



TOWN HEALTH INTERNATIONAL HOLDINGS COMPANY LIMITED

康健國際控股有限公司*

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 8138)

QUARTERLY RESULTS FOR THE NINE MONTHS ENDED 31 DECEMBER 2007

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This announcement, 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 announcement 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 announcement misleading; and (3) all opinions 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 on the “Latest Company Announcements” page for at least 7 days from the day of its posting and on the website of the Company.

* For identification purposes only

FINANCIAL HIGHLIGHTS

For the nine months ended 31 December 2007:

- The Group recorded a turnover of approximately HK\$286,504,000, representing an increase of 47.1% as compared with the corresponding period in 2006.
- Profit attributable to equity holders of the Company amounted to approximately HK\$107,219,000, representing an increase of approximately 57.9% as compared with the corresponding period in 2006.
- The Board does not recommend the payment of any dividend for the nine months ended 31 December 2007 (2006 – Nil).

RESULTS (UNAUDITED)

The board of Directors (the “Board”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the three and nine months ended 31 December 2007, together with the comparative unaudited figures for the corresponding period in 2006, as follows:

	Notes	(Unaudited)		(Unaudited)	
		For the three months ended 31 December		For the nine months ended 31 December	
		2007	2006	2007	2006
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue	<i>c</i>	97,018	67,757	286,504	194,808
Cost of sales		(54,673)	(38,096)	(146,817)	(103,192)
Gross profit		42,345	29,661	139,687	91,616
Other income	<i>d</i>	6,212	2,004	25,737	7,040
Gain on fair value changes on held for trading investments		10,264	3,537	47,411	48,849
Administrative expenses		(39,450)	(21,222)	(93,520)	(75,624)
Finance costs		(910)	(749)	(4,426)	(3,039)
Gain on disposal of subsidiaries		–	–	61	–
Gain (loss) on disposal of associates		(1,328)	–	5,852	1,915
Share of results of associates		(614)	766	5,418	(513)
Profit before taxation		16,519	13,997	126,220	70,244
Income tax expense	<i>e</i>	(355)	(1,622)	(10,911)	(6,027)
Profit for the period		<u>16,164</u>	<u>12,375</u>	<u>115,309</u>	<u>64,217</u>
Attributable to:					
Equity holders of the Company		12,005	9,644	107,219	67,892
Minority interests		4,159	2,731	8,090	(3,675)
		<u>16,164</u>	<u>12,375</u>	<u>115,309</u>	<u>64,217</u>
Dividends		<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
Earnings per share					
– basic	<i>f</i>	0.07 cents	0.06 cents	0.66 cents	0.44 cents
– diluted		0.07 cents	0.06 cents	0.65 cents	0.43 cents

Notes:

a. General

The Company is incorporated as an exempted company with limited liability in the Cayman Islands and its shares are listed on the GEM Board of the Stock Exchange.

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

The unaudited consolidated financial statements have been prepared under the historical cost basis except for the investment properties and financial instruments, which are measured at fair value.

The Group's unaudited consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted by Hong Kong and the applicable disclosures required by the Rules Governing the Listing of Securities on the GEM Board of the Stock Exchange and by the Hong Kong Companies Ordinance.

b. Basis of preparation

The accounting policies used in the consolidated financial statements are consistent with those followed in the preparation of the Group's audited financial statements for the year ended 31 March 2007 except for the following accounting treatment on incorporated the results and assets and liabilities of Hong Kong Health Check and Laboratory Holdings Company Limited ("HKHC") into the Group.

Pursuant to a conditional subscription agreement dated 9 December 2005 entered into between HKHC and Top Act Group Limited ("Top Act"), a wholly-owned subsidiary of the Company, on 23 February 2006, Top Act subscribed for convertible notes (the "Convertible Notes I") of an aggregate principal amount of HK\$60,000,000 issued by HKHC.

