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, 2012

FINANCIAL HIGHLIGHTS

For the year ended 31st December, 2012:

– The Group recorded revenue of approximately HK$341,768,000 (2011: approximately HK$339,321,000)

– The Group recorded a loss for the year of approximately HK$430,664,000 (2011: profit of approximately HK$66,011,000)

As at 31st December, 2012:

– The Group held cash and bank balances of approximately HK$176,332,000 (2011: approximately HK$46,261,000)

– The Group had a current ratio (defined as total current assets divided by total current liabilities) of 1.921 and a gearing ratio (defined as total bank borrowing divided by equity attributable to owners of the Company) of 18.67%.

The Board does not recommend the payment of any final dividend for the year ended 31st December, 2012 (2011: nil)

FINAL 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, 2012, together with the comparative figures for the previous year, as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	**2012** ***HK$'000***	2011 *HK$'000* (restated)
Gross proceeds	*3&4*	**877,318**	607,712
Revenue		**341,768**	339,321
Cost of sales		**(223,205)**	(225,245)
Gross profit		**118,563**	114,076
Other income	*5*	**16,711**	19,681
Administrative expenses		**(184,039)**	(191,978)
Other gains and losses	*6*	**(447,406)**	134,602
Finance costs	*7*	**(3,948)**	(1,663)
Gain on disposal of associates		**3,463**	–
(Loss) gain on disposal of a subsidiary		**(79)**	799
Share of results of associates		**(9,470)**	17,466
Increase in fair value of investment properties		**78,645**	22,356
(Loss) profit before tax		**(427,560)**	115,339
Income tax expenses	*8*	**(3,104)**	(49,328)
(Loss) profit for the year	*9*	**(430,664)**	66,011

	Note	2012 HK$'000	2011 HK$'000 (restated)
Other comprehensive income (expense) for the year			
Exchange difference arising on the translation of foreign operations		**25**	(22)
Share of exchange reserve of associates		**274**	13,727
Gain on fair value change of properties reclassified as investment properties		**–**	3,055
Fair value gain (loss) on available-for-sale investments		**462**	(51,710)
Impairment loss recognised on available-for-sale investments		**–**	4,294
Total comprehensive (expense) income for the year		**(429,903)**	35,355
(Loss) profit for the year attributable to:			
Owners of the Company		**(434,952)**	64,221
Non-controlling interests		**4,288**	1,790
		(430,664)	66,011
Total comprehensive (expense) income attributable to:			
Owners of the Company		**(434,191)**	33,565
Non-controlling interests		**4,288**	1,790
		(429,903)	35,355
(Loss) earnings per share (HK$)			
– Basic	*11*	**(0.48)**	0.07
– Diluted		**(0.48)**	0.07

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	2012	2011	2010
		HK$'000	*HK$'000*	*HK$'000*
			(restated)	(restated)
NON-CURRENT ASSETS				
Investment properties		**573,040**	284,403	191,950
Property, plant and equipment		**163,322**	183,090	197,285
Loans receivable		**14,242**	11,839	29,365
Goodwill		**6,603**	6,603	7,463
Other intangible assets		**167**	2,292	4,602
Interests in associates		**224,709**	216,475	262,535
Available-for-sale investments		**49,275**	50,138	113,376
Deposits paid for acquisition of property, plant and equipment		**328**	298	–
		1,031,686	755,138	806,576
CURRENT ASSETS				
Inventories		**9,769**	12,044	8,550
Trade and other receivables	*12*	**41,155**	44,598	58,395
Held for trading investments		**314,135**	903,354	459,861
Loans receivable		**13,482**	8,526	16,890
Amounts due from associates		**3,753**	20,664	43,447
Amounts due from investees		**1,839**	1,013	10
Amount due from a related party		**9**	1	–
Tax recoverable		**437**	592	1,836
Pledged bank deposits		**79,951**	5,021	5,012
Bank balances and cash		**176,332**	46,261	369,510
		640,862	1,042,074	963,511

