



**Town Health International Holdings Company Limited**

**康健國際控股有限公司\***

(Incorporated in the Cayman Islands and continued in Bermuda with limited liability)  
Stock Code: 3886



## Interim Report 2009



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## **CORPORATE INFORMATION**

### **BOARD OF DIRECTORS**

#### *Executive Directors*

Miss Choi Ka Yee, Crystal (*Chairman*)

Dr. Cho Kwai Chee (*Chief Executive Officer*)

Mr. Lee Chik Yuet

Dr. Hui Ka Wah, Ronnie, JP

#### *Non-executive Director*

Dr. Choi Chee Ming, GBS, JP (*Vice-Chairman*)

#### *Independent Non-executive Directors*

Mr. Chan Kam Chiu

Mr. Ho Kwok Wah, George

Mr. Wai Kwok Hung, SBS, JP

### **COMPANY SECRETARY**

Mr. Wong Seung Ming, CPA, FCCA

### **AUDIT COMMITTEE**

Mr. Chan Kam Chiu (*Chairman*)

Mr. Ho Kwok Wah, George

Mr. Wai Kwok Hung, SBS, JP

### **AUDITORS**

Deloitte Touche Tohmatsu

Certified Public Accountants

### **REGISTERED OFFICE**

Canon's Court

22 Victoria Street

Hamilton HM12

Bermuda

### **HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS**

Shop 37, Level 3

Hilton Plaza Commercial Centre

3-9 Shatin Centre Street

Shatin, New Territories

Hong Kong

### **PRINCIPAL BANKERS**

Bank of China (Hong Kong) Limited

Dah Sing Bank Limited

Hang Seng Bank Limited

The Hongkong and Shanghai Banking Corporation Limited

### **PRINCIPAL SHARE REGISTRARS AND TRANSFER AGENT**

Appleby Management (Bermuda) Limited

Argyle House

41A Cedar Avenue

Hamilton HM 12

Bermuda

### **HONG KONG BRANCH SHARE REGISTRARS AND TRANSFER OFFICE**

Tricor Tengis Limited

26/F, Tesbury Centre

28 Queen's Road East

Hong Kong

### **WEBSITE**

[www.townhealth.com](http://www.townhealth.com)

## FINANCIAL HIGHLIGHTS

For the six months ended 30 September 2009:

- The Group recorded revenue of HK\$301,298,000, representing an increase of 51.9% as compared with the corresponding period in 2008.
- The Group recorded a profit of HK\$42,765,000 (2008: loss of HK\$267,141,000).

As at 30 September 2009:

- The Group had a current ratio (defined as total current assets divided by total current liabilities) of 2.8 and a gearing ratio (defined as total bank and other borrowings divided by equity attributable to equity holders of the Company) of 3.8%.

The Board does not recommend the payment of an interim dividend for the six months ended 30 September 2009 (2008: Nil).

## RESULTS

The board of directors (the "Board") of Town Health International Holdings Company Limited (the "Company") is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (collectively, the "Group") for the six months ended 30 September 2009, together with the comparative unaudited figures for the corresponding period in 2008, as follows:

### CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		<b>Six months ended</b>	
		<b>30 September</b>	
		<b>2009</b>	2008
	Note	<b>(unaudited)</b>	(unaudited)
		<b>HK\$'000</b>	HK\$'000
			(restated)
Revenue	4	<b>301,298</b>	198,358
Cost of sales		<b>(208,425)</b>	(90,675)
		<hr/>	<hr/>
Gross profit		<b>92,873</b>	107,683
Other income	6	<b>11,220</b>	7,318
Administrative expenses		<b>(106,203)</b>	(63,809)
Finance costs	7	<b>(403)</b>	(3,092)
Gain/(loss) on fair value changes on held-for-trading investments		<b>53,756</b>	(11,133)
Share of results of associates		<b>1,039</b>	(338)
Gain on disposal of an associate		<b>1,437</b>	–
Gain on disposal of investee		<b>437</b>	–
Loss on disposal of subsidiaries		–	(531)
Share of result of a jointly controlled entity		–	(83,252)
Loss on fair value changes in convertible bonds		–	(25,884)
Share-based payments		<b>(4,831)</b>	(186,378)
		<hr/>	<hr/>
Profit/(loss) before tax	8	<b>49,325</b>	(259,416)
Income tax expense	9	<b>(6,560)</b>	(7,725)
		<hr/>	<hr/>
Profit/(loss) for the period		<b>42,765</b>	(267,141)
Other comprehensive income			
Gain/(loss) on fair value changes on available-for-sale investments		<b>29,345</b>	(384)
		<hr/>	<hr/>
Total comprehensive income for the period		<b>72,110</b>	(267,525)
		<hr/> <hr/>	<hr/> <hr/>

