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 ANNUAL RESULTS FOR THE YEAR ENDED 31ST DECEMBER, 2011

FINANCIAL HIGHLIGHTS

For the year ended 31st December, 2011:

– The Group recorded revenue of approximately HK$339,321,000 (2010: approximately HK$307,447,000)

– The Group recorded a profit of approximately HK$63,035,000 (2010: approximately HK$104,399,000)

As at 31st December, 2011:

– The Group held bank balances and cash of approximately HK$46,261,000 (2010: approximately HK$369,510,000)

– The Group had a current ratio (defined as total current assets divided by total current liabilities) of 4.28 (2010: 4.74) and a gearing ratio (defined as total bank borrowing divided by equity attributable to owners of the Company) of 7.36% (2010: 6.12%).

The Board does not recommend the payment of any final dividend for the year ended 31st December, 2011 (2010: HK$0.05 per share).

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 31st December, 2011, together with the comparative figures for the previous year, as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	**2011** *HK$'000*	2010 *HK$'000*
Continuing operations			
Gross proceeds from continuing operations	*3*	**607,712**	1,425,962
Revenue	*3*	**339,321**	307,447
Cost of sales		**(225,245)**	(206,044)
Gross profit		**114,076**	101,403
Other income		**19,681**	38,219
Administrative expenses			
– Others		**(191,780)**	(190,347)
– Share-based payment expenses		**(198)**	(29,538)
Other gains and losses	*5*	**134,602**	263,315
Finance costs	*6*	**(1,663)**	(869)
Gain on deemed disposal of an associate		**–**	100
Gain on disposal of a subsidiary/subsidiaries		**799**	1,853
Share of results of associates		**17,466**	(37,161)
Increase in fair value of investment properties		**22,356**	25,568
Profit before tax		**115,339**	172,543
Income tax expenses	*7*	**(52,304)**	(45,595)
Profit for the year from continuing operations		**63,035**	126,948
Discontinued operations			
Loss for the year from discontinued operations		**–**	(22,549)
Profit for the year	*8*	**63,035**	104,399

	2011	2010
	HK$'000	*HK$'000*
Other comprehensive income (expense) for the year		
Exchange difference arising on the translation of foreign operations	**(22)**	–
Share of exchange reserve of associates	**13,727**	–
Gain on fair value change of properties reclassified as investment properties	**3,055**	–
Reclassification adjustments included in profit or loss upon disposal of available-for-sale investments	**–**	(27,456)
Fair value loss on available-for-sale investments	**(51,710)**	(130,667)
Impairment loss recognised on available-for-sale investments	**4,294**	–
Total comprehensive income (expense) for the year	**32,379**	(53,724)
Profit for the year attributable to:		
Owners of the Company		
Profit for the year from continuing operations	**61,334**	124,669
Loss for the year from discontinued operations	**–**	(30,048)
Profit for the year attributable to owners of the Company	**61,334**	94,621
Non-controlling interests		
Profit for the year from continuing operations	**1,701**	2,279
Profit for the year from discontinued operations	**–**	7,499
Profit for the year attributable to non-controlling interests	**1,701**	9,778
	63,035	104,399

	Notes	2011	2010
		HK$'000	*HK$'000*
Total comprehensive income (expense) attributable to:			
Owners of the Company		**30,678**	(63,502)
Non-controlling interests		**1,701**	9,778
		32,379	(53,724)
Earnings per share (HK$)	*10*		
– Basic		**0.07**	0.14
– Diluted		**0.07**	0.14
From continuing operations (HK$)	*10*		
– Basic		**0.07**	0.18
– Diluted		**0.07**	0.18

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	2011 HK$'000	2010 HK$'000
Non-current assets			
Investment properties		**284,403**	191,950
Property, plant and equipment		**183,090**	197,285
Loans receivable		**11,839**	29,365
Goodwill		**6,603**	7,463
Other intangible assets		**2,292**	4,602
Interests in associates		**216,475**	262,535
Available-for-sale investments		**50,138**	113,376
Deposits paid on acquisition of property, plant and equipment		**298**	–
		755,138	806,576
Current assets			
Inventories		**12,044**	8,550
Trade and other receivables	*11*	**44,598**	58,395
Held for trading investments		**903,354**	459,861
Loans receivable		**8,526**	16,890
Amounts due from associates		**20,664**	43,447
Amounts due from investees/an investee		**1,013**	10
Amount due from a related party		**1**	–
Tax recoverable		**592**	1,836
Pledged bank deposits		**5,021**	5,012
Bank balances and cash		**46,261**	369,510
		1,042,074	963,511