	Notes	2012 HK$'000	2011 HK$'000 (restated)	2010 HK$'000 (restated)
CURRENT LIABILITIES				
Trade and other payables	*13*	**33,876**	28,966	51,924
Amounts due to associates		**369**	10,648	10,620
Amount due to an investee		**437**	534	339
Amounts due to non-controlling interests		**4,126**	4,928	2,693
Amount due to a related party		**–**	–	1
Bank borrowing	*14*	**210,575**	113,000	95,000
Tax payable		**84,210**	85,379	42,503
		333,593	243,455	203,080
NET CURRENT ASSETS		**307,269**	798,619	760,431
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,338,955**	1,553,757	1,567,007
NON-CURRENT LIABILITY				
Deferred tax liabilities		**1,606**	960	1,730
		1,337,349	1,552,797	1,565,277
CAPITAL AND RESERVES				
Share capital	*15*	**9,103**	9,103	9,112
Reserves		**1,118,528**	1,537,712	1,550,132
Equity attributable to owners of the Company		**1,127,631**	1,546,815	1,559,244
Non-controlling interests		**209,718**	5,982	6,033
Total equity		**1,337,349**	1,552,797	1,565,277

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 registered office of the Company 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 amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants.

Amendments to HKAS 12	Deferred tax: Recovery of underlying assets;
Amendments to HKFRS 7	Financial instruments: Disclosures – Transfers of financial assets; and
Amendments to HKAS 1	As part of the annual improvements to HKFRSs 2009-2011 cycle issued in 2012.

Except as described below, the application of the amendments to 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.

Amendments to HKAS 12 Deferred tax: Recovery of underlying assets

The Group has applied for the first time the amendments to HKAS 12 "Deferred tax: Recovery of underlying assets" in the current year. 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 entirely through sale for the purposes of measuring deferred taxes, unless the presumption is rebutted in certain circumstances.

The Group measures its investment properties using the fair value model. As a result of the application of the amendments to HKAS 12, the directors reviewed the Group's investment property portfolios, all of those are located in Hong Kong, and concluded that none of the Group's investment properties are held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time. Therefore, the directors have determined that the 'sale' presumption set out in the amendments to HKAS 12 is not rebutted.

The application of the amendments to HKAS 12 has resulted in the Group not recognising any deferred taxes on changes in fair value of the investment properties as the Group is not subject to any income taxes on disposal of its investment properties. Previously, the Group recognised deferred taxes on changes in fair value of investment properties on the basis that the entire carrying amounts of the properties were recovered through use.

The amendments to HKAS 12 have been applied retrospectively, resulting in the Group's deferred tax liabilities being decreased by HK$8,119,000 as at 1st January, 2011, with the corresponding credit amounted to HK$7,743,000 and HK$376,000 being recognised in accumulated profits and non-controlling interests, respectively. Similarly, the deferred tax liabilities have been further decreased by HK$11,095,000 as at 31st December, 2011.

In the current year, no deferred taxes have been provided for changes in fair value of the Group's investment properties. The change in accounting policy has resulted in the Group's income tax expense for the years ended 31st December, 2012 and 31st December, 2011 being reduced by HK$12,976,000 and HK$2,976,000 respectively and hence resulted in loss for the years ended 31st December, 2012 and profit for the year ended 31st December, 2011 being decreased by HK$12,976,000 and increased by HK$2,976,000 respectively.

Amendments to HKAS 1 Presentation of financial statements (as part of the annual improvements to HKFRSs 2009-2011 cycle issued in June 2012)

Various amendments to HKFRSs were issued in June, 2012, the title of which is Annual Improvements to HKFRSs (2009-2011 Cycle). The effective date of these amendments is annual periods beginning on or after 1st January, 2013.

In current year, the Group has applied for the first time the amendments to HKAS 1 in advance of the effective date (annual periods beginning on or after 1st January, 2013).

HKAS 1 requires an entity that changes accounting policies retrospectively, or makes a retrospective restatement or reclassification to present a statement of financial position as at the beginning of the preceding period (third statement of financial position). The amendments to HKAS 1 clarify that an entity is required to present a third statement of financial position only when the retrospective application, restatement or reclassification has a material effect on the information in the third statement of financial position and that related notes are not required to accompany the third statement of financial position.

In the current year, the Group has applied the amendments to HKAS 12 "Deferred tax: Recovery of underlying assets" for the first time, which has resulted in a material effect on the information in the consolidated statement of financial position as at 1st January, 2011. In accordance with the amendments to HKAS 1, the Group has therefore presented a third statement of financial position as at 1st January, 2011 without the related notes.