Upon subscription in February 2006, the Convertible Notes I could be immediately convertible into 1,463,414,634 shares of HKHC at a conversion price of HK\$0.041. Upon conversion of the Convertible Notes I, the Group would be given 55.79% of ownership interest and as a consequence voting rights in HKHC. HKHC was consolidated as a subsidiary of the Group because the Group had the ability to exercise control over the financial and operating policies of HKHC as the Convertible Notes I were currently convertible.

On 3 October 2006 and 1 December 2006, HKHC further issued convertible bonds (the "Convertible Notes II") of an aggregate principal amount of HK\$60,000,000 at a conversion price of HK\$0.041 to independent third parties.

On 2 August 2007, HKHC further issued convertible bonds (the "Convertible Bond II") of an aggregate principal amount of HK\$500,000,000 at a conversion price of HK\$0.25 to Top Act.

On 6 August 2007, HKHC further issued convertible bonds (the "Convertible Bonds I") of an aggregate principal amount of HK\$250,000,000 at a conversion price of HK\$0.25 to independent third parties.

Upon full conversion of the Convertible Notes II, Convertible Bond I and Convertible Bond II, the Group's ownership interests in HKHC will be diluted to below 50%. The Group did not have the ability to exercise control over the financial and operating policies of HKHC. Accordingly, the results and assets and liabilities of HKHC have to be incorporated in the consolidated results using equity method of accounting since 3 October 2006.

From 3 October 2006 to 8 July 2007, the Group has no present equity interest in HKHC, no results and changes in shareholders' equity of HKHC were shared by the Group. On 9 July 2007, Top Act requested for a partial conversion of Convertible Notes I at a principal amount of HK\$20,000,000. As a result, HKHC has issued a total of 487,804,878 shares to Top Act at a conversion price of HK\$0.041 per share. As at 31 December 2007, the Group has 10.69% equity interests in HKHC.

In the current period, the Group has applied, for the first time, a number of new standards, amendments and interpretations issued by the HKICPA (hereinafter collectively referred to as the “new HKFRSs”), which are effective for the Group’s financial year beginning 1 April 2007. The adoption of the new HKFRS had no material effect on the results or financial position of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment has been required.

The Group has not early applied the new standards or interpretations that have been issued but not yet effective. The Directors anticipate that the application of these standards or interpretations will have no material impact on the results and the financial position of the Group.

c. Revenue

	For the three months ended 31 December		For the nine months ended 31 December	
	2007	2006	2007	2006
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Provision of healthcare and dental services	69,978	47,043	189,944	136,650
Sales of healthcare and pharmaceutical products	9,629	5,533	43,604	15,434
Sales of cardiology and peripheral vascular related surgical equipment	11,702	9,999	31,925	26,829
Others	5,709	5,182	21,031	15,895
	<u>97,018</u>	<u>67,757</u>	<u>286,504</u>	<u>194,808</u>

d. Other income

	For the three months ended 31 December		For the nine months ended 31 December	
	2007	2006	2007	2006
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Interest income from bank deposits	672	638	2,793	2,073
Dividend income from investments	2,197	–	2,845	137
Rental income	225	657	1,268	1,816
Premium received for early redemption of convertible loan notes	–	–	10,000	–
Sundry income	3,118	709	8,831	3,014
	<u>6,212</u>	<u>2,004</u>	<u>25,737</u>	<u>7,040</u>

e. Income tax expense

	For the three months ended 31 December		For the nine months ended 31 December	
	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000
The charge comprises:				
– Hong Kong Profits Tax attributable to the Group	355	1,680	10,911	5,748
Deferred tax				
– Current year	–	(58)	–	279
	<u>355</u>	<u>1,622</u>	<u>10,911</u>	<u>6,027</u>

Hong Kong profits tax is calculated at 17.5% (2006 – 17.5%) of the estimated assessable profits for the period.

For the three months ended 31 December 2007, the credit of taxation on share of associates' profits amounted to approximately HK\$11,000 (2006 – approximately HK\$193,000).

