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**Town Health International Investments Limited**  
**康健國際投資有限公司**

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

**(Stock Code: 3886)**

**MAJOR TRANSACTIONS:**  
**ACQUISITION OF 100% INTEREST IN THE TARGET;**  
**DEEMED DISPOSAL OF UP TO 40% INTEREST IN THE PURCHASER**

**ACQUISITION AND DISPOSAL**

The Board is pleased to announce that on 7 September 2012, after trading hours, the Purchaser (a wholly-owned subsidiary of the Company) and the Vendor entered into the SP Agreement pursuant to which the Purchaser has conditionally agreed to acquire, and the Vendor has conditionally agreed to sell, the Sale Shares at the Consideration of HK\$195 million.

Pursuant to the terms of the SP Agreement, the Consideration of HK\$195 million will be satisfied by the allotment and issue of the Consideration Shares by the Purchaser to the Vendor upon Completion.

Immediately after Completion, the Target will become a wholly-owned subsidiary of the Purchaser which will be owned as to 75% by TH BVI and 25% by the Vendor.

Pursuant to the SP Agreement, the Vendor shall have the First Right to subscribe for shares of the Purchaser at a maximum consideration of HK\$100 million within the First Right Period. The Board proposes to seek the Shareholders' approval of the possible exercise of the First Right during the First Right Period at the SGM.

## **IMPLICATIONS UNDER THE LISTING RULES**

As the relevant percentage ratios (as defined under the Listing Rules) in respect of (i) the Acquisition are more than 25% but less than 100%; and (ii) the Disposal together with the possible exercise of the First Right are more than 25% but less than 75%, each of the Acquisition, and the Disposal together with the possible exercise of the First Right will constitute a major transaction of the Company under the Listing Rules and is subject to reporting and announcement and Shareholders' approval requirements of Chapter 14 of the Listing Rules.

The SGM will be convened for the purpose of, among other matters, considering, and if thought fit, approving the Acquisition, the Disposal, the possible exercise of the First Right and other transactions contemplated under the SP Agreement. A circular containing, among other things, (i) details of the SP Agreement and the transactions contemplated thereunder (including the Acquisition, the Disposal and the possible exercise of the First Right); (ii) other information as required to be disclosed under the Listing Rules; and (iii) the notice of the SGM will be despatched to the Shareholders on or before 28 September 2012.

The Board is pleased to announce that on 7 September 2012, after trading hours, the Purchaser (a wholly-owned subsidiary of the Company) and the Vendor entered into the SP Agreement pursuant to which the Purchaser has conditionally agreed to acquire, and the Vendor has conditionally agreed to sell, the Sale Shares at the Consideration of HK\$195 million, upon and subject to the terms and conditions of the SP Agreement.

## **THE SP AGREEMENT**

Major terms of the SP Agreement are set out below.

### **Date:**

7 September 2012

### **Parties:**

- (1) the Purchaser, Town Health Asset Management Limited, a wholly-owned subsidiary of the Company as at the date of this announcement; and
- (2) the Vendor, Chemosino International Limited, a company incorporated in the BVI with limited liability, is principally engaged in investment holding business and a wholly-owned subsidiary of CN Holding. As at the date of this announcement, the Group is holding 16,424,000 shares in CN Holding (representing approximately 0.99% of the issued share capital of CN Holding as at the date of this announcement). Save as disclosed above, to the best of the Directors' knowledge, information and belief having made all reasonable enquiry, the Vendor and its ultimate beneficial owners are Independent Third Parties.

## **Assets to be acquired**

The Purchaser has conditionally agreed to acquire and the Vendor has conditionally agreed to sell the Sale Shares, representing 100% equity interest in the Target. As at the date of this announcement, the Target Group owns 100% interests in the Target Properties.

## **Consideration**

The Consideration is HK\$195 million which will be satisfied by the issue and allotment of the Consideration Shares, which will represent 25% of the issued share capital of the Purchaser as enlarged by the issue of the Consideration Shares, upon Completion.

## **Basis of the Consideration**

The Consideration was determined after arm's length negotiation between the Purchaser and the Vendor on normal terms with reference to (i) the market value of the Target Properties attributable to the Target Group as at 30 June 2012 and the market value of TH Properties attributable to the TH Group as at 30 June 2012 of HK\$753,740,000 as indicated in the preliminary valuation report of an independent property valuer; (ii) the net asset value of the Target Group and the TH Group as at 30 June 2012 (taking into account the market value of the Target Properties and the TH Properties mentioned in (i) above and the adjustments as set out in the paragraphs headed "Information about the Target Group" and "Information about the TH Group" below).

