss) for the year/period from continuing operations		**124,669**	(26,646)
(Loss) profit for the year/period from discontinued operations		**(30,048)**	3,059
Profit (loss) for the year/period attributable to owners of the Company		**94,621**	(23,587)
Non-controlling interests			
Profit for the year/period from continuing operations		**2,279**	4,665
Profit for the year/period from discontinued operations		**7,499**	6,699
Profit for the year/period attributable to non-controlling interests		**9,778**	11,364
		104,399	(12,223)

	Notes	**(Twelve months) 1.1.2010 to 31.12.2010** ***HK$'000***	(Nine months) 1.4.2009 to 31.12.2009 *HK$'000*
Total comprehensive (expense) income attributable to:			
Owners of the Company		**(63,502)**	181,952
Non-controlling interests		**9,778**	11,364
		(53,724)	193,316
Earnings (loss) per share (HK$)	*11*		
– Basic		**0.14**	(0.08)
– Diluted		**0.14**	(0.08)
From continuing operations (HK$)	*11*		
– Basic		**0.18**	(0.09)
– Diluted		**0.18**	(0.09)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	31.12.2010 HK$'000	31.12.2009 HK$'000 (restated)	1.4.2009 HK$'000 (restated)
Non-current assets				
Investment properties		**191,950**	132,975	39,215
Property, plant and equipment		**197,285**	174,652	29,169
Prepaid lease payments		**–**	25,175	–
Loans receivable		**29,365**	31,260	18,476
Goodwill		**7,463**	63,838	36,064
Other intangible assets		**4,602**	15,824	9,372
Interests in associates		**262,535**	172,535	118,402
Available-for-sale investments		**113,376**	275,129	39,916
Deposits paid on acquisition of property, plant and equipment		**–**	–	2,200
Deposits paid on acquisition of interest in a subsidiary		**–**	–	51,255
		806,576	891,388	344,069
Current assets				
Inventories		**8,550**	44,463	8,687
Trade and other receivables	*12*	**58,395**	100,169	43,593
Prepaid lease payments		**–**	553	–
Held for trading investments		**459,861**	110,514	33,708
Loans receivable		**16,890**	1,730	6,094
Amounts due from associates		**43,447**	3,997	9,025
Amounts due from investees		**10**	182	1,741
Amount due from a related party		**–**	5	458
Amounts due from non-controlling interests of subsidiaries		**–**	–	464
Tax recoverable		**1,836**	5,945	4,490
Pledged bank deposits		**5,012**	5,005	5,000
Bank balances and cash		**369,510**	155,306	484,549
		963,511	427,869	597,809
Assets classified as held for sale		**–**	8,025	–
		963,511	435,894	597,809

	Notes	**31.12.2010**	31.12.2009	1.4.2009
		HK$'000	*HK$'000*	*HK$'000*
			(restated)	(restated)
Current liabilities				
Trade and other payables	*13*	**51,924**	96,235	24,171
Amounts due to associates		**10,620**	–	–
Amount due to investee		**339**	303	2,244
Amounts due to non-controlling interests of subsidiaries		**2,693**	2,693	4,165
Amount due to a related party		**1**	–	16
Bank borrowing	*14*	**95,000**	12,548	–
Tax payable		**42,503**	13,050	10,446
		203,080	124,829	41,042
Liabilities associated with assets classified as held for sale		**–**	13,050	–
		203,080	137,879	41,042
Net current assets		**760,431**	298,015	556,767
Total assets less current liabilities		**1,567,007**	1,189,403	900,836
Non-current liability				
Deferred tax liabilities		**9,849**	5,603	3,738
		1,557,158	1,183,800	897,098
Capital and reserves				
Share capital	*15*	**9,112**	3,237	296,805
Reserves		**1,542,389**	1,117,634	595,303
Equity attributable to owners of the Company		**1,551,501**	1,120,871	892,108
Non-controlling interests		**5,657**	62,929	4,990
Total equity		**1,557,158**	1,183,800	897,098

NOTES TO 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 registered in Bermuda as an exempted company under the laws of Bermuda.

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

2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

During the period ended 31 December 2009, the reporting date of the Group was changed from 31 March to 31 December because the directors of the Group determine 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 having financial year end on 31 December. Such alignment will facilitate the preparation of the Group's consolidated financial statements. Accordingly, the corresponding comparative amounts shown for the consolidated statement of comprehensive income and related notes cover a nine months period from 1 April 2009 to 31 December 2009 and therefore may not be comparable with amounts shown for the current year.

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

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

HKFRS 2 (Amendments)	Group Cash-settled Share-based Payment Transactions
HKFRS 3 (as revised in 2008)	Business Combinations
HKAS 27 (as revised in 2008)	Consolidated and Separate Financial Statements
HKAS 39 (Amendments)	Eligible Hedged Items
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009
HKFRSs (Amendments)	Amendments to HKFRS 5 as part of Improvements to HKFRSs issued in 2008
HK(IFRIC) – Int 17	Distributions of Non-cash Assets to Owners
HK – Int 5	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

Except for described below, the application of the new and revised Standards and Interpretations in the current year has had no material effect on the amounts reported in these consolidated financial statements and/or disclosures set out in these consolidated financial statements.

