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 2012

FINANCIAL HIGHLIGHTS

For the six months ended 30 June 2012:

– The Group recorded revenue of approximately HK$173,488,000 (2011: approximately HK$171,775,000).

– The Group recorded a loss of approximately HK$256,546,000 (2011: profit of approximately HK$241,200,000). The loss was mainly arising on the Group's impairment loss recognised on the available-for-sale investment and change in fair value of held-for-trading investments which are non-cash in nature.

As at 30 June 2012:

– The Group had a current ratio (defined as total current assets divided by total current liabilities) of 2.35 and a gearing ratio (defined as total bank borrowing divided by equity attributable to owners of the Company) of 19.10%.

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2012 (for the six months ended 30 June 2011: Nil).

RESULTS

The board of directors (the "Board") of Town Health International Investments Limited (the "Company") is pleased to announce the unaudited interim condensed consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2012, together with the comparative unaudited figures for the six months ended 30 June 2011, as follows:

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		For the six months ended ended 30 June	
		2012	2011
		(unaudited)	(unaudited)
	Notes	***HK$'000***	*HK$'000*
Gross proceeds from operations	*4*	**312,910**	354,752
Revenue	*4*	**173,488**	171,775
Cost of sales		**(113,974)**	(110,833)
Gross profit		**59,514**	60,942
Other income	*7*	**8,940**	5,920
Administrative expenses			
– Others		**(85,043)**	(114,862)
– Share-based payment expenses		**–**	(198)
Finance costs	*8*	**(1,873)**	(727)
Other gains and losses	*6*	**(296,137)**	155,715
Gain on fair value changes on convertible bonds		**–**	132,828
Share of results of associates		**5,220**	5,563
Loss on disposal of associates		**(4,374)**	–
Increase in fair value of investment properties		**57,622**	–
(Loss) profit before tax	*10*	**(256,131)**	245,181
Income tax expenses	*9*	**(415)**	(3,981)
(Loss) profit for the period		**(256,546)**	241,200

	Note	For the six months ended ended 30 June **2012** **(unaudited)** ***HK$'000***	2011 (unaudited) *HK$'000*
Other comprehensive (expenses) income for the period			
Exchange difference arising on the translation of foreign operations		**28**	–
Share of exchange reserve of associates		**(1,234)**	–
Fair value loss on available-for-sale investments		**–**	(23,758)
Total comprehensive (expenses) income for the period		**(257,752)**	217,442
(Loss) profit for the period attributable to			
Owners of the Company		**(258,238)**	240,104
Non-controlling interests		**1,692**	1,096
		(256,546)	241,200
Total comprehensive (expenses) income attributable to			
Owners of the Company		**(259,444)**	216,346
Non-controlling interests		**1,692**	1,096
		(257,752)	217,442
(Loss) earnings per share (HK$)			
– Basic	*12*	**(0.28)**	0.26
– Diluted		**(0.28)**	0.26

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**30 June 2012 (unaudited)** *HK$'000*	31 December 2011 (audited) *HK$'000*
NON-CURRENT ASSETS			
Investment properties		**354,954**	284,403
Property, plant and equipment		**171,345**	183,090
Loans receivable	*13*	**13,024**	11,839
Goodwill		**6,603**	6,603
Other intangible assets		**1,137**	2,292
Interests in associates		**208,186**	216,475
Available-for-sale investments		**46,547**	50,138
Deposits paid on acquisition of property, plant and equipment		**–**	298
		801,796	755,138
CURRENT ASSETS			
Inventories		**11,408**	12,044
Trade and other receivables	*14*	**69,129**	44,598
Held for trading investments		**628,299**	903,354
Loans receivable	*13*	**5,664**	8,526
Amounts due from associates		**6,940**	20,664
Amounts due from investees		**1,013**	1,013
Amount due from a related party		**3**	1
Tax recoverable		**694**	592
Pledged bank deposits		**5,030**	5,021
Bank balances and cash		**129,441**	46,261
		857,621	1,042,074
CURRENT LIABILITIES			
Trade and other payables	*15*	**29,260**	28,966
Amounts due to associates		**1,094**	10,648
Amounts due to investees		**634**	534
Amounts due to non-controlling interests of subsidiaries		**4,224**	4,928
Bank borrowing		**243,871**	113,000
Tax payable		**85,542**	85,379
		364,625	243,455
NET CURRENT ASSETS		**492,996**	798,619
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,294,792**	1,553,757

