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Town Health International Medical Group Limited
康健國際醫療集團有限公司

(Incorporated in the Cayman Islands and continued in Bermuda with limited liability)

(Stock Code: 3886)

**DISCLOSEABLE TRANSACTION:
DISPOSAL OF 70% INTEREST IN EVER FULL
IN RETURN FOR CONSIDERATION SHARES IN LUCK KEY**

DISPOSAL

The Board is pleased to announce that, after trading hours on 31 December 2014, the Vendor, a wholly-owned subsidiary of the Company, Luck Key and the Company as a warrantor entered into the SP Agreement pursuant to which the Vendor has conditionally agreed to sell and Luck Key has conditionally agreed to acquire the Sale Shares, representing 70% of equity interest in Ever Full, and the Sale Debt. The aggregate consideration for the Disposal is HK\$11,882,000, which shall be satisfied by the allotment and issue, credited as fully paid, of the Consideration Shares to the Vendor by Luck Key.

As at the date of this announcement, Ever Full was owned as to 70% by the Vendor and 30% by an Independent Third Party. Ever Full is an investment holding company and its wholly-owned subsidiary, HK Cyclotron, is principally engaged in the manufacturing of PET Radiopharmaceuticals for medical use. Immediately after Completion, each member of the Ever Full Group will cease to be a subsidiary of the Company.

ACQUISITION UPON COMPLETION

As at the date of this announcement, Town Health BVI, the holding company of the Vendor and a wholly-owned subsidiary of the Company, held 9.9% of equity interest in Luck Key, which was acquired by Town Health BVI in August 2014. Since the Consideration will be satisfied by Luck Key to the Vendor on Completion by the allotment and issue, credited as fully paid, of the Consideration Shares, which will represent approximately 27.9% of the issued share capital of Luck Key as enlarged by the allotment and issue of the Consideration Shares, taking into account the Group's existing 9.9% stake in Luck Key, the Group's equity interest in Luck Key will be increased to approximately 35.0%. The receipt of the Consideration Shares amounts to an acquisition of additional equity interests in Luck Key by the Group.

LISTING RULES IMPLICATIONS

The Disposal does not constitute a notifiable transaction of the Company.

As the relevant percentage ratios (as defined under the Listing Rules) in respect of each of (i) the Acquisition itself; and (ii) the Acquisition in aggregate with the Subscription are more than 5% but less than 25%, each of (i) the Acquisition itself; and (ii) the Acquisition in aggregate with the Subscription will constitute a discloseable transaction of the Company under the Listing Rules and is subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

THE SP AGREEMENT

The Board is pleased to announce that, after trading hours on 31 December 2014, the Vendor, a wholly-owned subsidiary of the Company, Luck Key and the Company as a warrantor entered into the SP Agreement pursuant to which the Vendor has conditionally agreed to sell and Luck Key has conditionally agreed to acquire the Sale Shares and the Sale Debt at an aggregate consideration of HK\$11,882,000.

Major terms of the SP Agreement are set out below.

Date:

31 December 2014

Parties:

Vendor : Town Health Healthcare Services Limited, a company incorporated in the BVI with limited liability and is an investment holding company. The Vendor is wholly-owned by Town Health BVI, which in turn is wholly-owned by the Company.

Warrantor : the Company.

Purchaser : Luck Key Investment Limited, a company incorporated in the BVI with limited liability and is a non wholly-owned subsidiary of CMGC. The CMGC Group is principally engaged in (i) mobile-online game business and provision of games related integral marketing services; (ii) provision of IT services; (iii) money lending business; (iv) provision of medical diagnostic and health check services; and (v) securities investments business.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, save that Luck Key is owned as to approximately 9.9% by Town Health BVI as at the date of this announcement, each of Luck Key and its ultimate beneficial owners is an Independent Third Party.

Assets to be disposed of:

As at the date of this announcement, Ever Full was owned as to 70% by the Vendor and 30% by an Independent Third Party.

The Vendor has conditionally agreed to sell, and Luck Key has conditionally agreed to purchase, the Sale Shares free from all encumbrances. The Sale Shares represent 70% of equity interest in Ever Full.

The Vendor has conditionally agreed to assign, and Luck Key has conditionally agreed to accept the assignment of all the Vendor's title, right, benefit and interest to, of and in the Sale Debt in the amount of HK\$6,333,000 absolutely free from all encumbrances with effect from the Completion Date.