## **Conditions Precedent:**

Completion shall be conditional upon the following conditions precedent:

- (a) the Acquisition, the Disposal, the transactions contemplated under the First Right Subscription and other transactions as contemplated under the SP Agreement having been approved by the Shareholders (who are not required to abstain from voting in such respect under the Listing Rules or otherwise) at the SGM;
- (b) the sale and purchase of the Sale Shares, the transactions contemplated under the First Right Subscription and other transactions as contemplated under the SP Agreement having been approved by the shareholders of CN Holding (who are not required to abstain from voting in such respect under the GEM Listing Rules or otherwise) at the CN Holding EGM;
- (c) the Purchaser being reasonably satisfied with the results of the due diligence exercise (whether on legal, accounting, financial, operational, properties or other aspects that the Purchaser may consider necessary) on the Target Group and its assets, properties, liabilities, activities, operations, prospects and other status which the Purchaser, its agents or professional advisers think reasonably necessary and appropriate to conduct including, in particular, that the relevant Target Group Companies' titles to the relevant Target Properties being proved to the reasonable satisfaction to the Purchaser;

- (d) the Vendor being reasonably satisfied with the results of the due diligence exercise (whether on legal, accounting, financial, operational, properties or other aspects that the Vendor may consider necessary) on the TH Group and its assets, properties, liabilities, activities, operations, prospects and other status which the Vendor, its agents or professional advisers think reasonably necessary and appropriate to conduct including, in particular, that titles to the relevant TH Properties of the relevant member of the TH Group being proved to the reasonable satisfaction to the Vendor;
- (e) the fair value of the Target Properties as at a date not more than four (4) months from the date of the SGM as valued by an independent professional valuer and indicated in its valuation report being not less than HK\$189,900,000;
- (f) the fair value of the TH Properties as at a date not more than four (4) months from the date of the CN Holding EGM as valued by an independent professional valuer and indicated in its valuation report being not less than HK\$571,250,000;
- (g) (if applicable) all such waivers, consents or other documents as the Purchaser may require in relation to the completion of the transactions contemplated under the SP Agreement;
- (h) (if applicable) all such waivers, consents or other documents as the Vendor may require in relation to the completion of the transactions contemplated under the SP Agreement;
- (i) there is no breach of any of the representations and warranties given by the Vendor under the SP Agreement; and
- (j) there is no breach of any of the representations and warranties given by the Purchaser under the SP Agreement.

The Conditions Precedent referred to in items (a), (b), (e), (f), (g) and (h) above are not capable of being waived by any of the parties.

The Purchaser may waive the Conditions Precedent referred to in items (c) and (i) by written notice to the Vendor.

The Vendor may waive the Conditions Precedent referred to in items (d) and (j) by written notice to the Purchaser.

If any of the Conditions Precedents cannot be fulfilled or waived (if applicable) on or before the Long Stop Date, the obligations of the parties to proceed with Completion shall cease and terminate and no party shall have any claim against or liability to the other party with respect to any matter referred to in the SP Agreement save for any antecedent breaches of the SP Agreement.

## **Completion:**

Completion will take place on the fifth Business Day after the last outstanding Conditions Precedent is fulfilled or waived or such other date as the Purchaser and the Vendor shall agree in writing.

Immediately after Completion, the Company will own 100% equity interest in the Target through the Purchaser, an indirect wholly-owned subsidiary of the Company, and the financial results of the Target will be consolidated with the results of the Group. The Target will then cease to be a subsidiary of the Vendor.

## **Shareholders' Agreement**

At Completion, TH BVI and the Vendor will enter into a Shareholders' Agreement to set out the arrangements in relation to their participation and respective shareholding in the Purchaser. The major terms of the Shareholders' Agreement are set out below:

- (1) the Vendor shall be entitled to nominate one person to act as a director of the Purchaser out of a total of four directors of the Purchaser with the remaining three to be nominated by TH BVI;
- (2) the following matters of the Enlarged TH Group would require the consent, authorization or ratification of all shareholders of the Purchaser individually holding not less than 20% of voting shares of the Purchaser:
  - (a) change in the share capital structure of any member of the Enlarged TH Group, including but not limited to any consolidation or subdivision of shares and any increase or reduction in the share capital;
  - (b) in respect of any member of the Enlarged TH Group, save as contemplated in the SP Agreement and/or the Shareholders' Agreement, issue of any new shares or granting any option over or right to acquire any shares or creating or granting any rights or interests convertible or exchangeable into shares or securities convertible or exchangeable into shares;
  - (c) change in the nature or scope of the business of any member of the Enlarged TH Group; and
  - (d) approving any resolution to wind up any member of the Enlarged TH Group (whether by way of compulsory winding-up or creditors' voluntary winding-up or otherwise) or enter into receivership or make any composition or arrangement with its creditors.
- (3) Subject to any applicable legal requirements, the provisions of the constitution documents of the Purchaser, any restrictions imposed under any loan agreements, security documents or other contracts, not less than 20% of the profits or, where

applicable, the consolidated profits of the Purchaser attributable to the shareholders for each financial year, after making adequate reserve for the following items, shall be distributed to the shareholders:

- (a) taxation of any form;
  - (b) actual or contingent liabilities;
  - (c) reasonable working capital;
  - (d) accumulated amount of losses; and
  - (e) other purposes which the directors of the Purchaser shall consider reasonable.
- (4) Subject to the right of first refusal as mentioned below, the Vendor shall not mortgage, pledge, charge or transfer any of the Consideration Shares and any shares which may be allotted and issued to the Vendor as contemplated under the First Right Subscription.
- (5) If either the Vendor or TH BVI proposes to transfer any of the shares held by them in the Purchaser to any third party, the existing shareholder(s) shall have a right of first refusal to acquire such shares.

