



Town Health International Holdings Company Limited

康健國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

INTERIM REPORT

For the six months ended 30th September 2001

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the main board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM. The principal means of information dissemination on GEM is publication on the internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website at www.hkgem.com in order to obtain up-to-date information on GEM-listed issuers.

The Stock Exchange takes no responsibility for the contents of this interim report, makes no representation as to its accuracy or completeness and expressly disclaims any liabilities whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this interim report.

This interim report, for which the directors (the “Directors”) of Town Health International Holdings Company Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (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:- (1) the information contained in this interim report is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this interim report misleading; and (3) all opinions expressed in this interim report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

RESULTS (UNAUDITED)

The board of Directors (the “Board”) is pleased to announce the unaudited consolidated results of Town Health International Holdings Company Limited and its subsidiaries (collectively, the “Group”) for the six months ended 30th September 2001, together with the comparative unaudited figures for the corresponding period in 2000, as follows:

	<i>Notes</i>	For the Three months ended		For the Six months ended	
		30th September		30th September	
		2001	2000	2001	2000
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	b	23,793	22,520	48,976	43,814
Cost of pharmaceutical supplies		(1,855)	(1,360)	(3,759)	(2,711)
Medical salaries		(11,498)	(8,019)	(23,380)	(15,683)
Gross profit		10,440	13,141	21,837	25,420
Other revenue	b	456	30	711	181
Operating expenses		(9,684)	(5,377)	(18,603)	(9,728)
Profit from operations		1,212	7,794	3,945	15,873
Finance costs		(1,237)	(77)	(2,543)	(77)
Share of profit (loss) of associates		622	(110)	2,539	(271)
Profit before tax		597	7,607	3,941	15,525
Taxation	c	(440)	(1,207)	(1,444)	(2,457)
Profit after taxation but before minority interests		157	6,400	2,497	13,068
Minority interests		(34)	—	(76)	—
Profit attributable to shareholders		123	6,400	2,421	13,068
Earnings per share - basic	d	0.03 cents	2.28 cents	0.55 cents	4.66 cents
- diluted	d	N/A	2.22 cents	N/A	4.57 cents

Notes:

a. Group reorganization and basis of preparation

The Company was incorporated in the Cayman Islands under the Companies Law (1998 Revision) of the Cayman Islands as an exempted company with limited liability on 24th August 1999 and remained inactive until 6th April 2000 when a reorganization of the Group (the “Group Reorganization”) was completed and the Company became the holding company of the Group.

The Group Reorganization has been accounted for by the Company using the merger accounting method in accordance with Statement of Standard Accounting Practice No. 27 “Accounting for group reconstructions”.

The comparative figures for the six months ended 30th September 2000 have been prepared as if the Group Reorganization had been completed on 1st April 2000.

b. **Turnover and other revenue**

Total revenue comprises:

	For the Three months ended 30th September		For the Six months ended 30th September	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
<i>Turnover:</i>				
- Management and administrative service fee income	16,803	16,955	35,150	33,262
- License fee income	3,530	3,470	6,960	6,810
- Dental consultation income	3,460	2,095	6,866	3,742
Total turnover	<u>23,793</u>	<u>22,520</u>	<u>48,976</u>	<u>43,814</u>
<i>Other revenue:</i>				
- Interest income	405	6	616	150
- Other consultancy fee income	51	24	95	31
Total other revenue	<u>456</u>	<u>30</u>	<u>711</u>	<u>181</u>
Total revenue	<u><u>24,249</u></u>	<u><u>22,550</u></u>	<u><u>49,687</u></u>	<u><u>43,995</u></u>

c. **Taxation**

Taxation comprises:

	For the Three months ended 30th September		For the Six months ended 30th September	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Hong Kong profits tax attributable to the Group				
- Current tax	323	1,207	1,021	2,457
Hong Kong profits tax attributable to associates				
- Current tax	<u>117</u>	<u>—</u>	<u>423</u>	<u>—</u>
	<u><u>440</u></u>	<u><u>1,207</u></u>	<u><u>1,444</u></u>	<u><u>2,457</u></u>