The application of HKFRS 3, HKAS 27 and HKAS 28 has resulted in changes in the Group's accounting policies but has had no impact on the consolidated financial statements of the Group for the current and prior periods.

Amendments to HKAS 17 Leases

As part of Improvements to HKFRSs issued in 2009, HKAS 17 Leases has been amended in relation to the classification of leasehold land. Before the amendments to HKAS 17, the Group was required to classify leasehold land as operating leases and to present leasehold land as prepaid lease payments in the consolidated statement of financial position. The amendments to HKAS 17 have removed such a requirement. The amendments require that the classification of leasehold land should be based on the general principles set out in HKAS 17, that is, whether or not substantially all the risks and rewards incidental to ownership of a leased asset have been transferred to the lessee.

In accordance with the transitional provisions set out in the amendments to HKAS 17, the Group reassessed the classification of unexpired leasehold land as at 1 January 2010 based on information that existed at the inception of the leases. Leasehold land that qualifies for finance lease classification has been reclassified from prepaid lease payment to property, plant, and equipment retrospectively. This resulted in prepaid lease payments with the carrying amounts of HK$9,267,000 and HK$9,085,000 as at 1 April 2009 and 31 December 2009 respectively being reclassified to property, plant and equipment.

As at 31 December 2010, leasehold land that qualifies for finance lease classification with the carrying amount of approximately HK$8,598,000 has been included in property, plant and equipment. The application of the amendments to HKAS 17 has had no impact on the reported profit or loss for the current and prior years.

The effects of the above changes in accounting policies on the financial positions of the Group as at 1 April 2009 and 31 December 2009 are as follows:

	As at 1.4.2009 (originally stated)	Adjustments	As at 1.4.2009 (restated)	As at 31.12.2009 (originally stated)	Adjustments	As at 31.12.2009 (restated)
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Property, plant and equipment	19,902	9,267	29,169	165,567	9,085	174,652
Prepaid lease payment – non-current	9,025	(9,025)	–	34,018	(8,843)	25,175
Prepaid lease payment – current	242	(242)	–	795	(242)	553
	29,169	–	29,169	200,380	–	200,380

Hong Kong Interpretation 5 Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

Hong Kong Interpretation 5 Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause ("HK Int 5") clarifies that term loans that include a clause that gives the lender the unconditional right to call the loans at any time ("repayment on demand clause") should be classified by the borrower as current liabilities. The Group has applied HK Int 5 for the first time in the current year. Hong Kong Interpretation 5 requires retrospective application.

In order to comply with the requirements set out in HK Int 5, the Group has changed its accounting policy on classification of term loans with a repayment on demand clause. In the past, the classification of such term loans were determined based on the agreed scheduled repayment dates set out in the loan agreements. Under HK Int 5, term loans with a repayment on demand clause are classified as current liabilities.

As at 31 December 2010, bank borrowing that is repayable within one year after the end of the reporting period but contain a repayment on demand clause with the aggregate carrying amount of HK$95,000,000. No such clause noted for bank borrowing as at 31 December 2009. The application of HK Int 5 has had no impact on the reported profit or loss for the current and prior years. Such term loans have been presented in the earliest time band in the maturity analysis for financial liabilities.

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

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2010[1]
HKFRS 7 (Amendments)	Disclosures – Transfers of Financial Assets[3]
HKFRS 9	Financial Instruments[4]
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets[5]
HKAS 24 (as revised in 2009)	Related Party Disclosures[6]
HKAS 32 (Amendments)	Classification of Rights Issues[7]
HK (IFRIC) – Int 14 (Amendments)	Prepayments of a Minimum Funding Requirement[6]
HK (IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments[2]

1 Effective for annual periods beginning on or after 1 July 2010 or 1 January 2011, as appropriate.
2 Effective for annual periods beginning on or after 1 July 2010.
3 Effective for annual periods beginning on or after 1 July 2011.
4 Effective for annual periods beginning on or after 1 January 2013.
5 Effective for annual periods beginning on or after 1 January 2012.
6 Effective for annual periods beginning on or after 1 January 2011.
7 Effective for annual periods beginning on or after 1 February 2010.

HKFRS 9 Financial Instruments (as issued in November 2009) introduces new requirements for the classification and measurement of financial assets. HKFRS 9 Financial Instruments (as revised in November 2010) adds requirements for financial liabilities and for derecognition.

- Under HKFRS 9, all recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement are subsequently measured at either amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.

- In relation to financial liabilities, the significant change relates to financial liabilities that are designated as at fair value through profit or loss. Specifically, under HKFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the presentation of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

HKFRS 9 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted. Based on the Group's financial assets and financial liabilities as at 31 December 2010, the directors anticipate that the application of HKFRS 9 may affect the classification and measurement of the Group's available for-sale investments on the consolidated financial statements.

