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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)

DISCLOSEABLE TRANSACTION: ACQUISITION OF CLINIC CHAIN

On 23 July 2007, the Group entered into the Sale and Purchase Agreement with the Vendor in relation to the acquisition of 100% equity interest in the Target Company comprising 21 medical clinics for a cash consideration of HK\$48,319,534.25 (to be revised subject to the results of the due diligence review).

The Acquisition constitutes a discloseable transaction on the part of the Company under the GEM Listing Rules and a circular containing details of the Acquisition and general information about the Group will be despatched to the Shareholders as soon as practicable in compliance with the GEM Listing Rules.

SALE AND PURCHASE AGREEMENT

Date: 23 July 2007

Parties: Purchaser: Town Health Medical Group Limited, a wholly-owned subsidiary of the Company; and

Vendor: Dr. Lau Hun Jin Anthony, as vendor

To the best knowledge, information and belief of the Directors, the Vendor is an independent third party and not a connected person of the Company within the meaning of the GEM Listing Rules.

Assets acquired

2 shares of US\$1.00 each in the share capital of the Target Company, representing 100% of the entire issued share capital of the Target Company.

Conditions precedent

Completion is subject to the following conditions having been fulfilled or waived (as the case may be):

- (a) the Purchaser being satisfied with the results of the due diligence review including verifying the management accounts to be truly and accurately reflecting the financial status and financial performance of the Business;
- (b) the warranties remaining true and accurate in all respects;
- (c) all necessary approvals, consents, authorisations, and licences in relation to the transactions contemplated under the Sale and Purchase Agreement and required to be obtained on the part of the Vendor having been obtained provided that the Vendor is not required to obtain the landlords of the Business consenting to the transfer of the clinics attached to the Business;
- (d) the completion of the Reorganisation including Noble Pioneer having acquired all interests, rights and benefits of the Business and the Target Company having acquired the entire issued share capital of Noble Pioneer pursuant to the Reorganisation; and
- (e) if necessary, the passing by the shareholders of the Company at an extraordinary general meeting of the Company to be convened and held of the necessary resolutions to approve the Sale and Purchase Agreement and the transactions contemplated thereunder.

The Purchaser may at any time by notice in writing to the Vendor waive any of the condition precedents.

Long stop date

If any of the conditions has not been satisfied (or, as the case may be, waived by the Purchaser) on or before 5:00 p.m. on 15 September 2007 or such later date as the Vendor and the Purchaser may agree, the Deposit shall be refunded by the Vendor forthwith to the Purchaser and the Sale and Purchase Agreement shall cease and determine.

Consideration

The total consideration for the Sale Shares at the date of this announcement is HK\$48,319,534.25 (to be revised subject to the results of the due diligence review) and shall be settled by the Purchaser in the following manner:

- (i) a deposit of HK\$4,000,000 shall be payable by the Purchaser to the Vendor as deposit and part payment of the consideration forthwith upon signing the Sale and Purchase Agreement;
- (ii) a further deposit of HK\$4,000,000 shall be payable by the Purchaser to the Vendor as deposit and part payment of the consideration upon completion of the due diligence review; and
- (iii) the remaining balance of HK\$40,319,534.25 (to be revised subject to the results of the due diligence review) shall be payable by the Purchaser to the Vendor on Completion.

If the total consideration after the results of the due diligence review is substantially different from the consideration stated above, the Company undertakes to comply with the relevant GEM Listing Rules and make further announcement, if necessary.

Payment of the consideration mentioned above shall be effected by the Purchaser delivering to the Vendor on the relevant due date a cheque drawn against a licensed bank in Hong Kong or a cashier order issued by a licensed bank in Hong Kong for relevant sum and made payable to the Vendor (or as it may direct).

The consideration was arrived at after arm's length negotiations between the parties to the Sale and Purchase Agreement after having taken into account the average of the annual net profit after tax of the Business for the financial years ended 31 March 2006 and the year ended 31 March 2007 respectively times 6.5, being the profit/earnings ratio as agreed by the Group and the Vendor.

Completion

Completion shall take place at 4:00 p.m. on the Completion Date upon compliance with or fulfilment of all the conditions of the Sale and Purchase Agreement and upon the Vendor completing the Reorganisation.