Hong Kong profits tax has been provided at the rate of 16% (2000 - 16%) of the estimated assessable profits arising in or derived from Hong Kong during the period.

d. **Earnings per share**

The calculation of basic earnings per share for the three months ended 30th September 2001 was based on the unaudited profit attributable to shareholders of approximately HK\$123,000 (2000 - approximately HK\$6,400,000) and the weighted average number of approximately 474,500,000 shares (2000 - 280,400,000 shares) in issue during the period.

The calculation of basic earnings per share for the six months ended 30th September 2001 was based on the unaudited profit attributable to shareholders of approximately HK\$2,421,000 (2000 - approximately HK\$13,068,000) and the weighted average number of approximately 439,869,000 shares (2000 - 280,400,000 shares) in issue during the period.

In determining the weighted average number of shares, 276,900,000 shares issued by way of a capitalization of the share premium account of the Company at the close of business on 3rd October 2000 were deemed to have been issued since 1st April 2000.

The dilutive earnings per share for the three months and six months ended 30th September 2001 respectively are not presented as the exercise of the conversion right of the convertible note issued by the Company will have an anti-dilutive effect.

The calculation of diluted earnings per share is based on the unaudited profit attributable to shareholders of approximately HK\$6,451,000 for the three months ended 30th September 2000 and approximately HK\$13,136,000 for the six months ended 30th September 2000 and on approximately 291,114,000 and approximately 287,660,000 shares respectively, being the weighted average number of shares outstanding during the periods, adjusted for the effects of capitalization issue as mentioned in the above paragraph and all potential dilutive shares.

e. **Movements in reserves**

The movements in reserves for the six months ended 30th September 2000 are as follows:

	Share Premium	Capital Reserve	Retained Profits	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Balance, 1st April 2000	—	—	18,116	18,116
Effect of the Group Reorganization	—	10,033	—	10,033
Profits for the three months ended				
30th June 2000	—	—	6,668	6,668
Special dividend	—	—	(18,116)	(18,116)
	<hr/>	<hr/>	<hr/>	<hr/>
Balance, 30th June 2000	—	10,033	6,668	16,701
Profits for the three months ended				
30th September 2000	—	—	6,400	6,400
	<hr/>	<hr/>	<hr/>	<hr/>
Balance, 30th September 2000	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

The movements in reserves for the six months ended 30th September 2001 are as follows:

	Share Premium	Capital Reserve	Retained Profits	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Balance, 1st April 2001	32,879	10,033	32,050	74,962
Premium on issuance of ordinary shares	11,900	—	—	11,900
Share issuance expenses	(939)	—	—	(939)
Profits for the three months ended 30th June 2001	—	—	2,298	2,298
Balance, 30th June 2001	43,840	10,033	34,348	88,221
Premium on issuance of ordinary shares	21,620	—	—	21,620
Share issuance expenses	(1,071)	—	—	(1,071)
Profits for the three months ended 30th September 2001	—	—	123	123
Balance, 30th September 2001	<u>64,389</u>	<u>10,033</u>	<u>34,471</u>	<u>108,893</u>

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30th September 2001 (2000 - a special dividend of approximately HK\$18,116,000).

BUSINESS REVIEW

During the period under review, the Group was principally engaged in the provision of management and administrative services to private medical and dental practitioners, licensing of the name "Town Health Centre" and operations of its own dental practices. For the six months ended 30th September 2001, the Group licensed, managed and/or operated a total of 26 medical centres, 3 integrated medical centres and 14 dental practices. As compared with the corresponding period in 2000, 9 new medical/dental practices (the "New Practices") were added into the Town Health Centre Network.

