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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)

COMPLETION OF ACQUISITION OF CLINIC CHAIN; SUPPLEMENTAL AGREEMENT AND CONTINUING CONNECTED TRANSACTIONS

Reference is made to the announcement of the Company dated 25 July 2007 whereby the Company announced that the Purchaser, a wholly-owned subsidiary of the Company, has entered into the Sale and Purchase Agreement with the Vendor, for the sale and purchase of the Sale Shares.

COMPLETION

The Board announces that the Acquisition was completed on 29 September 2007, upon reviewing the D.D. Audited Accounts, the consideration was finalised to be HK\$46,447,372.50 and the Guaranteed Amount was finalised to be HK\$7,145,749.62, being consideration divided by 6.5 pursuant to the Sale and Purchase Agreement.

SUPPLEMENT AGREEMENT

Pursuant to the terms and conditions of the Sale and Purchase Agreement, Completion is subject to the Purchaser satisfied with the results of the due diligence review.

During the process of conducting due diligence review, the Vendor and the Purchaser had agreed on further terms and conditions which is addendum to the Sale and Purchase Agreement. On 29 September 2007, the date of Completion as agreed by the parties, the parties entered into the Supplemental Agreement to amend the profit guarantee to include a rental income guarantee.

The Acquisition, after the execution of the Supplemental Agreement, remains a discloseable transaction. Details of the proposed amendments are further elaborated below.

CONTINUING CONNECTED TRANSACTIONS

Further, upon completion of the due diligence review and Completion, the Company notice that certain Tenancy Agreements entered into between (1) Shining Bright, a company wholly-owned by the Vendor (who remains as a director of Noble Pioneer after Completion) and Noble Pioneer, an indirect wholly-owned subsidiary of the Company after Completion; (2) the Vendor and Noble Pioneer; and (3) Crowe Limited, a company wholly-owned by the Vendor and Noble Pioneer, constitute continuing connected transactions.

The Annual Cap for the Tenancy Agreements for the year ending 31 March 2008 is HK\$4,548,132, which is being satisfied in cash, and each of the applicable percentage ratios on an annual basis is less than 2.5%, as such, the Tenancy Agreements constitute continuing connected transactions for the Company under the Rules 20.34 of the GEM Listing Rules and is subject to reporting and announcement requirements set out in Rules 20.45 to 20.47 of the GEM Listing Rules.

INTRODUCTION

Reference is made to the announcement of the Company dated 25 July 2007 (the “**Announcement**”) whereby the Company announced that the Purchaser, a wholly-owned subsidiary of the Company, has entered into the Sale and Purchase Agreement with the Vendor, for the sale and purchase of the Sale Shares. Capitalised terms used herein shall have the same meanings as those defined in the Announcement unless otherwise defined herein.

COMPLETION

The Board announces that the Acquisition was completed on 29 September 2007, upon reviewing the D.D. Audited Accounts, the consideration was finalised to be HK\$46,447,372.50 and the Guaranteed Amount was finalised to be HK\$7,145,749.62, being consideration divided by 6.5 pursuant to the Sale and Purchase Agreement. The original consideration and Guaranteed Amount as stated in the Announcement were HK\$48,319,534.25 and HK\$7,433,774.50 respectively.

The financial information of the Target Group based on the D.D. Audited 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</i> HK\$'000)	For the year ended 31 March 2007 (<i>approximately</i> HK\$'000)
Net asset value	5,404	9,306
Net tangible asset value	7,735	12,923
Net profit before tax and minority interests	9,273	8,509
Net profit after tax and minority interests	7,652	7,008

The D.D. Audited 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.

THE SUPPLEMENTAL AGREEMENT

Pursuant to the terms and conditions of the Sale and Purchase Agreement, Completion is subject to the Purchaser satisfied with the results of the due diligence review.

During the process of conducting due diligence review, the Vendor and Purchaser had agreed on further terms and conditions which is addendum to the Sale and Purchase Agreement. On 29 September 2007, the date of Completion as agreed by the parties, the parties entered into the Supplemental Agreement to amend the profit guarantee to include a rental income guarantee. Except for the insertion of the rental income guarantee and changes in the Guaranteed Amount, other terms of the profit guarantee remains unchanged.