For the nine months ended 31 December 2007, taxation on share of associates' profits amounted to approximately HK\$106,000 (2006 – approximately HK\$351,000).

f. Earnings per share

The calculation of the basic earnings per share for the three months ended 31 December 2007 is based on the unaudited profit attributable to equity holders of the Company of approximately HK\$12,005,000 (2006 – approximately HK\$9,644,000) and the weighted average number of 16,759,420,941 shares (2006 – 15,510,969,861 shares) in issue during the period. For the purpose of providing comparable figures after bonus issue of shares in August 2007, the weighted average number of shares for the three months ended 31 December 2006 was increased from 5,170,323,287 to 15,510,969,861.

The calculation of the basic earnings per share for the nine months ended 31 December 2007 is based on the unaudited profit attributable to equity holders of the Company of approximately HK\$107,219,000 (2006 – approximately HK\$67,892,000) and the weighted average number of 16,334,871,979 shares (2006 – 15,485,865,672 shares) in issue during the period. For the purpose of providing comparable figures after bonus issue of shares in August 2007, the weighted average number of shares for the nine months ended 31 December 2006 was increased from 5,161,955,224 to 15,485,865,672.

The calculation of diluted earnings per share for the three months ended 31 December 2007 is based on the unaudited profit attributable to equity holders of the Company of approximately HK\$12,005,000 (2006 – approximately HK\$9,754,000) and 17,240,229,637 shares (2006 – 15,652,584,768 shares), being the weighted average number of shares outstanding during the period, adjusted for the effects of all potential dilutive shares. For the purpose of providing comparable figures after bonus issue of shares in August 2007, the weighted average number of shares for the three months ended 31 December 2006 was increased from 5,217,528,256 to 15,652,584,768.

The calculation of diluted earnings per share for the nine months ended 31 December 2006 is based on the unaudited profit attributable to equity holders of the Company of approximately HK\$107,219,000 (2006 – approximately HK\$68,962,000) and 16,495,724,342 shares (2006 – 15,959,216,322 shares), being the weighted average number of shares outstanding during the period, adjusted for the effects of all potential dilutive shares. For the purpose of providing comparable figures after bonus issue of shares in August 2007, the weighted average number of shares for the nine months ended 31 December 2006 was increased from 5,319,738,774 to 15,959,216,322.

g. Movements in reserves

For the nine months ended 31 December 2006 are as follows:

	Attributable to equity holders of the Company									
	Share capital	Share premium	Convertible equity reserve	Capital reserve	Distributable reserve	Translation reserve	Accumulated losses	Total	Minority interests	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2006	49,966	228,847	2,260	10,033	62,677	220	(104,848)	249,155	(650)	248,505
Exchange difference arising on translation of foreign operations recognized directly in equity	-	-	-	-	-	(31)	-	(31)	(24)	(55)
Profit for the period	-	-	-	-	-	-	58,248	58,248	(6,406)	51,842
Issue of shares upon conversion of convertible bonds	2,666	24,560	(1,582)	-	-	-	-	25,644	-	25,644
Share repurchase	(408)	(9,018)	-	-	-	-	-	(9,426)	-	(9,426)
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	9,069	9,069
Dividend paid to minority shareholders	-	-	-	-	-	-	-	-	(188)	(188)
At 30 September 2006	52,224	244,389	678	10,033	62,677	189	(46,600)	323,590	1,801	325,391
Exchange difference arising on translation of foreign operations recognized directly in equity	-	-	-	-	-	4	-	4	4	8
Profit for the period	-	-	-	-	-	-	9,644	9,644	2,731	12,375
Issue of shares upon conversion of convertible bonds	1,143	10,836	(678)	-	-	-	-	11,301	-	11,301
Share repurchase	(1,338)	(29,806)	-	-	-	-	-	(31,144)	-	(31,144)
De-consolidation of a subsidiary	-	-	-	-	-	-	-	-	14,743	14,743
At 31 December 2006	<u>52,029</u>	<u>225,419</u>	<u>-</u>	<u>10,033</u>	<u>62,677</u>	<u>193</u>	<u>(36,956)</u>	<u>313,395</u>	<u>19,279</u>	<u>332,674</u>

For the nine months ended 31 December 2007 are as follows:

	Attributable to equity holders of the Company									
	Share capital	Share premium	Capital reserve	Distributable reserve	Investment revaluation reserve	Translation reserve	Accumulated profits	Total	Minority interests	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2007	50,720	200,104	10,033	62,677	2,544	507	110,002	436,587	15,599	452,186
Profit for the period	-	-	-	-	-	-	95,214	95,214	3,931	99,145
Issue of new shares	5,150	295,584	-	-	-	-	-	300,734	-	300,734
Bonus issue of shares	111,740	(111,740)	-	-	-	-	-	-	-	-
Shares issue expenses	-	(10,425)	-	-	-	-	-	(10,425)	-	(10,425)
Dividend paid to minority shareholders	-	-	-	-	-	-	-	-	(4,564)	(4,564)
At 30 September 2007	167,610	373,523	10,033	62,677	2,544	507	205,216	822,110	14,966	837,076
Profit for the period	-	-	-	-	-	-	12,005	12,005	4,159	16,164
Share repurchase	(67)	(887)	-	-	-	-	-	(954)	-	(954)
At 31 December 2007	<u>167,543</u>	<u>372,636</u>	<u>10,033</u>	<u>62,677</u>	<u>2,544</u>	<u>507</u>	<u>217,221</u>	<u>833,161</u>	<u>19,125</u>	<u>852,286</u>

DIVIDENDS

The Board does not recommend the payment of any dividend for the nine months ended 31 December 2007 (2006 – Nil).

MANAGEMENT DISCUSSION & ANALYSIS

The Group is one of the largest medical service groups in Hong Kong. The Group aims to offer comprehensive and quality medical and healthcare services in Hong Kong, mainland China and worldwide.

FINANCIAL REVIEW

The Group recorded a turnover of HK\$286,504,000 for the nine months ended 31 December 2007 (2006: HK\$194,808,000), representing an increase of 47.1% compared with the corresponding period in the previous year. This was due to the healthy performance of its core business, provision of healthcare and dental services as well as greater penetration in the China medical chain and pharmaceutical market.

Gross profit margin for the nine months ended 31 December 2007 was 48.8%, which represents a modest improvement over the gross margin 47.0% as recorded in the corresponding period in the previous year.

Profit attributable to equity holders of the Company for the period under review was approximately HK\$107,219,000 (2006: HK\$67,892,000). In view of the Group's active development of its core medical business and potential acquisitions or expansion, the Board does not recommend the payment of dividend.

BUSINESS REVIEW

The Group's made a profit of HK\$12,005,000 for the three months ended 31 December 2007, compared with a profit of HK\$9,644,000 in the same period last year. Turnover increased by 43.2% to HK\$97,018,000 thanks to a notable growth in private medical services.

The biggest clinic chain in Hong Kong continues to generate value

The Group owns the biggest clinic chain in Hong Kong with approximately 100 clinics, providing a full range of medical services including outpatient, dental, specialist clinical and paramedical services.

In September 2007, the Group acquired 100% equity interest in a medical chain comprising of 21 clinics. That raised the total number of clinics in the Group's chain to approximately 100, providing a solid foundation for both its clinic and patient base.

The latest Policy Address announced by the chief executive in October 2007 stated that the Government will launch a 3-year trial scheme under which all citizens aged 70 or above will be given five healthcare vouchers annually worth HK\$50 each to subsidize primary medical care services they purchase from the private sector. The vouchers can be used for services provided by Western and Chinese medicine practitioners, allied health professionals and dental practitioners, as well as for preventive services such as medical examination or vaccination and therapeutic services. The scheme will cost some HK\$150 million annually.

The scheme is seen as part of the Government's health care reform that promotes family doctor services. It further enhances the partnership between the public and private sectors, by outsourcing public medical services and purchasing services from private clinics. This is part of an overall trend that sees higher public medical services charges and lower Government subsidies, which discourages patients from relying heavily on public healthcare services. As one of the leading clinic chains in the local market. The Group is poised to benefit from the favorable Government policies.

Further expansion of pharmaceutical business

The Group has implemented a series of strategic initiatives to position its businesses to capture growth opportunities in the China hospital chain and clinic & laboratory chain sectors. The Group's hospital chain business has steadily expanded, covering hospitals in first- and second-tier cities in China.