For the six months ended 30th September 2001, the Group recorded a turnover of approximately HK\$48,976,000 (2000 - approximately HK\$43,814,000), representing an increase of approximately 11.8%. The increase was largely attributable to the additional management and administrative service fee income derived from the new medical centres/integrated medical centre, and the additional dental consultation income derived from the new dental practices.

Medical salaries, as compared to the corresponding period in 2000, increased by approximately HK\$7,697,000 or approximately 49.1%. The increase was mainly due to the employment of additional practitioners to work in the New Practices and the general increase in remuneration paid to the existing practitioners.

Gross profit margin for the 2 six-month periods ended 30th September 2001 and 2000 were 44.6% and 58.0% respectively. As it normally takes certain period of time for a newly established medical / dental practice to be break-even financially, the additions in the number of practices during the current period inevitably affected the overall profitability of the Group, resulting in a decrease in gross profit margin in the current period.

Operating expenses for the 2 six-month periods ended 30th September 2001 and 2000 were HK\$18,603,000 and HK\$9,728,000 respectively. Such increase was mainly due to (1) the increase in rental and other operating expenses incurred in relation to the operations of the New Practices; (2) additional administrative and managerial staff employed for strategic planning, business development and operational and financial controls in order to cope with the continuing growth of the Group's operations; and (3) the amortization of goodwill arising from the acquisition of various businesses by the Group during the period.

Discounting the effect of goodwill amortization, the profit from operations for the 3 and 6 months ended 30th September 2001 were HK\$2,332,000 (2000 - approximately HK\$7,794,000) and HK\$6,135,000 (2000 - approximately HK\$15,873,000) respectively.

The Group also recorded an increase in finance cost in the six months ended 30th September 2001 which was mainly due to the issuance of a convertible note in October 2000. Such an increase in finance cost also deteriorated the net profit of the Group for the same period.

In addition to the core businesses as mentioned above, the Group was also engaged in the manufacture and sale of cough syrup and traditional Chinese medicine through its 46.43% shareholding in Luxembourg Medicine Company Limited and 24.0% shareholding in Wai Yuen Tong Medicine Company Limited respectively. For the six months ended 30th September 2001, these 2 associates provided positive contribution to the Group's net profit.

The unaudited profit attributable to shareholders for the six months ended 30th September 2001 was approximately HK\$2,421,000 (2000 - approximately HK\$13,068,000).

FUTURE PLAN AND PROSPECT

The Group continues to implement its business plan as stated in its prospectus issued on 9th October 2000 (the "Prospectus"). Moreover, the Group is taking active steps to strengthen its presence in the fields of bio-medical technology, advanced diagnostic medical equipment and preventive healthcare services so as to realize the intended utilization of funds raised in the placings of its shares completed during the current period.

The Group has invested in a bio-medical research company in Hong Kong. This company is principally engaged in the research and development of technology for diagnosis and treatment of cancer. A laboratory has been established in the Hong Kong Institute of Biotechnology in Tai Po to further the relevant research and development.

Investments have also been made in two state-of-the-art diagnostic medical equipments, namely, a positron emission tomography (PET) scanner, and a magnetic resonance imaging (MRI) machine. These investments are made in alliance with two local private hospitals. The MRI diagnosis service has already been commenced for several months. The installation work of the PET scanner will be commenced in late December 2001.

The Group has acquired four healthcare pharmaceutical products in the Mainland China. The Group considers the addition of these four products in the China market will further strengthen the Group's presence in the healthcare services market, especially the market of health food and nutrition supplements.

To cope with the expansion of operations, the Group has been recruiting additional administrative and managerial staff for strategic planning, business development and operational and financial controls. The Group targets to achieve a more effective and efficient mode of operations of its existing clinic business, and to accomplish a systematic and well-organized approach to develop other new and prosperous lines of business.