	Notes	2011 HK$'000	2010 HK$'000
Current liabilities			
Trade and other payables	*12*	**28,966**	51,924
Amounts due to associates		**10,648**	10,620
Amount due to an investee		**534**	339
Amounts due to non-controlling shareholders of subsidiaries		**4,928**	2,693
Amount due to a related party		**–**	1
Bank borrowing	*13*	**113,000**	95,000
Tax payable		**85,379**	42,503
		243,455	203,080
Net current assets		**798,619**	760,431
Total assets less current liabilities		**1,553,757**	1,567,007
Non-current liability			
Deferred tax liabilities		**12,055**	9,849
		1,541,702	1,557,158
Capital and reserves			
Share capital	*14*	**9,103**	9,112
Reserves		**1,527,082**	1,542,389
Equity attributable to owners of the Company		**1,536,185**	1,551,501
Non-controlling interests		**5,517**	5,657
Total equity		**1,541,702**	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 5th May, 2009, the Company de-registered from the Cayman Islands and registered in Bermuda as an exempted company under the laws of Bermuda.

The Company's shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The address of the Company's registered office is Canon's Court, 22 Victoria Street, Hamilton HM12, Bermuda. The address of the principal place of business of the Group is 6th Floor, Town Health Technology Centre, 10–12 Yuen Shun Circuit, Siu Lek Yuen, Shatin, New Territories, Hong Kong.

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

2. 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, amendments and interpretations ("new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Amendments to HKFRSs	Improvements to HKFRSs issued in 2010
HKAS 24 (Revised in 2009)	Related Party Disclosures
Amendments to HKAS 32	Classification of Right Issues
Amendments to HK(IFRIC)-Int 14	Prepayments of a Minimum Funding Requirement
HK (IFRIC)-Int 19	Extinguishing Financial Liabilities with Equity Instruments

The application of the new and revised HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

Amendments to HKFRS 7	Disclosures – Transfers of Financial Assets[1]
Amendments to HKFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities[2]
Amendments to HKFRS 7 and HKFRS 9	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[3]
HKFRS 9	Financial Instruments[3]
HKFRS 10	Consolidated Financial Statements[2]
HKFRS 11	Joint Arrangements[2]
HKFRS 12	Disclosure of Interests in Other Entities[2]
HKFRS 13	Fair Value Measurement[2]
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income[5]
Amendments to HKAS 12	Deferred Tax: Recovery of Underlying Assets[4]
HKAS 19 (as revised in 2011)	Employee Benefits[2]
HKAS 27 (as revised in 2011)	Separate Financial Statements[2]
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures[2]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[6]
HK(IFRIC)-Int 20	Stripping Costs in the Production Phase of a Surface Mine[2]

1 Effective for annual periods beginning on or after 1st July, 2011
2 Effective for annual periods beginning on or after 1st January, 2013
3 Effective for annual periods beginning on or after 1st January, 2015
4 Effective for annual periods beginning on or after 1st January, 2012
5 Effective for annual periods beginning on or after 1st July, 2012
6 Effective for annual periods beginning on or after 1st January, 2014

HKFRS 9 Financial Instruments

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) includes the requirements for the classification and measurement of financial liabilities and for derecognition.

Key requirements of HKFRS 9 are described as follows:

HKFRS 9 requires all recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement to be subsequently measured at 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 value at the end of subsequent reporting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

The most significant effect of HKFRS 9 regarding the classification and measurement of financial liabilities relates to the presentation of changes in the fair value of a financial liabilities (designated as at fair value through profit or loss) attributable to changes in the credit risk of that liability. 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 recognition 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.

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. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

New and revised standards on consolidation, joint arrangements, associates and disclosures

In June 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued, including HKFRS 10, HKFRS 11, HKFRS 12, HKAS 27 (as revised in 2011) and HKAS 28 (as revised in 2011).

Key requirements of these five standards are described below.