#### **DEEMED DISPOSAL UPON COMPLETION**

Since the Consideration will be satisfied by the allotment and issue of the Consideration Shares by the Purchaser to the Vendor on Completion, which will represent 25% of the issued share capital of the Purchaser as enlarged by the allotment and issue of the Consideration Shares, the Company is deemed to have disposed of 25% equity interest of the Purchaser under the Listing Rules. It is expected that the Group will record loss of approximately HK\$1.5 million, being the difference between the Consideration and the net asset value of the Target Group as at the Completion Date (which is assumed to be same as that as at 30 June 2012 (after taking into account the adjustments set out in the paragraph headed “Information about the Target Group” below)), as a result of such deemed disposal. The actual gain or loss to be recorded by the Group is subject to audit.

There will not any cash proceeds receivable by the Group from the Disposal and the Purchaser will still remain as a subsidiary of the Company after the Disposal.

#### **FIRST RIGHT SUBSCRIPTION**

Under the SP Agreement, the Purchaser has further agreed and undertaken that, within the First Right Period, in case the Purchaser proposes to raise fund by issue of new shares of the Purchaser, it shall offer the First Right to the Vendor to subscribe for shares of the Purchaser to be effected by a notice in writing (“**Funding Notice**”) to the Vendor which shall specify (i) the amount of consideration (“**Subscription Consideration**”) to be payable by the Vendor upon exercise of the First Right, provided that the aggregate amounts stated in all the Funding

Notices (whether paid or payable), in case there are more than one, shall not exceed HK\$100 million; (ii) the Adjusted NAV (as defined below) being the basis for determining the number of the First Right Shares and (iii) the number of First Right Shares and the percentage of holding in the Purchaser that such First Right Shares represent (as a percentage of the issued share capital of the Purchaser as enlarged by the allotment and issue of the First Right Shares).

The Vendor shall, upon receipt of the Funding Notice, within twenty (20) Business Days reply in writing to the Purchaser stating its agreement to exercise (“**Exercise Notice**”) the First Right which shall be in respect of the whole (but not part only) of the Subscription Consideration.

In case the Vendor does not give the Exercise Notice within the prescribed period of time, the First Right under the relevant Funding Notice shall cease to be valid and the Purchaser shall be entitled to raise fund by (i) rights issue, if agreed by all the then shareholders of the Purchaser; or (ii) other means agreed by the Purchaser and its shareholders.

Upon receipt of the Exercise Notice issued by the Vendor, the Purchaser shall be obliged to allot and issue to the Vendor the number of the First Right Shares (and not part only) as stated in the Funding Notice. Completion of the allotment and issue of the First Right Shares shall be completed on the fifth Business Day (or such other date as agreed between the Vendor and the Purchaser) after the Purchaser’s receipt of the Exercise Notice.

The Vendor and the Purchaser have agreed that in order to determine the number of First Right Shares to be allotted and issued upon exercise of the First Right, the Purchaser shall arrange for a valuation of the properties (“**Subscription Property Valuation**”) then owned by the Enlarged TH Group to estimate the fair value (“**Subscription Property Fair Value**”) of such properties as at the last calendar day of the then preceding calendar month (“**Valuation Date**”) to be indicated in a valuation report (“**Subscription Property Valuation Report**”) to be issued by an independent professional valuer engaged by the Purchaser (“**Valuer**”).

The Purchaser shall then prepare the unaudited management accounts (“**Pro forma Management Accounts**”) of the Enlarged TH Group for the period ended on the Valuation Date after taking into account the Subscription Property Fair Value as indicated in the Subscription Property Valuation Report and any acquisition or disposal of the properties by the Enlarged TH Group since the Valuation Date in accordance with applicable accounting standards within ten (10) Business Days upon issuance of the Subscription Property Valuation Report by the Valuer.