The amendments to HKAS 12 titled Deferred Tax: Recovery of Underlying Assets mainly deal with the measurement of deferred tax for investment properties that are measured using the fair value model in accordance with HKAS 40 Investment Property. Based on the amendments, for the purposes of measuring deferred tax liabilities and deferred tax assets for investment properties measured using the fair value model, the carrying amounts of the investment properties are presumed to be recovered through sale, unless the presumption is rebutted in certain circumstances. Based on the Group's investment properties as at 31 December 2010, the directors anticipate that the application of the amendments to HKAS 12 may have an impact on deferred tax recognised for investment properties that are measured using the fair value model.

The directors anticipate that the application of the other new and revised standards or interpretations will have no material impact on the consolidated financial statements.

4. GROSS PROCEEDS FROM CONTINUING OPERATIONS AND REVENUE

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

	(Twelve months) 1.1.2010 to 31.12.2010 *HK$'000*	(Nine months) 1.4.2009 to 31.12.2009 *HK$'000*
Provision of healthcare and dental services *(Note)*	**291,083**	231,955
Properties	**2,601**	–
Others	**13,763**	13,145
Revenue	**307,447**	245,100
Gross proceeds from sale of securities	**1,118,515**	374,984
Gross proceeds from continuing operations	**1,425,962**	620,084

Note: It mainly represents the revenue from healthcare services.

5. SEGMENT INFORMATION

The Group has adopted HKFRS 8 Operating Segments with effect from 1 January 2009. HKFRS 8 is a disclosure standard that requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the Chief Executive Officer for the purpose of allocating resources to segments and assessing their performance and the segment information is organised by the business activities.

In previous periods, the Group reported its primary segment information based on three major operating divisions using the risks and returns approach – (1) provision of healthcare and dental services, (2) sales of healthcare and pharmaceutical products and (3) others. Operation for sales of healthcare and pharmaceutical products were discontinued during current year after major subsidiaries related to this segment disposed during the year. Information reported to chief operating decision makers, the Chief Executive Officer, for the purpose of resources allocation and performance assessment focuses more specifically on each type of major businesses and no longer includes discrete financial information for this segment, thus the segment information reported does not include any amounts for the discontinued operation. During the current year, two new segments, securities trading and properties are established, since the performance of the two segments is growing and regularly reviewed by the Chief Executive Officer for the purpose of resources allocation and performance assessment. Therefore, the Group's operating and reportable segments under HKFRS 8 are as follows:

• Provision of healthcare and dental services	Operations of the Group's medical and dental practices
• Securities trading	Trading of issued securities
• Properties	Leasing of properties
• Others	Catering, provision of management and administrative services and provision of beauty and skincare services

Segment revenue and results

For the year ended 31 December 2010

	Provision of healthcare and dental services *HK$'000*	Securities trading *HK$'000*	Properties *HK$'000*	Others *HK$'000*	Total *HK$'000*
GROSS PROCEEDS FROM CONTINUING OPERATIONS — SEGMENT REVENUE FROM EXTERNAL SALES *(NOTE)*	**291,083**	**1,118,515**	**2,601**	**13,763**	**1,425,962**
RESULTS					
Segment results	**14,236**	**240,692**	**21,555**	**7,957**	**284,440**
Other income					**38,219**
Unallocated corporate expenses					**(84,501)**
Share-based payment expenses					**(29,538)**
Finance costs					**(869)**
Gain on disposal of an associate					**100**
Gain on disposal of subsidiaries					**1,853**
Share of results of associates					**(37,161)**
Profit before tax					**172,543**
Income tax expenses					**(45,595)**
Profit for the year (continuing operations)					**126,948**

For the nine months ended 31 December 2009

	Provision of healthcare and dental services *HK$'000*	Securities trading *HK$'000*	Properties *HK$'000*	Others *HK$'000*	Total *HK$'000*
GROSS PROCEEDS FROM CONTINUING OPERATIONS — SEGMENT REVENUE FROM EXTERNAL SALES *(NOTE)*	231,955	374,984	–	13,145	620,084
RESULTS					
Segment results	19,802	28,638	10,814	4,149	63,403
Other income					13,742
Unallocated corporate expenses					(70,453)
Share-based payment expenses					(4,831)
Finance costs					(157)
Gain on disposal of an associate					1,437
Gain on disposal of subsidiaries					141
Share of results of associates					(7,497)
Impairment loss in respect of interests in associates					(12,000)
Loss before tax					(16,215)
Income tax expenses					(5,766)
Loss for the period (continuing operations)					(21,981)

Note: Reconciliation from gross proceeds from continuing operations to revenue from continuing operations:

	(Twelve months) 1.1.2010 to 31.12.2010 ***HK$'000***	(Nine months) 1.4.2009 to 31.12.2009 *HK$'000*
Gross proceeds from continuing operations	**1,425,962**	620,084
Less: Gross proceeds from securities trading	**(1,118,515)**	(374,984)
Revenue from continuing operations	**307,447**	245,100

Segment profit represents the profit earned by each segment without allocation of central administration costs, directors' salaries, share of results of associates, other income, gain on deemed disposal/disposal of an associates, subsidiaries, share-based payment expenses, impairment loss recognised in respect of interests in associates and finance costs. This is the measure reported to the Chief Operating Officer for the purposes of resources allocation and performance assessment.