		<b>Six months ended</b>	
		<b>30 September</b>	
		<b>2009</b>	2008
	Note	<b>(unaudited)</b>	(unaudited)
		<b>HK\$'000</b>	HK\$'000
			(restated)
Profit/(loss) attributable to:			
Equity holders of the Company		<b>37,422</b>	(272,609)
Minority interests		<b>5,343</b>	5,468
		<u><b>42,765</b></u>	<u>(267,141)</u>
Total comprehensive income attributable to:			
Equity holders of the Company		<b>66,767</b>	(272,993)
Minority interests		<b>5,343</b>	5,468
		<u><b>72,110</b></u>	<u>(267,525)</u>
Dividends	10	<u>–</u>	<u>–</u>
Earnings /(loss) per share	11		
– Basic		<u><b>HK\$0.12</b></u>	<u>(HK\$1.57)</u>
– Diluted		<u><b>HK\$0.12</b></u>	<u>(HK\$1.53)</u>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 30 September 2009 (unaudited) HK\$'000	As at 31 March 2009 (audited) HK\$'000
<b>Non-current assets</b>			
Investment properties		121,248	39,215
Property, plant and equipment		178,978	19,902
Prepaid lease payments		34,209	9,025
Loans receivable		27,055	18,476
Goodwill		124,073	36,064
Intangible assets		14,864	9,372
Interests in associates		127,322	118,402
Available-for-sale investments		98,862	39,916
Deposits paid on acquisition of property, plant and equipment		696	2,200
Deposits paid on acquisition of interest in a subsidiary		–	51,255
		<hr/>	<hr/>
		<b>727,307</b>	<b>343,827</b>
<b>Current assets</b>			
Inventories		65,158	8,687
Trade and other receivables	12	138,856	43,593
Prepaid lease payments		795	242
Held-for-trading investments		74,028	33,708
Loans receivable		16,194	6,094
Amounts due from associates		5,949	9,025
Amounts due from investees		2,476	1,741
Amounts due from related parties		–	458
Amounts due from minority shareholders of subsidiaries		621	464
Tax recoverable		5,995	4,490
Pledged bank deposits		16,344	5,000
Bank balances and cash		181,529	484,549
		<hr/>	<hr/>
		<b>507,945</b>	<b>598,051</b>
<b>Current liabilities</b>			
Trade and other payables	13	126,435	24,171
Amount due to an investee		–	2,244
Amounts due to minority shareholders of subsidiaries		2,728	4,165
Amounts due to related parties		508	16
Bank and other borrowings – due within one year	14	37,138	–
Tax payable		12,765	10,446
		<hr/>	<hr/>
		<b>179,574</b>	<b>41,042</b>
<b>Net current assets</b>		<b>328,371</b>	<b>557,009</b>
<b>Total assets less current liabilities</b>		<b>1,055,678</b>	<b>900,836</b>

		<b>As at 30 September 2009 (unaudited) HK\$'000</b>	As at 31 March 2009 (audited) HK\$'000
<b>Non-current liabilities</b>			
Deferred tax liabilities		<u>3,738</u>	<u>3,738</u>
		<u>3,738</u>	<u>3,738</u>
		<u><b>1,051,940</b></u>	<u>897,098</u>
<b>Capital and reserves</b>			
Share capital	15	<b>3,091</b>	296,805
Reserves		<u><b>983,594</b></u>	<u>595,303</u>
Equity attributable to equity holders of the Company		<u><b>986,685</b></u>	892,108
Minority interests		<u><b>65,255</b></u>	<u>4,990</u>
Total equity		<u><b>1,051,940</b></u>	<u>897,098</u>

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2009</b>	2008
	<b>(unaudited)</b>	(unaudited)
	<b>HK\$'000</b>	HK\$'000
Net cash generated from operating activities	<b>18,754</b>	13,862
Net cash (used in)/generated from investing activities	<b>(362,223)</b>	147,266
Net cash generated from/(used in) financing activities	<b>27,199</b>	(3,595)
(Decrease)/increase in cash and cash equivalents	<b>(316,270)</b>	157,533
Cash and cash equivalents at beginning of period	<b>484,549</b>	159,274
Cash and cash equivalents at end of period	<b>168,279</b>	316,807
Analysis of the balances of cash and cash equivalents		
Bank balances and cash	<b>181,529</b>	318,166
Bank overdrafts	<b>(13,250)</b>	(1,359)
	<b>168,279</b>	316,807

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2008 are as follows:

	Attributable to equity holders of the Company										
	Share capital HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000	Distributable reserve HK\$'000	Investment revaluation reserve HK\$'000	Translation reserve HK\$'000	Share options reserve HK\$'000	Accumulated profits HK\$'000	Total HK\$'000	Minority interests HK\$'000	Total HK\$'000
At 1 April 2008	169,679	398,067	10,033	62,677	54,668	12	5,291	363,716	1,064,143	15,113	1,079,256
Loss for the period	-	-	-	-	-	-	-	(272,609)	(272,609)	5,468	(267,141)
Loss on fair value changes on available-for-sale investments	-	-	-	-	(384)	-	-	-	(384)	-	(384)
Total comprehensive income for the period	169,679	398,067	10,033	62,677	54,284	12	5,291	91,107	791,150	20,581	811,731
Exercise of share options	7,276	75,698	-	-	-	-	(5,291)	-	77,683	-	77,683
Recognition of share-based payments	-	-	-	-	-	-	186,378	-	186,378	-	186,378
Share of reserves of a jointly controlled entity	-	-	-	-	(250)	-	-	-	(250)	-	(250)
Disposal of a subsidiary	-	-	-	-	-	177	-	-	177	-	177
Dividend paid to minority interests	-	-	-	-	-	-	-	-	-	(8,212)	(8,212)
At 30 September 2008	<u>176,955</u>	<u>473,765</u>	<u>10,033</u>	<u>62,677</u>	<u>54,034</u>	<u>189</u>	<u>186,378</u>	<u>91,107</u>	<u>1,055,138</u>	<u>12,369</u>	<u>1,067,507</u>

For the six months ended 30 September 2009 are as follows:

	Attributable to equity holders of the Company										
	Share capital HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000	Distributable reserve HK\$'000	Investment revaluation reserve HK\$'000	Translation reserve HK\$'000	Share options reserve HK\$'000	Accumulated (loss)/profits HK\$'000	Total HK\$'000	Minority interests HK\$'000	Total HK\$'000
At 1 April 2009	296,805	632,909	10,033	62,677	-	2,738	175,737	(288,791)	892,108	4,990	897,098
Profit for the period	-	-	-	-	-	-	-	37,422	37,422	5,343	42,765
Gain on fair value changes on available-for-sale investments	-	-	-	-	29,345	-	-	-	29,345	-	29,345
Total comprehensive income/(loss) for the period	296,805	632,909	10,033	62,677	29,345	2,738	175,737	(251,369)	958,875	10,333	969,208
Shares repurchased and cancelled	(9,021)	-	-	-	-	-	-	-	(9,021)	-	(9,021)
Recognition of share-based payments	-	-	-	-	-	-	4,831	-	4,831	-	4,831
Adjustment arising from capital reduction and share premium cancellation	(284,907)	(632,909)	-	-	-	-	-	917,816	-	-	-
New issue of consideration shares	214	31,786	-	-	-	-	-	-	32,000	-	32,000
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	57,432	57,432
Acquisition of additional interest in a subsidiary	-	-	-	-	-	-	-	-	-	(1,772)	(1,772)
Dividend paid to minority interests	-	-	-	-	-	-	-	-	-	(738)	(738)
At 30 September 2009	<u>3,091</u>	<u>31,786</u>	<u>10,033</u>	<u>62,677</u>	<u>29,345</u>	<u>2,738</u>	<u>180,568</u>	<u>666,447</u>	<u>986,685</u>	<u>65,255</u>	<u>1,051,940</u>

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 1. GENERAL

The Company was formerly an exempted company with limited liability incorporated in the Cayman Islands. In August 2008, the Company transferred the listing of its shares from the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") to the Main Board of the Stock Exchange. On 5 May 2009, the Company de-registered from the Cayman Islands and redomiciled in Bermuda as an exempted company under the laws of Bermuda.

The 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 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 ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

### 3. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared under the historical cost basis, except for certain financial instruments which are measured at fair values.

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2009.

In the current interim period, the Group has applied, for the first time, the following new and revised standards, amendments and interpretations ("new HKFRSs") issued by the HKICPA.

HKAS 1 (Revised 2007)	Presentation of financial statements
HKAS 23 (Revised 2007)	Borrowing costs
HKAS 32 & 1 (Amendments)	Puttable financial instruments and obligations arising on liquidation
HKFRS 1 & HKAS 27 (Amendments)	Cost of investment in a subsidiary, jointly controlled entity or associates
HKFRS 2 (Amendment)	Vesting conditions and cancellations
HKFRS 7 (Amendment)	Improvement disclosures about financial instruments
HKFRS 8	Operating segments
HK(IFRIC) – INT 9 & HKAS39 (Amendments)	Embedded derivatives
HK(IFRIC) – INT 13	Customer loyalty programmes
HK(IFRIC) – INT 15	Agreements for the construction of real estate
HK(IFRIC) – INT 16	Hedges of a net investment in a foreign operation
HK(IFRIC) – INT 18	Transfers of assets from customers
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2008, except for the amendment to HKFRS 5 that is effective for annual periods beginning or after 1 July 2009
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009 in relation to the amendment to paragraph 80 of HKAS 39

Except as described below, the adoption of those new HKFRSs had no material effect on the condensed consolidated financial statements of the Group for the current or prior accounting periods.

HKAS 1 (Revised 2007) has introduced a number of terminology changes, including revised titles for the condensed consolidated financial statements, and has resulted in a number of changes in presentation and disclosure.

The Group has not early applied the following new and revised standards, amendments or interpretations that have been issued but are not yet effective.