Summary of the effects of the above changes in accounting policies

The effects of changes in accounting policies described above on the results for the current and prior year by line items are as follows:

	2012	2011
	HK$'000	*HK$'000*
Decrease in income tax expenses	**12,976**	2,976
(Decrease in loss)/increase in profit for the year	**(12,976)**	2,976
(Decrease in loss) Increase in profit attributable to:		
Owners of the Company	**(12,694)**	2,887
Non-controlling interests	**(282)**	89
	(12,976)	2,976

The effects of the above changes in accounting policies on the financial positions of the Group as at 1st January, 2011 and 31st December, 2011 is as follows:

	As at 1/1/2011 (originally stated)	**Adjustment**	**As at 1/1/2011 (restated)**	**As at 31/12/2011 (originally stated)**	**Adjustment**	**As at 31/12/2011 (restated)**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Deferred tax liabilities and total effects on net assets	9,849	(8,119)	1,730	12,055	(11,095)	960
Accumulated profits	691,684	7,743	699,427	707,454	10,630	718,084
Non-controlling interests	5,657	376	6,033	5,517	465	5,982
Total effects on equity	697,341	8,119	705,460	712,971	11,095	724,066

The effects of the above changes in accounting policies on the financial positions of the Group as at 31st December, 2012 is as follows:

	As at 31/12/2012
	HK$'000
Decrease in deferred tax liabilities and total effects on net assets	**24,071**
Increase in accumulated profits	**23,324**
Increase in non-controlling interests	**747**
Total effects on equity	**24,071**

The effects of the above changes in accounting policies on the Group's basic and diluted (loss) earnings per share for the current and prior year are as follows:

Impact on basic and diluted (loss) earnings per share

	Impact on basic (loss) earnings per share		**Impact on diluted (loss) earnings per share**	
	2012	**2011**	**2012**	2011
	HK$	***HK$***	***HK$***	*HK$*
Figures before adjustments	**(0.49)**	**0.07**	**(0.49)**	0.07
Adjustments arising from changes in the accounting policies in relation to application of amendments to HKAS12 in respect of deferred taxes on investment properties	**0.01**	**–**	**0.01**	–
Figures after adjustments	**(0.48)**	**0.07**	**(0.48)**	0.07

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

Amendments to HKFRSs	Annual improvements to HKFRSs 2009 – 2011 cycle, except for the amendments HKAS1[1]
Amendments to HKFRS7	Disclosures – Offsetting financial assets and financial liabilities[1]
Amendments to HKFRS9 and HKFRS7	Mandatory effective date of HKFRS 9 and transition disclosures[3]
Amendments to HKFRS10, HKFRS11 and HKFRS12	Consolidated financial statement, joint arrangements and disclosure of interests in other entities: Transition guidance[1]
Amendments to HKFRS10, HKFRS12 and HKAS27	Investment entities[2]
HKFRS 9	Financial instruments[3]
HKFRS 10	Consolidated financial statements[1]
HKFRS 11	Joint arrangements[1]
HKFRS 12	Disclosure of interests in other entities[1]
HKFRS 13	Fair value measurement[1]
HKAS 19 (as revised in 2011)	Employee benefits[1]
HKAS 27 (as revised in 2011)	Separate financial statements[1]
HKAS 28 (as revised in 2011)	Investments in associates and joint ventures[1]
Amendments to HKAS1	Presentation of items of other comprehensive income[4]
Amendments to HKAS32	Offsetting financial assets and financial liabilities[2]
HK(IFRIC)-INT 20	Stripping costs in the production phase of surface mine[1]

1 Effective for annual periods beginning on or after 1st January, 2013

2 Effective for annual periods beginning on or after 1st January, 2014

3 Effective for annual periods beginning on or after 1st January, 2015

4 Effective for annual periods beginning on or after 1st July, 2012

HKFRS 9 Financial instruments

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 amended in 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition.

Key requirements of HKFRS 9 are described as follows:

- All recognised financial assets that are within the scope of HKAS 39 "Financial instruments: Recognition and measurement" are 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 values 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.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that 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 of financial liabilities attributable to changes in the financial liabilities' 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 fair value through profit or loss was presented in profit or loss.

HKFRS 9 is effective for annual periods beginning on or after 1st January, 2015, with earlier application permitted.