In the event that the Completion does not take place due to the fault of the Vendor, the Vendor shall forthwith refund and pay the Deposit, without interest, to the Purchaser. The Vendor shall also pay simultaneously a sum equivalent to the Deposit to the Purchaser. The Purchaser shall accept such payments as liquidated damages (but not as penalty) and in full and final settlement of any and all liabilities of the Vendor towards the Purchaser under the Sale and Purchase Agreement and thereafter, the Purchaser shall not be entitled to claim for damages or seek for other relief available to it.

In the event that the Completion does not take place due to the fault of the Purchaser, the Vendor shall be entitled to retain the Deposit as liquidated damages (but not as penalty). The Vendor shall accept such sum in full and final settlement of any and all liabilities of the Purchaser towards to the Vendor under the Sale and Purchase Agreement and thereafter, the Vendor shall not be entitled to claim for damages or seek for other relief available to it.

In the event that the Completion does not take place otherwise than as a result of the default of the Vendor or the Purchaser, for example, the Purchaser is not satisfied with the due diligence review as described above, the Vendor shall forthwith refund and pay the Deposit, without interest, to the Purchaser. The Purchaser shall accept such payment as liquidated damages (but not as penalty) and in full and final settlement of any and all liabilities of the Vendor towards the Purchaser under the Sale and Purchase Agreement and thereafter, the Purchaser shall not be entitled to claim for damages or seek for other relief available to it.

Upon Completion, the Target Group will become indirect wholly-owned subsidiaries of the Company and their accounts will be consolidated into the financial statements of the Group.

Profit Guarantee

The Vendor has guaranteed to the Purchaser that the audited consolidated net profit after tax of the Target Group for (i) the period commencing from 1 October 2007 to 31 March 2008 and (ii) the financial year ending 31 March 2009 and (iii) the financial year ending 31 March 2010 (each a “**Guaranteed Period**”) shall not be less than average of the annual profit after tax of the Business for the financial years ended 31 March 2006 and the financial year ended 31 March 2007 respectively which is equals to HK\$7,433,774.50 (to be revised subject to the results of the due diligence review) (the “**Guaranteed Amount**”).

In the event that the audited consolidated net profit after tax of the Target Group for the Guaranteed Period is less than the relevant Guaranteed Amount, the Vendor shall pay to the Purchaser in cash a sum (“**S**”) calculated by reference to the following formula:

$$S = (B - A)$$

Where:

A = the actual audited consolidated net profit after tax of the Target Group for the relevant Guaranteed Period.

B = half the Guaranteed Amount for the (i) Guaranteed period and the full Guaranteed Amount for the (ii) and (iii) Guaranteed period respectively.

The Guaranteed Amount is subject to the following:

- (a) the Business not repudiating or breaching the service agreement with the Vendor;
- (b) the Purchaser, its associated companies or subsidiaries not opening medical clinics within 100 metre radius or within the same street from any of the Target Group’s existing clinics; and
- (c) the Purchaser not adversely interfering the existing operation or personnel of the Business or undermining the Business’ financial integrity or goodwill during the Guaranteed Period.

Further, according to the Sale and Purchase Agreement, if during the Guaranteed Period, there occurs an infectious outbreak or epidemic in Hong Kong (i.e. when World Health Organisation announces Hong Kong as infectious city international travel warning labelled) which last for a period longer than seven (7) days, the Vendor shall have the option to substitute the Guaranteed Period of that year with the immediate following financial year and the Guaranteed Period shall extended for one further year accordingly, with all Guaranteed Amount unchanged.

If the Target Group records a loss in its audited financial statements for the Guaranteed Period, the actual profit after tax of the Target Group shall be deemed as zero.

REASON FOR THE ACQUISITION

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

Being an integrated healthcare service provider in Hong Kong, the Group has been actively participating in the provision of para-medical services and other healthcare related businesses, such as the operation of laboratory and the sale of healthcare and pharmaceutical products. The Directors have always been proactive in looking for business opportunities to enhance the Group's profile and to create synergy for its existing operations, with an aim of providing "one stop shop" services to the public.

The Target Company is an investment holding company incorporated in the British Virgin Islands. Noble Pioneer is an investment holding company incorporated in Hong Kong. The Target Group is principally engaged in the provision of management service for private medical and dental practices and integrated healthcare service for the general public in Hong Kong.