HKFRS 10 replaces the parts of HKAS 27 Consolidated and Separate Financial Statements that deal with consolidated financial statements and HK (SIC)-Int 12 Consolidation – Special Purpose Entities. HKFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in HKFRS 10 to deal with complex scenarios.

HKFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in HKFRS 12 are more extensive than those in the current standards.

These five standards are effective for annual periods beginning on or after 1st January, 2013. Earlier application is permitted provided that all of these five standards are applied early at the same time. The directors have not yet performed a detailed analysis of the impact of the application of these Standards and hence have not yet quantified the extent of the impact.

HKFRS 13 Fair Value Measurement

HKFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The Standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of HKFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in HKFRS 13 are more extensive than those in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under HKFRS 7 Financial Instruments: Disclosures will be extended by HKFRS 13 to cover all assets and liabilities within its scope.

HKFRS 13 is effective for annual periods beginning on or after 1st January, 2013, with earlier application permitted.

The directors anticipate that HKFRS 13 will be adopted in the Group's consolidated financial statements for the annual period beginning 1st January, 2013 and that the application of the new Standard may affect the amounts reported in the consolidated financial statements and result in more extensive disclosures in the consolidated financial statements.

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis.

The amendments to HKAS 1 are effective for the Group's annual periods beginning on 1st January, 2013. The presentation of items of other comprehensive income will be modified accordingly when the amendments are applied in the future accounting periods.

Amendments to HKAS 12 Deferred Tax – Recovery of Underlying Assets

The amendments to HKAS 12 provided an exception to the general principles in HKAS 12 that the measurement of deferred tax assets and deferred tax liabilities should reflect the tax consequences that would follow from the manner in which the entity expects to recover the carrying amount of an asset. Specifically, under the amendments, investment properties that are measured using the fair value model in accordance with HKAS 40 Investment Property are presumed to be recovered through sale for the purposes of measuring deferred taxes, unless the presumption is rebutted in certain circumstances. The amendments to HKAS 12 are effective for annual periods beginning on or after 1st January, 2012. The directors anticipate that the application of the amendments to HKAS 12 in future accounting periods may result in adjustments to the amounts of deferred tax liabilities recognised in prior years regarding the Group's investment properties of which the carrying amounts are presumed to be recovered through sale. The directors of the Company consider that significant efforts may be required to collect the necessary information for the affected amounts reported in the Group's consolidated financial statements and relevant disclosures.

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.

3. GROSS PROCEEDS FROM CONTINUING OPERATIONS AND REVENUE

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

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

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

	2011	2010
	HK$'000	*HK$'000*
Provision of healthcare and dental services *(Note)*	**316,356**	291,083
Properties	**13,255**	2,601
Others	**9,710**	13,763
Revenue	**339,321**	307,447
Gross proceeds from sales of securities	**268,391**	1,118,515
Gross proceeds from continuing operations	**607,712**	1,425,962

Note: It mainly represents the revenue from healthcare services.

4. SEGMENT INFORMATION

Information reported to chief operating decision makers, the Chief Executive Officer ("CEO"), for the purpose of resources allocation and assessment of segment performance focuses on different types of major businesses. Specifically, the Group's operating and reportable segments under HKFRS 8 are as follows:

- Provision of healthcare and dental services – Operations of the medical and dental practices
- Securities trading – Trading of listed securities
- Properties – Leasing of properties
- Others – Trading and retailing of pharmaceutical products, provision of management and administrative services and provision of beauty and skincare services

No segment information of assets and liabilities is provided to the CEO for the accessment of performance of different segments.

Segment revenues and results
For the year ended 31st December, 2011

	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)*	**316,356**	**268,391**	**13,255**	**9,710**	**607,712**
RESULTS					
Segment results	**10,500**	**210,463**	**18,975**	**1,865**	**241,803**
Other income					**19,681**
Unallocated corporate expenses					**(85,125)**
Share-based payment expenses					**(198)**
Finance costs					**(1,663)**
Gain on disposal of a subsidiary					**799**
Share of results of associates					**17,466**
Impairment loss recognised on available-for-sale investments					**(4,294)**
Impairment loss recognised on an associate					**(73,130)**
Profit before tax					**115,339**