The directors anticipate that the adopter of HKFRS 9 in the future may have significant impact on amounts reported in respect of the Group's financial assets, 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. HK (SIC) – INT 12 "Consolidation – Special purpose entities" will be withdrawn upon the effective date of HKFRS 10. Under HKFRS 10, there is only one basis for consolidation, that is, control. In addition, 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.

In July 2012, the amendments to HKFRS 10, HKFRS 11 and HKFRS 12 were issued to clarify certain transitional guidance on the application of these five HKFRSs for the first time.

These five standards, together with the amendments relating to the transitional guidance, are effective for annual periods beginning on or after 1st January, 2013 with earlier application permitted provided that all of these standards are applied at the same time.

The directors anticipate that these five standards will be adopted in the consolidated financial statements for the annual period beginning 1 January 2013. The application of these five standards is not expected to have significant impact on the consolidated financial statements.

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 the application of the new standard may affect certain 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 "Presentation of items of other comprehensive income" introduce new terminology for the statement of comprehensive income and income statement. Under the amendments to HKAS 1, a 'statement of comprehensive income' is renamed as a 'statement of profit or loss and 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 items of other comprehensive income to be 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 do not change the option to present items of other comprehensive income either before tax or net of tax.

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

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

3. REVENUE

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

	2012	2011
	HK$'000	*HK$'000*
Provision of healthcare and dental services *(Note)*	**318,923**	316,356
Property rental income	**16,829**	13,255
Others	**6,016**	9,710
Revenue	**341,768**	339,321
Gross proceeds from sales of securities	**535,550**	268,391
Gross proceeds	**877,318**	607,712

Note: It mainly represents the revenue from healthcare services.

4. SEGMENT INFORMATION

Information reported to chief operating decision maker, the Chief Executive Officer ("CEO"), for the purpose of resources allocation and assessment of segment performance focuses on different types of major businesses. This is also the basis upon which the Group is organised and managed. No operating segments identified by the CEO have been aggregated in arriving at the reportable segments of the Group. 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 healthcare and 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 assessment of performance of different segment. Accordingly, no segment assets and liabilities information is presented.

Segment revenues and results

For the year ended 31st December, 2012

	Provision of healthcare and dental services *HK$'000*	Securities trading *HK$'000*	Properties *HK$'000*	Others *HK$'000*	Total *HK$'000*
GROSS PROCEEDS – SEGMENT REVENUE FROM EXTERNAL SALES *(Note)*	**318,923**	**535,550**	**16,829**	**6,016**	**877,318**
RESULTS					
Segment results	**11,541**	**(432,075)**	**85,551**	**(2,655)**	**(337,638)**
Other income					**16,711**
Unallocated corporate expenses					**(67,436)**
Share-based payment expenses					**(193)**
Finance costs					**(3,948)**
Loss on disposal of a subsidiary					**(79)**
Gain on disposal of associates					**3,463**
Share of results of associates					**(9,470)**
Impairment loss recognised on loan receivable					**(3,559)**
Impairment loss recognised on amounts due from associates					**(13,290)**
Impairment loss recognised on interests in associates					**(12,121)**
Loss before tax					**(427,560)**

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					
– 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 interest in an associate					(73,130)
Profit before tax					115,339

Segment profit (loss) represents the profit (loss) earned or generated by each segment without allocation of central administration costs, directors' salaries, share of results of associates, other income, gain on disposal of an associate and subsidiaries, (loss) gain on disposal of a subsidiary, share-based payment expenses, impairment loss recognised in respect of interests in associates, amount due from associates, loan receivable and available-for-sale investments and finance cost. This is the measure reported to the CEO for the purposes of resources allocation and performance assessment.