	Note	30 June 2012 (unaudited) HK$'000	31 December 2011 (audited) HK$'000
NON-CURRENT LIABILITY			
Deferred tax liabilities		**12,055**	12,055
		1,282,737	1,541,702
CAPITAL AND RESERVES			
Share capital	*16*	**9,103**	9,103
Reserves		**1,267,638**	1,527,082
Equity attributable to owners of the Company		**1,276,741**	1,536,185
Non-controlling interests		**5,996**	5,517
Total equity		**1,282,737**	1,541,702

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL

The Company was formerly an exempted company with limited liability incorporated in the Cayman Islands. On 5 May 2009, the Company de-registered from the Cayman Islands and redomiciled to Bermuda and continued as an exempted company with limited liability under the Companies Act of Bermuda.

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

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

2. BASIS OF PREPARATION

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

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

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

The accounting policies used in the interim condensed consolidated financial statements are consistent with those used in the Group's annual financial statements for the year ended 31 December 2011.

Except in relation to the new and revised standards, amendments and interpretations ("new and revised HKFRSs") issued by the HKICPA that are adopted for the first time for the current period's financial statements, the adoption of such new and revised HKFRSs does not have material impact on the interim condensed consolidated financial statements 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	
	2012	2011
	HK$'000	*HK$'000*
Provision of healthcare and dental services *(Note)*	**163,454**	161,159
Properties	**6,377**	4,499
Others	**3,657**	6,117
Revenue	**173,488**	171,775
Gross proceeds from securities trading	**139,422**	182,977
Gross proceeds from operations	**312,910**	354,752

Note: It mainly represents the revenue from healthcare services.

5. SEGMENT INFORMATION

Segment revenue and results

For the six months ended 30 June 2012

	Provision of healthcare and dental services	Securities trading	Properties	Others	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
GROSS PROCEEDS FROM OPERATIONS – SEGMENT REVENUE FROM EXTERNAL SALES	163,454	139,422	6,377	3,657	312,910
RESULTS					
Segment results	4,916	(300,661)	59,580	(126)	(236,291)
Other income					8,940
Unallocated corporate expense					(20,195)
Finance costs					(1,873)
Loss on disposal of associates					(4,374)
Share of results of associates					5,220
Impairment loss recognised on available-for-sale investments					(7,558)
Loss before tax					(256,131)
Income tax expenses					(415)
Loss for the period					(256,546)

For the six months ended 30 June 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 OPERATIONS – SEGMENT REVENUE FROM EXTERNAL SALES	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 disposal of subsidiaries					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

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 is 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.

6. OTHER GAINS AND LOSSES

	For the six months ended 30 June	
	2012 ***HK$'000***	2011 *HK$'000*
(Loss) gain on fair value changes on held for trading investments	**(288,579)**	154,557
Gain on fair value charges on available-for-sale investments	**–**	1,158
Impairment loss recognised on available-for-sale investments	**(7,558)**	–
	(296,137)	155,715

7. OTHER INCOME

	For the six months ended 30 June	
	2012	2011
	HK$'000	*HK$'000*
Interest income from		
– bank deposits	**13**	19
– loans receivables	**181**	648
	194	667
Dividend income from listed investments classified as held for trading investments	**2,881**	589
Dividend income from unlisted investments classified as available-for-sale investments	**300**	–
Rental income	**2,817**	2,837
Sundry income	**2,748**	1,827
	8,940	5,920

8. FINANCE COSTS

	For the six months ended 30 June	
	2012	2011
	HK$'000	*HK$'000*
Interest on bank borrowing wholly repayable within five years	**1,873**	727