BUSINESS OBJECTIVES REVIEW

An analysis comparing the business objectives as stated in the Prospectus with the Group's actual business progress up to 30th September 2001 is set out below:

For the six months ended 30th September 2001, as per the business objectives as stated in the Prospectus

Actual business progress/ change in business objectives (if any), as at the date of this report

Additional medical centres:

- Increase the number of medical centres by four
- Explore the feasibility of introducing the Town Health Centre Network concept in China by setting up a "prototype" practice with a local partner

A new medical centre was established in Shau Kei Wan. Given the overall downturn of the Hong Kong economy, and the difficulty in recruiting quality medical practitioners, the Group is cautious in establishing new medical centres. Nevertheless, the Group will continuously monitor the medical market in Hong Kong and adjust its pace of expansion to respond to the market changes.

The Group is actively reviewing the healthcare market in China and is in the process of identifying and selecting suitable local partner for the setting up of a "prototype" practice there. No definite conclusion has been made at this moment in respect of the feasibility of introducing the Town Health Centre Network concept in China.

Additional integrated medical centre:

Establish one integrated medical centre

A new integrated medical centre was established in Tuen Mun.

Additional dental practices:

Increase the number of dental practices by two

The Group operates one more dental practice in Tuen Mun. Given the overall downturn of the Hong Kong economy, and the difficulty in recruiting quality dental practitioners, the Group is cautious in establishing new dental practices. Nevertheless, the Group will continuously monitor the dental consultation market in Hong Kong and adjust its pace of expansion to respond to the market changes.

E-commerce and electronic clinic:

- Set up business-to-business channels for sale and distribution of pharmaceutical products to medical and dental practitioners
- Introduce on-line follow-up consultation services for patients of the Town Health Centre Network

Owing to the adverse sentiment towards internet and e-commerce, the Group has been cautious in launching the business-to-business sale and distribution channels and the on-line follow-up consultation services. The Group is currently re-considering the financial viability of these projects. The Group does not over-rule the possibility of canceling these projects so that resources can be re-allocated to other promising development projects of the Group.

Child care services development:

Commence feasibility study for the acquisition of child care centres

The Group has been reviewing the child care market in Hong Kong and is actively searching for suitable investment opportunity and strategic partner in the market. However, as at the date of this report, the Group has not yet identified any specific opportunity or strategic partner for investment.

Health care products:

Review the feasibility of acquiring the remaining 80% interest in Health Matrix International Limited (“Health Matrix”)

The Group has reviewed the financial performance and position of Health Matrix and was in the view that, given the current performance of Health Matrix, an acquisition of the remaining 80% interests in Health Matrix is not beneficial to the Group. The Group will closely monitor the performance of Health Matrix and re-consider the feasibility of acquisition in a later stage.

Use of proceeds:

The actual use of proceeds from the new shares issued for listing on GEM of the Exchange in October 2000 for the six months ended 30th September 2001 as compared to the proposed amount set out in the Prospectus are as follows:

	Proposed <i>HK\$'000</i>	Actual <i>HK\$'000</i>
Additional medical centres	4,000	1,000
Additional integrated medical centre	2,000	2,000
Additional dental practices	1,000	500
E-commerce and electronic clinic	1,000	—
	<u>8,000</u>	<u>3,500</u>

The discrepancies between proposed and actual use of proceeds were mainly attributable to the slow-down in pace of expansion of the network of medical and dental practices of the Group, and the withholding of the e-commerce and on-line follow-up consultation projects. In the future, the Group will proactively figure out any potential opportunities to catch up and further implement the expected plans of development.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS

As at 30th September 2001, the interests of the directors and the chief executive of the Company in the share capital of the Company and its associated corporation (within the meaning of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance")) which were notified to the Company and the Stock Exchange pursuant to Section 28 of the SDI Ordinance (including interests in which they were taken or deemed to have under Section 31 of, or Part I of the Schedule to, the SDI Ordinance), or which were required, pursuant to Section 29 of the SDI Ordinance, to be entered in the register referred to therein, or which were required, pursuant to Rules 5.40 to 5.59 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