A joint venture company which is owned as to 50% by the Group and as to 50% by Hong Kong Health Check and Laboratory Holdings Company Limited ("HKHC") (stock code: 397) entered into a conditional subscription agreement under which Core Healthcare Investment Holdings Limited ("Core Healthcare") (stock code: 8250) has agreed to issue convertible bonds with an aggregate principal amount of HK\$150 million on 6 November 2007. Upon full conversion of the convertible bonds, the joint venture company will hold approximately 54% of the issued share capital of Core Healthcare as enlarged by the full conversion of the convertible bonds, making the joint venture company as the largest shareholder in Core Healthcare.

The Group focuses on the provision of services to Core Healthcare under the agreement, including (i) the interpretation of and other consultancy services in relation to the results of clinical tests, trials and imaging diagnosis performed on targeted drugs, and (ii) consultation sessions with patients engaged in clinical studies. HKHC is mainly responsible for providing consultancy services in relation to the design and implementation of medical procedures involving the testing of targeted drugs and conducting clinical tests for verification.

The subscription agreement has resulted in the corporate restructuring of the Group, HKHC and Core Healthcare. It further implemented the Group's strategy to enhance collaboration with other companies to help expand its pharmaceutical business and distribution network in China.

PROSPECT

Moving forward, the Group will solidify its medical healthcare businesses in Hong Kong and will continue to seek new opportunity in developing the healthcare business in the PRC.

Medical healthcare businesses in Hong Kong

During the period, the Group's number of medical clinics has increased to approximately 100. This will enable the Group to achieve the benefit of economy of scale. The Group will solidify the existing business foundation with stringent controls on expenses and rearranging of staffing so as to improve the cost efficiency and thus the profit margin. The overall revenue could be increased by cross-referral among clinics and the health check centers of HKHC. The Group will also enhance further development by opening new clinics in appropriate locations in Hong Kong as well as acquire other well-known clinic chain business or pharmaceutical business in order to secure its market share.

Medical healthcare businesses in the PRC

The healthcare sector in China has enormous growth potential. Statistics from Euromonitor has shown that healthcare expenditure per capita in most Western countries is almost 40 times more than China. And in an emerging market such as Mexico, healthcare expenditure per capita is approximately US\$433 in 2004, which is nearly six times that of US\$73 in China in 2004. China is the fastest-growing pharmaceutical market in the world, and it is the Group's vision to tap into its healthcare sector.

The Group has implemented a series of strategic initiatives to capture growth opportunities in the clinic chain sector. The Group is the first mover in Hong Kong to enter into the clinic chain business model and will target to co-operate with other big and reputable local partners in the PRC. A clinic chain is planned to establish under the Town Health management and operation model in the PRC and is managed by our successful management teams from Hong Kong. Through sharing the equipments and manpower, the operating efficiency will be improved and the economics of scales will also be enhanced.

Hospital management business in the PRC

The abundant healthcare knowledge of our existing expertise will enhance the quality, management style and revenues of the hospital in the PRC. The Group aims to expand the China hospital chain business through acquiring and building its hospital chain with the cooperation with other well-known Chinese parties.

With our strong management expertise, clinic operation experience and financial position, we expect the Group will have tremendous growth over the next years in China.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS

As at 31 December 2007, 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, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance (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 Directors	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Dr. Cho Kwai Chee	Held by controlled corporation (<i>note</i>)	7,885,742,353	47.07%
Dr. Francis Choi Chee Ming <i>JP</i>	Held by controlled corporation (<i>note</i>)	7,885,742,353	47.07%
Dr. Fung Yiu Tong, Bennet	Beneficial owner	8,067,270	0.05%

Note: These 7,885,742,353 shares are owned by Broad Idea International Limited. Dr. Cho Kwai Chee and Dr. Francis Choi Chee Ming *JP* are deemed to be interested in the 7,885,742,353 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.

Other than as disclosed above, 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 as at 31 December 2007 as recorded in the register required to be kept by the Company under Section 352 of the SFO.