The financial information of the Target Group based on its unaudited consolidated management accounts for the year ended 31 March 2006 and 31 March 2007 respectively, is set out below:

	For the year ended 31 March 2006 <i>(approximately HK\$'000)</i>	For the year ended 31 March 2007 <i>(approximately HK\$'000)</i>
Net asset value	6,422	8,696
Net tangible asset value	9,426	11,838
Net profit before tax and minority interests	9,334	8,697
Net profit after tax and minority interests	7,703	7,165

The unaudited consolidated management accounts of the Target Group for the year ended 31 March 2006 and 31 March 2007 were prepared in accordance with the Hong Kong Generally Accepted Accounting Principles.

Given that the Group is engaging in the provision of front-line medical services to the public, the Directors believe that the Group has accumulated in-depth understanding about the needs of the patients. By acquiring the equity interests in the Target Group, the Directors believe that the Group can further enhance its profile and services. The Directors also consider that the Acquisition will broaden its income base and benefit the Group financially through profit contribution.

The Target Group has been providing management service for private medical and dental practices and integrated healthcare service for the general public mainly in the geographic area of north western part of the New Territories including but not limited to Yuen Long District. The Directors further believe that with the strong customer pool and network established by the Target Group in north western part of the New Territories, the Acquisition offers the Group a platform to develop the healthcare related business in north western part of the New Territories.

The total number of the Group's clinic chain will increase to more than 100 after the Acquisition resulting in a stronger clinic and patient base. The Directors believe that this will render subsequent referral to the Group's specialty medical services, health check and laboratory services as well as cosmetic dermatology services.

The Board considers that the terms of the Sale and Purchase Agreement (including the consideration) are in normal commercial terms and are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

GENERAL

The Acquisition constitutes a discloseable transaction on the part of the Company under the GEM Listing Rules and a circular containing details of the Acquisition and general information regarding the Group will be despatched to the shareholders of the Company as soon as practicable in compliance with the GEM Listing Rules.

DEFINITIONS

Unless the content otherwise requires, the following expressions have the following meanings in this announcement.

“Acquisition”	the acquisition of 100% equity interest in the Target Company from the Vendor subject to and upon the terms and conditions of the Sale and Purchase Agreement
“Board”	the board of Directors
“Business”	a medical chain comprises of 21 clinics
“Company”	Town Health International Holdings Company Limited, a company incorporated in the Cayman Islands with limited liability whose issued shares are listed on GEM
“Completion”	completion of the sale and purchase of the Sale Shares in accordance with the terms and conditions of the Sale and Purchase Agreement
“Completion Date”	30 September 2007
“Deposits”	the deposit in an aggregate amount of HK\$8,000,000 to be paid by the Purchaser to the Vendor as deposit and part payment of the consideration as referred above in sub-section headed “Consideration”
“Directors”	the directors of the Company from time to time
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries
“Hong Kong”	Hong Kong Special Administrative Region of the People's Republic of China

“Noble Pioneer”	Noble Pioneer Limited, a company incorporated in Hong Kong with limited liability and owned as to 100% by the Vendor as at the date of this announcement
“Purchaser”	Town Health Medical Group Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Company
“Reorganisation”	the reorganisation to be undertaken by the Vendor pursuant to which (i) all interests, rights and benefits of the Business together with all assets including but not limited to existing plant and equipments, employment contracts, tenancy interests and intellectual properties shall be transferred to Noble Pioneer Limited and (ii) the Target Company shall issue two shares as consideration to acquire all the issued share capital of Noble Pioneer Limited such that immediately after completion of the reorganisation, all Business and its assets and Noble Pioneer shall be beneficially owned by the Target Company
“Sale and Purchase Agreement”	the agreement for sale and purchase dated 23 July 2007 and entered into between the Purchaser and the Vendor in relation to the Acquisition
“Sale Shares”	two shares of US\$1.00 each in the share capital of the Target Company, being the entire issued share capital of the Target Company
“Shareholders”	holder of the shares of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Jolly Park Limited, a company incorporated in the British Virgin Islands with limited liability and owned as to 100% by the Vendor immediately before Completion
“Target Group”	the Target Company, Noble Pioneer Limited and the Business
“Vendor”	Dr. Lau Hun Jin Anthony who was the registered and beneficial owner of 100% shareholding in the Target Company immediately before the Acquisition
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.

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

Hong Kong, 25 July 2007

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 and Dr. Fung Yiu Tong, Bennet; 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.

This announcement, for which the Directors 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 Town Health International Holdings Company Limited. 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 publication and on the website of Town Health International Holdings Company Limited at <http://www.townhealth.com>