(A) The Company:

Name	Number of shares of the Company	Nature of interests	Percentage of interests
Dr. Chan Wing Lok, Brian	—	Other interests (<i>Note</i>)	—
Dr. Cheng Chor Ho	—	Other interests (<i>Note</i>)	—
Mr. Cho Kam Luk	—	Other interests (<i>Note</i>)	—
Dr. Cho Kwai Chee	180,475,846	Corporate interests (<i>Note</i>)	37.60%
Mr. Choy Kan Pui	126,720	Personal interests	0.03%
Dr. Fung Yiu Tong, Bennet	—	Other interests (<i>Note</i>)	—
Dr. Leung Chi Sang	—	Other interests (<i>Note</i>)	—
Dr. Lui Chi Keung, Charles	304,638	Personal interests	0.06%

Note:

As at 30th September 2001, Origin Limited owns 180,475,846 shares of the Company, representing approximately 37.60% of the issued share capital of the Company. The entire issued share capital of Origin Limited is owned as to approximately 90.50% by Dr. Cho Kwai Chee, 3.59% by Dr. Chan Wing Lok, Brian, 0.96% by Dr. Cheng Chor Ho, 0.71% by Mr. Cho Kam Luk, 1.49% by Dr. Fung Yiu Tong, Bennet and 1.19% by Dr. Leung Chi Sang.

(B) Health Matrix International Limited ("Health Matrix"), an associated corporation (within the meaning of the SDI Ordinance) of the Company:

Name	Number of shares of Health Matrix	Nature of interests	Percentage of interests
Mr. Cho Kam Luk	5,600,000	Corporate interests (<i>Note</i>)	80.00%
Dr. Chan Wing Lok, Brian	—	Other interests (<i>Note</i>)	—
Dr. Leung Chi Sang	—	Other interests (<i>Note</i>)	—

Note:

As at 30th September 2001, True Destination Incorporated owns 5,600,000 shares of Health Matrix, representing 80% of the issued share capital of Health Matrix. The entire issued share capital of True Destination Incorporated is owned as to approximately 70.36% by Mr. Cho Kam Luk, 1.79% by Dr. Chan Wing Lok, Brian and 2.50% by Dr. Leung Chi Sang.

Save as disclosed above, as at 30th September 2001, none of the directors or chief executive of the Company had any interest in any shares in or debenture of, the Company or any associated corporations (within the meaning of the SDI Ordinance) which would have to be notified to the Company and the Stock Exchange pursuant to Section 28 of the SDI Ordinance (including interests in which he was taken or deemed to have under Section 31 of, or Part I of the Schedule to, the SDI Ordinance), or which were required, pursuant to Section 29 of the SDI Ordinance, to be entered in the register referred to therein, or which were required, pursuant to Rules 5.40 to 5.59 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange

DIRECTORS' AND CHIEF EXECUTIVE'S RIGHTS TO ACQUIRE SHARES

The Company has adopted a share option scheme approved at an extraordinary general meeting of the Company held on 20th September 2000 under which the directors of the Company may invite any full-time Director (other than non-executive directors of the Company appointed from time to time) to take up options to subscribe for shares of the Company. No option had been granted to any Directors since the adoption of the scheme.

SUBSTANTIAL SHAREHOLDER

As at 30th September 2001, according to the register maintained pursuant to Section 16(1) of the SDI Ordinance, the following person (other than those interests of Directors disclosed above) has an interest of 10% or more of the issued share capital of the Company:

Name	Number of shares of the Company	Nature of interests	Percentage of interests
Origin Limited	180,475,846	Corporate interests (<i>Note</i>)	37.60%

Note:

As at 30th September 2001, Origin Limited owns 180,475,846 shares of the Company, representing approximately 37.60% of the total number of shares of the Company in issue as at that date. The entire issued share capital of Origin Limited is owned as to approximately 90.50% by Dr. Cho Kwai Chee, 3.59% by Dr. Chan Wing Lok, Brian, 0.96% by Dr. Cheng Chor Ho, 0.71% by Mr. Cho Kam Luk, 1.49% by Dr. Fung Yiu Tong, Bennet and 1.19% by Dr. Leung Chi Sang.