9. INCOME TAX EXPENSES

	For the six months ended 30 June	
	2012	2011
	HK$'000	*HK$'000*
Tax charge comprises:		
Current tax		
Hong Kong Profits Tax	**415**	3,981

Hong Kong profits tax is calculated at 16.5% (2011: 16.5%) of the estimated assessable profits for the period. Share of tax attributable to associates amounting to approximately HK$7,121,000 (2011: approximately HK$1,782,000) is included in "Share of results of associates" on the face of the interim condensed consolidated statement of comprehensive income.

10. (LOSS) PROFIT BEFORE TAX

	For the six months ended 30 June	
	2012	2011
	HK$'000	*HK$'000*
(Loss) profit before tax have been arrived at after charging:		
Staff costs:		
– Directors' remuneration	**3,692**	22,877
– Others staff's salaries, bonus and other benefits	**101,171**	112,383
– Others staff's retirement benefits scheme contributions	**511**	621
– Share-based payment expenses	**–**	198
	105,374	136,079
Depreciation of property, plant and equipment	**14,470**	11,517
Loss on disposal of property, plant and equipment	**31**	145
Amortisation of intangible assets (included in administrative expenses)	**1,155**	1,155

11. DIVIDENDS

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2012 (for the six months ended 30 June 2011: Nil).

12. (LOSS) EARNINGS PER SHARE

The calculation of the basic (loss) earnings per share for the six months ended 30 June 2012 is based on the unaudited loss for the period attributable to owners of the Company of approximately HK$258,238,000 (2011: the unaudited profit for the period attributable to owners of the Company of approximately HK$240,104,000) and the weighted average number of share 910,334,710 shares (2011: 911,194,710 shares) in issue during the period.

The calculation of the diluted earnings per share for the six months ended 30 June 2012 is based on the unaudited loss for the period attributable to owners of the Company of approximately HK$258,238,000 (2011: the unaudited profit for the period attributable to owners of the Company of approximately HK$240,104,000) and the weighted average number of 910,334,710 shares (2011: 917,631,810 shares). Diluted loss per share for the six months ended 30 June 2012 is the same as the basic loss per share as the potential shares arising from the exercise of the Company's outstanding share options would decrease in loss per share of the Group for the period and is recognised as anti-dilutive. 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 deemed to be issued during the last year corresponding period, assuming the exercise of all potential dilutive shares.

13. LOANS RECEIVABLE

	30 June 2012	31 December 2011
	HK$'000	*HK$'000*
Fixed rate loans receivable	**18,688**	20,365

14. TRADE AND OTHER RECEIVABLES

	30 June 2012 *HK$'000*	31 December 2011 *HK$'000*
Trade receivables	**16,457**	13,930
Less: allowance for doubtful debts	**(44)**	(1,239)
Total trade receivables, net of allowance	**16,413**	12,691
Prepayments, deposits and other receivables	**52,716**	31,907
	69,129	44,598

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:

	30 June 2012 *HK$'000*	31 December 2011 *HK$'000*
0 – 60 days	**8,598**	7,215
61 – 120 days	**4,600**	3,638
121 – 180 days	**3,051**	2,790
181 – 240 days	**84**	241
241 – 365 days	**124**	46
	16,457	13,930

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:

	30 June 2012 *HK$'000*	31 December 2011 *HK$'000*
241 – 365 days	**124**	46

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.

15. TRADE AND OTHER PAYABLES

	30 June 2012 *HK$'000*	31 December 2011 *HK$'000*
Trade payables	**7,741**	7,494
Other payables	**5,772**	5,044
Accruals	**15,747**	16,428
	29,260	28,966

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

	30 June 2012 *HK$'000*	31 December 2011 *HK$'000*
0 – 60 days	**7,644**	7,286
61 – 120 days	**88**	146
121 – 240 days	**6**	36
Over 240 days	**3**	26
	7,741	7,494

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

16. SHARE CAPITAL

	Number of shares	**Amount** *HK$'000*
Ordinary shares of HK$0.01 each		
Authorised:		
As at 31 December 2011 and 30 June 2012	30,000,000,000	300,000
Issued and fully paid:		
As at 31 December 2011 and 30 June 2012	910,334,710	9,103

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

First half of 2012 was a difficult year for most of the business; almost every sector of the economy was struggling with the uncertainties surrounding the global economy. During the period under review, revenue was approximately HK$173,488,000 (2011: approximately HK$171,775,000), representing an increase of 1%.