The Acquisition, after the execution of the Supplemental Agreement, remains a discloseable transaction. Details of the proposed amendments are further elaborated below:

Date: 29 September 2007

Parties: Dr. Lau Anthony Hun Jin, as vendor

Town Health Medical Group Limited, as purchaser

The Proposed Amendments

Rental Income Guarantee

The Vendor has guaranteed to the Purchaser that the annual rental income and license fee generated from the Business (“**Rental Income**”) for (i) the period commencing from 1 October 2007 to 31 March 2008 (the “**1st R.I. Guaranteed Period**”) and (ii) each of the 6 consecutive financial years commencing from 1 April 2008 to 31 March 2014 (hereinafter defined each of the said financial years as the “**2nd R.I. Guaranteed Period**”) shall not be less than the average of the annual Rental Income of the Business as shown in the D.D. Audited Accounts for the financial year ended 31 March 2006 which is equal to HK\$873,323 and the financial year ended 31 March 2007 which is equal to HK\$1,725,826 respectively (“**R.I. Guaranteed Amount**”). If the actual annual Rental Income for the relevant R.I. Guaranteed Period is less than the relevant R.I. Guaranteed Amount, the Vendor will pay to the Purchaser in cash a sum (**S**) calculated by reference to the following formula:

$$S = B - A$$

Where:

A = the actual annual Rental Income for the relevant R.I. Guaranteed Period.

B = half the R.I. Guaranteed Amount for (i) the 1st R.I. Guaranteed Period which is equal to HK\$649,787.25 or the full R.I. Guaranteed Amount for (ii) the 2nd R.I. Guaranteed Period from time to time, which is equal to HK\$1,299,574.50.

Further, according to the Supplemental Agreement, such rental income guarantee is subject to (i) the Target Company not repudiating or breaching service agreement with the Vendor; (ii) the Purchaser, its associated companies or subsidiaries not opening medical clinics within 100 metres radius or within the same street from any of the Vendor's existing clinics listed under annexure A in the Sale and Purchase Agreement; and (iii) the Purchaser not adversely interfering the existing operation or personnel of the Business or undermining the Business' financial integrity or goodwill during the 1st R.I. Guaranteed Period and/or 2nd R.I. Guaranteed Period in any adverse manner.

In addition, if during the 1st R.I. Guaranteed Period and/or the 2nd R.I. Guaranteed Period, there occurs an infectious outbreak or epidemic in Hong Kong (i.e. when World Health Organization announces Hong Kong as infectious city international travel warning labelled) which last for a period longer than seven (7) consecutive days, the Vendor shall have the option to substitute the relevant 1st R.I. Guaranteed Period and/or 2nd R.I. Guaranteed Period of that year with the immediate following financial year and the R.I. Guaranteed Period shall be extended for one further year accordingly, with the R.I. Guaranteed Amount unchanged.

If the actual annual Rental Income for the relevant R.I. Guaranteed Period is more than the relevant R.I. Guaranteed Amount, the Purchaser shall be entitled to keep the amount in excess of the R.I. Guaranteed Amount.

The Vendor further guaranteed that if there is any changes in the rental arrangement (related to Shining Bright or directly or indirectly controlled by the Vendor) currently adopted during the 1st R.I. Guaranteed Period and the 2nd R.I. Guaranteed Period, the Vendor shall notify the Purchaser and subject to the approval of both parties prior to entering into any such changes. In any event, the calculation of the Rental Income and R.I. Guaranteed Amount shall comply with the calculation above.

Reason for entering into the Supplemental Agreement

Pursuant to the terms and conditions of the Sale and Purchase Agreement, Completion is subject to the Purchaser satisfied with the results of the due diligence review.

During the process of conducting due diligence review, the Purchaser considered that as the current profit guarantee does not cover rental income guarantee, and the Rental Income may be fluctuated subject to variation of the rental arrangements between the tenancy landlords and tenants. The Vendor agreed to provide additional guarantee for the Purchaser in order to give the Purchaser further assurance on the Acquisition.