Saved as disclosed above, the Company had no notice of any interests required to be recorded under Section 16(1) of the SDI Ordinance as at 30th September 2001.

COMPETING INTERESTS

None of the Directors, initial management shareholders, substantial shareholder and significant shareholder of the Company and their respective associates had any interest in any business that directly or indirectly compete with the businesses of the Group as at 30th September 2001.

AUDIT COMMITTEE

The Company has established an audit committee with written terms of reference based upon the guidelines published by the Hong Kong Society of Accountants. The primary duties of the audit committee are to review the Company's annual report and accounts, interim reports and quarterly reports and to provide advice and comments thereon to the Board. The audit committee will also be responsible for reviewing and supervising the Group's financial reporting and internal control procedures. The audit committee comprises two independent non-executive Directors, namely, Dr. Lui Chi Keung, Charles and Mr. Choy Kan Pui, and a non-executive Director, namely, Mr. Chan Kin Fung, Phil. Mr. Choy Kan Pui is the chairman of the audit committee.

SPONSORS' INTERESTS

Pursuant to an agreement dated 5th October 2000 entered into among the Company, First Shanghai Capital Limited ("First Shanghai") and CEF Capital Limited ("CEF"), First Shanghai and CEF have received and will receive a fee for acting as the sponsors of the Company for the period commenced from 18th October 2000 and ending on 31st March 2003.

As at 30th September 2001, an employee of First Shanghai had 10,000 shares in the capital of the Company.

CEF is an associate of Cheung Kong (Holdings) Limited ("Cheung Kong") and Topson Profits Limited (formerly known as Topson Limited) ("Topson"), an indirect wholly-owned subsidiary of Cheung Kong. Cheung Kong, through Topson, was interested in 24,472,000 shares of the Company representing approximately 5.1% of the issued share capital of the Company as at 30th September 2001.

The Company has also issued to Topson a convertible note (the "Note") for a principal amount of HK\$31,562,500. Taking into account the placing of 31,000,000 new shares of the Company by the Company which was completed on 15th October 2001 (the "Placing"), Topson will, upon full conversion of the Note, be interested in an aggregate of approximately 13.7% of the issued share capital of the Company as enlarged by the Placing and the allotment and issue of the shares of the Company pursuant to the conversion of the Note. This calculation is based on the assumptions that (1) Topson does not change its shareholding in the Company after 30th September 2001; (2) the Company does not issue or repurchase any share of the Company after the Placing; and (3) there is no change in the conversion price of the Note except for the adjustment raised in respect of the Placing.

Other than disclosed above, as at 30th September 2001, neither First Shanghai nor CEF nor their respective directors or employees or associates (as referred to in note 3 to Rule 6.35 of the GEM Listing Rules) has any interests in the shares of the Company, including options or rights to subscribe for any such shares.

As at 30th September 2001, Mr. Ip Tak Chuen, Edmond, a non-executive Director of the Company, is an executive director of Cheung Kong, and a non-executive director of CEF.

Pursuant to an agreement dated 24th October 2001 entered into among the Company, First Shanghai and CEF, the Company released CEF, and CEF resigned, as a sponsor of the Company, and First Shanghai remains as the sole sponsor of the Company, with effect from 24th October 2001.

PURCHASE, SALE OR REDEMPTION OF SHARES

For the six months ended 30th September 2001, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's shares.

By order of the Board
**Town Health International
Holdings Company Limited**
Siu Kam Chau
Executive Director

Hong Kong, 13th November 2001