For the year ended 31st 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 deemed disposal of an associate					100
Gain on disposal of subsidiaries					1,853
Share of results of associates					(37,161)
Profit before tax					172,543

Note: Reconciliation of total segment revenue from continuing operations to Group's consolidated revenue from continuing operations:

	2011 ***HK$'000***	2010 *HK$'000*
Gross proceeds from continuing operations	**607,712**	1,425,962
Less: Gross proceeds from securities trading	**(268,391)**	(1,118,515)
Consolidated revenue from continuing operations	**339,321**	307,447

The accounting policies of the reporting segments are the same as the Group's accounting policies, except for the inclusion of sales proceeds from securities trading in the segment revenue of securities trading segments reported to the chief operating decision makers, 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 of an associate, gain on disposal of a subsidiary/subsidiaries, certain share-based payment expenses, impairment loss recognised in respect of interests in an associate and available-for-sale investments and finance costs. This is the measure reported to the CEO for the purposes of resource allocation and performance assessment.

Other segment information
For the year ended 31st December, 2011

	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:							
Depreciation of property, plant and equipment	**5,175**	**–**	**663**	**16,899**	**22,737**	**6,670**	**29,407**
Increase in fair value of investment properties	**–**	**–**	**22,356**	**–**	**22,356**	**–**	**22,356**
Impairment loss recognised on goodwill	**860**	**–**	**–**	**1,622**	**2,482**	**–**	**2,482**
Gain on fair value changes on held for trading investments	**–**	**212,557**	**–**	**–**	**212,557**	**–**	**212,557**
Amounts included in the information regularly provided to the CEO:							
Additions to property, plant and equipment	**8,047**	**–**	**–**	**1,183**	**9,230**	**17,165**	**26,395**
Additions/transfer to investment properties	**–**	**–**	**70,097**	**–**	**70,097**	**–**	**70,097**

For the year ended 31st 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:							
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 on goodwill	17,390	–	–	–	17,390	–	17,390
Gain on fair value changes on held for trading investments	–	252,614	–	–	252,614	–	252,614
Amounts included in the information regularly provided to the CEO:							
Additions to property, plant and equipment	3,472	–	2,698	4,316	10,486	76,760	87,246
Additions/transfer to investment properties	–	–	93,782	–	93,782	–	93,782

Geographical information

Majority of the Group's operations are located in Hong Kong. All provision of healthcare and dental services are carried out in Hong Kong. The Group's revenue from external customers based on location of customers are all derived from Hong Kong. The Group's non-current assets, excluding available-for-sale investments and the Group's associates are all located in Hong Kong. Associates with carrying amount of HK$143,865,000 as at the year of the reporting period (2010: HK$194,123,000) are established and operate in China. Whilst the remaining associates operate in Hong Kong.

There is no customer contributing over 10% of the total sales of the Group during both years.

5. OTHER GAINS AND LOSSES

Continuing operations

	2011	2010
	HK$'000	*HK$'000*
Gain on fair value changes on held for trading investments	**212,557**	252,614
(Impairment loss) reversal of impairment loss recognised in respect of:		
– goodwill	**(2,482)**	(17,390)
– trade receivables	**(64)**	635
– available-for-sales investments	**(4,294)**	–
– interest in an associate	**(73,130)**	–
Gain on disposal of available-for-sale investments	**2,015**	27,456
	134,602	263,315

6. FINANCE COSTS

Continuing operations

	2011	2010
	HK$'000	*HK$'000*
Interest on bank borrowing wholly repayable within five years	**1,663**	869

7. INCOME TAX EXPENSES

Continuing operations

	2011	2010
	HK$'000	*HK$'000*
Tax charge comprises:		
Current tax		
– Hong Kong Profits Tax	**49,499**	41,243
– Underprovision in prior years	**599**	106
	50,098	41,349
Deferred tax		
– Current year	**2,206**	4,246
	52,304	45,595

