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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)

(1) MAJOR TRANSACTION
– ACQUISITION OF 94.3% INTEREST IN THE TARGET
AND
(2) RESUMPTION OF TRADING

ACQUISITION

The Board is pleased to announce that on 12 June 2014, the Company and the Vendors entered into the Agreement pursuant to which the Vendors have conditionally agreed to sell, and the Company has conditionally agreed to acquire, the Sale Shares (representing 94.3% of the issued share capital of the Target) at the Consideration of HK\$409,288,404.

IMPLICATIONS UNDER THE LISTING RULES

As certain of the relevant percentage ratios (as defined under the Listing Rules) in respect of the Acquisition are more than 25% but less than 100%, the Acquisition constitutes a major transaction for the Company under the Listing Rules and is subject to notification, 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 and other transactions contemplated under the Agreement. A circular containing, among other things, (i) details of the Agreement and the transactions contemplated thereunder (including the Acquisition); (ii) other information as required to be disclosed under the Listing Rules; and (iii) the notice of the SGM and a form of proxy are expected to be despatched to the Shareholders on or before 31 August 2014 as more time is required to prepare the information for inclusion in the circular.

RESUMPTION OF TRADING

At the request of the Company, trading in the shares of the Company has been halted from 1:00 p.m. on 12 June 2014 pending the release of this announcement.

Application has been made to the Stock Exchange for the resumption of trading of the shares of the Company on the Stock Exchange with effect from 9:00 a.m. on 13 June 2014.

The Board is pleased to announce that on 12 June 2014, the Company and the Vendors entered into the Agreement pursuant to which the Vendors have conditionally agreed to sell, and the Company has conditionally agreed to acquire, the Sale Shares (representing 94.3% of the issued share capital of the Target) at the Consideration of HK\$409,288,404.

THE AGREEMENT

Major terms of the Agreement are set out below.

Date:

12 June 2014

Parties:

- (1) the Company, as the purchaser
- (2) BALLANTINE Alistair Nigel Stuart, as one of the vendors
- (3) OTREMBA Francis Martin, as one of the vendors

- (4) SCRIVEN Nicholas Edward, as one of the vendors
- (5) Bioventure Holdings Limited, a company incorporated in the British Virgin Islands with limited liability, is principally engaged in investment holding, as one of the vendors
- (6) Healthy Treasure Trading Limited, a company incorporated in the British Virgin Islands with limited liability, is principally engaged in investment holding, as one of the vendors

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, each of the Vendors and (if applicable) their respective ultimate beneficial owners is a third party independent of the Company and connected persons of the Company.

Assets to be acquired

The Company has conditionally agreed to acquire and the Vendors have conditionally agreed to sell the Sale Shares at the Consideration of HK\$409,288,404. The Sale Shares represent 94.3% of the issued share capital of the Target.

Consideration

The Consideration is HK\$409,288,404 which shall be paid by the Company in the following manner:

- (a) an initial deposit in the sum of HK\$46,000,000, has been paid to the Vendors upon signing of the Agreement; and
- (b) the remaining balance of the Consideration, being HK\$363,288,404, shall be paid to the Vendors at Completion.

The Group intends to satisfy the Consideration through its internal resources.

Basis of the Consideration

The Consideration was determined after arm's length negotiations between the Company and the Vendors with reference to (i) historical financial performance of the Target, being the turnover growth of the Target by almost two times from approximately HK\$99,300,000 (audited) for the year ended 31 December 2004 to approximately HK\$293,508,000 (unaudited) for the year ended 31 December 2013, and the Normalised Operating Profits of the Target for the year ended 31 December 2013 of approximately HK\$36,169,000 (unaudited); and (ii) the business potential of the Target.

Conditions

Completion is subject to and conditional upon:

- (a) there being no restriction in connection with the transfer of the Sale Shares as contemplated under the Agreement;
- (b) there being no action or proceeding pending or threatened by any person or government agency to enjoin or prohibit the transfer of the Sale Shares as contemplated under the Agreement;
- (c) the transfer of the Sale Shares and other transactions contemplated under the Agreement having been approved by the Shareholders (who are not required to abstain from voting in such respect under the Listing Rules or otherwise);
- (d) the receipt by the Vendors from the Company of all necessary consents, approvals and authorisations required by the Company for the consummation of, and implementation of transactions contemplated under, the Agreement and all such consents, approvals and authorisations being effective and not revoked or withdrawn;
- (e) there being no material unremedied breach by the Company of any of its undertakings and covenants contained in the Agreement;
- (f) the representations, warranties and undertakings given by the Company under the Agreement remaining true and correct in all material respects (other than in respect of those representation and warranties which are already subject to materiality qualification) and that no events have occurred that would result in any breach of any of the representations, warranties and undertakings given by the Company under the Agreement or other provisions of the Agreement by the Company;

