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Unless defined otherwise, terms used in the announcement of Town Health International Holdings Company Limited (the “Company”) dated 16 November, 2000 (the “Announcement”) have the same meanings when used in this announcement.



TOWN HEALTH INTERNATIONAL HOLDINGS COMPANY LIMITED
(incorporated in the Cayman Islands with limited liability)

CLARIFICATION OF THE ANNOUNCEMENT
AND
ARTICLES COMMENTING ON CERTAIN STATEMENTS
IN THE PROSPECTUS

Clarification of the Announcement

- Due to inadvertent mistakes made by one of the Directors, it was mentioned in the section headed “Information on Jacobson HK” of the Announcement that “Jacobson HK is one of the five largest suppliers of pharmaceutical products to the Group”. The Directors wish to clarify that Jacobson HK is not one of the five largest suppliers of the Group.
- Such information will be rectified in the circular in relation to the Acquisition, which will be despatched to shareholders of the Company as soon as possible.
- The Directors wish to apologise for any inconvenience caused by such error.

Clarification of articles commenting on certain statements in the Prospectus

- The Directors consider that adequate disclosure in relation to the identity of Mr. Lau as an initial management shareholder of the Company had been made in the Prospectus and that non-disclosure of Mr. Lau's name in the context of the Prospectus did not in substance affect the material information of the Prospectus nor did it result in any non-compliance with the GEM Listing Rules. This is because:
 1. The identity of Mr. Lau as an initial management shareholder of the Company was disclosed in the Prospectus on an anonymous basis.
 2. Mr. Lau is not a Director and by himself does not have any significant management influence over the operation of the Group and does not have a right to participate or involve in the management of the Group by virtue of his beneficial interest in Jacobson Medical Corporation, an initial management shareholder holding approximately 8.72% interest in the issued share capital of the Company.
 3. Other than his interest in the Company through his beneficial interest in Jacobson Medical Corporation, Mr. Lau does not own any direct equity interest in the Company.
 4. Other than being an initial management shareholder of the Company by virtue of his beneficial interest in Jacobson Medical Corporation, Mr. Lau is independent from and not connected with the Directors, the chief executives of the Company, the substantial shareholders of the Company and their respective associates.
- Based on the following reasons, the Directors believe that the Statement made on page 81 under the section headed "Major suppliers" of the Prospectus was not misleading:
 1. As a director of the Supplier, Mr. Sum does not own any equity interest in the Supplier nor does he participate in the management of the Supplier. He does not receive any remuneration or any other form of compensation from his directorship with the Supplier; and

2. The legal opinion from the Company's legal advisers stated that, among others:
- (a) not being a shareholder of the Supplier, Mr. Sum does not own any legal or beneficial interest in the Supplier;
 - (b) by virtue of his directorship in the Supplier, Mr. Sum does not have any "interest" in the share capital of the Supplier which is recognised as a valid interest therein in law;
 - (c) given that Mr. Sum does not have any legal or beneficial interest in the Supplier, and that the Statement immediately following the disclosure that one of the largest suppliers is controlled by the controlling shareholder of Jacobson Medical Corporation, the Company's legal advisers are of the view that the Statement has accurately described the relationship between the Group and its five largest suppliers for the two financial years ended 31 March, 2000; and
 - (d) as a directorship is not recognised as an interest in the shareholding of a company, the non-reference to the directorship of Mr. Sum in the Statement is not misleading.

On the basis of the foregoing, the Company's legal advisers are of the view that the Statement is accurate and not misleading.

- The Stock Exchange reserves the right to take action against the Company, the Directors and any relevant parties for possible breach of the GEM Listing Rules.

CLARIFICATION OF THE ANNOUNCEMENT

The Directors would like to clarify certain information made on the Announcement.

Due to inadvertent mistakes made by one of the Directors, it was mentioned in the section headed "Information on Jacobson HK" of the Announcement that "Jacobson HK is one of the five largest suppliers of pharmaceutical products to the Group." The Directors wish to clarify that Jacobson HK is not one of the five largest suppliers of the Group.

Such information will be rectified in the circular in relation to the Acquisition, which will be despatched to shareholders of the Company as soon as possible. The Directors wish to apologise for any inconvenience caused by such error.

CLARIFICATION OF ARTICLES COMMENTING ON CERTAIN STATEMENTS IN THE PROSPECTUS

The Company would like to clarify several articles commenting on the Prospectus in relation to Mr. Lau and Mr. Sum (both being initial management shareholders of the Company) and one of the five largest suppliers of the Company for the two years ended 31 March, 2000 (the “Supplier”) which is controlled by the controlling shareholder of Jacobson Medical Corporation. Both Mr. Lau and Mr. Sum are directors of the Supplier.