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

8. PROFIT FOR THE YEAR

	2011	2010
	HK$'000	*HK$'000*
Profit for the year has been arrived at after charging:		
Continuing operations		
Staff costs		
– Directors' remuneration	**27,908**	28,786
– Other staff's salaries, bonus and other benefits	**203,613**	194,099
– Other staff's retirement benefits scheme contributions	**1,215**	906
– Share-based payment expenses	**198**	8,624
	232,934	232,415
Auditor's remuneration	**1,861**	1,851
Cost of inventories recognised as expenses	**33,234**	29,897
Depreciation of property, plant and equipment	**29,407**	18,759
Loss on disposal of property, plant and equipment	**216**	1,047
Amortisation of intangible assets (included in administrative expenses)	**2,310**	2,176
Share of tax of associates (included in share of results of associates)	**6,133**	2,068
Share-based payment expenses recognised on options granted to: Ping An of China Securities (Hong Kong) Company Limited	**–**	20,406
and after crediting:		
Gross rental income from investment properties	**13,255**	2,601
Less: Direct operating expense that generated rental income	**(3,295)**	–
Net rental income from investment properties	**9,960**	2,601

9. DIVIDENDS

The Board does not recommend the payment of any final dividend for the year ended 31st December, 2011 (2010: HK$0.05 per share).

10. EARNINGS PER SHARE

For continuing and discontinued operations

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

	2011	2010
	HK$'000	*HK$'000*
Earnings for the purposes of basic and diluted earnings per share: Profit for the year attributable to owners of the Company	**61,334**	94,621

Number of shares	**2011**	2010
Weighted average number of ordinary shares for the purposes of basic earnings per share	**910,977,296**	695,307,039
Effect of dilutive potential ordinary shares: Share options	**11,121,726**	2,752,523
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**922,099,022**	698,059,562

The computation of diluted earnings per share does not assume the exercise of certain of the Company's outstanding share options as the exercise price of those options is higher than the average market price for the share for both 2011 and 2010.

From continuing operations

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

Earnings figures are calculated as follows:	**2011**	2010
	HK$'000	*HK$'000*
Profit for the year attributable to owners of the Company	**61,334**	94,621
Less: Loss for the year from discontinued operations	**–**	(30,048)
Profit for the purposes of basic earnings per share from continuing operations	**61,334**	124,669

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

From discontinued operations

During the year ended 31st December, 2010, basic loss per share for the discontinued operations is HK$0.04 per share and diluted loss per share for the discontinued operations is HK$0.04 per share, based on the loss for the year from the discontinued operations of approximately HK$30,048,000 and the denominators detailed alone for both basic and diluted earnings per share.

11. TRADE AND OTHER RECEIVABLES

	2011	2010
	HK$'000	*HK$'000*
Trade receivables	**13,930**	13,041
Less: allowance for doubtful debts	**(1,239)**	(1,175)
Total trade receivables, net of allowance	**12,691**	11,866
Deposits	**26,381**	28,589
Other receivables	**4,237**	12,300
Prepayments	**1,289**	5,640
	44,598	58,395

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:

	2011	2010
	HK$'000	*HK$'000*
0 – 60 days	**7,215**	6,912
61 – 120 days	**3,638**	3,744
121 – 180 days	**2,790**	2,310
181 – 240 days	**241**	7
241 – 365 days	**46**	68
	13,930	13,041

These receivables relate to a number of independent customers that have a good track record with the Group. The Group does not hold any collateral over these balances.

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

	2011	2010
	HK$'000	*HK$'000*
241 – 365 days	**46**	68

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:

	2011	2010
	HK$'000	*HK$'000*
Balance at the beginning of the year	**1,175**	1,810
Impairment losses recognised on receivables	**64**	–
Write back of impairment loss	**–**	(635)
Balance at the end of the year	**1,239**	1,175

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.

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

12. TRADE AND OTHER PAYABLES

	2011	2010
	HK$'000	*HK$'000*
Trade payables	**7,494**	6,948
Other payables	**5,044**	5,397
Accruals	**16,428**	39,579
	28,966	51,924

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

	2011	2010
	HK$'000	*HK$'000*
0 – 60 days	**7,286**	6,882
61 – 120 days	**146**	62
121 – 240 days	**36**	2
Over 240 days	**26**	2
	7,494	6,948

The average credit period on purchase of goods is 60 to 120 days.

13. BANK BORROWING

	2011	2010
	HK$'000	*HK$'000*
Secured bank borrowing repayable within one year or on demand	**113,000**	95,000

As at 31st December, 2011, the bank borrowing of the Group carries variable interest rate at HIBOR+2% per annum (2010: variable interest rate at HIBOR+1% per annum).