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of improvements to HKFRSs issued in 2008 <sup>1</sup>
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009 <sup>2</sup>
HKAS 24 (Revised)	Related party disclosures <sup>5</sup>
HKAS 27 (Revised 2008)	Consolidated and separate financial statements <sup>1</sup>
HKAS 32 (Amendment)	Classification of rights issues <sup>4</sup>
HKAS 39 (Amendment)	Eligible hedged items <sup>1</sup>
HKFRS 1 (Amendment)	Additional exemptions for first-time adopters <sup>3</sup>
HKFRS 2 (Amendment)	Group cash-settled share based payments transactions <sup>3</sup>
HKFRS 3 (Revised 2008)	Business combinations <sup>1</sup>
HKFRS 9	Financial instruments <sup>6</sup>
HK(IFRIC) – INT 17	Distribution of non-cash assets to owners <sup>1</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 July 2009

<sup>2</sup> Amendments that are effective for annual periods beginning on or after 1 July 2009 or 1 January 2010, as appropriate

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2010

<sup>4</sup> Effective for annual periods beginning on or after 1 February 2010

<sup>5</sup> Effective for annual periods beginning on or after 1 January 2011

<sup>6</sup> Effective for annual periods beginning on or after 1 January 2013

The adoption of HKFRS 3 (Revised 2008) may affect the Group's accounting for business combination for which the acquisition date is on or after 1 April 2010. HKAS 27 (Revised 2008) will affect the accounting treatment for changes in the Group's ownership interest in a subsidiary.

The directors of the Company anticipate that the application of the other new or revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

#### 4. REVENUE

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

	Six months ended 30 September	
	2009	2008
	HK\$'000	HK\$'000
Provision of healthcare and dental services	136,776	162,424
Sales of healthcare and pharmaceutical products	158,449	27,661
Others	6,073	8,273
	<u>301,298</u>	<u>198,358</u>

#### 5. SEGMENT INFORMATION

(i) *Operating segments*

The following table presents revenue and profit/(loss) information for the Group's operating segments for the six months ended 30 September 2008.

	Provision of healthcare and dental services HK\$'000	Sales of healthcare and pharmaceutical products HK\$'000	Others HK\$'000	Consolidated HK\$'000
REVENUE	<u>162,424</u>	<u>27,661</u>	<u>8,273</u>	<u>198,358</u>
RESULTS				
Segment results	<u>34,471</u>	<u>20,728</u>	<u>(743)</u>	54,456
Other income				4,953
Unallocated corporate expense				(8,217)
Finance costs				(3,092)
Loss on disposal of subsidiaries				(531)
Share of results of associates				(338)
Share of result of a jointly controlled entity				(83,252)
Loss on fair value changes on held-for-trading investments				(11,133)
Loss on fair value changes in convertible bonds				(25,884)
Share-based payments				<u>(186,378)</u>
Loss before tax				(259,416)
Income tax expenses				<u>(7,725)</u>
Loss for the period				<u>(267,141)</u>

The following table presents revenue and profit/(loss) information for the Group's operating segments for the six months ended 30 September 2009.

	Provision of dental services	Sales of healthcare and pharmaceutical products	Others	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
REVENUE	<u>136,776</u>	<u>158,449</u>	<u>6,073</u>	<u>301,298</u>
RESULTS				
Segment results	<u>9,669</u>	<u>10,920</u>	<u>(1,740)</u>	18,849
Other income				11,220
Unallocated corporate expense				(32,179)
Finance costs				(403)
Gain on fair value changes on held-for-trading investments				53,756
Share of results of associates				1,039
Gain on disposal of an associate				1,437
Gain on disposal of investee				437
Share-based payments				<u>(4,831)</u>
Profit before tax				49,325
Income tax expenses				<u>(6,560)</u>
Profit for the period				<u>42,765</u>

(ii) *Geographical segments*

The Group's operations are located in Hong Kong and the People's Republic of China ("PRC"). Provision of healthcare and dental services are carried out in Hong Kong. Sales of healthcare and pharmaceutical products are carried out in Hong Kong and the PRC.

The following table provides an analysis of the Group's revenue by geographical market:

	Six months ended 30 September	
	2009	2008
	HK\$'000	HK\$'000
Hong Kong	165,385	198,358
PRC	<u>135,913</u>	<u>—</u>
	<u>301,298</u>	<u>198,358</u>

## 6. OTHER INCOME

	Six months ended 30 September	
	2009	2008
	HK\$'000	HK\$'000
Interest income	1,228	4,073
Rental income	3,887	2,367
Sundry income	6,105	878
	<u>11,220</u>	<u>7,318</u>

## 7. FINANCE COSTS

	Six months ended 30 September	
	2009	2008
	HK\$'000	HK\$'000
Interest on bank loans and overdrafts	401	3,084
Others	2	8
	<u>403</u>	<u>3,092</u>

## 8. PROFIT/(LOSS) BEFORE TAX

The Group's profit/(loss) before tax is arrived at after charging:

	Six months ended 30 September	
	2009	2008
	HK\$'000	HK\$'000
Depreciation	4,454	4,973
Amortization of prepaid lease payments	91	121
Amortization of intangible assets	1,888	1,333
	<u>6,433</u>	<u>6,427</u>

## 9. INCOME TAX EXPENSE

	Six months ended 30 September	
	2009	2008
	HK\$'000	HK\$'000
The charge comprises:		
Hong Kong Profits Tax	4,946	7,725
PRC Enterprise Income Tax	1,614	—
	<u>6,560</u>	<u>7,725</u>

Hong Kong profits tax is calculated at 16.5% (2008: 16.5%) of the estimated assessable profits for the period. Share of tax attributable to associates amounting to HK\$144,000 (2008: Nil) is included in "Share of results of associates" on the face of the unaudited condensed consolidated statement of comprehensive income. PRC Enterprise Income Tax is calculated at the rates prevailing in the respective jurisdictions.

## 10. DIVIDENDS

The Board does not recommend the payment of an interim dividend for the six months ended 30 September 2009 (2008: Nil).

## 11. EARNINGS/(LOSS) PER SHARE

The calculation of the basic earnings per share for the six months ended 30 September 2009 is based on the unaudited profit attributable to equity holders of the Company of HK\$37,422,000 (2008: loss of HK\$272,609,000) and the weighted average number of 302,036,306 shares (2008: 173,485,654 shares, as restated) in issue during the period.

The calculation of diluted earnings per share for the six months ended 30 September 2009 is based on the unaudited profit attributable to equity holders of the Company of HK\$37,422,000 (2008: loss of HK\$272,609,000) and 302,072,770 shares (2008: 177,755,157 shares, as restated), being the weighted average number of shares outstanding during the period, adjusted for the effect of all potential dilutive shares.

## 12. TRADE AND OTHER RECEIVABLES

	<b>As at 30 September 2009 HK\$'000</b>	<b>As at 31 March 2009 HK\$'000</b>
Trade receivables	<b>72,698</b>	14,883
Less: allowance for doubtful debts	<b>(107)</b>	(1,321)
	<b>72,591</b>	13,562
Prepayments, deposits and other receivables	<b>66,265</b>	30,031
	<b>138,856</b>	43,593

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

	<b>As at 30 September 2009 HK\$'000</b>	<b>As at 31 March 2009 HK\$'000</b>
0-60 days	<b>56,594</b>	8,836
61-120 days	<b>7,200</b>	3,963
121-180 days	<b>5,060</b>	1,995
181-240 days	<b>3,722</b>	15
241-360 days	<b>122</b>	74
	<b>72,698</b>	14,883

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

### 13. TRADE AND OTHER PAYABLES

	<b>As at 30 September 2009 HK\$'000</b>	<b>As at 31 March 2009 HK\$'000</b>
Trade payables	61,101	5,737
Other payables and accruals	<u>65,334</u>	<u>18,434</u>
	<u><b>126,435</b></u>	<u><b>24,171</b></u>

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

	<b>As at 30 September 2009 HK\$'000</b>	<b>As at 31 March 2009 HK\$'000</b>
0-60 days	58,300	5,653
61-120 days	1,625	84
121-180 days	<u>1,176</u>	<u>–</u>
	<u><b>61,101</b></u>	<u><b>5,737</b></u>

### 14. BANK AND OTHER BORROWINGS – DUE WITHIN ONE YEAR

	<b>As at 30 September 2009 HK\$'000</b>	<b>As at 31 March 2009 HK\$'000</b>
Bank overdraft	13,250	–
Bank loans	<u>23,888</u>	<u>–</u>
	<u><b>37,138</b></u>	<u><b>–</b></u>
Analyzed as:		
Secured	<u>23,888</u>	<u>–</u>
Unsecured	<u>13,250</u>	<u>–</u>
	<u><b>37,138</b></u>	<u><b>–</b></u>

## 15. SHARE CAPITAL

	Number of shares	Amount HK\$'000
Authorised:		
As at 31 March 2009	30,000,000,000	300,000
Capital reduction	–	(297,000)
Share subdivision	29,700,000,000	297,000
Share consolidation	<u>(29,700,000,000)</u>	<u>–</u>
As at 30 September 2009	<u>30,000,000,000</u>	<u>300,000</u>
Issued and fully paid:		
As at 31 March 2009	29,680,515,724	296,805
Shares repurchased and cancelled (Note a)	(902,050,000)	(9,021)
Capital reduction (Note b)	–	(284,907)
Share consolidation (Note b)	(28,490,681,067)	–
New issue of consideration shares (Note c)	<u>21,361,815</u>	<u>214</u>
As at 30 September 2009	<u>309,146,472</u>	<u>3,091</u>