The number of First Right Shares to be allotted and issued to the Vendor shall be determined in accordance with the following formula:

$$N = (S + N) \times \frac{C}{\text{Adjusted NAV} + C}$$

- “N” = number of First Right Shares to be allotted and issued to the Vendor (rounded down to the nearest whole number), provided that the total number of First Right Shares to be subscribed by the Vendor during the First Right Period (whether pursuant to one or more than one Funding Notice) shall not be more than 25% of the total number of issued shares of the Purchaser immediately after Completion
- “S” = total number of issued shares of the Purchaser as at the date of the Funding Notice
- “C” = Subscription Consideration specified in the Funding Notice
- “Adjusted NAV” = The net asset value of the Enlarged TH Group as shown in the Proforma Management Accounts

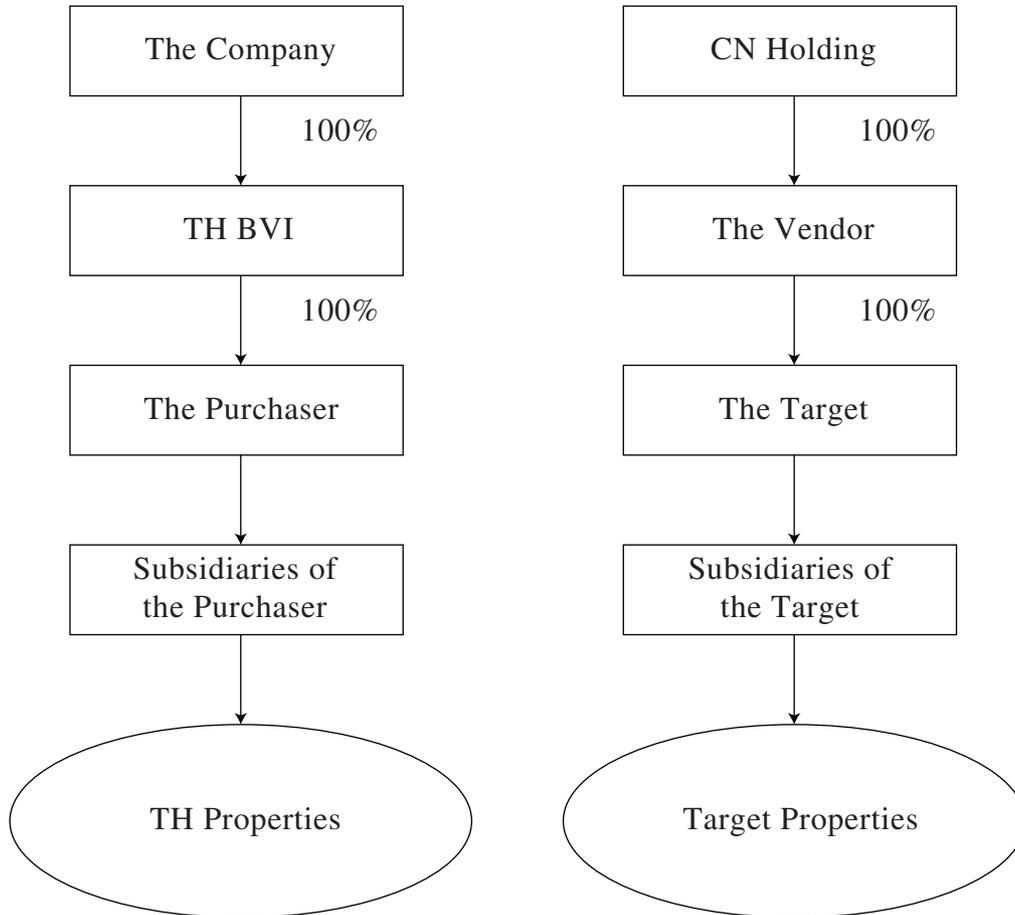
For the avoidance of doubt, under the First Right Subscription, the actual Subscription Consideration will be determined by the Purchaser with a cap of HK\$100,000,000, and the Vendor’s maximum percentage of shareholding in the Purchaser after the First Right Subscription (which shall be determined by reference to the formula above) will be capped at 40% of the enlarged issued share capital of the Purchaser. If the First Right has been accepted and exercised by the Vendor in full, the Purchaser will receive the Subscription Consideration of HK\$100,000,000 and it will be required to issue the First Right Shares (in such number representing not more than 25% of the total number of issued shares of the Purchaser immediately after Completion). Upon completion of such exercise of the First Right and assuming that (i) there is no other change of share capital of the Purchaser from the Completion Date to the date of such exercise of the First Right, and (ii) the First Right Shares as determined in accordance with the above formula will represent 25% of the total issued shares of the Purchaser immediately after Completion, the Purchaser will then owned as to approximately 60% by TH BVI and 40% by the Vendor; and the Purchaser will continue to be a subsidiary of the Company.

The allotment and issue of the First Right Shares will constitute a deemed disposal of the Company under the Listing Rules. Assuming the Subscription Consideration shall represent the aggregate of the Adjusted NAV and the Subscription Consideration attributable to percentage holding of the First Right Shares in the issued share capital of the Purchaser as enlarged by the allotment and issue of the First Right Shares, such deemed disposal of up of 15% equity interest in the Purchaser as mentioned above will not give rise to a gain or loss on disposal. The Subscription Consideration (if any) is intended to be used by the Enlarged TH Group for its general working capital and acquisition of properties.

