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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)

CONNECTED TRANSACTION

The Board announced that on 14 April 2008, Town Health (BVI), a wholly-owned subsidiary of the Company entered into the S&P Agreement with the Purchaser pursuant to which the Group agreed to sell and the Purchaser agreed to purchase the Sale Shares and the Sale Loan at a total cash consideration of HK\$3,500,000. Completion took place upon the date of the S&P Agreement.

As the Purchaser is interested in 40% of the Target, which is a non-wholly owned subsidiary of the Company, the Purchaser and its 100% holding company, Hua Xia Healthcare Holdings Limited are regarded as connected persons of the Company within the meaning of the GEM Listing Rules. The S&P Agreement constitutes a connected transaction on the part of the Company under Chapter 20 of the GEM Listing Rules. As each of the percentage ratios is less than 2.5% and the consideration is more than HK\$1,000,000 but less than HK\$10,000,000, the S&P Agreement is only subject to the reporting and announcement requirements and is exempt from the independent Shareholders' approval requirement under Chapter 20 of the GEM Listing Rules.

The Board announced that on 14 April 2008, Town Health (BVI), a wholly-owned subsidiary of the Company entered into the S&P Agreement with the Purchaser pursuant to which the Town Health (BVI) agreed to sell and the Purchaser agreed to purchase the Sale Shares and the Sale Loan at a total cash consideration of HK\$3,500,000. Details of the S&P Agreement are set out below:

S&P AGREEMENT

Date: 14 April 2008

- Parties: (1) The Company;
- (2) Town Health (BVI), as vendor;
- (3) Hua Xia Healthcare Holdings Limited;
- (4) Reach Crest Investments Limited as the Purchaser; and
- (5) The Target

Hua Xia Healthcare Holdings Limited is a company incorporated in the Cayman Islands whose issued shares are listed on the GEM. The Purchaser is a wholly-owned subsidiary of Hua Xia Healthcare Holdings Limited, and is principally engaged in investment holding.

As the Purchaser is interested in 40% of the Target, which is a non-wholly owned subsidiary of the Company, the Purchaser, and its 100% holding company, Hua Xia Healthcare Holdings Limited are regarded as connected persons of the Company under the GEM Listing Rules.

Assets to be disposed of

Pursuant to the S&P Agreement, Town Health (BVI) agreed to sell and the Purchaser agreed to purchase the Sale Shares, representing 60% of the issued share capital of the Target, and the Sale Loan, representing the entire indebtedness of the Target due to Town Health (BVI).

Consideration

The total consideration for the Sale Shares and the Sale Loan is HK\$3,500,000 which shall be satisfied by the Purchaser in cash upon Completion.

The Board considered that the consideration was determined after arm's length negotiation between the relevant parties to the S&P Agreement and was determined with reference to (i) the unaudited consolidated net liabilities of the Target Group of approximately HK\$167,000 as at 31 December 2007; (ii) the amount of the Sale Loan; and (iii) the fact that the Sale Shares representing a majority stake of the Target.

The Board considered the consideration to be fair and reasonable.

Completion

Completion took place upon signing of the S&P Agreement.

INFORMATION OF THE GROUP

The Group is a management service provider for private medical and dental practices and an integrated healthcare service provider for the general public in Hong Kong. The corporate objective of the Group is to become a provider of high quality, generally affordable and comprehensive private healthcare service, including physical, social and psychological care in primary, secondary and tertiary levels for preventive healthcare and maintenance of health to citizens of all ages in Hong Kong and eventually to people in other Asian countries.

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 Group would continue to look for business opportunities to enhance the Group's profile and create synergy for its existing operations, with an aim of providing "one stop shop" services to the public.

INFORMATION ON THE TARGET GROUP

The Target is an investment holding company incorporated in the British Virgin Islands in November 2006 and its subsidiaries are principally engaged in the provision of management and consultancy of dental care services in Fuzhou of Fujian Province PRC.

Based on the unaudited consolidated financial statements of the Target Group prepared in accordance with accounting principles generally accepted in Hong Kong, the Target Group recorded a net loss before tax and after tax of approximately HK\$1,600 and HK\$1,600 respectively for the year ended 31 December 2006, and a net loss before tax and after tax of approximately HK\$166,000 and HK\$166,000 respectively for the year ended 31 December 2007. The unaudited consolidated net liability value of the Target Group as at 31 December 2007 was about HK\$167,000.