Loss for the period attributable to owners of the Company was approximately HK$258,238,000 (Profit for the period attributable to owners of the Company in the corresponding period in 2011: approximately HK$240,104,000). The loss recorded during the period under review was mainly due to unrealised losses arising on the Group's impairment loss recognised on available-for-sale investments and change in fair value of held-for-trading investments which are non-cash in nature. Gross profit margin for the period under review was 34.30% (2011: 35.48%), representing a decrease of 1.18%.

Review of Operations

Continuous growth of medical and dental services

The Group provides general practice, special and multidisciplinary healthcare services through an extensive network established across Hong Kong and the Pearl River Delta Region of the People's Republic of China ("PRC"). For the period under review, the Group's healthcare and dental services business achieved continuous growth and remained the key revenue driver, achieving a revenue of approximately HK$163,454,000 (2011: approximately HK$161,159,000). Revenue from the provision of healthcare and dental services accounted for 52.23% of the total gross proceeds from operations of the Group.

During the period under review, the Group has continued to provide its medical services, dental services, and specialist outpatient services through its clinic network across different districts in Hong Kong. Currently, the Group is serving its customers with around 75 clinics.

Since 2010, the Group has provided high quality and affordable medical services such as integrated healthcare and health check services to corporate clients through Town Health Medical Network Services Limited ("THMN"). During the period under review, THMN achieved satisfactory performance through a network of over 75 clinics and facilities in Hong Kong.

Steady development of pharmaceutical business

The Group continued to expand the distribution channel of "th's life" (康健新活), the Group's brand of health supplements. th's life has been made available in many large chain distribution networks across the PRC. Through providing high quality products developed with professional technology and manufactured under high quality control, th's life has recorded steady sales during the period under review.

Grasping the growth of the PRC's pharmaceutical industry and favorable medical reforms, the Group has made continuous efforts to restructure and improve its pharmaceutical business. To maintain the Group's premier position in the pharmaceutical market, the Group is also taking part in the distribution of Chinese herbal medicine, chemical raw pharmaceutical, antibiotics, biomedical and other pharmaceutical products in the PRC.

Result from securities investment

The Group's investment portfolio is comprised of investments in listed and unlisted securities. As the global financial economy endures instability in 2012, the Group's incurred a loss during the first half year of 2012 under review. The Group's gross proceeds from its securities investments was approximately HK$139,422,000 (2011: approximately HK$182,977,000), which accounted for 44.56% of the Group's total gross proceeds from operations and represented a 23.80% decrease compared to the corresponding period last year. The decrease in segment result of securities trading during the period under review was mainly attributable to unrealised losses arising on the Group's impairment loss recognised on available-for-sale investments and change in fair value of held-for-trading investments which are non-cash in nature.

Stable recurrent income from Property investment

The Group's investment properties are comprised retail and office properties in prime locations. The investment properties continued to enjoy satisfactory occupancy during the period under review and provided the Group with stable recurrent income. The Group's gross proceeds from its properties investments was approximately HK$6,377,000 (2011: approximately HK$4,499,000), which represented a 41.74% increase compared to the corresponding period last year.

Acquisition of luxury fashion business

The Group is actively engaged in seeking new investment opportunities to expand its investment portfolio. As announced on 28 March 2012, Broad Giant Limited, an indirect wholly-owned subsidiary of the Company, has conditionally agreed to subscribe for 48% of the issued share capital of Precise Power Limited ("Precise Power") at a consideration of HK$7,837,000.