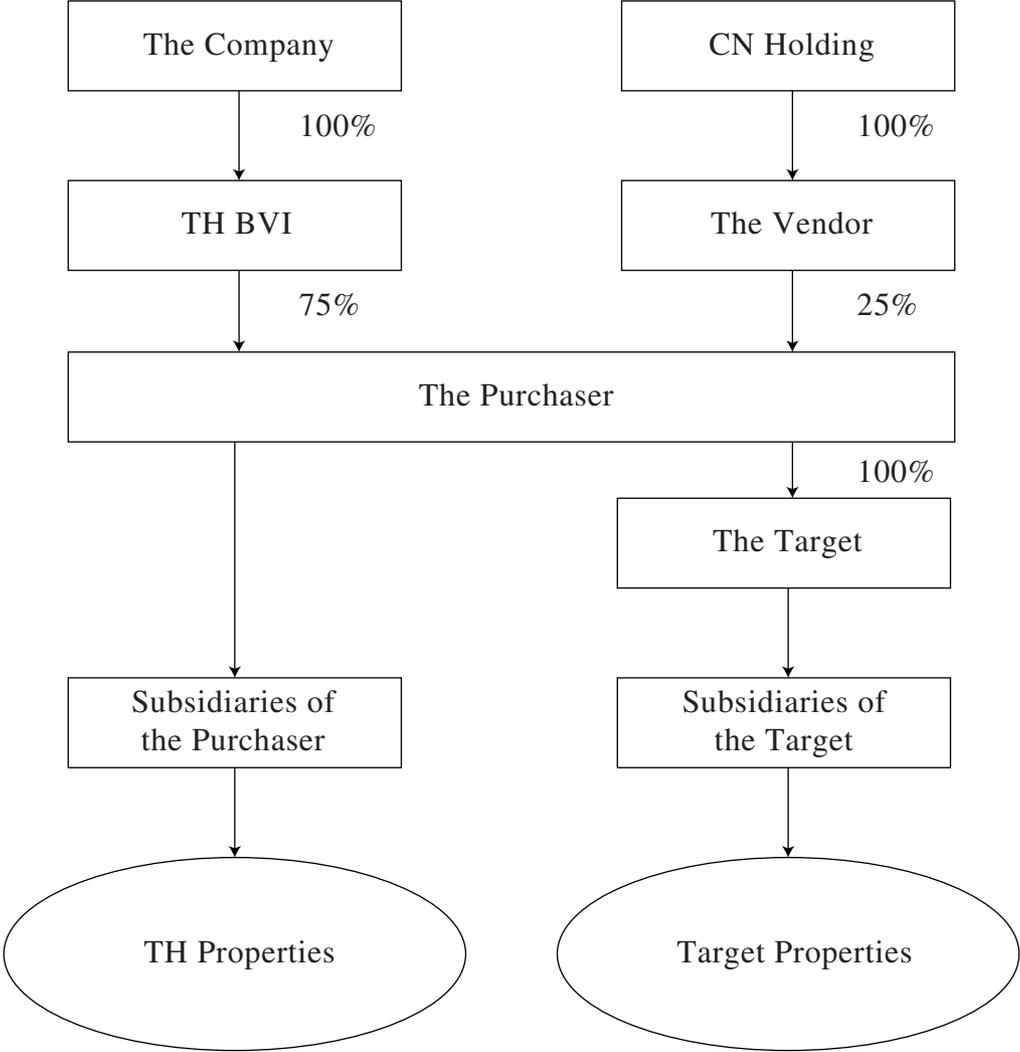
The Disposal and the allotment and issue of the First Right Shares, in aggregate, will result in a maximum dilution of the Company's interests in the Purchaser of up to 40%. The Board proposes to seek Shareholders' approval for the possible exercise of the First Right during the First Right Period at the SGM.

## SHAREHOLDING STRUCTURE

Set out below is the simplified shareholding structure of the TH Group and the Target Group as at the date of the SP Agreement.



Set out below is the simplified shareholding structure of the TH Group and the Target Group immediately upon Completion.



## INFORMATION ABOUT THE TARGET GROUP

The Target Group is principally engaged in properties investment business. Set out below are the locations of the Target Properties:

| <b>Location</b>  | <b>Attributable interest to the Target Group</b> |
|--|--|
| 1. Flat A on 12th Floor, Champion Building, Nos. 301-309 Nathan Road, Kowloon  | 100%   |
| 2. Flat K on 9th Floor, Champion Building, Nos. 301-309 Nathan Road, Kowloon   | 100%   |
| 3. Shop nos. 53 and 56, 54 and 57 on Ground Floor, Commercial Centre, Fullview Garden, No. 18 Siu Sai Wan Road, Hong Kong                  | 100%   |
| 4. Shop no. G12 on Ground Floor, Commercial Podium, Sincere House, No. 83 Argyle Street, Kowloon   | 100%   |
| 5. Flat G on 14th Floor, Tai Shan Mansion, Kao Shan Terrace, No. 7 Taikoo Shing Road, Taikoo Shing, Hong Kong                              | 100%   |
| 6. Shop nos. G27 and G28 on Ground Floor, Commercial Podium, Sincere House, No. 83 Argyle Street, Kowloon                                  | 100%   |
| 7. Public Carpark nos. P101-P150 together with shroff's office on First Floor, Citimark, No. 28 Yuen Shun Circuit, Shatin, New Territories | 100%   |
| 8. Shop no. 21, on Ground Floor, Grandway Garden, No. 16 Mei Tin Road and Nos. 15 & 35 Tsuen Nam Road, Shatin, New Territories             | 100%   |

All of the Target Properties are leased to independent third parties of CN Holdings and its connected persons (one of which is a subsidiary of the Company).