14. SHARE CAPITAL

	Number of shares	Amount *HK$'000*
Ordinary shares of HK$0.01 each		
Authorised:		
As at 1st January, 2010, 31st December, 2010 and 2011	**30,000,000,000**	**300,000**
Issued and fully paid:		
As at 1st January, 2010	323,694,710	3,237
Issue of new shares *(Note a)*	587,500,000	5,875
As at 31st December, 2010	911,194,710	9,112
Share repurchased and cancelled *(Note b)*	(860,000)	(9)
As at 31st December, 2011	**910,334,710**	**9,103**

Notes:

(a) On 23rd 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 placements 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 22nd April, 2010, 6th May, 2010 and 3rd 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.

(b) During the year ended 31st December, 2011, the Company repurchased a total of 860,000 ordinary shares of HK$0.01 each through the Stock Exchange at an aggregate consideration of approximately HK$628,000 and all of these shares were cancelled upon repurchase.

Month of repurchase	Number of ordinary shares of HK$0.01 each	Price per shares		Aggregate consideration paid
		Highest *HK$*	Lowest *HK$*	*HK$'000*
September 2011	496,000	0.80	0.67	359
October 2011	360,000	0.74	0.70	265
November 2011	4,000	0.85	0.85	4

None of the Company's subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31st December, 2010.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The positive results of each business segment were reflected in this year's annual results. As a result, the Group aims to continue positioning itself as an investment company, with core businesses in both the medical sectors (medical and dental services, health check and pharmaceutical businesses) and non-medical sectors (securities and property investment). By doing so, we strive to offer shareholders with better financial returns and lower the Group's overall business risks.

For the year under review, a profit of approximately HK$63,035,000 was recorded. The Group's consolidated profit attributable to equity holders was approximately HK$61,334,000, representing a decrease of 50.80% from the previous financial year for the continuing operations.

Constant growth and expansion of medical and dental services

With the Group's unwavering attempts at perfection, the healthcare and dental services business remained the key revenue driver for the Group. Over the years, the Group has developed an extensive network of general practice, special and multidisciplinary healthcare services. The services include but are not limited to family medicine and specialty medicine, dentistry, paramedical practice and preventive healthcare. The Group continues to maintain its leading position in the industry with an established clientele and expansion of its specialist outpatient services. During the year, the Group's healthcare and dental services division achieved a turnover of approximately HK$316,356,000 (2010: approximately HK$291,083,000), accounting for approximately 93.23% (2010: 94.67%) of the Group's revenue.

The Town Health Medical Network Services Limited ("THMN"), a healthcare management company aimed at providing high quality and affordable medical services to corporate clients through a network of integrated medical resources, was launched successfully in 2010. The Group has nearly 90 self-owned clinics and facilities in Hong Kong, allowing users to benefit from its integrated medical network.

Satisfactory returns generated from pharmaceutical businesses

"th's life" (康健新活), a new brand of health supplements launched by the Group since 2010, has expanded its distribution channel and is available through large chain distribution networks. The brand offers high quality products developed with professional technology and manufactured under high quality control.

Healthcare accessibility in China is accelerating, and efficiency and quality were identified as the key objectives of China's healthcare reform from 2009 to 2011. Favorable government policies are increasing healthcare spending and expanding reimbursement coverage. According to industry researcher, China's pharmaceutical market is expected to continue to grow at a pace of more than 20 percent annually. China is the world's third largest prescription drug market in 2011 and it is expected to be the second largest by 2020.

In light of the current growing pharmaceutical industry in China, the Group has also made continued efforts to restructure and improve its business in China to take advantage of the booming opportunities brought by the governmental medical reform. The Group continues to manufacture and distribute high quality pharmaceutical products in its state-of-the-art facilities located in Hangzhou and Guizhou.

We remain highly upbeat with the outlook for the pharmaceutical industry in China especially with the recent medical reforms. We will also continue our efforts in strengthening and consolidating our joint-venture for the provision of management and consultancy services to medical diagnostic and integrated healthcare services in Guangdong Province of China.

Solid financial returns on securities and properties investment

The Group's investment portfolio includes investments in listed and unlisted securities as well as retail and office properties in prime locations. Benefiting from the favorable economic conditions in China and Hong Kong, the Group has recorded positive returns in this sector.