Conditions Precedent:

Completion is subject to the fulfilment or (if applicable) waiver of the following Conditions:

- (a) the sale and purchase of the Sale Shares and the Sale Debt, the allotment and issue of the Consideration Shares and other transactions as contemplated under the SP Agreement having been approved by the shareholders of CMGC (who are not required to abstain from voting in such respect under the GEM Listing Rules or otherwise) at the extraordinary general meeting of CMGC;
- (b) Luck Key being reasonably satisfied with the results of the due diligence exercise (whether on legal, accounting, financial, operational, properties or other aspects that Luck Key may consider necessary) on the Ever Full Group and its assets, liabilities, activities, operations, prospects and other status which Luck Key, its agents or professional advisers think reasonably necessary and appropriate to conduct;
- (c) (if applicable) the receipt from the Vendor of all such waivers, consents or other documents as Luck Key may require in relation to the completion of the transactions contemplated under the SP Agreement;
- (d) there is no Material Adverse Change or prospective Material Adverse Change; and

- (e) Luck Key being satisfied that, from the date of the SP Agreement and at any time before the Completion, that the Vendor's Warranties remain true, accurate and not misleading and that no events have occurred that would result in any breach of any of the Vendor's Warranties or other provisions of the SP Agreement by the Vendor or the Warrantor.

The Conditions (a) and (c) above are not capable of being waived by any parties to the SP Agreement. Luck Key may waive the Conditions (b), (d) and (e) above.

If any of the Conditions above shall not have been fulfilled or (if applicable) waived at or before 5:00 p.m. on the Long Stop Date, all rights and obligations of the parties under the SP Agreement shall cease and terminate, save and except for provisions in relation to confidentiality, costs and expenses, miscellaneous matters, notices and governing law and jurisdiction which provisions shall remain in full force and effect, and no party under the SP Agreement shall have any claim against the other save for claim (if any) in respect of any antecedent breach under the SP Agreement.

Consideration

The Consideration payable by Luck Key to the Vendor for the sale and purchase of the Sale Shares and the Sale Debt shall be HK\$11,882,000 of which:

- (a) the purchase price of the Sale Shares shall be HK\$5,549,000; and
- (b) the purchase price of the Sale Debt shall be HK\$6,333,000.

The Consideration shall be satisfied by the allotment and issue, credited as fully paid, of the Consideration Shares, which will represent approximately 27.9% of the issued share capital of Luck Key as enlarged by the issue of the Consideration Shares, upon Completion.

The Consideration (including the consideration for the Consideration Shares) was determined after arm's length negotiations between the Vendor and Luck Key by taking into account (i) the historical financial performance of the Ever Full Group, including its unaudited consolidated net profit after taxation for the ten months ended 31 October 2014 of approximately HK\$2,111,000; (ii) the unaudited consolidated net asset value of the Luck Key Group as at 31 October 2014 of approximately HK\$30,698,000; and (iii) the face value of the Sale Debt of approximately HK\$6,333,000.

Completion

Completion will take place on the Completion Date.

Immediately after Completion, each member of the Ever Full Group will cease to be a subsidiary of the Company and the Company will indirectly hold equity interests in the Ever Full Group through its interest in Luck Key.

ACQUISITION UPON COMPLETION

As at the date of this announcement, Town Health BVI, the holding company of the Vendor and a wholly-owned subsidiary of the Company held 9.9% of equity interest in Luck Key, which was acquired by Town Health BVI in August 2014. Since the Consideration will be satisfied by Luck Key to the Vendor on Completion by the allotment and issue, credited as fully paid, of the Consideration Shares, which will represent approximately 27.9% of the issued share capital of Luck Key as enlarged by the allotment and issue of the Consideration Shares, taking into account the Group's existing 9.9% stake in Luck Key, the Group's equity interest in Luck Key will be increased to approximately 35.0%. The receipt of the Consideration Shares amounts to an acquisition of additional equity interests in Luck Key by the Group.

INFORMATION ON THE EVER FULL GROUP

Ever Full is a company incorporated in the BVI with limited liability and is an investment holding company. Ever Full owns the entire equity interest in HK Cyclotron, a company incorporated in Hong Kong and is principally engaged in the manufacturing of PET Radiopharmaceuticals for medical use. HK Cyclotron is an existing supplier of the Luck Key Group for supplying Fludeoxyglucose 18F (“**18F-FDG**”). 18F-FDG is a kind of PET Radiopharmaceuticals most commonly used for medical diagnostic purposes in the medical imaging modality called positron emission tomography or PET which is used in oncology to study glucose metabolism for diagnosis and staging of diseases, such as cancers and monitor the treatment effects of cancers. Other than the holding of the entire issued share capital of HK Cyclotron, Ever Full does not have any other material asset.