Other segment information

For the year ended 31 December 2010

	Provision of healthcare and dental services *HK$'000*	**Securities trading** *HK$'000*	**Properties** *HK$'000*	**Others** *HK$'000*	**Total for segments** *HK$'000*	**Unallocated** *HK$'000*	**Total** *HK$'000*
Amounts included in the measure of segment profit or loss or segment assets:							
Additions to property, plant and equipment	**3,472**	**–**	**2,698**	**4,316**	**10,486**	**76,760**	**87,246**
Depreciation of property, plant and equipment	**3,704**	**–**	**330**	**9,760**	**13,794**	**4,965**	**18,759**
Increase in fair value of investment properties	**–**	**–**	**19,904**	**5,664**	**25,568**	**–**	**25,568**
Impairment loss recognised in respect of:							
– goodwill arising on acquisition of subsidiaries, and medical and dental practices	**17,390**	**–**	**–**	**–**	**17,390**	**–**	**17,390**

For the nine months ended 31 December 2009

	Provision of healthcare and dental services *HK$'000*	Securities trading *HK$'000*	Properties *HK$'000*	Others *HK$'000*	Total for segments *HK$'000*	Unallocated *HK$'000*	Total *HK$'000*
Amounts included in the measure of segment profit or loss or segment assets:							
Additions to property, plant and equipment	5,867	–	–	–	5,867	128,388	134,255
Depreciation of property, plant and equipment	5,160	–	182	80	5,422	690	6,112
Increase in fair value of investment properties	–	–	10,814	913	11,727	–	11,727
Impairment loss recognised in respect of:							
– goodwill arising on acquisition of subsidiaries, and medical and dental practices	2,315	–	–	2,762	5,077	–	5,077
– trade receivables	1,997	–	–	–	1,997	–	1,997

Geographical information

The Group's operations are located in Hong Kong. The Group's revenue from external customers based on location of customers and information about its non-current assets excluding available-for-sale investments by geographical location of the assets and operation of the associates are situated in Hong Kong and the PRC. Provision of healthcare and dental services are carried out in Hong Kong.

The following table provides an analysis of the Group's non-current assets (excluding financial assets) by location of assets and revenue by geographical location of customers from continuing operations, irrespective of the origin of the goods/services:

	Non-current assets		**Revenue**	
			(Twelve months) 1.1.2010 to	(Nine months) 1.4.2009 to
	31.12.2010	31.12.2009	**31.12.2010**	31.12.2009
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
		(restated)		
Hong Kong	**693,200**	467,794	**307,447**	245,100
PRC	**–**	148,465	**–**	–
	693,200	616,259	**307,447**	245,100

There is no customer contributing over 10% of the total revenue of the Group during both periods.

6. OTHER EXPENSES, GAINS AND LOSSES

Continuing operations

	(Twelve months) 1.1.2010 to 31.12.2010	(Nine months) 1.4.2009 to 31.12.2009
	HK$'000	*HK$'000*
Gain on fair value changes on held for trading investments	**252,614**	59,204
(Impairment loss) reversal of impairment loss recognised in respect of:		
– goodwill arising on acquisition of subsidiaries, and medical and dental practices	**(17,390)**	(26,332)
– interests in associates	**–**	(12,000)
– trade receivables	**635**	(489)
Gain on disposal of investment classified as available-for-sale	**27,456**	–
	263,315	20,383

7. FINANCE COSTS

Continuing operations

	(Twelve months) 1.1.2010 to 31.12.2010 ***HK$'000***	(Nine months) 1.4.2009 to 31.12.2009 *HK$'000*
Interest on bank borrowings wholly repayable within five years	**869**	157

8. INCOME TAX EXPENSES

Continuing operations

	(Twelve months) 1.1.2010 to 31.12.2010 ***HK$'000***	(Nine months) 1.4.2009 to 31.12.2009 *HK$'000*
Tax charge comprises:		
Current tax		
– Hong Kong Profits Tax	**41,243**	4,270
– Under (over) provision in prior periods/years	**106**	(369)
	41,349	3,901
Deferred tax		
– Current year/period	**4,246**	1,865
	45,595	5,766

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for the year/period.