- (g) the receipt by the Company from the Vendors of all necessary consents, approvals and authorisations required by the Vendors for the consummation of, and implementation of transactions contemplated under, the Agreement and all such consents, approvals and authorisations being effective and not revoked or withdrawn;
- (h) the Vendors having obtained all such waivers and consents as the Company may require in relation to the completion of the transactions contemplated under the Agreement;
- (i) there being no material unremedied breach by the Vendors of any of their undertakings and covenants contained in the Agreement;
- (j) there is no change (or effect) which has a material and adverse effect on the financial position, business or prospects or results of operations of the Target and its subsidiary taken as a whole has occurred since the date of signing of the Agreement; and
- (k) the representations, warranties and undertakings given severally by the Vendors under the Agreement remaining true, accurate and not misleading in all material respects (other than in respect of those representations and warranties which are already subject to a materiality qualification) and that no events have occurred that would result in any breach of any of the representations, warranties and undertakings given severally by the Vendors under the Agreement or other provisions of the Agreement by any of the Vendors.

Conditions (a) to (c) above are not waiveable by the Vendors and the Company. The Vendors may waive any of the Conditions (d) to (f) above and the Company may waive any of the Conditions (g) to (k) above to the extent they may legally do so.

If any of the Conditions are not fulfilled or (if applicable) waived at or before 12:00 noon on the Long Stop Date, all rights and obligations of the parties to the Agreement under the Agreement will cease and terminate (save and except certain provisions relating to return of deposit, confidentiality and certain miscellaneous matters), and no party to the Agreement shall have any claim against the other parties to the Agreement save for claims (if any) in respect of any antecedent breach thereof.

Completion:

Completion will take place on the 3rd Business Day immediately following the date when all the Conditions have been waived or satisfied by the parties to the Agreement (or such other date agreed by the Company and the Vendors in writing). The Company may nominate a party to take up and purchase the Sale Shares at Completion.

Immediately after Completion and on the assumption that all the Sale Shares are sold by the Vendors to the Company, the Target will become a non wholly-owned subsidiary of the Company.

Failure to complete

- (a) If any of the Vendors fails to complete the sale of the Sale Shares (other than as a result of (i) the failure to fulfill Conditions (a) to (c); and/or (ii) the failure of the Company to fulfil or perform any of the Conditions (d) to (f)) in accordance with the terms and conditions of the Agreement, such Vendor shall within three Business Days after its failure to complete the sale of the Sale Shares, (i) refund the deposit paid to it by the Company and (ii) pay to the Company a sum equivalent to the deposit paid to it by the Company as liquidated damages and the Agreement shall be terminated (as between the Company and such Vendor), and shall cease to have any further effect.

- (b) If the Company fails to complete the purchase of the Sale Shares (other than as a result of (i) the failure to fulfill Conditions (a) to (c); and/or (ii) the failure of the Vendors to fulfill or perform any of the Conditions (g) to (k)) in accordance with the terms and conditions of the Agreement, the relevant Vendor(s) shall be entitled to keep the deposit paid to it (including any interest accrued thereon), and the Agreement shall be terminated (as between the Company and the relevant Vendor(s)), and shall cease to have any further effect.

- (c) Subject to the arrangement set out in sub-paragraphs (d) and (e) below, if the Company shall fail to complete the purchase of the Sale Shares as a result of the failure of any Vendor to fulfil or perform any of the Conditions (g) to (k) in accordance with the terms and conditions of the Agreement, such Vendor shall within three Business Days after the Company's failure to complete the purchase of the Sale Shares (i) refund the deposit paid to it by the Company and (ii) pay to the Company a sum equivalent to the deposit paid to it by the Company as liquidated damages and the Agreement shall be terminated (as between the Company and such Vendor), and shall cease to have any further effect.
- (d) Notwithstanding anything in the Agreement to the contrary, if the aggregate number of Sale Shares to be sold by the Vendors which are ready and willing to sell ("Non-Defaulting Vendors") to the Company at Completion is less than 510 shares of the Target, the Company is entitled at its absolute discretion to determine whether to complete the sale and purchase of the Sale Shares with the Non-Defaulting Vendors.