The Target has 100 shares of US\$1.00 each in issue. Immediately prior to the Completion, the issued share capital of the Target was owned as to 60% by Town Health BVI and 40% by the Purchaser.

FINANCIAL EFFECT OF THE DISPOSAL AND USE OF PROCEEDS

Upon Completion, the Group is expected to record a loss of about HK\$843,000. Such loss was calculated with reference to the unaudited consolidated net liabilities of the Target Group of approximately HK\$167,000 as at 31 December 2007 and the outstanding balance of the Sale Loan of HK\$4,510,288 as at the date of the S&P Agreement. Upon Completion, the Target and its subsidiaries will cease to be subsidiaries of the Company whose assets and liabilities and earnings will not be consolidated into the books of the Company. Given the business size of the Target and the consideration involved, the disposal of the Target Group will not have any material effect on the Group after Completion.

The Directors intend to apply the entire sale proceeds from the disposal of the Target Group for the Group's general working capital.

REASONS FOR THE DISPOSAL

The Group has adopted a new strategy in developing its medical and dental business in the PRC, namely, focusing its business in the Guangdong Province, in particular, in the Pearl River Delta areas. Given the business performance of the Target Group in the past, the Group would like to better utilise its resources to be applied in its other core business of the Group.

In view of the above, the Directors, including the independent non-executive Directors, consider that the terms of the S&P Agreement were entered into upon normal commercial terms following arm's length negotiations among the parties, and that the terms of the S&P Agreement are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

GEM LISTING RULES IMPLICATION

As the Purchaser is interested in 40% of the Target, which is a non-wholly owned subsidiary of the Company, the Purchaser and its 100% holding company, Hua Xia Healthcare Holdings Limited are regarded as connected persons of the Company under the GEM Listing Rules. The S&P Agreement constitutes a connected transaction on the part of the Company under Chapter 20 of the GEM Listing Rules. As each of the percentage ratios is less than 2.5% and the consideration is more than HK\$1,000,000 but less than HK\$10,000,000, the S&P Agreement is only subject to the reporting and announcement requirements and is exempt from the independent Shareholders' approval requirement under Chapter 20 of the GEM Listing Rules.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the following meanings when used herein:

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| “Board” | the board of Directors |
| “Company” | Town Health International Holdings Company Limited, an exempted company incorporated in the Cayman Islands with limited liability and the issued Shares of which are listed on GEM |
| “Completion” | completion of the sale and purchase of the Sale Shares and the Sale Loan pursuant to the terms and conditions of the S&P Agreement |
| “Directors” | directors (including independent non-executive directors) of the Company |
| “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” | the Hong Kong Special Administrative Region of the PRC |
| “PRC” | the People’s Republic of China, which for the purpose of this announcement, shall exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan |
| “Purchaser” | Reach Crest Investments Limited, a company incorporated in the British Virgin Islands with limited liability and interested in 40% of the Target immediately before Completion |
| “S&P Agreement” | the sale and purchase agreement dated 14 April 2008 and entered into between the Company, Town Health (BVI), Hua Xia Healthcare Holdings Limited, the Purchaser and the Target in relation to the sale and purchase of the Sale Shares and the Sale Loan |
| “Sale Loan” | HK\$4,510,288, representing the total indebtedness due by the Target to Town Health (BVI) immediately before Completion |
| “Sale Shares” | 60 shares of US\$1.00 each in the issued share capital of the Target, representing 60% of the entire issued share capital of the Target |
| “Share(s)” | ordinary share(s) of HK\$0.01 each in the share capital of the Company |
| “Shareholder(s)” | holder(s) of Share(s) |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |

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| “Target” | United First Investments Limited, a company incorporated in the British Virgin Islands with limited liability and a non-wholly owned subsidiary of the Company immediately before Completion |
| “Target Group” | Target and its subsidiaries |
| “Town Health (BVI)” | Town Health (BVI) Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of the Company |
| “HK\$” | Hong Kong dollars, the lawful currency for the time being of Hong Kong |
| “%” | per cent. |

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

Hong Kong, 16 April 2008

** for identification purposes only*

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.

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 the Group. 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.

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