Other segment information

For the year ended 31st December, 2012

	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	4,845	4	710	12	5,571	32,883	38,454
Amortization of intangible assets	2,125	–	–	–	2,125	–	2,125
Impairment loss recognised on loans receivable	–	–	–	–	–	3,559	3,559
Impairment loss recognised on trade receivables	1,562	–	–	–	1,562	–	1,562
Increase in fair value in investment properties	–	–	78,645	–	78,645	–	78,645
Loss on fair value change on held for trading investments	–	410,868	–	–	410,868	–	410,868
Loss on disposal of property, plant and equipment	340	–	–	–	340	30	370
Amount included in the information regularly provided to the CEO:							
Additions/transfer to property, plant and equipment	3,474	–	15,654	7	19,135	–	19,135
Additions to investment properties	–	–	215,592	–	215,592	–	215,592

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	9	5,847	23,560	29,407
Amortisation of intangible assets	2,310	–	–	–	2,310	–	2,310
Impairment loss recognised on available-for-sale investments	–	4,294	–	–	4,294	–	4,294
Impairment loss recognised on trade receivables	64	–	–	–	64	–	64
Increase in fair value in 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
Loss on disposal of property, plant and equipment	142	–	–	–	142	74	216
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

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 financial instruments and the Group's associates, are all located in Hong Kong. The location of operations of associates with carrying amount of HK$122,271,000 as at the end of the reporting period (2011: HK$143,865,000) is in the PRC whilst that of the remaining associates is in Hong Kong.

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

5. OTHER INCOME

	2012	2011
	HK$'000	*HK$'000*
Interest income from:		
– bank deposits	**93**	95
– loan receivables	**535**	3,156
	628	3,251
Dividend income from listed investment classified as held for trading investments	**6,586**	6,994
Dividend income from unlisted investments classified as available-for-sale investments	**300**	923
Rental income	**5,528**	6,199
Sundry income	**3,669**	2,314
	16,711	19,681

6. OTHER GAINS AND LOSSES

	2012	2011
	HK$'000	*HK$'000*
(Loss) gain on fair value changes on held for trading investments	**(410,868)**	212,557
Impairment loss recognised in respect of:		
– goodwill	**–**	(2,482)
– trade receivables	**(1,562)**	(64)
– loan receivable	**(3,559)**	–
– available-for-sale investments	**–**	(4,294)
– amount due from associates	**(13,290)**	–
– interest in associates	**(12,121)**	(73,130)
(Loss) gain on disposal of available-for-sale investments	**(6,006)**	2,015
	(447,406)	134,602

7. FINANCE COSTS

	2012	2011
	HK$'000	*HK$'000*
Interest on bank borrowings wholly repayable within five years	**3,948**	1,663

8. INCOME TAX EXPENSES

	2012	2011
	HK$'000	*HK$'000*
		(restated)
Tax charge comprises:		
Current tax		
– Hong Kong Profits Tax	**2,696**	49,499
– (Over) under provision in prior years	**(40)**	599
	2,656	50,098
Deferred tax		
– Current year	**448**	(770)
	3,104	49,328

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

9. (LOSS) PROFIT FOR THE YEAR

	2012	2011
	HK$'000	*HK$'000*
		(restated)
(Loss) profit for the year has been arrived at after charging:		
Staff costs		
– Directors' remuneration	**8,112**	27,908
– Other staff's salaries, bonus and other benefits	**199,788**	203,613
– Other staff's retirement benefits scheme contributions	**1,162**	1,215
– Share-based payment expenses	**193**	198
	209,255	232,934
Auditor's remuneration	**2,091**	1,861
Cost of inventories recognised as expenses	**48,731**	33,234
Depreciation of property, plant and equipment	**38,454**	29,407
Loss on disposal of property, plant and equipment	**370**	216
Amortisation of intangible assets (included in administrative expenses)	**2,125**	2,310
Share of tax of associates (included in share of results of associates)	**8,571**	6,133
and after crediting:		
Gross rental income from investment properties	**16,829**	13,255
Less: Direct operating expense that generated rental income	**(1,174)**	(3,295)
Net rental income from investment properties	**15,655**	9,960

10. DIVIDENDS

No dividend was proposed by the directors in respect of the years ended 31st December, 2012 and 2011.

11. (LOSS) EARNINGS PER SHARE

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

	2012	2011
	HK$'000	*HK$'000*
		(restated)
Earnings for the purposes of basic and diluted (loss) earnings per share:		
(Loss) profit for the year attributable to owners of the Company	**(434,952)**	64,221

	2012	2011
Number of shares		
Weighted average number of ordinary shares for the purposes of basic (loss) earnings per share	**910,334,710**	910,977,296
Effect of dilutive potential ordinary shares:		
Share options	**–**	11,121,726
Weighted average number of ordinary shares for the purpose of diluted (loss) earnings per share	**910,334,710**	922,099,022