If the Company determines not to complete the sale and purchase of the Sale Shares with any of the Non-Defaulting Vendors, then each of the Non-Defaulting Vendors shall within three Business Days thereafter refund the deposit paid to it by the Company and following which, the Agreement shall automatically terminate and neither the Company nor the Non-Defaulting Vendors shall have any claim of any nature whatsoever against each other directly under the Agreement. Each of those Vendors (other than the Non-Defaulting Vendors) which fails and/or refuses to complete the sale and purchase of the Sale Shares with the Company (other than due to default of the Company) shall within three Business Days after its failure to complete the sale of the Sale Shares (i) refund the deposit paid to it by the Company and (ii) pay to the Company a sum equivalent to the deposit paid to it by the Company as liquidated damages.

- (e) Pursuant to the Agreement, the Vendors agree and undertake that as soon as practicable and in any event, within 21 days after the execution of the Agreement, an agreement (“Termination Agreement”) shall be executed by, among other parties, each of the Vendors and the Company to, inter alia, terminate the shareholders agreement entered into among the Vendors and the Company in relation to the Target, and certain employment and management services agreements. If any party to the Termination Agreement shall fail to execute the Termination Agreement within the prescribed time, the Agreement shall terminate and the Company shall not be obliged to complete the sale and purchase of the Sale Shares thereunder. In such event, each of the Vendors shall within three Business Days thereafter refund the deposit paid to it by the Company. Further, for each of those Vendors which fails and/or refuses to execute the Termination Agreement, apart from refund of the deposit, it shall pay damages to the Company as mentioned in sub-paragraph (a) above.

Undertakings under the Agreement

- (a) Under the Agreement, each of BALLANTINE Alistair Nigel Stuart, OTREMBA Francis Martin and SCRIVEN Nicholas Edward agrees that for a period of 12 months after Completion that he shall not, without the prior written permission of the Target:
- (i) practise medicine within the Practice Territory in competition with any medical practice of the Target provided, however, that the practice of medicine by him in the direct employ at any government or private hospital, university, government agency or organization or any non-profit organisation shall not be deemed to be in competition with any medical practice of the Target; or
 - (ii) directly or indirectly carry on or be engaged in (whether alone or in partnership or joint venture with anyone else) or otherwise be concerned with or interested in (whether as trustee, principal, agent, shareholder, unit holder or in any other capacity) any business similar to or competitive with the business of provision of corporate health scheme management and related services of the Target in Hong Kong; or
 - (iii) directly or indirectly, solicit or endeavour to solicit or obtain the custom of any person, firm or corporation which has been a customer of the Target.

- (b) Under the Agreement, the Company agrees that, if the Agreement is terminated in accordance with its terms, it shall not, during the period commencing on the date of the Agreement and expiring on the date falling 12 months immediately following the date of termination of the Agreement, directly or indirectly:
- (i) employ, solicit, entice or endeavour to employ or solicit or entice away from the Target any person who is an employee of the Target or its subsidiary as at the date of the Agreement; or
 - (ii) solicit, attempt to solicit, assist others to solicit, any person, firm or corporation which has been a customer of the Target or its subsidiary (other than those customers with whom the Company had a business relationship prior to the date of the Agreement).

INFORMATION ABOUT THE TARGET

The Target is a company incorporated in Hong Kong with limited liability. The Target is principally engaged in provision of primary and specialist healthcare services including hospital admission, as well as the full gamut of insurance-based or employer-sponsored health scheme expenditure management, logistics and related services.

The turnover of the Target was approximately HK\$264,558,000 (audited) for the year ended 31 December 2012 and approximately HK\$293,508,000 (unaudited) for the year ended 31 December 2013. The Target recorded turnover growth by almost two times from approximately HK\$99,300,000 (audited) for the year ended 31 December 2004 to approximately HK\$293,508,000 (unaudited) for the year ended 31 December 2013. The Normalised Operating Profits of the Target was approximately HK\$28,781,000 (unaudited) for the year ended 31 December 2012 and approximately HK\$36,169,000 (unaudited) for the year ended 31 December 2013. During the two years ended 31 December 2013, the Target did not record any profit or loss.