Set out below is a summary of certain unaudited combined financial information of the Target Group for the two years ended 30 June 2010 and 30 June 2011:

|  | <b>For the<br/>year ended<br/>30 June 2010</b><br><i>HK\$'000</i> | <b>For the<br/>year ended<br/>30 June 2011</b><br><i>HK\$'000</i> |
|--|---|---|
| Turnover   | 758   | 3,327   |
| Net (loss) /profit (before taxation and extraordinary items) | (897)   | 8,671   |
| Net (loss) /profit (after taxation and extraordinary items)  | (1,053)   | 8,181   |

*Note: The above financial information was extracted from the unaudited financial statements of the Target for the two years ended 30 June 2011 and does not include the financial results relating to Target Properties nos. 1, 2 and 5 above, which were acquired by the Target Group after 30 June 2011.*

The unaudited combined total asset value and net asset value of the Target Group as at 30 June 2012 were approximately HK\$188,976,000 and HK\$5,400,000 respectively. The book value of the Target Properties (excluding Target Property no. 5 above which was completed in August 2012) as at 30 June 2012 was approximately HK\$161,213,000. The market value of the Target Properties attributable to the Target Group (excluding Target Property no. 5 above which was completed in August 2012) as at 30 June 2012 is HK\$183,300,000 as indicated in the preliminary valuation report of an independent property valuer. After 30 June 2012 but before the date of the SP Agreement, the Target has capitalised a shareholder's loan in the amount of approximately HK\$161,600,000. The unaudited combined net asset value of the Target Group as at 30 June 2012 was increased by HK\$183,687,000 as a result of the aforesaid the revaluation of the Target Properties and the capitalisation of the shareholder's loan.

## **INFORMATION ABOUT THE GROUP**

The Group is an investment company with core businesses in both the medical and non-medical sectors. The Group's business activities can be broadly categorised into the (i) provision of medical and dental services, health check and pharmaceutical businesses; and (ii) securities and property investment business. The Group also holds investment in companies which are principally engaged in sale of healthcare and pharmaceutical products in the PRC.

## INFORMATION ABOUT THE TH GROUP

The TH Group is principally engaged in properties investment business. Set out below are the locations of the TH Properties:

| <b>Location</b>   | <b>Attributable interest to the TH Group</b> |
|---|--|
| 1. Workshop nos. 1 and 2, 12th Floor, Entrepot Centre, No. 117 How Ming Street, Kowloon   | 100%   |
| 2. Shop 9 on Ground Floor, No. 49 Kai Tin Road, Kowloon   | 100%   |
| 3. Shop no. G29 on Ground Floor, Commercial Podium, Sincere House, No. 83 Argyle Street, Kowloon  | 100%   |
| 4. Shop 37 on Level 1 and Carpark 39 at Level 2, Garden Rivera, Nos. 20-30 Tai Chung Kiu Road, Shatin, New Territories                  | 100%   |
| 5. Ground Floor, Ultragrace Commercial Building, No. 5 Jordan Road, Kowloon   | 100%   |
| 6. Shop 3 on Ground Floor, Bo Yan Building, No.1 Horse Shoe Lane, Kowloon   | 100%   |
| 7. Shop no. 74, Harmony Garden, No.9 Siu Sai Wan Road, Hong Kong  | 100%   |
| 8. Shop 7 on Ground Floor, Tin Po Building, Nos. 94, 96, 98 & 102 Tai Wai Road & Nos. 102-108 Chik Fuk Street, Shatin, New Territories  | 100%   |
| 9. Office and ancillary areas on 6th Floor, Silver Fortune Plaza, No. 1 Wellington Street, Hong Kong                                    | 100%   |
| 10. Commercial unit 16B on Ground Floor of Commercial & Garage Block, Carado Garden, Nos. 20-30 Tin Sam Street, Shatin, New Territories | 100%   |
| 11. Flat E on 5th Floor of Block 3, Wai Wah Centre, Nos. 11-17 Sha Tin Centre Street, Shatin, New Territories                           | 100%   |
| 12. Shop 1D on First Floor, Fou Wah Centre, No. 210 Castle Peak Road, Tsuen Wan, New Territories  | 100%   |

| <b>Location</b>   | <b>Attributable<br/>interest to the<br/>TH Group</b> |
|---|--|
| 13. Shop C on Ground Floor, Carprio Mansion, No. 1 Lai Chi Kok Road, Kowloon  | 100%   |
| 14. Town Health Technology Centre, Whole block of Nos. 10-12 Yuen Shun Circuit, Sha Tin Town Lot No. 282, New Territories                                     | 100%   |
| 15. Shop C2 of Shop C on Ground Floor, Carson Mansion, Nos. 4-6 Dung Fat Street, Nos. 46-50 Lo Tak Court, Nos. 3-5 On Wing Street, Tsuen Wan, New Territories | 70%  |

All of the TH Properties are investment properties and most of them have been leased out to the Independent Third Parties and subsidiaries of the Company.

