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)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2009

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 of the Company (the "Board") is pleased to announce the unaudited consolidated interim results of Town Health International Holdings Company Limited (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

	Note	Six months ended 30 September 2009 (unaudited) HK$'000	2008 (unaudited) HK$'000 (restated)
Revenue	4	**301,298**	198,358
Cost of sales		**(208,425)**	(90,675)
Gross profit		**92,873**	107,683
Other income	6	**11,220**	7,318
Administrative expenses		**(106,203)**	(63,809)
Finance costs	7	**(403)**	(3,092)
Gain/(loss) on fair value changes on held-for-trading investments		**53,756**	(11,133)
Share of results of associates		**1,039**	(338)
Gain on disposal of an associate		**1,437**	–
Gain on disposal of investee		**437**	–
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		**(4,831)**	(186,378)
Profit/(loss) before tax	8	**49,325**	(259,416)
Income tax expense	9	**(6,560)**	(7,725)
Profit/(loss) for the period		**42,765**	(267,141)
Other comprehensive income			
Gain/(loss) on fair value changes on available-for-sale investments		**29,345**	(384)
Total comprehensive income for the period		**72,110**	(267,525)
Profit/(loss) attributable to:			
Equity holders of the Company		**37,422**	(272,609)
Minority interests		**5,343**	5,468
		42,765	(267,141)
Total comprehensive income attributable to:			
Equity holders of the Company		**66,767**	(272,993)
Minority interests		**5,343**	5,468
		72,110	(267,525)
Dividends	10	**–**	–
Earnings /(loss) per share	11		
– Basic		**HK$0.12**	(HK$1.57)
– Diluted		**HK$0.12**	(HK$1.53)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	As at 30 September 2009 (unaudited) HK$'000	As at 31 March 2009 (audited) HK$'000
Non-current assets			
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
		727,307	343,827
Current assets			
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
		507,945	598,051
Current liabilities			
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
		179,574	41,042
Net current assets		**328,371**	557,009
Total assets less current liabilities		**1,055,678**	900,836

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

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

[1] Effective for annual periods beginning on or after 1 July 2009

[2] Amendments that are effective for annual periods beginning on or after 1 July 2009 or 1 January 2010, as appropriate

[3] Effective for annual periods beginning on or after 1 January 2010

[4] Effective for annual periods beginning on or after 1 February 2010

[5] Effective for annual periods beginning on or after 1 January 2011

[6] 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
	301,298	198,358

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	162,424	27,661	8,273	198,358
RESULTS				
Segment results	34,471	20,728	(743)	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				(186,378)
Loss before tax				(259,416)
Income tax expenses				(7,725)
Loss for the period				(267,141)

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 healthcare and dental services HK$'000	Sales of healthcare and pharmaceutical products HK$'000	Others HK$'000	Consolidated HK$'000
REVENUE	**136,776**	**158,449**	**6,073**	**301,298**
RESULTS				
Segment results	**9,669**	**10,920**	**(1,740)**	**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				**(4,831)**
Profit before tax				**49,325**
Income tax expenses				**(6,560)**
Profit for the period				**42,765**

(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 HK$'000	2008 HK$'000
Hong Kong	**165,385**	198,358
PRC	**135,913**	–
	301,298	198,358

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
	11,220	7,318

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
	403	3,092

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

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**	–
	6,560	7,725

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

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

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

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

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

13. TRADE AND OTHER PAYABLES

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

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

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

14. BANK AND OTHER BORROWINGS – DUE WITHIN ONE YEAR

	As at 30 September 2009 HK$'000	As at 31 March 2009 HK$'000
Bank overdraft	**13,250**	–
Bank loans	**23,888**	–
	37,138	–
Analyzed as:		
Secured	**23,888**	–
Unsecured	**13,250**	–
	37,138	–

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	(29,700,000,000)	–
As at 30 September 2009	30,000,000,000	300,000
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)	21,361,815	214
As at 30 September 2009	309,146,472	3,091

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 announcement, 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 announcement, 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 of Directors 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.

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.

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

Hong Kong, 23 December 2009

As at the date of this announcement, the executive directors of the Company are Miss Choi Ka Yee, Crystal, Dr. Cho Kwai Chee, Mr. Lee Chik Yuet and Dr. Hui Ka Wah, Ronnie, JP; the non-executive director of the Company is Dr. Choi Chee Ming, GBS, JP; and the independent non-executive directors of the Company are Mr. Chan Kam Chiu, Mr. Ho Kwok Wah, George and Mr. Wai Kwok Hung, SBS, JP.