12. TRADE AND OTHER RECEIVABLES

	2012	2011
	HK$'000	*HK$'000*
Trade receivables	**16,206**	13,930
Less: Allowance for doubtful debts	**(1,606)**	(1,239)
Total trade receivables, net of allowance	**14,600**	12,691
Deposits	**19,379**	26,381
Other receivables	**4,802**	4,237
Prepayments	**2,374**	1,289
	41,155	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, net of allowance, presented based on the invoice dates at the end of the reporting period, which approximated the respective revenue recognition dates:

	2012	2011
	HK$'000	*HK$'000*
0 – 60 days	**8,891**	7,215
61 – 120 days	**4,497**	3,638
121 – 180 days	**1,198**	2,790
181 – 240 days	**12**	241
241 – 365 days	**2**	46
	14,600	13,930

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

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

	2012	2011
	HK$'000	*HK$'000*
241 – 365 days	**2**	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.

Movement in the allowance for doubtful debts:

	2012	2011
	HK$'000	*HK$'000*
Balance at the beginning of the year	**1,239**	1,175
Impairment losses recognised on receivables	**1,562**	64
Amounts written off as uncollectible	**(1,195)**	–
Balance at the end of the year	**1,606**	1,239

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.

13. TRADE AND OTHER PAYABLES

	2012	2011
	HK$'000	*HK$'000*
Trade payables	**7,305**	7,494
Other payables	**8,383**	5,044
Accruals	**18,188**	16,428
	33,876	28,966

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

	2012	2011
	HK$'000	*HK$'000*
0 – 60 days	**7,295**	7,286
61 – 120 days	**2**	146
121 – 240 days	**6**	36
Over 240 days	**2**	26
	7,305	7,494

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

14. BANK BORROWING

	2012	2011
	HK$'000	*HK$'000*
Carrying amount of bank loans that are repayable within one year from the end of reporting based on the schedule and repayment terms in the agreement and contain a repayment on demand clause	**210,575**	113,000

As at 31st December, 2012, the bank borrowing of the Group carries variable interest rate at HIBOR+2% per annum (2011: variable interest rate at HIBOR+2% per annum).

15. SHARE CAPITAL

	Number of shares	Amount
		HK$'000
Ordinary shares of HK$0.01 each		
Authorised:		
As at 1st January, 2011, 31st December, 2011 and 2012	30,000,000,000	300,000
Issued and fully paid:		
As at 1st January, 2011	911,194,710	9,112
Share repurchased and cancelled *(Note)*	(860,000)	(9)
As at 31st December, 2011 and 31st December, 2012	910,334,710	9,103

Notes: 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$0.01 each	Price per share		Aggregate consideration paid
		Highest	Lowest	
		HK$	*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

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

In view of the year 2012, it was a year full of challenges and opportunities for the pharmaceutical industry. Although the global economic growth remained weak, the core business of the Group recorded steady growth during the year. The Group maintained its positioning as an investment company, with core businesses in both the medical sectors which comprises of medical and dental services and non-medical sectors which comprises of securities and property investments. The Group also holds investment in companies which are principally engaged in health check business in Hong Kong and pharmaceutical business and sale of healthcare and pharmaceutical products businesses in China. The Group continued to provide comprehensive and quality healthcare services to the public and through its asset investments business, offers shareholders with good investment returns and diversifies the business risk.

During the year, the Group recorded loss of approximately HK$430,664,000 (2011: a profit of approximately HK$66,011,000). The consolidated loss attributable to equity holders was HK$434,952,000 (2011: consolidated profit attributable to equity holders of approximately HK$64,221,000). The loss of this year was mainly attributable to unrealized loss arising on change in fair value of the Group's held-for-trading investments. The aforesaid loss is mainly non-cash in nature and will not have any cash flow burden to the Group.

Steady growth and expansion of medical and dental Services

The healthcare and dental services business persisted to be the key driver for the Group. The Group has developed an extensive network of around 70 clinics in Hong Kong over the years, providing general practice, special and multidisciplinary healthcare services. The healthcare services involve family medicine and specialty medicine, dentistry, paramedical services and preventive healthcare services. During the year, the Group had enhanced the cooperation with competent doctors to operate additional clinics aiming to enlarge our healthcare services. Indeed, the Group succeeded to retain its leading position in the industry, expand its clientele and broaden its outpatient services. In 2012, the Group's healthcare and dental services division achieved a turnover of approximately HK$318,923,000 (2011: HK$316,356,000), accounting for approximately 93.32% (2011: 93.23%) of the Group's revenue.