The Board considers that the terms of the Supplemental Agreement (including the consideration and the rental income guarantee) 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, after the execution of the Supplemental Agreement, remains a discloseable transaction.

In the event that the profit guarantee and the rental income guarantee as stated in the Sale and Purchase Agreement and the Supplemental Agreement cannot be met, further announcement will be made.

CONTINUING CONNECTED TRANSACTIONS

Upon completion of the due diligence review, the Company notice that certain Tenancy Agreements entered into between (1) Shining Bright, a company wholly-owned by the Vendor (who remains as a director of Noble Pioneer after Completion) and Noble Pioneer, an indirect wholly-owned subsidiary of the Company after Completion; (2) the Vendor and Noble Pioneer; and (3) Crowe Limited, a company wholly-owned by the Vendor and Noble Pioneer, constitute continuing connected transactions.

The following are the principal terms of the Tenancy Agreements:

Shining Bright Agreements

Rent paid by Noble Pioneer

- | | |
|---------------|---|
| (1) Property: | 1/F, Locwood Court, Kingswood Villas, No.1 Tin Wu Road, Tin Shui Wai, New Territories |
| Term: | 30 months
commencing from 1 October 2007
expiring on the 31 March 2010 |
| Rent: | HK\$39,000 per month (exclusive of rates and maintenance charges, but inclusive of government rent) |
| Purposes: | Medical clinic |
| (2) Property: | 7/F, Valiant Industrial Centre, Nos.2-12 Au Pui Wan Street, Shatin, New Territories |
| Term: | 30 months
commencing from 1 October 2007
expiring on the 31 March 2010 |
| Rent: | HK\$20,000 per month (exclusive of rates and maintenance charges, but inclusive of government rent) |
| Purposes: | Office |
| (3) Property: | No. 67 Pak Tai Street, Kowloon |
| Term: | 30 months
commencing from 1 October 2007
expiring on the 31 March 2010 |
| Rent: | HK\$25,000 per month (exclusive of rates and maintenance charges, but inclusive of government rent) |
| Purposes: | Medical clinic |

- (4) Property: Chu Po Building, Nos.117-125 Wo Tong Tsui Street, Kwai Chung, New Territories
- Term: 30 months
commencing from 1 October 2007
expiring on the 31 March 2010
- Rent: HK\$28,000 per month (exclusive of rates and maintenance charges, but inclusive of government rent)
- Purposes: Medical clinic
- (5) Property: No. 20, Lung Sum Road, Sheung Shui, New Territories
- Term: 15 months
commencing from 1 September 2007
expiring on the 30 November 2008
- Rent: HK\$33,000 per month (inclusive of rates, maintenance charges and government rent)
- Purposes: Medical clinic
- (6) Property: Wah Cheung Mansion, 206-216 Castle Peak Road, Yuen Long, New Territories
- Term: 8 months
commencing from 1 September 2007
expiring on the 30 April 2008
- Rent: HK\$45,000 per month (inclusive of rates, maintenance charges and government rent)
- Purposes: Medical clinic
- (7) Property: Tong An Mansion, No. 60-70 Tseuk Luk Street, Kowloon
- Term: 19.5 months
commencing from 1 September 2007
expiring on the 14 April 2009
- Rent: HK\$40,000 per month (inclusive of rates, maintenance charges and government rent)
- Purposes: Medical clinic

License fee received by Noble Pioneer

- (8) Property: Chu Po Building, Nos.117-125 Wo Tong Tsui Street, Kwai Chung, New Territories
- Term: 12 months
commencing from 1 August 2007
expiring on the 31 July 2008
- License fee: HK\$18,211 per month
- Purposes: Medical clinic