9. PROFIT (LOSS) FOR THE YEAR/PERIOD

	(Twelve months) 1.1.2010 to 31.12.2010 *HK$'000*	(Nine months) 1.4.2009 to 31.12.2009 *HK$'000*
Profit (loss) for the year/period has been arrived at after charging:		
Continuing operations		
Staff costs		
– Directors' remuneration	**28,786**	14,159
– Other staff's salaries, bonus and other benefits	**194,099**	144,732
– Other staff's retirement benefits scheme contributions	**906**	683
– Share-based payment expenses	**9,132**	–
	232,923	159,574
Auditor's remuneration	**1,851**	1,949
Cost of inventories recognised as expenses	**29,897**	8,369
Depreciation of property, plant and equipment	**18,759**	5,930
Loss on disposal of property, plant and equipment	**1,047**	1,028
Amortisation of intangible assets (included in administrative expenses)	**2,176**	2,278
Share of tax of associates (included in share of results of associates)	**2,068**	261
Share-based payment expenses recognised on options granted to:-		
Ping An Trust & Investment Company Limited	**–**	4,831
Ping An of China Securities (Hong Kong) Company Limited	**20,406**	–
and after crediting:		
Gross rental income from investment properties	**7,752**	6,303
Less: Direct operating expenses that generated rental income	**–**	(22)
Net rental income from investment properties	**7,752**	6,281

10. DIVIDENDS

The final dividend of HK$0.05 in respect of the year ended 31 December 2010 (2009: Nil) per share has been proposed by the directors of the Company and is subject to approval by the shareholders of the Company.

11. EARNINGS (LOSS) PER SHARE

For continuing and discontinued operations

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

	(Twelve months) 1.1.2010 to 31.12.2010	(Nine months) 1.4.2009 to 31.12.2009
	HK$'000	*HK$'000*
Earnings (loss)		
Earnings (loss) for the purposes of basic and diluted earnings (loss) per share:		
Profit (loss) for the year/period attributable to owners of the Company	**94,621**	(23,587)

	(Twelve months) 1.1.2010 to 31.12.2010	(Nine months) 1.4.2009 to 31.12.2009
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings (loss) per share	**695,307,039**	303,288,815
Effect of dilutive potential ordinary shares:		
Share options	**2,752,523**	–
Weighted average number of ordinary shares for the purpose of diluted earnings (loss) per share	**698,059,562**	303,288,815

The weighted average number of ordinary shares for the purpose of basic and diluted earnings (loss) per share for the period ended 31 December 2009 has been adjusted for the share consolidation on 25 May 2009.

The calculation of the diluted earnings (loss) per share for the period ended 31 December 2009 did not assume the exercise of share options nor conversion of the outstanding convertible bonds issued by an associate of the Company as their exercise would result in a decrease in the loss per share.

12. TRADE AND OTHER RECEIVABLES

	31.12.2010	31.12.2009
	HK$'000	*HK$'000*
Trade receivables *(Note a)*	**13,041**	43,889
Less: allowance for doubtful debts *(Note b)*	**(1,175)**	(1,810)
Total trade receivables, net of allowance	**11,866**	42,079
Deposits	**28,589**	28,818
Advance to suppliers	**–**	18,484
Other receivables *(Note c)*	**12,300**	2,572
Prepayments	**5,640**	8,216
	58,395	100,169

Notes:

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

The following is an aged analysis of trade receivables at the end of the reporting period:

	31.12.2010	31.12.2009
	HK$'000	*HK$'000*
0 – 60 days	**6,912**	33,096
61 – 120 days	**3,744**	6,811
121 – 180 days	**2,310**	2,841
181 – 240 days *(Note b)*	**7**	193
241 – 360 days *(Note b)*	**68**	948
	13,041	43,889

b. These receivables relate to a number of independent customers that have a good track record with the Group. The management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit risk and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

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

	31.12.2010	31.12.2009
	HK$'000	*HK$'000*
181 – 240 days	**7**	193
241 – 360 days	**68**	948
Total	**75**	1,141

The Group has provided fully for all receivables over 365 days because historical experience is such that receivables that are past due beyond 365 days are generally not recoverable.

Movement in the allowance for doubtful debts:

	31.12.2010	31.12.2009
	HK$'000	*HK$'000*
Balance at the beginning of the year/period	**1,810**	1,321
Impairment losses recognised on receivables	**–**	1,997
Write back of impairment loss	**(635)**	(1,508)
Balance at the end of the year/period	**1,175**	1,810

The impairment recognised represents the difference between the carrying amount of the specific trade receivables and the present value of the expected recoverable amount. The trade receivables are impaired because of significant financial difficulty of the counterparties.