Secured returns generated from pharmaceutical businesses

Healthcare investment in China will reinforce in the coming years driven by an aging population and government efforts to broaden medical insurance coverage, the country's 1.3 billion residents are expecting better access to healthcare. Chinese government implemented favorable policies to improve the healthcare delivery system in order to meet these emerging needs. Second phase of the healthcare reform plan, expected between 2011 and 2020, is to involve the establishment of a universal health care system by which all citizens will be able to access affordable drug and medical services.

To secure opportunities along with medical development permissions and capabilities in the context of China's evolving regulatory regime. With our state-of-the-art facilities located in Hangzhou (杭州) and Guizhou (貴州), we continued to manufacture and distribute high quality pharmaceutical products, such as Chinese herbal medicine, chemical raw pharmaceutical, antibiotics, biomedical and other pharmaceutical products in China.

In addition, we will continue to fortify our joint-venture for the provision of management and consultancy services to medical diagnostic and integrated healthcare services in Guangdong Province in China. We will further consolidate our foothold in China.

Challenging investment environment of securities

The securities investment portfolio of the Group consists of investments in listed and unlisted securities. This sector showed unusual resilience in 2012, it delivered an unfulfilled financial performance. The results of the Group were negatively affected by the instability and uncertain stock market, as well as change in fair value of held-for-trading investments which are mainly non-cash in nature.

Stable recurrent income from property investment business

The investment properties of the Group consist of retail and office properties in prime locations. This sector continued to record stable recurred income. Benefiting from the boom of property prices throughout the year in 2012, the Group enjoyed satisfactory results of this sector. Further with the continuous growth of rental in Hong Kong, this enriches the performance of our properties segment.

In 2012, the Group had accomplished a joint venture with a listed company, China Natural Investment Company Limited (Stock Code: 8250). The completion of the joint venture enabled the Group to diversify and expand our investment portfolio in order to form a larger portfolio base and expand our revenue base, as well as increase the value of shareholders in long run.

Distinct investment activities for growth

In 2012, the Group completed an acquisition of Dragon-i Toys Limited ("Dragon-I"), a company which is principally engaged in the business of trading of toys under its own brand name and other brand names. The acquisition will enhance the Group's investment portfolio and improve the financial performance by leveraging on the strong growth potential and future prospects of Dragon-I.

The diverse portfolio has assured to spread and lower business risk. All investment activities are carried out under prudent risk management and the Group will cautiously monitor its investment performance. The Group embraced higher caliber professionals in the industry to team up with us in order to achieve enhancement of our investment business.

OUTLOOK

To maintain a leading position in healthcare and medical services

Healthcare services in Hong Kong are of high standards and delivered with efficiency. Taking advantages of the broad support on healthcare reform by the Government in recent years by providing financial support to the long-term development of primary healthcare and promoting private healthcare, as well as leveraging on our high quality healthcare services for local residents, we continued to be one of the largest and leading private healthcare institutes in Hong Kong.

Going forward, the Group is well equipped with regard to professional healthcare expertise and specialist, along with advanced medical facilities to capitalize on the high demand for comprehensive quality clinic services in the region. We will strengthen the cooperation with competent doctors to expand our professional healthcare services. In due time, we will grasp the opportunity to expand the Group's integrated chain clinics in the event of good location. We are confident to strengthen our foothold as a leading enterprise in the healthcare and medical market by enlarging our medical network.

To capture market opportunity in the pharmaceutical business

China enters into the second phase of the healthcare reform plan (2011 – 2020) to establish a universal healthcare system by which all citizens will be able to access affordable drug and medical services. This healthcare reform and the 12th Five-Year Plan exert their influence on an enormous and growing market for pharmaceuticals. Considering of the combined forces of economic and demographic development, government stimulus, market consolidation, prominent research and development capability and enhanced health awareness among the public, all of the above factors will drive China to grow into a more sophisticated market within the next decade. The Group will leverage on its competitive edge and knowledge in the sector to capture the growing demand in China.