The unaudited consolidated total assets value and the net liabilities of the Ever Full Group as at 31 October 2014 are approximately HK\$16,535,000 and approximately HK\$2,146,000 respectively. As at 31 October 2014, Ever Full owed to its shareholders an aggregate sum of HK\$16,600,000. The unaudited consolidated financial information of the Ever Full Group for the year ended 31 March 2013 and the nine months ended 31 December 2013 are as follows:

	Year ended 31 March 2013	Nine months ended 31 December 2013
	<i>HK\$'000</i>	<i>HK\$'000</i> <i>(Note)</i>
Net profit/(loss) before taxation	(170)	1,760
Net profit/(loss) after taxation	(131)	1,469

Note: After 31 March 2013, the financial year of Ever Full changed from 31 March to 31 December.

Currently, Ever Full is indebted to the Vendor a sum of HK\$10,400,000. Upon Completion, the Sale Debt, which amounted to HK\$6,333,000, will be assigned to Luck Key and Ever Full will remain owing HK\$4,067,000 to the Vendor. Such sum represents 24.5% of the aggregate amount of all the shareholder's loans that Ever Full owes to its owners (direct and indirect), and such percentage corresponds to the Group's effective equity interest in Ever Full upon Completion.

INFORMATION ON THE LUCK KEY GROUP

Luck Key is a company incorporated under the laws of the BVI with limited liability and was owned as to 9.9% by the Group as at the date of this announcement. As disclosed in the announcement of the Company dated 26 August 2014, Town Health BVI, the holding company of the Vendor and a wholly-owned subsidiary of the Company, had subscribed for 1,170 shares in Luck Key, representing its 9.9% of equity interest in Luck Key, on 26 August 2014. The Luck Key Group is principally engaged in the provision of medical diagnostic and health check services.

Currently, the Luck Key Group is operating an aggregate of 9 health check centres and 2 laboratories which are located in Central, Causeway Bay, Jordan, Mong Kok, Shatin, Tuen Mun and Yuen Long under the brands of “HKHC”, “OPUS”, “C.T. Scan” and “Yuen Foong”. The Luck Key Group provides one-stop comprehensive medical diagnostic and health check services with advanced imaging technology and full-range laboratory services. It has approximately 200 experienced medical and healthcare professionals and supporting staff. The flagship centre of the Luck Key Group is located in Jordan, Kowloon, which is the first and the only private owned health check centre in Hong Kong to incorporate the three top-end imaging modalities, being 64 Slice CT, 3T MRI and 16 Slice PET/CT, in a single location. The Luck Key Group will relocate the health check centre at Tuen Mun to Sheung Shui in January 2015.

The unaudited consolidated total assets value and the net assets value of the Luck Key Group as at 31 October 2014 are approximately HK\$79,927,000 and approximately HK\$30,698,000 respectively. The consolidated financial information of the Luck Key Group for the two years ended 31 December 2013 are as follows:

	Year ended 31 December 2012 <i>HK\$'000</i> (audited)	Year ended 31 December 2013 <i>HK\$'000</i> (unaudited)
Net profit/(loss) before taxation	20,486	(31,333)
Net profit/(loss) after taxation	21,659	(26,770)

REASONS FOR AND BENEFITS OF THE TRANSACTIONS UNDER THE SP AGREEMENT

The Group is principally engaged in (i) healthcare business investments; (ii) provision and management of healthcare and related services; and (iii) properties and securities investments and trading.

Taking into account that HK Cyclotron is the major supplier of raw materials (including 18F-FDG) for the Luck Key Group's health check business and in view of the improving trend in the business prospects of the Luck Key Group based on its recent financial performances and the increasing public demands in medical diagnostic services, the Board considers that the Disposal will enhance the operation efficiency of the larger Luck Key Group and further improve the performance of the Luck Key Group. In light of the fact that the Group will increase its equity interest in Luck Key as a result of the receipt of the Consideration Shares, the benefits accrued by the Luck Key Group are expected to bring greater return to the Group and the Shareholders.

It is expected that the Group will record a loss of approximately HK\$3 million from the Disposal, which is calculated with reference to the difference between the Consideration and the carrying amount of the Ever Full Group attributable to the Group and the face value of the Sale Debt. The actual gain or loss as a result of the Disposal to be recorded by the Group is subject to audit and will be assessed after Completion.

Having considered the factors as mentioned above, the Directors are of the view that the terms of the SP Agreement are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

The Disposal does not constitute a notifiable transaction of the Company.

