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 2011

FINANCIAL HIGHLIGHTS

For the six months ended 30 June 2011:

– The Group recorded revenue from continuing operations of approximately HK$171,775,000 (2010: approximately HK$150,096,000)

– The Group recorded a profit of approximately HK$241,200,000 (2010: approximately HK$21,198,000)

As at 30 June 2011:

– The Group had a current ratio (defined as total current assets divided by total current liabilities) of 6.09 and a gearing ratio (defined as total bank borrowing divided by equity attributable to owners of the Company) of 3.66%

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2011 (for the six months ended 30 June 2010: 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 2011, together with the comparative unaudited figures for the six months ended 30 June 2010, as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		For the six months ended 30 June	
		2011	2010
		(unaudited)	(unaudited)
	Notes	***HK$'000***	*HK$'000*
			(restated)
Continuing operations			
Gross proceeds from continuing operations	*4*	**354,752**	485,751
Revenue	*4*	**171,775**	150,096
Cost of sales		**(110,833)**	(99,898)
Gross profit		**60,942**	50,198
Other income	*6*	**5,920**	15,300
Administrative expenses			
– Others		**(114,862)**	(70,126)
– Share-based payment expenses		**(198)**	(6,035)
Finance costs	*7*	**(727)**	(228)
Gain on fair value changes on held for trading investments		**155,715**	17,685
Gain on fair value changes on convertible bonds		**132,828**	–
Share of results of associates		**5,563**	1,040
Gain on disposal of subsidiaries		**–**	10,189
Profit before tax	*8*	**245,181**	18,023
Income tax expenses	*9*	**(3,981)**	(2,982)
Profit for the period from continuing operations		**241,200**	15,041
Discontinued operations			
Profit for the period from discontinued operations		**–**	6,157
Profit for the period		**241,200**	21,198
Other comprehensive expenses for the period			
Fair value loss on available-for-sale financial assets		**(23,758)**	(94,287)
Total comprehensive income (expenses) for the period		**217,442**	(73,089)

	Notes	For the six months ended 30 June **2011** **(unaudited)** ***HK$'000***	 2010 (unaudited) *HK$'000* (restated)
Profit for the period attributable to:			
Owners of the Company			
Profit for the period from continuing operations		**240,104**	12,820
Profit for the period from discontinued operations		**–**	4,147
Profit for the period attributable to owners of the Company		**240,104**	16,967
Non-controlling interests			
Profit for the period from continuing operations		**1,096**	2,221
Profit for the period from discontinued operations		**–**	2,010
Profit for the period attributable to non-controlling interests		**1,096**	4,231
		241,200	21,198
Total comprehensive income (expenses) attributable to:			
Owners of the Company		**216,346**	(77,320)
Non-controlling interests		**1,096**	4,231
		217,442	(73,089)
Earnings per share	*11*		
– Basic		**HK$0.26**	HK$0.04
– Diluted		**HK$0.26**	HK$0.04
From continuing operations	*11*		
– Basic		**HK$0.26**	HK$0.03
– Diluted		**HK$0.26**	HK$0.03

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**30 June 2011 (unaudited) *HK$'000***	31 December 2010 (audited) *HK$'000*
Non-current assets			
Investment properties		**248,810**	191,950
Property, plant and equipment		**195,090**	197,285
Loans receivable	*12*	**21,381**	29,365
Goodwill		**9,100**	7,463
Other intangible assets		**3,447**	4,602
Interests in associates		**262,728**	262,535
Available-for-sale investments		**122,801**	113,376
		863,357	806,576
Current assets			
Convertible bonds designated as at fair value through profit or loss		**308,828**	–
Inventories		**11,895**	8,550
Trade and other receivables	*13*	**76,738**	58,395
Held for trading investments		**547,047**	459,861
Loans receivable	*12*	**16,980**	16,890
Amounts due from associates		**24,973**	43,447
Amounts due from investees		**1,011**	10
Tax recoverable		**3,501**	1,836
Pledged bank deposits		**5,015**	5,012
Bank balances and cash		**51,163**	369,510
		1,047,151	963,511
Current liabilities			
Trade and other payables	*14*	**50,847**	51,924
Amounts due to associates		**10,207**	10,620
Amounts due to investees		**459**	339
Amounts due to non-controlling interests of subsidiaries		**3,163**	2,693
Amount due to a related party		**–**	1
Bank borrowing		**63,000**	95,000
Tax payable		**44,322**	42,503
		171,998	203,080
Net current assets		**875,153**	760,431
Total assets less current liabilities		**1,738,510**	1,567,007