Vendor Agreements

Rent paid by Noble Pioneer

- (1) Property: Lung Fung Shopping Centre, Lung Sum Road, Sheung Shui, New Territories
- Term: 22.5 months
commencing from 1 September 2007
expiring on the 14 July 2009
- Rent: HK\$51,000 per month (exclusive of rates, maintenance charges and government rent)
- Purposes: Medical clinic
- (2) Property: Wang Wah Mansion, 57-65 Texaco Road, No.1 Tai Ha Street, Tsuen Wan, New Territories
- Term: 14 months
commencing from 1 September 2007
expiring on the 31 October 2008
- Rent: HK\$30,800 per month (exclusive of rates, maintenance charges and government rent)
- Purposes: Medical clinic
- (3) Property: 2/F, Fu Tai Shopping Centre, Fu Tai Estate, New Territories
- Term: 17.5 months
commencing from 1 September 2007
expiring on the 15 February 2009
- Rent: HK\$27,000 per month (inclusive of rates, maintenance charges and government rent, but exclusive of air-conditioning charge)
- Purposes: Medical clinic

Crowe Limited Agreement

Rent paid by Noble Pioneer

(1) Property:	Grand View Garden, 185 Hammer Hill Road, Diamond Hill, Kowloon
Term:	11 months commencing from 1 September 2007 expiring on the 31 July 2008
Rent:	HK\$22,000 per month (exclusive of rates, maintenance charges and government rent)
Purposes:	Medical clinic

The rents on the properties will be payable by the Group in cash on a monthly basis and there are no arrangements for payment on a deferred basis.

Annual Cap

The Annual Cap for the Tenancy Agreements is based on the total annual rental or license fee payable and receivable under the Tenancy Agreements. The Annual Cap for the year ending 31 March 2008 is HK\$4,548,132, which is being satisfied in cash, and each of the applicable percentage ratios on an annual basis is less than 2.5%, as such, the Tenancy Agreements constitute continuing connected transactions for the Company under the Rules 20.34 of the GEM Listing Rules and is subject to reporting and announcement requirements set out in Rules 20.45 to 20.47 of the GEM Listing Rules.

Reason for the continuing connected transactions

The Directors consider that the renting of the properties is in the normal ordinary business of the Group and is necessary for the continued operation of the Business.

The Board considers that the terms of the Tenancy Agreements and the continuing connected transactions are in normal commercial terms and are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

Information on the Group

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.

Information on Shining Bright and Crowe Limited

Shining Bright and Crowe Limited are property holding companies. Both Shining Bright and Crowe Limited are wholly-owned by the Vendor.

DEFINITIONS

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
“Annual Cap”	the maximum amount payable and receivable under the Tenancy Agreements during the year ending 31 March 2008 applied to the Company under the GEM Listing Rules
“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
“Crowe Limited”	Crowe Limited, a company wholly-owned by the Vendor
“Crowe Limited Agreement”	an agreement entered into between Crowe Limited and Noble Pioneer
“D.D. Audited Accounts”	audited balance sheet and audited profit & loss accounts of the Business prepared by Yiu Cho Yau, Certified Public Accountant for financial periods ended 31 March 2006 and 31 March 2007
“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
“Independent Third Party”	a person being third party independent of and not connected with any director, chief executive or substantial Shareholders of the Company or its subsidiaries or any of their respective associates
“Noble Pioneer”	Noble Pioneer Limited, a company incorporated in Hong Kong with limited liability and owned as to 100% by the Vendor and upon completion, indirectly wholly-owned by the Company

“Purchaser”	Town Health Medical Group Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Company
“Sale and Purchase Agreement”	the agreement for sale and purchase of the Sale Shares 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
“Shining Bright”	Shining Bright Development Limited, a company wholly-owned by the Vendor
“Shining Bright Agreements”	the agreements entered into between Shining Bright and Noble Pioneer
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supplemental Agreement”	the addendum dated 29 September 2007 entered into between the Purchaser and the Vendor in relation to further terms and conditions of the Acquisition
“Target Company”	Jolly Park Limited, a company incorporated in the British Virgin Islands with limited liability and owned as to 100% by the Vendor
“Target Group”	the Target Company, Noble Pioneer and the Business
“Tenancy Agreements”	the Shining Bright Agreements, the Vendor Agreements and Crowe Limited Agreement
“Vendor”	Dr. Lau Anthony Hun Jin who was the registered and beneficial owner of 100% shareholding in the Target Company immediately before the Acquisition. He also remains as a director of Noble Pioneer after Completion
“Vendor Agreements”	the agreements entered into between the Vendor and Noble Pioneer
“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, 5 October 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>