The unaudited combined total asset value and the net asset value of the Target as at 30 April 2014 were approximately HK\$77,429,000 and approximately HK\$10,954,000 respectively.

INFORMATION ABOUT THE GROUP

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.

REASONS FOR AND BENEFITS OF THE ACQUISITION

One of the Group's principal businesses is the provision of healthcare and related services. The Group operates a network of clinics offering primary and specialist healthcare, dental services and laboratory testing for the general public. The Target is both a direct medical service provider and a well-regarded administrator of third-party funded medical scheme services with substantial in-house expertise. There are many possible synergies between the Group and the Target. On the one hand, cross-referrals between the Group and the Target can provide more efficient and integrated care to patients, and on the other hand, the clinic network of the Group could expand and enhance the service provision of the Target. As such, the Acquisition is not only in line with the core business of the Group but can also bring synergistic benefits to both parties. Moreover, the Group believes that the ageing population and the pending medical reform in Hong Kong will favour the few operators with both the financial and management strengths to execute strategies before the other players. Based on the foregoing, the Directors believe that the Acquisition offers a good opportunity for the Group to make the right investment in healthcare business which will bring not only synergy but will also place the Group strategically in a much more competitive position in the private healthcare market.

The Directors (including the independent non-executive Directors) are of the view that the terms of the Agreement are 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 certain of the relevant percentage ratios (as defined under the Listing Rules) in respect of the Acquisition are more than 25% but less than 100%, the Acquisition constitutes a major transaction for the Company under the Listing Rules and is subject to notification, 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 and other transactions contemplated under the Agreement. A circular containing, among other things, (i) details of the Agreement and the transactions contemplated thereunder (including the Acquisition); (ii) other information as required to be disclosed under the Listing Rules; and (iii) the notice of the SGM and a form of proxy are expected to be despatched to the Shareholders on or before 31 August 2014 as more time is required to prepare the information for inclusion in the circular.

RESUMPTION OF TRADING

At the request of the Company, trading in the shares of the Company has been halted from 1:00 p.m. on 12 June 2014 pending the release of this announcement.

Application has been made to the Stock Exchange for the resumption of trading of the shares of the Company on the Stock Exchange with effect from 9:00 a.m. on 13 June 2014.

DEFINITIONS

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

“Acquisition”	acquisition of the Sale Shares pursuant to the Agreement
“Agreement”	the agreement for sale and purchase dated 12 June 2014 entered into between the Vendors and the Company in respect of the Acquisition
“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

“Company”	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 Acquisition
“Completion Date”	the 3rd Business Day immediately following the date when all the Conditions have been waived or satisfied by the parties to the Agreement (or such other date agreed by the Company and the Vendors in writing), on which Completion is to take place
“Conditions”	the conditions precedent to which Completion is subject to as set out in the paragraph headed “Conditions” under the section “The Agreement” above
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Consideration”	the sum of HK\$409,288,404, being the consideration for the sale and purchase of the Sale Shares
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	12 December 2014 (or such later date as the Company and the Vendors may agree in writing)
“Normalised Operating Profits”	the operating profits before tax and payment of management fees and physician shareholder bonuses
“Practice Territory”	the area within one kilometer of any clinic where the Target provides medical services excluding any clinic that has entered into a contract with the Target to provide medical services to patients referred to such clinic by the Target at the time of Completion
“Sale Shares”	943 shares in the capital of the Target, representing 94.3% of the 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 and other transactions contemplated under the Agreement
“Shareholder(s)”	holder(s) of the share(s) in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target”	Dr. Vio & Partners Limited, a company incorporated in Hong Kong with limited liability

“Vendors”

BALLANTINE Alistair Nigel Stuart, OTREMBA Francis Martin, SCRIVEN Nicholas Edward, Bioventure Holdings Limited and Healthy Treasure Trading Limited

By order of the Board

Town Health International Medical Group Limited

Lee Chik Yuet

Executive Director

Hong Kong, 12 June 2014

As at the date of this announcement, the executive Directors are Miss Choi Ka Yee, Crystal (Chairperson), Dr. Cho Kwai Chee (Chief Executive Officer), Dr. Hui Ka Wah, Ronnie, JP (Co-Chief Executive Officer), Mr. Lee Chik Yuet and Dr. Chan Wing Lok, Brian; 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 and Mr. Wai Kwok Hung, SBS, JP.