	Notes	**30 June 2011 (unaudited)** *HK$'000*	31 December 2010 (audited) *HK$'000*
Non-current liability			
Deferred tax liabilities		**9,849**	9,849
		1,728,661	1,557,158
Capital and reserves			
Share capital	*15*	**9,112**	9,112
Reserves		**1,713,369**	1,542,389
Equity attributable to owners of the Company		**1,722,481**	1,551,501
Non-controlling interests		**6,180**	5,657
Total equity		**1,728,661**	1,557,158

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 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 (the "Stock Exchange").

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

The 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 (the "Listing Rules") and with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The 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 consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2010.

The Group has adopted new and amended standards and interpretations of Hong Kong Financial Reporting Standards which are mandatory for the accounting periods beginning on or after 1 January 2011 and relevant to its operations. The adoption of such new and amended standards and interpretations does not have material impact on the consolidated interim financial information and does not result in substantial changes to the Group's accounting policies.

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:

	For the six months ended 30 June	
	2011	2010
	HK$'000	*HK$'000*
Provision of healthcare and dental services	**161,159**	138,305
Properties	**4,499**	1,077
Others	**6,117**	10,714
Revenue	**171,775**	150,096
Gross proceeds from securities trading and investments	**182,977**	335,655
Gross proceeds from operations	**354,752**	485,751

5. SEGMENT INFORMATION

Segment revenue and results

For the six months ended 30 June 2011

	Provision of healthcare and dental services	**Securities trading and investments**	**Properties**	**Others**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***
GROSS PROCEEDS FROM OPERATIONS – SEGMENT REVENUE	**161,159**	**182,977**	**4,499**	**6,117**	**354,752**
RESULTS					
Segment results	**7,360**	**116,677**	**835**	**(551)**	**124,321**
Other income					**5,920**
Unallocated corporate expense					**(22,526)**
Share-based payment expenses					**(198)**
Finance costs					**(727)**
Gain on fair value changes on convertible bonds					**132,828**
Share of results of associates					**5,563**
Profit before tax					**245,181**
Income tax expenses					**(3,981)**
Profit for the period					**241,200**

For the six months ended 30 June 2010

	Provision of healthcare and dental services *HK$'000*	Securities trading and investments *HK$'000*	Properties *HK$'000*	Others *HK$'000*	Total *HK$'000*
GROSS PROCEEDS FROM OPERATIONS – SEGMENT REVENUE	138,305	335,655	1,077	10,714	485,751
RESULTS					
Segment results	10,872	23,434	1,014	(3,155)	32,165
Other income					15,300
Unallocated corporate expense					(34,408)
Share-based payment expenses					(6,035)
Finance costs					(228)
Gain on disposal of subsidiaries					10,189
Share of results of associates					1,040
Profit before tax					18,023
Income tax expenses					(2,982)
Profit for the period					15,041

Geographical information

The Group's operations are primarily conducted in Hong Kong. Since over 90% of the Group's revenue is derived from customers in Hong Kong and over 90% of the Group's assets are located in Hong Kong, no geographical segment information is presented.

6. OTHER INCOME

	For the six months ended 30 June	
	2011	2010
	HK$'000	*HK$'000*
Interest income	**667**	193
Rental income	**2,837**	3,621
Dividend income	**589**	5,749
Sundry income	**1,827**	5,737
	5,920	15,300

7. FINANCE COSTS

	For the six months ended 30 June	
	2011	2010
	HK$'000	*HK$'000*
Interest on bank loans and overdrafts	**727**	228

8. PROFIT BEFORE TAX

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

	For the six months ended 30 June	
	2011	2010
	HK$'000	*HK$'000*
Depreciation	**11,517**	3,680
Amortisation of intangible assets	**1,155**	1,375

9. INCOME TAX EXPENSES

	For the six months ended 30 June	
	2011	2010
	HK$'000	*HK$'000*
The charge comprises:		
Hong Kong Profits Tax	**3,981**	2,982

Hong Kong profits tax is calculated at 16.5% (2010: 16.5%) of the estimated assessable profits for the period. Share of tax attributable to associates amounting to HK$1,782,000 (2010: HK$595,000) is included in "Share of results of associates" on the face of the unaudited consolidated statement of comprehensive income.