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

13. TRADE AND OTHER PAYABLES

	31.12.2010	31.12.2009
	HK$'000	*HK$'000*
Trade payables *(Note)*	**6,948**	32,917
Advances from customers	**–**	25,965
Other payables	**5,397**	4,833
Accruals	**39,579**	32,520
	51,924	96,235

Note: The following is an aged analysis of trade payables at the end of the reporting period:

	31.12.2010	31.12.2009
	HK$'000	*HK$'000*
0 – 60 days	**6,882**	25,990
61 – 120 days	**62**	1,627
121 – 240 days	**2**	5,152
Over 240 days	**2**	148
	6,948	32,917

14. BANK BORROWING

	31.12.2010	31.12.2009
	HK$'000	*HK$'000*
Secured bank borrowing repayable within one year or on demand	**95,000**	12,548

As at 31 December 2010, the bank borrowing of the Group carry variable interest rate at HIBOR + 1% per annum.

As at 31 December 2009, the bank borrowing of the Group carried fixed interest rate at 7.25% per annum.

15. SHARE CAPITAL

	Number of shares	Amount
		HK$'000
Authorised:		
As at 1 April 2009	30,000,000,000	300,000
Share consolidation *(Note a)*	(29,700,000,000)	–
Share subdivision *(Note b)*	29,700,000,000	–
As at 31 December 2009 and 2010	30,000,000,000	300,000
Issued and fully paid:		
As at 1 April 2009	29,680,515,724	296,805
Share consolidation *(Note a)*	(28,490,681,067)	(284,907)
Shares repurchased and cancelled *(Note c)*	(902,050,000)	(9,020)
Issue of consideration shares *(Note d)*	35,910,053	359
As at 31 December 2009	323,694,710	3,237
Issue of new shares *(Note e)*	587,500,000	5,875
As at 31 December 2010	911,194,710	9,112

Notes:

(a) On 25 May 2009, every 100 existing shares of HK$0.01 each were consolidated into 1 consolidated share of HK$1.00. The paid-up capital of the Company was reduced to the extent of HK$0.99 on each of the issued consolidated shares such that the nominal value of each issued consolidated share was reduced from HK$1.00 to HK$0.01. The Company's entire share premium of HK$632,909,000 was transferred to the accumulated losses of the Company.

(b) Each authorised but unissued consolidated share was subdivided into 100 new shares of HK$0.01 each.

(c) During the nine-month ended 31 December 2009, the Company repurchased a total of 902,050,000 ordinary shares of HK$0.01 each through the Stock Exchange at an aggregate consideration of approximately HK$9,020,000 and all of these shares were cancelled upon repurchase.

Month of repurchase	Number of ordinary shares of HK$0.01 each	Price per share Highest	Price per share Lowest	Aggregate consideration paid
		HK$	*HK$*	*HK$'000*
April 2009	902,050,000	0.011	0.010	9,020

The nominal values of the cancelled shares were credited to the capital redemption reserve and the aggregate consideration was paid out of the accumulated profits.

None of the Company's subsidiaries purchased, sold or redeemed any of the Company's listed securities during the period.

(d) On 1 June 2009, Health Walk Limited ("Health Walk"), an indirect wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with the vendor (the non-controlling shareholder of First Oriental Medical Technology Group Limited and its subsidiaries ("First Oriental Group")) to acquire a further 27% equity interest of First Oriental Group (then a 51% held subsidiary of the Company), at a total consideration of HK$32 million, which was satisfied by the issue of 21,361,815 shares of the Company ("consideration shares A"). The number of consideration shares A to be issued is calculated by dividing the consideration by the average closing price of one share of the Company as stated on the Stock Exchange's daily quotation sheets for the 5 consecutive trading days ending on the date thereof. The consideration shares A were issued on 8 July 2009 upon completion of the acquisition.

On 15 October 2009, Health Walk entered into another sale and purchase agreement with the vendor to acquire the remaining 22% equity interest of First Oriental Group not held by the Group at a consideration of HK$19 million, which was satisfied by the issue of 14,548,238 shares of the Company ("consideration shares B"). The number of consideration shares B to be issued is calculated by dividing the consideration by the average closing price of one share of the Company as stated on the Stock Exchange's daily quotations sheets for the 5 consecutive trading days ending on the date thereof. The consideration shares B were issued on 10 December 2009 upon completion of the acquisition.

Upon the completion of the above-mentioned acquisitions, the First Oriental Group became a wholly-owned subsidiary of the Company.

(e) On 23 February 2010, the Company and the placing agent entered into the placing agreement pursuant to which the Company has agreed to place through the placing agent, on a best efforts basis, a maximum of 587,500,000 placing shares to not fewer than six placees who and whose ultimate beneficial owners are independent third parties at a price of HK$0.81 per placing share during the placing period. The placing price represents a discount of approximately 16.49% to the closing price of HK$0.97 per share as quoted on the Stock Exchange on the date of the placing agreement.

The above placement of shares were conditional and their respective conditions precedent were satisfied during the placing period. As a result, the placement of the aggregate of 587,500,000 placing shares were completed in three tranches on 22 April 2010, 6 May 2010 and 3 June 2010 respectively whereby 150,000,000, 192,000,000 and 245,500,000 ordinary shares of the Company were allotted and issued to independent placees.