### Notes:

- (a) During the period, the Company repurchased a total of 902,050,000 ordinary shares of HK\$0.01 each on the Stock Exchange at an aggregate consideration of HK\$9,053,000. The shares were cancelled upon repurchase.
- (b) On 25 May 2009, every 100 existing shares of HK\$0.01 each were consolidated into 1 consolidated share of HK\$1.00. The paid-up capital of the Company was reduced to the extent of HK\$0.99 on each of the issued consolidated shares such that the nominal value of each issued consolidated share was reduced from HK\$1.00 to HK\$0.01. Each authorised but unissued consolidated share was subdivided into 100 new shares of HK\$0.01 each.
- (c) On 1 June 2009, Health Walk Limited (“Health Walk”), an indirect wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with the vendor to acquire 27% interest of First Oriental Medical Technology Group Limited (“First Oriental Medical”) and its subsidiaries (“First Oriental Group”) for a total consideration of HK\$32 million, which was satisfied by the issue of 21,361,815 shares (“consideration shares”). The consideration shares were issued on 8 July 2009 upon completion of the acquisition.

## 16. POST BALANCE SHEET EVENT

On 15 October 2009, the Group, through Health Walk entered into a sale and purchase agreement with Kingdom Hill Limited (“Kingdom Hill”) to acquire 22% interest of First Oriental Medical at a consideration of HK\$19 million (“Agreement A”). At the date of Agreement A, First Oriental Medical was beneficially owned as to 78% by Health Walk and 22% by Kingdom Hill. Kingdom Hill was thus a substantial shareholder of a non wholly-owned subsidiary of the Company. In addition, Kingdom Hill was a company beneficially and wholly-owned by Ms Tsui Mai Ling, Margaret (“Ms Tsui”). Ms Tsui is the wife of Dr Yeung Wah Hin, Alex who was a director of each of the member companies of First Oriental Group. Accordingly, Kingdom Hill was a connected person of the Company and the acquisition therefore constituted a connected transaction for the Company under the Listing Rules. As at the date of this report, the transaction was completed. Details were disclosed in an announcement of the Company dated 15 October 2009.

On the same date, the Group, through Town Health (BVI) Limited (“Town Health BVI”), a wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with Hong Kong Health Check and Laboratory Holdings Company Limited (“HK Health Check”), a company incorporated in Bermuda with limited liability and whose issued shares are listed on the Main Board of the Stock Exchange, and Luck Key Investment Limited (“Luck Key”), a wholly-owned subsidiary of HK Health Check pursuant to which Luck Key agreed to purchase and Town Health BVI agreed to sell the entire issued share capital of Health Walk at a consideration of HK\$70,200,000 or HK\$90,000,000 (if completion of Agreement A took place prior to completion thereof) (“Agreement B”). Upon completion of Agreement B, 49% of the enlarged issued share capital of Luck Key was allotted and issued to Town Health BVI. As at the date of this report, the transaction was completed at a consideration of HK\$90,000,000 (being the consideration for completion of Agreement A took place prior to completion of Agreement B). Details were disclosed in an announcement of the Company dated 15 October 2009.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Financial Review

The Group announced satisfactory results for the period under review. Turnover rose 51.9% to HK\$301,298,000 (2008: HK\$198,358,000). The growth was driven by the Group's businesses in the PRC. During the period, the Group has been focusing on developing new promising businesses so as to generate better return for the shareholders. The Group recorded a profit for the period of HK\$42,765,000 (2008: loss of HK\$267,141,000).

Gross profit margin for the six months ended 30 September 2009 was 30.8% (2008: 54.3%), representing a decrease of 23.5% compared with the corresponding period last year. This was driven by the lower gross profit of the PRC businesses. Basic earnings per share was HK\$0.12. Profit attributable to equity holders for the period was HK\$37,422,000 (2008: loss attributable to equity holders was HK\$272,609,000).

### Review of Operations

#### *Steady Contribution of Healthcare & Medical Services*

The business of provision of healthcare and dental services remained steady and contributed as a key revenue driver for the Group. Thanks to the Group's broad client base and solid foundation of the chain clinic business in Hong Kong, the Group continues to enjoy a leading position in the private healthcare industry. During the period under review, the Group's provision of healthcare and dental services achieved a profit of HK\$9,669,000 compared with HK\$34,471,000 in the same period last year.

In the PRC, the Group is partnering with Ping An Insurance Group on an exclusive project to develop and manage integrated chain clinics in Guangdong Province. The project is on track and progressing well, even though the pace of development is not as quick as expected.

#### *Venturing into Investment Business*

During the period, the Group seized the opportunity to diversify into other businesses. Despite the challenging economy, the Company's diversified businesses have been progressing well with excellent business growth during the period. The Company will continue to diversify its businesses making the best use of its human capital, expertise, network and market intelligence.

The strong cash position allowed the Group to weather the global economic crisis, providing it with the necessary capital to capture investment and business opportunities. These included investments in listed and unlisted securities as well as retail and office properties in prime locations. The investments provided the Group with opportunities for attractive appreciation in value as well as a stable rental income source. Thanks to the insight and experience of the Group, the investment business has become one of the major sources of income for the period under review.