Set out below is a summary of certain unaudited combined financial information of the TH Group for the two years ended 31 December 2010 and 31 December 2011:

|  | <b>For the<br/>year ended<br/>31 December<br/>2010<br/>HK\$'000</b> | <b>For the<br/>year ended<br/>31 December<br/>2011<br/>HK\$'000</b> |
|--|---|---|
| Turnover   | 8,228   | 25,639  |
| Net profit (before taxation and extraordinary items) | 26,951  | 25,042  |
| Net profit (after taxation and extraordinary items)  | 26,526  | 24,572  |

The unaudited combined total asset value and net asset value of the TH Group as at 30 June 2012 were approximately HK\$654,198,000 and HK\$150,366,000 respectively. The book value of the TH Properties attributable to the TH Group as at 30 June 2012 was approximately HK\$494,900,000. The market value of the TH Properties attributable to the TH Group as at 30 June 2012 is HK\$563,840,000 as indicated in the preliminary valuation report of an independent property valuer. After 30 June 2012 but before the date of the SP Agreement, the Purchaser has capitalised a shareholder's loan in the amount of approximately HK\$427,317,000. The unaudited combined net asset value of the TH Group as at 30 June 2012 was increased to HK\$580,722,000 as a result of the aforesaid the revaluation of the TH Properties and the capitalisation of the shareholder's loan.

## **REASONS FOR AND BENEFITS OF THE TRANSACTIONS UNDER THE SP AGREEMENT**

Taking into account the property portfolio of the Target Group mentioned above, the Directors believe that the Acquisition represents a good opportunity for the Group to diversify and expand its investment portfolio, as well as expanding its revenue base. The Directors also consider that the settlement of the Consideration by the issue and the allotment of the Consideration Shares and the grant of the First Right is in the interest of the Company and the Shareholders as a whole, as the Group can retain its cash for the Group's future development and operation, and the First Right may provide a source of funding for the future development and/or operation of the Enlarged TH Group.

The Directors (including the independent non-executive Directors) are of the view that the terms of the SP Agreement are on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

## **IMPLICATIONS UNDER THE LISTING RULES**

As the relevant percentage ratios (as defined under the Listing Rules) in respect of (i) the Acquisition are more than 25% but less than 100%; and (ii) the Disposal together with the possible exercise of the First Right are more than 25% but less than 75%, each of the Acquisition and the Disposal together with the possible exercise of the First Right will constitute a major transaction of the Company under the Listing Rules and is subject to reporting and announcement and Shareholders' approval requirements of Chapter 14 of the Listing Rules. The SGM will be convened for the purpose of, among other matters, considering, and if thought fit, approving the Acquisition, the Disposal, the possible exercise of the First Right and other transactions contemplated under the SP Agreement.

To the best knowledge of the Directors, no Shareholder has a material interest in the Acquisition, the Disposal, the possible exercise of the First Right and other transactions contemplated under the SP Agreement. Accordingly, no Shareholder will be required to abstain from voting at the SGM, in respect of the resolutions relating to the Acquisition, the Disposal, the possible exercise of the First Right and other transactions contemplated under the SP Agreement.

A circular containing, among other things, (i) details of the SP Agreement and the transactions contemplated thereunder (including the Acquisition, the Disposal and the possible exercise of the First Right); (ii) other information as required to be disclosed under the Listing Rules; and (iii) the notice of the SGM will be despatched to the Shareholders on or before 28 September 2012.

## DEFINITIONS

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

|                   |   |
|-------------------|---|
| “Acquisition”     | the acquisition of the Sale Shares  |
| “Board”           | the board of Directors  |
| “Business Day”    | any day (excluding Saturday, Sunday, public holidays and any day on which a tropical cyclone warning signal no.8 or above or a “black” rainstorm warning is hoisted or remains hoisted in Hong Kong at any time between 9:00 a.m. and 12:00 noon and is not lowered or discontinued at or before 12:00 noon) on which licensed banks are generally open for business in Hong Kong |
| “BVI”             | British Virgin Islands  |
| “CN Holding”      | China Natural Investment Company Limited, a company incorporated in the Cayman Islands with limited liability and the ordinary shares of which are listed on GEM (Stock Code: 8250)   |
| “CN Holding EGM”  | an extraordinary general meeting of CN Holding to be convened for the purpose of considering and, if thought fit, approving the sale and purchase of the Sale Shares, the transactions contemplated under the First Right Subscription and other transactions as contemplated under the SP Agreement  |
| “Company”         | Town Health International Investments Limited, a company incorporated in the Cayman Island 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 Acquisition and the Disposal  |
| “Completion Date” | the fifth Business Day after the last outstanding Conditions Precedent shall have been fulfilled or waived (or such other date as the Purchaser and the Vendor shall agree in writing) on which Completion is to take place   |