As the relevant percentage ratios (as defined under the Listing Rules) in respect of each of (i) the Acquisition itself; and (ii) the Acquisition in aggregate with the Subscription are more than 5% but less than 25%, each of (i) the Acquisition itself; and (ii) the Acquisition in aggregate with the Subscription will constitute a discloseable transaction of the Company under the Listing Rules and is subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context otherwise requires:

“Acquisition”	the acquisition of an additional 25.1% equity interest in Luck Key as a result of the receipt of the Consideration Shares by the Vendor from Luck Key pursuant to the terms of the SP Agreement
“Board”	the board of Directors
“Business Day”	a day (excluding Saturday and any day on which a tropical cyclone warning no.8 or above is hoisted or remains hoisted between 9:00 a.m. and 12:00 noon and is not lowered at or before 12:00 noon or on which a “black” rainstorm warning is hoisted or remains in effect between 9:00 a.m. and 12:00 noon and is not discontinued at or before 12:00 noon) on which licensed banks in Hong Kong are generally open for business
“BVI”	the British Virgin Islands
“CMGC”	China Mobile Games and Cultural Investment Limited, a company incorporated in the Cayman Islands with limited liability and the issued shares of which are listed on GEM (Stock Code: 8081)
“CMGC Group”	CMGC and its subsidiaries
“Company” or “Warrantor”	Town Health International Medical Group Limited, a company incorporated in the Cayman Islands and continued in Bermuda with limited liability and the ordinary shares of which are listed on the Main Board of the Stock Exchange

“Completion”	completion of the Disposal and the Acquisition
“Completion Date”	the third Business Day after the last outstanding Condition shall have been fulfilled or waived (or such other date agreed by the Vendor and Luck Key in writing) on which Completion is to take place
“Condition(s)”	condition(s) precedent to the Completion as set out in the paragraph headed “Conditions Precedent” of this announcement
“Consideration”	the sum of HK\$11,882,000, being the consideration for the sale and purchase of the Sale Shares and the Sale Debt
“Consideration Shares”	4,570 new shares of Luck Key, which shall represent approximately 27.9% of the issued share capital of Luck Key as enlarged by the issue of such shares
“Director(s)”	the director(s) of the Company
“Disposal”	the disposal of the Sale Shares and the Sale Debt
“Ever Full”	Ever Full Harvest Limited, a company incorporated in the BVI with limited liability
“Ever Full Group”	Ever Full and its subsidiary, HK Cyclotron
“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
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China

“HK Cyclotron”	Hong Kong Cyclotron Laboratories Limited, a company incorporated in Hong Kong with limited liability and is a wholly-owned subsidiary of Ever Full
“Independent Third Party”	a party who is a third party independent of the Company and its connected persons and their respective associates (as defined in the Listing Rules)
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	31 March 2015 (or such later date as the Vendor and Luck Key may agree in writing)
“Luck Key”	Luck Key Investment Limited, a company incorporated in the BVI with limited liability and is a non wholly-owned subsidiary of CMGC
“Luck Key Group”	Luck Key and its subsidiaries
“Material Adverse Change”	any change (or effect) which has a material and adverse effect on the financial position, business or prospects or results of operations, of the Ever Full Group as a whole
“PET”	the acronym of Positron Emission Tomography
“Sale Debt”	the amount of HK\$6,333,000 owing by Ever Full to the Vendor and to be assigned to Luck Key as at Completion
“Sale Shares”	7 issued shares of US\$1.00 each, representing 70% of the issued share capital in Ever Full
“Shareholder(s)”	shareholder(s) of the Company
“SP Agreement”	the sale and purchase agreement dated 31 December 2014 entered into between the Vendor, the Warrantor and Luck Key in relation to the Acquisition

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription”	the subscription of 1,170 new shares of Luck Key, representing approximately 9.9% of the existing issued share capital of Luck Key, by Town Health BVI pursuant to the subscription agreement dated 26 August 2014 entered into between Luck Key and Town Health BVI, completion of which took place on 26 August 2014 and details of which are disclosed in the announcement of the Company dated 26 August 2014
“Town Health BVI”	Town Health (BVI) Limited, a company incorporated in the BVI with limited liability, the holding company of the Vendor and a wholly-owned subsidiary of the Company
“Vendor”	Town Health Healthcare Services Limited, a company incorporated in the BVI with limited liability and a wholly-owned subsidiary of the Company
“Vendor’s Warranties”	the representations, warranties and undertakings given by the Vendor and the Warrantor under the SP Agreement
“%”	per cent.

By order of the Board
Town Health International Medical Group Limited
Lee Chik Yuet
Executive Director

31 December 2014

As at the date of this announcement, the executive Directors are Miss Choi Ka Yee, Crystal (Chairperson), Dr. Cho Kwai Chee (Executive Vice Chairman), Dr. Hui Ka Wah, Ronnie, JP (Chief Executive Officer), Mr. Lee Chik Yuet, Dr. Chan Wing Lok, Brian and Mr. Wong Seung Ming (Chief Financial Officer); the non-executive Director is Dr. Choi Chee Ming, GBS, JP (Vice-Chairman); and the independent non-executive Directors are Mr. Chan Kam Chiu, Mr. Ho Kwok Wah, George, Mr. Wai Kwok Hung, SBS, JP and Mr. Wong Tat Tung.