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

The Company had adopted a share option scheme (the "Old Scheme") approved at an extraordinary general meeting of the Company held on 20 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 under the Old Scheme since its adoption.

Pursuant to a resolution passed by the shareholders of the Company at an extraordinary general meeting held on 24 April 2002, the Old Scheme was superseded by a new share option scheme (the "New Scheme") in order to comply with the amended Chapter 23 of the GEM Listing Rules governing share option schemes, which become effective from 1 October 2001. Pursuant to the New Scheme, the Company may grant options to those eligible persons (including Directors) to subscribe for shares of the Company.

The following shows the outstanding positions of the eligible persons as at 31 December 2007 with respect to their share options granted under the New Scheme:

Name of participant	Date of grant	Exercise price HK\$	Number of share options				
			Balance as at 1.4.2007	Granted during the period	Exercised during the period	Cancelled/ Lapsed during the period	Balance as at 31.12.2007
Eligible persons	9 October 2007	0.111	–	526,600,000	–	–	526,600,000

SUBSTANTIAL SHAREHOLDER

As at 31 December 2007, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that other than the interests disclosed above in respect of certain Directors and the chief executive of the Company, the following shareholders had notified the Company of relevant interests or short position in the shares or underlying shares of the Company:

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

Name of shareholders	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Broad Idea International Limited	Beneficial Owner (note)	7,885,742,353	47.07%
Atlantis Investment Management Limited	Beneficial Owner	840,000,000	5.01%

Note: Broad Idea International Limited is interested in the 7,885,742,353 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. Francis Choi Chee Ming JP as to 49.9%.

Other than as disclosed above, the Company has not been notified of any other relevant interests or short positions in the issued share capital of the Company as at 31 December 2007.

COMPETING INTERESTS

None of the Directors, the management shareholders or the controlling shareholders of the Company or their respective associates had any interest in a business which competes or may compete with the business of the Group.

AUDIT COMMITTEE

The Company has established an audit committee with written terms of reference in compliance with the GEM Listing Rules. 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 three independent non-executive Directors, namely, Mr. Chan Kam Chiu, Mr. Wai Kwok Hung *JP* and Mr. Ho Kwok Wah, George. Mr. Chan Kam Chiu is the chairman of the audit committee.

The audit committee has reviewed this announcement, together with the Group's unaudited results for the nine months ended 31 December 2007.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the nine months ended 31 December 2007, the Company repurchased its own shares on GEM as follows:

Month of repurchase	Number of shares repurchased	Price per share		Aggregate consideration <i>HK\$</i>
		Highest <i>HK\$</i>	Lowest <i>HK\$</i>	
November 2007	6,680,000	0.144	0.141	953,904

The above shares were cancelled and accordingly the issued share capital of the Company was reduced by the par value of these shares which amounted to HK\$66,800. Apart from the repurchase of the shares as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's shares during the nine months ended 31 December 2007.

CORPORATE GOVERNANCE

The Company endeavors in maintaining high standard of corporate governance for the enhancement of shareholders' value. The Company has complied with the required code provisions set out in the Code on Corporate Governance Practices contained in Appendix 15 to the GEM Listing Rules for the nine months ended 31 December 2007.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules throughout the period. The Company has also made specific enquiry to all Directors and the Company was not aware of any non-compliance with the required standard of dealing and its code of conduct regarding securities transactions by Directors.

By order of the Board
Town Health International Holdings Company Limited
Choi Ka Yee, Crystal
Chairman

Hong Kong, 14 February 2008

As at the date of this announcement, the executive Directors are Miss Choi Ka Yee, Crystal, Dr. Cho Kwai Chee, Mr. Cho Kwai Yee, Kevin, Dr. Fung Yiu Tong, Bennet and Dr. Hui Ka Wah, Ronnie JP, the non-executive Director is Dr. Francis Choi Chee Ming JP, and the independent non-executive Directors are Mr. Chan Kam Chiu, Mr. Wai Kwok Hung JP and Mr. Ho Kwok Wah, George.