To revamp our investment strategy

2012 is a challenging year full of adversity in the financial market. Due to the lackluster global economic recovery pace, the Group suffered a significant unrealized loss on trading securities. We will endure our effort to monitor the stock market, as well as adopt a prudent approach and undertake effective risk management to ensure the Group's competitiveness in the investment sector. We will seek out opportunities to achieve respectable return on our investment projects in the coming year in order to generate sufficient surplus to intensify expansion on our core businesses.

In 2013, we expected a promising year for the property market with the continuous value added of the real estate market. In spite of diversifying our investments to help spread and lower risks, we will adjust our portfolio by displacing property investments with lower returns from those with higher returns. We believe our profit will increase along with the enlargement of investment portfolio and also by strengthening the investment of property sector is able to generate stable income for the Group.

We would like to express our gratitude to all valuable shareholders, investors, clients and employees for your support. We will continue to explore investment opportunities and further our business growth in the future.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31st December, 2012, the Group held cash and bank balances of approximately HK$176,332,000 (2011: approximately HK$ 46,261,000). The Group had bank borrowings of approximately HK$210,575,000 which are all repayable within one year (2011: approximately HK$113,000,000). Net current assets amounted to approximately HK$307,269,000 (2011: approximately HK$798,619,000). Current ratio (defined as total current assets divided by total current liabilities) was 1.921 (2011: 4.28).

As at 31st December, 2012, gearing ratio (defined as total bank borrowings divided by equity attributable to owners of the Company) was 18.67% (2011: 7.31%). Major currencies used for the Group's transactions were Hong Kong Dollars, Renminbi and US Dollars. As Hong Kong Dollars are pegged to the US Dollars and the fiscal policy of the Central Government of the PRC in relation to Renminbi is stable throughout the year, the Group considers that the potential foreign exchange exposure of the Group is limited.

CAPITAL STRUCTURE

As at 31st December, 2012, the Group had equity attributable to owners of the Company of approximately HK$1,127,631,000 (2011: approximately HK$1,546,815,000).

HUMAN RESOURCES

As at 31st December, 2012, the Group employed 543 staff (2011:558 staff). Total employee costs for the year ended 31st December, 2012 including directors' emoluments, amounted to approximately HK$209,255,000 (2011: HK$232,934,000).

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.

CONTINGENT LIABILITIES

As at 31st December, 2012, the Group had no significant contingent liabilities.

PLEDGE OF ASSETS

As at 31st December, 2012, certain of the Group's property, plant and equipment and investment properties with a net carrying amount of approximately HK$95,505,000 (2011: approximately HK$96,628,000) and HK$221,887,000(2011: approximately HK$162,203,000), respectively, and bank deposits of approximately HK$79,951,000 (2011: approximately HK$5,021,000) were pledged to secure general bank facilities granted to the Group.

CAPITAL COMMITMENTS

As at 31st December, 2012, the Group had no capital expenditure contracted for but not provided in financial statements (2011: Nil).

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

During the year ended 31 December 2012, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Stock Exchange has revised and renamed the Code on Corporate Governance Practices (the "Former CG Code") set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") to the Corporate Governance Code (the "New CG Code") effective from 1 April 2012.

The Company has adopted its own code of corporate governance based on the principles and code provisions as set out in the Former CG Code and the New CG Code.

During the year ended 31 December 2012, the Company has complied with the respective provisions of the Former CG Code and the New CG Code for the relevant periods in which they are in force.

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, 2012, they have complied with the provisions of the Model Code.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The consolidated financial statements of the Company and its subsidiaries for the year ended 31st December, 2012 have been reviewed by the Audit Committee of the Company.

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, 2012 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.

ACKNOWLEDGEMENT

I would like to thank the Board, the management and all of our staff for their hard work and dedication, as well as our shareholders and customers for their support to the Group.

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

Hong Kong, 22nd March, 2013

As at the date of this announcement, the executive Directors are Miss Choi Ka Yee, Crystal (Chairperson), Dr. Cho Kwai Chee (Chief Executive Officer), Mr. Lee Chik Yuet and Dr. Chan Wing Lok, Brian; the non-executive Director is Dr. Choi Chee Ming, GBS, JP (Vice-Chairman); and the independent non-executive Directors are Mr. Chan Kam Chiu, Mr. Ho Kwok Wah, George and Mr. Wai Kwok Hung, SBS, JP.