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## 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)

### POSSIBLE ACQUISITION OF NU/HART HAIR CLINICS

This announcement is made pursuant to Rule 17.10 of the GEM Listing Rules.

The Board of the Company would like to advise that the Company has signed a non-binding Term Sheet on Tuesday, 15 May 2007 in relation to the Group's possible acquisition of 51% equity interest in a number of companies which operate eight existing Nu/Hart Hair Clinics located in Atlanta, Chicago, New York, Philadelphia and Pittsburgh in the US and in Dubai, Manila, and Puerto Rico.

**The proposed transaction is subject to due diligence, compliance with applicable requirements under the GEM Listing Rules and binding legal contract and therefore, it may or may not proceed. Shareholders of the Company and investors are advised to exercise caution when dealing in the shares of the Company.**

#### TERM SHEET

The Board of the Company would like to advise that the Company has signed a non-binding Term Sheet on Tuesday, 15 May 2007 in relation to the Group's possible acquisition of 51% equity interest in a number of companies which operate eight existing Nu/Hart Hair Clinics located in Atlanta, Chicago, New York, Philadelphia and Pittsburgh in the US and in Dubai, Manila, and Puerto Rico. Together with the existing Nu/Hart Hair Clinic in Hong Kong, in which the Group already holds a 51% equity interest, the nine Nu/Hart Hair Clinics will develop and establish a new division comprising an international chain of men's clinics providing men's sexual health and related services in addition to their existing hair transplant and laser hair re-growth services.

#### ASSETS PROPOSED TO BE ACQUIRED

Nu/Hart Hair Clinics are one of the world leaders in the field of micro-grafting and follicular unit extraction hair transplants and are instrumental in developing some of the highest standards in the field of hair transplantation and laser re-growth. Nu/Hart Hair Clinics have been dedicated exclusively to hair transplantation since 1984 and have performed over 25,000 hair transplantation procedures on men and women from over 40 countries around the world since establishment.

Pursuant to the Term Sheet, assuming the transaction will proceed, Newco is proposed to be formed in which the Company will have a 51% shareholding and which will acquire 100% equity interest in the companies which operate all the current nine Nu/Hart Hair Clinics (including the one which operates the Nu/Hart Hair Clinic in Hong Kong, in which the Group already holds a 51% equity interest) and all assets, clients, intellectual property rights and goodwill relating to the Nu/Hart Hair Clinics. The expected net consideration payable by the Company for the 51% interest in Newco is approximately US\$3.24 million (subject to adjustment after audit and due diligence). The proposed consideration has been determined on the basis of a valuation equal to 5.5 times the average net profit per annum of the existing nine Nu/Hart Hair Clinics of approximately US\$1.15 million calculated on the basis of their (unaudited and subject to due diligence) net profit over the three financial years ended 31 December 2006 (excluding 51% of the after tax net profit of Nu/Hart Hair Clinic in Hong Kong because of the Company's existing 51% ownership). Further, it is expected that the Company will receive a profit guarantee from the sellers to the effect that if Newco does not record an aggregate after tax net profit of US\$5 million for the period commencing from 1 January 2008 ending on 31 December 2012, the sellers are required to compensate the Company. It is also expected that the Company will also receive a pro rata guarantee for repayment by Newco of the US\$1.5 million loan to be advanced by the Company.

Provided that the proposed acquisition is proceeded with and is completed, it is proposed that the Nu/Hart Hair Clinics will branch out into an additional division to be known as Nu/Hart Men's Clinics dedicated to Men's sexual health and related services. In addition to the consideration payable by the Company for the acquisition of the 51% interest in Newco, the Company (but not the 49% minority shareholders of Newco) will advance a five year term loan of US\$1.5 million to Newco for the establishment and development of the new Nu/Hart Men's Clinics.

## **GENERAL**

The Group is principally engaged in the provision of management services for private medical and dental practices and integrated healthcare service for the general public in Hong Kong.

Although detailed financial information is not yet available, the Board expects that the proposed acquisition will amount to a major transaction for the purposes of the GEM Listing Rules. The current Nu/Hart Hair Clinic in Hong Kong is operated by a 51% owned subsidiary of the Group and some of the proposed sellers are substantial shareholders of this subsidiary. The US\$1.5 million loan will be advanced to Newco solely by the Company while the 49% minority shareholders of Newco do not have to contribute proportionally to their respective shareholdings in Newco. The proposed transaction is accordingly also a connected transaction of the Company for the purposes of the GEM Listing Rules.

**The proposed transaction is subject to due diligence, compliance with applicable requirements under the GEM Listing Rules and binding legal contract and therefore, it may or may not proceed. Shareholders of the Company and investors are advised to exercise caution when dealing in the shares of the Company.**

## DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms have the following meanings:

“Board”	board of directors of the Company
“Company”	Town Health International Holdings Company Limited, an exempted company with limited liability incorporated in the Cayman Islands and its shares are listed on GEM
“Group”	the Company and its subsidiaries
“GEM”	Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Newco”	a new holding company proposed to be established in the name of “Nu/Hart Medical International Limited” in the British Virgin Islands as an investment vehicle for the existing Nu/Hart Hair Clinics and development of Nu/Hart Men’s Clinics.
“Term Sheet”	a term sheet signed by the Company on 15 May 2007 with Kathleen Russell, Mac Fadra and Chow Kai Wah Gary, being the existing ultimate beneficial owners of the entire equity interests in the companies which operate the eight existing Nu/Hart Hair Clinics in Atlanta, Chicago, New York, Philadelphia and Pittsburgh in the US and in Dubai, Manila, and Puerto Rico, and 49% in the company which operates the Nu/Hart Hair Clinic in Hong Kong
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

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

Hong Kong, 16 May 2007

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

*This announcement, for which the directors of the Company 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: (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 at <http://www.hkgem.com> on the “Latest Company Announcements” page for at least 7 days from the date of its posting and on the website of Town Health International Holdings Company Limited.*