## Outlook

### *Streamline Healthcare & Medical Services Business*

The Group remains committed to maintaining its leadership in the chain clinic market and plans to streamline and expand its operations in Hong Kong. The Group aims to further enhance its operating efficiency from both the operational and financial perspectives. Our long-term plan is to create a strong Town Health brand in the marketplace. In this regard, the Group has undergone an enterprise wide rebranding exercise. The Group has also acquired a full-block building in Shatin to integrate all its divisions/departments for cost-saving and effective management purposes.

### *Prudent Diversification of Businesses*

The Group's diversification strategy will enable it to capitalize on its competitive strengths and invest in good business opportunities in the year ahead. The Group continues to see steady growth in its core healthcare and dental services businesses. Taken into consideration the current market volatility, the Management and the Board have deliberated on the Group's future: diversification strategy plan, which is in line with the conservative and prudent business practices the Group has long adopted. The Group believes this will be in the best interests of the shareholders and will provide good returns to investors.

The Group has maintained sufficient level of capital to support its future development strategy. Besides the healthcare and medical services business, the Company will expand its reach into businesses that hold promising growth potential, including advisory and consulting services, investment (securities and properties) as well as pharmaceutical-related business. The Group is excited about its expansion plans and is confident that the diversification strategy would help to sustain its future profitability.

## LIQUIDITY AND FINANCIAL RESOURCES

As at 30 September 2009, the Group had cash and bank balances of HK\$181,529,000 (31 March 2009: HK\$484,549,000). The Group had bank and other borrowings of HK\$37,138,000 which are all repayable within one year (31 March 2009: Nil). Net current assets amounted to HK\$328,371,000 (31 March 2009: HK\$557,009,000). Current ratio (defined as total current assets divided by total current liabilities) was 2.8 (31 March 2009: 14.6).

As at 30 September 2009, gearing ratio (defined as total bank and other borrowings divided by total shareholders' equity) was 3.8% (31 March 2009: Nil). 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.

## OTHER INFORMATION

### DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SHARES, UNDERLYING SHARES AND CONVERTIBLE BONDS

As at 30 September 2009, the interests of the directors and the chief executive of the Company and their associates in the shares, underlying shares and convertible bonds of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of the Listed Issuers (the "Model Code"), were as follows:

#### The Company

*Long position in ordinary shares of HK\$0.01 each*

Name of Director	Capacity	Number of issued ordinary shares held	Approximate % of issued share capital of the Company
Dr. Cho Kwai Chee	Held by controlled corporation (note a)	81,488,523	26.36% (note b)
Dr. Choi Chee Ming, GBS, JP	Held by controlled corporation (note a)	81,488,523	26.36% (note b)

Notes:

- These 81,488,523 shares are owned by Broad Idea International Limited. Dr. Cho Kwai Chee and Dr. Choi Chee Ming, GBS, JP are deemed to be interested in the 81,488,523 shares owned by Broad Idea International Limited under Part XV of the SFO given that they are beneficially interested in 50.1% and 49.9% of the issued share capital of Broad Idea International Limited respectively.
- Approximate percentage calculated based on the total number of ordinary shares of the Company in issue as at 30 September 2009 (i.e. 309,146,472 ordinary shares).

Other than as disclosed above, as at 30 September 2009, none of the directors, the chief executive of the Company, nor their associates had any interests or short positions in the shares, underlying shares or convertible bonds of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

## SUBSTANTIAL INTERESTS IN THE SHARE CAPITAL

As at 30 September 2009, the register maintained by the Company pursuant to Section 336 of the SFO recorded that, other than the interests disclosed under the section headed "Directors' and Chief Executive's Interests in Shares, Underlying Shares and Convertible Bonds" above, the following shareholder had interests or short position in the shares or underlying shares of the Company representing 5% or more of the voting power at any general meeting of the Company:

*Long position in the ordinary shares of HK\$0.01 each*

Name of shareholder	Capacity	Number of issued ordinary shares held	Approximate % of issued share capital of the Company
Broad Idea International Limited	Beneficial owner (note a)	81,488,523	26.36% (note b)

Notes:

- Broad Idea International Limited is interested in the 81,488,523 shares under Part XV of the SFO. Broad Idea International Limited is beneficially owned by Dr. Cho Kwai Chee as to 50.1% and Dr. Choi Chee Ming, GBS, JP as to 49.9%.
- Approximate percentage calculated based on the total number of ordinary shares of the Company in issue as at 30 September 2009 (i.e. 309,146,472 ordinary shares).

Other than as disclosed above, as at 30 September 2009, the Company had not been notified of any interests or short positions in the shares and underlying shares of the Company which had been recorded in the register required to be kept under Section 336 of the SFO.