|                            |  |
|----------------------------|--|
| “Conditions Precedent”     | the conditions precedent to which the Completion is subject as set out in the paragraph headed “Conditions Precedent” under the section “The SP Agreement” above   |
| “connected person(s)”      | has the meaning ascribed to it under the Listing Rules   |
| “Consideration”            | the sum of HK\$195 million, being the consideration for the sale and purchase of the Sale Shares   |
| “Consideration Shares”     | 225 new shares of the Purchaser, which shall represent 25% of the issued share capital of the Purchaser as enlarged by the issue of such shares  |
| “Director(s)”              | the director(s) of the Company   |
| “Disposal”                 | the deemed disposal of 25% equity interest in the Purchaser as a result of the allotment and issue of the Consideration Shares to the Vendor   |
| “Enlarged TH Group”        | the group of companies consisting of the Purchaser and its subsidiaries after Completion   |
| “First Right”              | the right to subscribe for First Right Shares during the First Right Period pursuant to the terms of the SP Agreement  |
| “First Right Period”       | period of two (2) years commencing from the Completion Date to the last day of the two-year period immediately following the Completion Date (both dates inclusive)  |
| “First Right Shares”       | such number of shares of the Purchaser as determined in accordance with the terms of the SP Agreement to be allotted and issued to the Vendor upon exercise of the First Right and payment of the Subscription Consideration |
| “First Right Subscription” | the subscription of the First Right Shares by the Vendor in accordance with the provisions of the SP Agreement   |
| “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 dollars, the lawful currency of Hong Kong  |

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| “Hong Kong”                 | the Hong Kong Special Administrative Region of the PRC   |
| “Independent Third Parties” | third parties independent of the Company and connected persons of the Company  |
| “Listing Rules”             | the Rules Governing the Listing of Securities on the Stock Exchange  |
| “Long Stop Date”            | 5:00 p.m. on 31 December 2012 or such other date as the Vendor and the Purchaser shall agree in writing  |
| “Purchaser”                 | Town Health Asset Management Limited, a company incorporated in the BVI with limited liability and a wholly-owned subsidiary of the Company  |
| “Sale Shares”               | the 100 ordinary shares of US\$1 each, representing the entire issued share capital of the Target  |
| “SGM”                       | a special general meeting of the Company to be convened for the purpose of considering and, if thought fit, approving the Acquisition, the Disposal, the possible exercise of the First Right and other transactions contemplated under the SP Agreement |
| “Shareholder(s)”            | holder(s) of the share(s) in the share capital of the Company  |
| “Shareholders’ Agreement ”  | the shareholders’ agreement to be entered into between TH BVI and the Vendor at Completion setting out the arrangements in relation to their participation and respective shareholding in the Purchaser  |
| “SP Agreement”              | the agreement dated 7 September 2012 entered into between the Purchaser and the Vendor in relation to the Acquisition and the Disposal   |
| “Stock Exchange”            | The Stock Exchange of Hong Kong Limited  |
| “Target”                    | Million Worldwide Investment Limited, a company incorporated in BVI with limited liability   |
| “Target Group”              | the group of companies consisting of the Target and its subsidiaries   |
| “Target Properties”         | the properties owned by the Target Group   |

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| “TH BVI”        | Town Health (BVI) Limited, a company incorporated in the BVI with limited liability, being the sole shareholder of the Purchaser and a wholly-owned subsidiary of the Company                |
| “TH Group”      | the group of companies consisting of the Purchaser and its subsidiaries  |
| “TH Properties” | means the investment properties owned by the TH Group  |
| “Vendor”        | Chemosino International Limited, a company incorporated in the BVI with limited liability, is principally engaged in investment holding business and a wholly-owned subsidiary of CN Holding |

By order of the Board  
**Town Health International Investments Limited**  
**Cho Kwai Chee**  
*Executive Director*

Hong Kong, 9 September 2012

*As at the date of this announcement, the executive directors of the Company are Miss Choi Ka Yee, Crystal, Dr. Cho Kwai Chee, Dr. Chan Wing Lok, Brian and Mr. Lee Chik Yuet; the non-executive director of the Company is Dr. Choi Chee Ming, GBS, JP; and the independent non-executive directors of the Company are Mr. Chan Kam Chiu, Mr. Ho Kwok Wah, George and Mr. Wai Kwok Hung, SBS, JP.*