16. EVENTS AFTER THE REPORTING PERIOD

Subsequent to the end of the reporting period, the Group has the following events after the reporting period:

On 6 January 2011, the Group entered into the agreement with the vendor in relation to the purchase of convertible notes issued by ePRO Limited (Stock code: 8086) in the principal amount of HK$11,584,000 at a consideration of HK$176,000,000. Upon conversion in full of the conversion rights attaching thereto at the prevailing conversion price, a total of 231,680,000 shares of HK$0.01 each in the share capital of ePRO Limited will be allotted and issued. The transaction was completed and the consideration was paid to the vendor in cash immediately upon signing of the agreement. Details of these are disclosed in an announcement of the Company dated 6 January 2011.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

In 2010, we saw the satisfactory results of newly developed business structure and model that was established in late 2009. The Group continues to provide comprehensive and quality healthcare services to the public and through its asset investments business, offers shareholders with good investment returns and diversifies the business risk.

For the year under review, a profit of approximately HK$104,399,000 was recorded. The Group's consolidated profit attributable to owners of the Company was HK$94,621,000, representing a substantial increase when compared with the previous financial year.

Healthy Growth of Healthcare and Related Services Business

The healthcare and dental services business remained the key revenue driver for the Group. The Group has developed an extensive network of over 90 clinics in Hong Kong providing general outpatient care and multidisciplinary healthcare services. The healthcare services cover family medicine and specialty medicine, dentistry, paramedical services and preventive healthcare services. The Group continues to strengthen its market-leading position, expand its clientele and broaden its specialist outpatient services. During the year, the Group's healthcare and dental services division achieved a turnover of approximately HK$291.08 million (1.4.2009 to 31.12.2009: HK$231.96 million), accounting for approximately 94.68% of the Group's revenue.

During the year, the Group has launched the Town Health Medical Network Services Limited ("THMN") to provide high quality and affordable integrated medical services to corporate clients, covering a full range of medical services. THMN enjoys the significant advantages of a vast clinic network having over 100 self-owned clinics and other facilities providing integrated healthcare services in Hong Kong and the Pearl River Delta Region of the Peoples' Republic of China (the "PRC").

In the PRC, the project with Ping An Insurance Group and the Sun Yat-sen University for the provision of management and consultancy services to poly-clinics, medical diagnostic centre and other integrated healthcare services in Guangdong Province has been developing satisfactorily.

Steady Development of Pharmaceutical Businesses

In Hong Kong, the Group has successfully launched new brand of health supplements under "th's life" (康健生活) brand in 2010. The brand offers a range of quality health supplements which have been developed with professional technology and manufactured under high quality control. Besides chain clinics of the Group, the th's life products will be available in large chain distribution networks in the near future.

In the PRC, the government announced guidelines for healthcare reform in April 2009. The main goal was to provide universal health care to the country's 1.3 billion residents. The PRC planned to invest US$125 billion on health care between 2009 and 2011.

The PRC's medical spending over the past five years is double of its massive gross domestic product (GDP) growth rate. According to industry researcher Intercontinental Marketing Services Health, the PRC is expected to become the world's third-largest prescription drug market by 2011 and the PRC's medical spending is expected to grow at 22% a year through 2013.

During the year, the Group has implemented and restructured its mainland pharmaceutical business to grasp the booming opportunities brought by the PRC medical reform plan.

In January 2010, the Group disposed of the entire equity interest in 海南泓銳醫藥有限公司 (unofficial English translation being Hainan Hong Rui Pharmaceutical Co. Ltd.) which was principally engaged in the distribution of pharmaceutical products in the PRC due to its unsatisfactory financial and operational performances. 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.

Meanwhile, the Group holds 48% interest of 貴州百祥制藥有限責任公司 (unofficial English translation being Guizhou Bai Xiang Pharmaceutical Co., Ltd.), a Sino-foreign equity joint venture which is principally engaged in the manufacture and sale of pharmaceutical products in the PRC. It distributes its products mainly through its hospital network in the PRC.

We are optimistic about the growth prospect of the PRC pharmaceutical business sector and will further consolidate our foothold in the PRC.

Sound Investment Returns on Asset Investment-Related Business

The Group's investment portfolio includes investments in listed and unlisted securities as well as retail and office properties in prime locations. The diverse portfolio has helped to spread and lower business risks. This has also maximized our returns on investment. All investment activities are carried out under prudent risk management and the Group will cautiously monitor its investment performance.

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). 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 and the PRC. The Group is expected to benefit from the synergy created with Bonjour in healthcare and related businesses.

In November 2010, the Group purchased convertible notes in the principal amount of HK$19,250,000 issued by ePRO Limited (Stock code: 8086) at a consideration of HK$150,000,000. Upon conversion in full of the conversation rights attached to such conversion notes at the prevailing conversion price, a total of 385,000,000 shares of HK$0.01 each in the share capital of ePRO Limited will be allotted and issued to the Group. The Group anticipates that the investments will generate positive recurring returns and dividends to the Group.