## DIRECTORS' AND CHIEF EXECUTIVE'S RIGHTS TO ACQUIRE SHARES OR DEBENTURES

The Company had adopted a new share option scheme (the "New Scheme") approved by the shareholders at an extraordinary general meeting of the Company held on 16 September 2008. Pursuant to the New Scheme, the Company may grant share options to those eligible persons (including directors of the Company) to subscribe for shares of the Company.

No share option was granted under the New Scheme to the directors, the chief executive of the Company or their respective associates during the six months ended 30 September 2009.

## SHARE OPTION SCHEMES

### (a) Old Scheme

The Company adopted a share option scheme on 24 April 2002 (the "Old Scheme"), for the primary purpose of providing incentives to directors and eligible employees. The Company may grant share options to the eligible persons falling within the definition prescribed in the Old Scheme.

Details of the share options granted by the Company under the Old Scheme to eligible persons during the period and movement in such holding during the period are as follows:

	Date of grant	Exercise period	Exercise price per share HK\$	Number of share options			
				Outstanding at 1 April 2009	Granted during the period	Lapsed during the period	Outstanding at 30 September 2009
Eligible person	9.10.2007	9.10.2007 to 8.10.2017	11.1	200,000	-	-	200,000
Eligible person	10.7.2008	10.7.2008 to 9.7.2009	10.4	600,000	-	(600,000)	-
				800,000	-	(600,000)	200,000

Shareholders of the Company at the extraordinary general meeting held on 16 September 2008 approved the termination of the Old Scheme. Upon termination of the Old Scheme, no further share option may be granted thereunder. However, in respect of the outstanding share options, the provisions of the Old Scheme shall remain in force.

No share option was granted, exercised or cancelled under the Old Scheme during the six months ended 30 September 2009.

#### (b) New Scheme

The Company has, in accordance with Chapter 17 of the Listing Rules, adopted a new share option scheme (the "New Scheme") which was approved by the shareholders of the Company at the extraordinary general meeting held on 16 September 2008.

According to the New Scheme, the directors of the Company may grant share options to the eligible persons fall within the definition prescribed in the New Scheme including directors, employees and consultants etc. of each member of the Group and entity in which member of the Company holds an equity interest, to subscribe for shares in the Company for a consideration of HK\$1 for each lot of share options granted.

No share option was granted, exercised, cancelled or lapsed under the New Scheme during the six months ended 30 September 2009. No share option was outstanding under the New Scheme as at 30 September 2009.

## EMPLOYEES AND REMUNERATION POLICIES

As at 30 September 2009, the Group had 890 full time employees, 68% of whom were located in Hong Kong. The Group remunerates its employees mainly based on industry practices and individual performance and experience. On top of the regular remuneration, discretionary bonus and share options may be granted to selected staff by reference to the Group's performance as well as each individual's performance. Other benefits, such as medical and retirement benefits and training programs, are also provided.

## **PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES**

During the period, the Company repurchased a total of 902,050,000 ordinary shares of HK\$0.01 each on the Stock Exchange at an aggregate consideration of HK\$9,053,000. All of these shares were cancelled after repurchase.

## **CORPORATE GOVERNANCE**

In the opinion of the directors, the Company has complied with the code provisions set out in the Code on Corporate Governance Practices in Appendix 14 of the Listing Rules throughout the six months ended 30 September 2009.

## **AUDIT COMMITTEE**

The audit committee currently comprises three independent non-executive directors, namely Mr. Chan Kam Chiu, Mr. Ho Kwok Wah, George and Mr. Wai Kwok Hung, SBS, JP. The audit committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed the internal control and financial reporting matters including the review of the unaudited financial statements of the Group for the six months ended 30 September 2009.

## **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by the directors of the Company. Having made specific enquiry of all directors of the Company, all directors confirmed that they had complied with the required standard set out in the Model Code adopted by the Company throughout the six months ended 30 September 2009.

## **DISCLOSURE OF DIRECTORS' INFORMATION UNDER RULE 13.51B(1) OF THE LISTING RULES**

Pursuant to Rule 13.51B(1) of the Listing Rules, set out below are the change in details of the directors of the Company since the date of the 2009 Annual Report of the Company:

1. Miss Choi Ka Yee, Crystal, an executive director and the Chairman of the Company, resigned as an executive director of HK Health Check, whose issued shares are listed on the Main Board of the Stock Exchange, on 22 October 2009.
2. Dr. Cho Kwai Chee, an executive director and the Chief Executive Officer of the Company, resigned as an executive director of HK Health Check on 22 October 2009.
3. Dr. Hui Ka Wah, Ronnie, JP, an executive director of the Company, retired as an executive director of HK Health Check on 28 August 2009 and resigned as an executive director, chairman and chief executive officer of Core Healthcare Investment Holdings Limited, whose issued shares are listed on the Growth Enterprise Market of the Stock Exchange, on 11 November 2009.

By Order of the Board  
**Town Health International Holdings Company Limited**  
**Cho Kwai Chee**  
*Executive Director*

Hong Kong, 23 December 2009