Precise Power is principally engaged in the wholesales and retails business of parallel-imported European luxury branded fashion and clothing, handbags, shoes and other accessories in Hong Kong and the PRC.

Outlook

The Group will strive to maintain its position as one of the leading private healthcare institutes in Hong Kong and expand our provision of affordable and high quality healthcare services across all sectors. In recent years, the Hong Kong Government has been heavily promoting awareness in self-health and the use of private healthcare services. As one of the leading medical groups in Hong Kong, the Group will surely benefit from the Hong Kong Government's private healthcare promotion initiatives. With the Group's professional and advanced medical facilities, we are confident that the Group will continue to achieve sustainable growth for its healthcare and medical services sector in the Hong Kong market.

In the 12th Five-Year Plan, the PRC government stated their support for growth in the medical industry and their healthcare reforms have extended to the products and services available for individuals. Benefitting from government policies and the emerging pharmaceutical market of the PRC, the Group is well-adapted to capture the opportunities in the pharmaceutical industries and is positioned for long-term growth.

During the period under review, the global financial markets experienced instability and economic uncertainties. The Group suffered a significant unrealised loss on trading securities. In light of the challenging financial environments, the Group will continue to adopt a cautious and prudent approach and undertake effective risk management to ensure growth in the Group's investment portfolio. We will continue to diversify our investments to help spread and lower risk. The Group remains optimistic about the prospects of Hong Kong and the PRC's financial and property markets and will seize suitable and valuable investment opportunities.

Benefitting from the booming luxury markets of Hong Kong and the PRC, sales numbers of luxury products across different sectors have been on sharp rises. Thus, we are excited about the Group's entrance into the luxury fashion business, and we believe that our newly acquired luxury fashion business will begin to generate returns in the near future.

Looking forward, the difficult business environment in Hong Kong and uncertainty in the global economy is expected to persist. However, the Group remains confident about our medical and non-medical businesses. The Group will continue to expand its presence in the healthcare markets of Hong Kong and the PRC and prudently manage and diversity our investment portfolio to generate better returns for the shareholders of the Group.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2012, the Group held bank balances and cash of approximately HK$129,441,000 (2011: approximately HK$46,261,000). The Group had bank borrowing of approximately HK$243,871,000 which are all repayable within one year (2011: approximately HK$113,000,000).

Net current assets amounted to approximately HK$492,996,000 (2011: approximately HK$798,619,000). Current ratio (defined as total current assets divided by total current liabilities) was 2.35 (2011: 4.28).

As at 30 June 2012, gearing ratio (defined as total bank borrowing divided by equity attributable to owners of the Company) was 19.10% (2011: 7.36%). 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.

CHARGES ON THE GROUP'S ASSETS

The Group pledged its certain property, plant and equipment and investment properties of the Group with the carrying value of approximately HK$94,918,000 (as at 31 December 2011: approximately HK$96,628,000) and approximately HK$209,704,000 (as at 31 December 2011: approximately HK$162,203,000) respectively and bank deposits of approximately HK$5,030,000 (as at 31 December 2011: approximately HK$5,021,000) was pledged to secure general banking facilities granted to the Group.

CONTINGENT LIABILITIES

As at 30 June 2012, the Group had no material contingent liabilities (as at 31 December 2011: Nil).

HUMAN RESOURCES

As at 30 June 2012, the Group employed 561 staff (2011: 568). Total employee costs, including directors' emoluments, amounted to approximately HK$105,374,000 (2011: approximately HK$136,079,000) for the six months ended 30 June 2012.

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 2012, 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

During the period from 1 January 2012 to 31 March 2012, the Company has complied with the code provisions of the former Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules; and during the period from 1 April 2012 to 30 June 2012, the Company has complied with the code provisions of the existing Corporate Governance Code and Corporate Governance Report as set out in that Appendix.

REVIEW OF FINANCIAL STATEMENTS

The unaudited consolidated financial statements of the Group for the six months ended 30 June 2012 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, 24 August 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.