During the year, revenue generated from the securities trading and investments business amounted to approximately HK$1,118,520,000, representing approximately 78.44% of the Group's total gross proceeds from continuing operations.

Outlook

Enhancing Healthcare and Related Services Business

The Group has spearheaded the healthcare and related services industry in Hong Kong. Leveraging its professional team and enriched resources, the Group will achieve sustainable growth for its healthcare and related services sector in the local market. Meanwhile, the project with Ping An Insurance Group and the Sun Yat-sen University for the provision of management and consultancy services to poly-clinics, medical diagnostic centre and other integrated healthcare services in Guangdong Province, the PRC is running smoothly and further expansion will be executed prudently.

Acceleration of Pharmaceutical Business

According to the research organization Emerging Markets Direct (EMD)'s China Pharmaceutical Industry Report 1H11 in January 2011, the PRC's pharmaceutical market has been growing rapidly to become the fourth-largest in the world in terms of size. The over-the-counter pharmaceuticals market is a growing segment in the Chinese pharmaceutical industry and is set to double its market share by 2014.

The PRC's massive aging population, strong economic development, urbanisation, as well as the increasing number of its population covered by the country's universal health care all contribute to making the PRC a very appealing pharmaceutical market. Thus, the Group will seek to capture the upside potential in the pharmaceutical industry through its associated companies, such as the distribution of Chinese herbal medicine, western medicine, chemical raw pharmaceutical, antibiotics, biomedicine and other pharmaceutical products.

In addition, the Group will continue to promote and market th's life brand to grasp the growing health supplement market in Hong Kong. Initially, the products will be introduced to the market through the Group's extensive chain clinics, and later, mass marketing through various large chain distribution networks to promote th's life to become a well-known brand in Hong Kong.

Compelling Investment Strategy

The Group's investment returns were sound for the year under review. Leading by a team of seasoned management and professionals, the Group has successfully seized the investment opportunities and maximized benefits for the shareholders.

Although optimism in the global economy is growing, many economists believe the U.S. Federal Reserve is expected to keep interest rates low this year until the jobless rate decreases or the inflation rate gets too high. Therefore, the Group holds a positive view towards the local property market and asset investments and will continue to diversify its investment portfolio through a prudent approach.

We are optimistic about the long-term prospects of the healthcare and related services, pharmaceutical and asset investment businesses. We would like to thank all shareholders, investors, clients and employees for their support, and we will continue to explore investment opportunities and further our business growth in the future.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2010, the Group held bank balances and cash of approximately HK$369,510,000 (2009: approximately HK$155,306,000). The Group had bank borrowings of approximately HK$95,000,000 which are all repayable within one year (2009: approximately HK$12,548,000). Net current assets amounted to approximately HK$760,431,000 (2009: approximately HK$298,015,000). Current ratio (defined as total current assets divided by total current liabilities) was 4.74 (2009: 3.16).

As at 31 December 2010, gearing ratio (defined as total bank borrowing divided by equity attributable to owners of the Company) was 6.12% (2009: 1.12%). 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 year, the Group considers that the potential foreign exchange exposure of the Group is limited.

DIVIDEND

The Board is pleased to recommend the payment of a final dividend of HK$0.05 per share for the year (2009: Nil) to shareholders whose names appear on the register of members of the Company on 25 May 2011. The proposed final dividend will be paid on 13 June 2011 following the approval of the shareholders of the Company at the Annual General Meeting.

HUMAN RESOURCES

As at 31 December 2010, the Group employed 557 people (2009: 787). Total employee costs for the year ended 31 December 2010, including directors' emoluments, amounted to HK$232.92 million (2009: HK$159.57 million).

The salary and benefit levels of employees of the Group are competitive and individual performance is rewarded through the Group's salary, bonus system and share option schemes. Remuneration packages were reviewed annually during the year.

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

During the year ended 31 December 2010, neither the Company nor any of its subsidiaries has purchased or sold any of the Company's listed securities. In addition, the Company has not redeemed any of its listed securities during the year.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

Throughout the year ended 31 December 2010, the Company has complied with the code provisions of the Code on Corporate Governance Practices contained in Appendix 14 to the Listing Rules.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Board has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") set out in Appendix 10 to the Listing Rules as the Company's code of conduct regarding Directors' securities transactions. All the Directors have confirmed that throughout the year ended 31 December 2010, they have complied with the provisions of the Model Code.

REVIEW OF FINANCIAL STATEMENTS

The consolidated financial statements of the Group for the year ended 31 December 2010 have been reviewed by the Audit Committee of the Company.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Thursday, 19 May 2011 to Wednesday, 25 May 2011, both days inclusive. In order to qualify for the proposed final dividend, all transfers, accompanied by the relevant share certificates, must be lodged with the Company's Hong Kong branch share registrar and transfer office, Tricor Tengis Limited, at 26/F, Tesbury Centre, 28 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Wednesday, 18 May 2011.

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

Hong Kong, 24 March 2011

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.