10. DIVIDENDS

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2011 (for the six months ended 30 June 2010: Nil).

11. EARNINGS PER SHARE

The calculation of the basic earnings per share for the six months ended 30 June 2011 is based on the unaudited profit attributable to owners of the Company of HK$240,104,000 (2010: HK$16,967,000) and the weighted average number of 911,194,710 shares (2010: 475,841,119 shares) in issue during the period.

The calculation of the diluted earnings per share for the six months ended 30 June 2011 is based on the unaudited profit attributable to owners of the Company of HK$240,104,000 (2010: HK$16,967,000) and the weighted average number of 917,631,810 shares (2010: 475,869,213 shares). The weighted average number of shares for the purpose of calculating the diluted earnings per share has been adjusted with the weighted average number of 6,437,100 shares (2010: 28,094 shares) deemed to be issued during the period, assuming the exercise of all potential dilutive shares.

12. LOANS RECEIVABLE

	30 June 2011 *HK$'000*	31 December 2010 *HK$'000*
Fixed-rate loans receivable	**38,361**	46,255

13. TRADE AND OTHER RECEIVABLES

	30 June 2011 *HK$'000*	31 December 2010 *HK$'000*
Trade receivables	**13,335**	13,041
Less: allowance for doubtful debts	**(44)**	(1,175)
	13,291	11,866
Prepayments, deposits and other receivables	**63,447**	46,529
	76,738	58,395

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

	30 June 2011 *HK$'000*	31 December 2010 *HK$'000*
0 - 60 days	**6,779**	6,912
61 - 120 days	**3,850**	3,744
121 - 180 days	**2,706**	2,310
181 - 240 days	**–**	7
241 - 360 days	**–**	68
	13,335	13,041

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

14. TRADE AND OTHER PAYABLES

	30 June 2011 *HK$'000*	31 December 2010 *HK$'000*
Trade payable	**8,709**	6,948
Other payables and accruals	**42,138**	44,976
	50,847	51,924

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

	30 June 2011 *HK$'000*	31 December 2010 *HK$'000*
0 - 60 days	**8,623**	6,882
61 - 120 days	**86**	62
121 - 240 days	**–**	2
Over 240 days	**–**	2
	8,709	6,948

15. SHARE CAPITAL

	Number of shares	**Amount** *HK$'000*
Authorised:		
As at 31 December 2010 and 30 June 2011	30,000,000,000	300,000
Issued and fully paid:		
As at 31 December 2010 and 30 June 2011	911,194,710	9,112

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

The Group announces satisfactory results for the period under review. Revenue from continuing operations rose 14.44% to HK$171,775,000 (2010: approximately HK$150,096,000). The growth was mainly attributable to the Group's healthcare and investment businesses, the result of expansion in business scale and the increasing demand for private medical services. The Group recorded a profit of approximately HK$241,200,000 for the period (2010: approximately HK$21,198,000).

Gross profit margin for the six months ended 30 June 2011 was 35.47% (2010: 33.44%), representing an increase of 2.03% compared with the corresponding period last year. Basic earnings per share was HK$0.26. Profit attributable to owners of the Company for the period was approximately HK$240,104,000 (2010: approximately HK$16,967,000).

Review of Operations

Healthy Growth of Healthcare and Dental Services

With our continued efforts in striving for excellence, the Group's healthcare and dental services business recorded steady growth and remained the key revenue driver. During the period under review, the Group's healthcare and dental services segment achieved revenue of approximately HK$161,159,000, accounted for 93.82% of the Group's revenue and recorded a profit of approximately HK$7,360,000.

Meanwhile, the Group has been expanding its clinic network to different districts in Hong Kong and broadening its specialist outpatient services. Currently, the Group is serving its customers with around 100 clinics.

Since the launch of Town Health Medical Network Services Limited ("THMN") in 2010, high quality and affordable integrated healthcare and health check services have become more accessible to corporate customers. During the period under review, THMN achieved satisfactory performance by leveraging on the huge existing medical networks and other facilities which provide integrated healthcare and health check services in Hong Kong and the Pearl River Delta Region of the PRC.

Notable Returns of Securities Trading and Investments

The Group invested in both listed and unlisted securities. Benefiting from the economies of Hong Kong and the PRC, the Group enjoyed favourable returns in the securities trading and investments business. During the period under review, gross proceeds generated from the securities trading and investments business amounted to approximately HK$182,977,000, representing approximately 51.58% of the Group's total gross proceeds from operations.