Disclosure of Mr. Lau’s interest in the Supplier

The Supplier is controlled by the controlling shareholder of Jacobson Medical Corporation. Such information has been disclosed on page 81 under the section headed “Major suppliers” of the Prospectus. The controlling shareholder referred to in the Prospectus is Mr. Lau who has a 51% beneficial interest in the Supplier. The remaining 49% interest in the Supplier is owned by an independent third party not connected with the Directors, chief executives of the Company, substantial shareholders of the Company and their respective associates (as defined in the GEM Listing Rules).

The Directors consider that adequate disclosure on the identity of Mr. Lau as an initial management shareholder of the Company had been made in the Prospectus and that non-disclosure of Mr. Lau’s name in the context of the Prospectus did not in substance affect the material information of the Prospectus nor did it result in any non-compliance with the GEM Listing Rules. This is because:

1. The identity of Mr. Lau as an initial management shareholder of the Company was disclosed in the Prospectus on an anonymous basis.
2. Mr. Lau is a 85% beneficial owner of Jacobson Medical Corporation, which owns approximately 8.72% in the issued share capital of the Company and, by virtue of the directorship of Mr. Sum (another beneficial owner owning as to 15% interest in Jacobson Medical Corporation) in the Company, Mr. Lau is deemed to be an initial management shareholder of the Company. Mr. Lau is not a Director and by himself does not have any significant management influence over the operation of the Group and does not have a right to participate or involve in the management of the Group by virtue of his beneficial interest in Jacobson Medical Corporation.

3. Other than his interest in the Company through his beneficial interest in Jacobson Medical Corporation, Mr. Lau does not own any direct equity interest in the Company.
4. Other than being an initial management shareholder of the Company by virtue of his beneficial interest in Jacobson Medical Corporation, Mr. Lau is independent from and not connected with the Directors, the chief executives of the Company, the substantial shareholders of the Company and their respective associates.

Disclosure of Mr. Sum's interest in the Supplier

Based on the following reasons, the Directors are of the view that the statement "Save as disclosed herein, none of the Directors, the Company, its subsidiaries or their respective associates, or so far as the Directors are aware shareholders who own more than 5% of the issued share capital of the Company now or will immediately upon completion of the share offer and the capitalisation issue has any interest in the Group's five largest suppliers for each of the two years ended 31 March, 2000", on page 81 under the section headed "Major suppliers" of the Prospectus (the "Statement") was not misleading:

1. As a director of the Supplier, Mr. Sum does not own any equity interest in the Supplier nor does he participate actively in the management of the Supplier. He does not receive any remuneration or any other form of compensation from his directorship with the Supplier.
2. The legal opinion from the Company's legal advisers stated that, among others:
 - (a) not being a shareholder of the Supplier, Mr. Sum does not own any legal or beneficial interest in the Supplier;
 - (b) by virtue of his directorship in the Supplier, Mr. Sum does not have any "interest" in the share capital of the Supplier which is recognised as a valid interest therein in law;
 - (c) given that Mr. Sum does not have any legal or beneficial interest in the Supplier, and that the Statement immediately following the disclosure that one of the largest suppliers is controlled by the controlling shareholder of Jacobson Medical Corporation, the Company's legal advisers are of the view that the Statement has accurately described the relationship between the Group and its five largest suppliers for the two financial year ended 31 March 2000; and

(d) as a directorship is not recognised as an interest in the shareholding of a company, the non-reference to the directorship of Mr. Sum in the Statement is not misleading.

On the basis of the foregoing, the Company's legal advisers are of the view that the Statement is accurate and not misleading.

GENERAL

The Stock Exchange reserves the right to take action against the Company, the Directors and any relevant parties for possible breach of the GEM Listing Rules.

By order of the Board
**TOWN HEALTH INTERNATIONAL
HOLDINGS COMPANY LIMITED**
Cho Kwai Chee
Chairman

Hong Kong, 21 November, 2000

This announcement, for which the Directors are collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (i) the information contained in this announcement is accurate and complete in all material respects and not misleading; (ii) there are no other matters the omission of which would make any statement in this announcement misleading; and (iii) all opinion expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

This announcement will remain on the GEM website at www.hkgem.com on the "Latest Company Announcements" page for 7 days from the date of its posting and on the website of the Company at www.townhealth.com