The Group owns approximately 9.25% of ePRO Limited (Stock code: 8086) as at 31st December, 2011. The Group is satisfied with the performance and expects to generate positive recurring returns and dividends in the future.

The diverse portfolio has helped to spread and lower risks. This has also stabilised our returns on investment, in addition to our medical healthcare business. Moreover, we aim to further advance our investment sector by including high caliber professionals in the industry to join our team and further develop this sector of our business. We believe that there are still huge prospects for growth, thus we aim to grasp the opportunities surrounding us.

Outlook

Strengthening healthcare and medical services business

The Group has always held a prestigious position in the healthcare and medical services industry in Hong Kong. Taking advantage of its team of experienced professionals and advanced facilities, we are strongly confident that the Group will continue to achieve sustainable growth for its healthcare and medical services sector in the local market.

Boosting of Pharmaceutical Business

Benefiting from economic growth, an aging population, urbanization, and health care reform, the pharmaceutical industry's future growth prospects in China are very evident.

With China entering a new era and a recent announcement of the 12th Five-Year plan (2011–2015), a greater emphasis will be put on welfare measures, public services and a more equitable distribution of wealth. From high-end research to affordable drug pricing and sophisticated logistics and distribution, every effort is being made to modernize the health industry.

According to the research report, China's booming economy and high GDP growth make its pharmaceutical market the fifth largest and one of the most attractive in the world. With its high volume and a projected 20 percent annual growth, it is set to overtake Japan as the world's second largest market by 2020.

The Group will continue to promote and market its th's life brand to take advantage of the growing health supplements market in Hong Kong. Moreover, to ensure growth is sustainable, the Group will continue to leverage its research and development expertise to develop products desired by consumers. The Group will continue to be on the alert and modify our existing business strategies to cope with the changing business environment.

Refining our Investment Strategy

The Group's investment returns were satisfactory for the year under review. Under the guidance and leadership of a team of professionals, The Group, a growing investment company, has successfully seized the investment opportunities in the market.

Having benefited from the ample liquidity in the financial market and the positive overall investment sentiment, the Group's securities trading business recorded a promising performance.

In the long term, the management expects different investments in China will provide strong growth opportunities for the Group. The Group is strengthening the expansion of its business network in Hong Kong while putting emphasis on expanding in China as part of the plan to achieve long-term sustainable growth. To maintain the Group's competiveness in the investment sector, Town Health will continue recruiting and training more capable professionals to join the Group.

Looking forward to the coming year, the difficult business environment in Hong Kong and uncertain global economy is expected to persist. However, we remain cautiously optimistic about the local property market and the Group's investments, and will continue to diversify our investment portfolio.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31st December, 2011, the Group held bank balances and cash of approximately HK$46,261,000 (2010: approximately HK$369,510,000). The Group had bank borrowings of approximately HK$113,000,000 which are all repayable within one year (2010: approximately HK$95,000,000). Net current assets amounted to approximately HK$798,619,000 (2010: approximately HK$760,431,000). Current ratio (defined as total current assets divided by total current liabilities) was 4.28 (2010: 4.74).

As at 31st December, 2011, gearing ratio (defined as total bank borrowings divided by equity attributable to owners of the Company) was 7.36% (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 China in relation to Renminbi is stable throughout the year, the Group considers that the potential foreign exchange exposure of the Group is limited.

HUMAN RESOURCES

As at 31st December, 2011, the Group employed 558 staff (2010: 557 staff). Total employee costs for the year ended 31st December, 2011, including directors' emoluments, amounted to approximately HK$232,934,000 (2010: approximately HK$232,415,000).

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 are reviewed annually during the year.

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

During the year ended 31st December, 2011, the Company repurchased a total of 860,000 ordinary HK$0.01 each on the Stock Exchange at an aggregate price of approximately HK$628,000, representing an average of HK$0.73 paid for each share repurchased. All of these shares were cancelled upon repurchase.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

Throughout the year ended 31st December, 2011, 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 31st December, 2011, they have complied with the provisions of the Model Code.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of comprehensive income and the related notes thereto for the year ended 31st December, 2011 as set out in the Preliminary Announcement have been agreed by the Group's auditors, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

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

Hong Kong, 23rd March, 2012

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.