Steady Development of Health Check Business

Luck Key Investment Limited and its subsidiaries act as the first outpatient health check group in Hong Kong to incorporate pioneering imaging modalities. The Group operates its health check business through its 46.01% interest in Luck Key Investment Limited. With higher public awareness on health in recent years, increasing demand for health check services is seen in Hong Kong, which is beneficial to the Group.

Steady Development of Pharmaceutical Business

"th's life" (康健新活), the new brand of health supplements launched by the Group in 2010, is expanding its distribution channel and will soon be available in large chain distribution networks. The brand offers high quality products that have been developed with professional technology and manufactured under high quality control. The Group has also made continued efforts to restructure and improve the pharmaceutical business in the PRC to grasp the booming opportunities brought by the PRC's medical reform. The Group is taking part in the distribution of Chinese herbal medicine, chemical raw pharmaceutical, antibiotics, biomedical and other pharmaceutical products in the PRC.

Outlook

The Group has always taken a leading position in the chain clinic business. In order to maintain its prestigious position, the Group will continue to strive for professionalism and aim to provide high quality services to its customers. We hope to generate sustainable growth and further strengthen our development plan in the PRC.

In recent years, the Hong Kong Government has been actively promoting the use of private healthcare services as an alternative to public services. In addition, it is expected that the "Oral Health Survey 2011-2012" being carried out by the Department of Health of the Hong Kong Government will enhance public awareness towards oral health. As one of the leading medical groups in Hong Kong, the Group will benefit from the new healthcare measures of the Hong Kong Government.

The pharmaceutical industry is one of the booming industries in the PRC. According to a report released by IMS Health, a pharmaceutical market research firm, the PRC is expected to become the third largest pharmaceutical market in the world by 2011. It is mentioned that the pharmaceutical revenue of the PRC is growing fast and the market size may double by 2013.

The PRC's changing healthcare environment is designed to extend basic health insurance to a larger portion of the population and gives individuals greater access to healthcare products and services. With growing importance of healthcare services in the PRC, the potential of its medical and pharmaceutical markets is unlimited.

The Group will capture the opportunities in the pharmaceutical industry. Apart from focusing on the PRC market, the Group will continue to promote and build the brand image of "th's life" to make the most out of the growing health supplements market in Hong Kong.

Furthermore, following a remarkable recovery in 2010 from the financial tsunami in 2008 and 2009, Hong Kong economy is still healthy. Looking forward, the Group is optimistic about the economic prospects. We will maintain our prudent investment strategies and focus our efforts on grasping valuable investment opportunities in order to generate better returns to our shareholders.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2011, the Group held bank balances and cash of approximately HK$51,163,000 (2010: approximately HK$369,510,000). The Group had bank borrowings of approximately HK$63,000,000 which are all repayable within one year (2010: approximately HK$95,000,000). Net current assets amounted to approximately HK$875,153,000 (2010: approximately HK$760,431,000). Current ratio (defined as total current assets divided by total current liabilities) was 6.09 (2010: 4.74).

As at 30 June 2011, gearing ratio (defined as total bank borrowing divided by equity attributable to owners of the Company) was 3.66% (2010: 6.12%). 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 period, the Group considers that the potential foreign exchange exposure of the Group is limited.

HUMAN RESOURCES

As at 30 June 2011, the Group employed 568 staff (2010: 557). Total employee costs, including directors' emoluments, amounted to approximately HK$44,918,000 (2010: approximately HK$18,451,000) for the six months ended 30 June 2011.

The salary and employee benefits of the Group are competitive and individual performance is rewarded through the Group's salary, bonus system and share option schemes. Remuneration packages are reviewed annually.

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

During the six months ended 30 June 2011, 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 period.

CORPORATE GOVERNANCE

Throughout the six months ended 30 June 2011, the Company has complied with the code provisions of the Code on Corporate Governance Practices contained in Appendix 14 to the Listing Rules.

REVIEW OF FINANCIAL STATEMENTS

The unaudited consolidated financial statements of the Group for the six months ended 30 June 2011 have been reviewed by the Audit Committee of the Company.

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

Hong Kong, 19 August 2011

As at the date of this announcement, the executive directors of the Company are Miss Choi Ka Yee, Crystal, Dr. Cho Kwai Chee, Dr. Chan Wing Lok, Brian and Mr. Lee Chik Yuet; 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.