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TOWN HEALTH INTERNATIONAL HOLDINGS COMPANY LIMITED
(incorporated in the Cayman Islands with limited liability)

DISCLOSEABLE AND CONNECTED TRANSACTION
ACQUISITION OF 80 PERCENT. INTEREST
IN
JACOBSON MEDICAL (HONG KONG) LIMITED

The Directors are pleased to announce that on 16 November 2000, the Acquisition Agreement was entered into among (i) TH Bio-Medical Technology, a wholly owned subsidiary of Town Health as purchaser; (ii) Jacobson Van Den Berg as vendor; and (iii) Mr. Lau and Mr. Sum as warrantors, for the acquisition of 80 percent. of the issued share capital of Jacobson HK, for a consideration of HK\$18,144,000.

Jacobson Van Den Berg is beneficially owned as to 80 percent. by Mr. Lau and as to 20 percent. by Mr. Sum. Both Mr. Lau and Mr. Sum are initial management shareholders of Town Health. Mr. Sum is also an executive Director and the managing director of Jacobson HK. Accordingly, the Acquisition constitutes a connected transaction under Chapter 20 of the GEM Listing Rules. The Acquisition also constitutes a discloseable transaction.

According to the GEM Listing Rules, the Acquisition has to be approved by the Independent Shareholders in a general meeting. Mr. Lau and Mr. Sum, and their respective associates (as defined in the GEM Listing Rules) will abstain from voting in the general meeting. An independent financial adviser will be appointed to advise the independent non-executive Directors of the Acquisition. A circular containing details of the Acquisition, the advice of the independent financial adviser and the recommendations of the independent non-executive Directors in respect of the Acquisition will be despatched to the shareholders of Town Health as soon as possible.

THE ACQUISITION

The Acquisition Agreement

Date : 16 November 2000

Parties :

Vendor : Jacobson Van Den Berg, a company incorporated in the British Virgin Islands and is beneficially owned as to 80 percent. by Mr. Lau and as to 20 percent. by Mr. Sum. Both Mr. Lau and Mr. Sum are initial management shareholders of Town Health and Mr. Sum is also an executive Director. The original investment cost of Mr. Lau and Mr. Sum in 100% interest of Jacobson HK is approximately HK\$17.5 million.

Purchaser : TH Bio-Medical Technology, a wholly owned subsidiary of Town Health

Warrantors : Mr. Lau and Mr. Sum

Interest to be acquired:

80 shares of HK\$1.00 each in the capital of Jacobson HK, representing 80 percent. of the issued share capital of Jacobson HK at Completion.

Jacobson HK currently has in issue two shares and will immediately issue and allot 98 shares as to 79 shares to Jacobson Van Den Berg and as to 19 shares to Mr. Lau, so that immediately before completion of the Acquisition, Jacobson HK will have an issued share capital of 100 shares of HK\$1.00 each and hold as to 80 shares by Jacobson Van Den Berg and as to 20 shares by Mr. Lau.

Conditions and Completion:

The Acquisition contemplated under the Acquisition Agreement is conditional upon fulfillment of certain conditions including:

- (a) the completion of a due diligence exercise on the business, financial and legal affairs of Jacobson HK to the reasonable satisfaction of TH Bio-Medical Technology;
- (b) the Independent Shareholders voting at an extraordinary general meeting to be convened approving the entering into of the Acquisition Agreement and the Acquisition contemplated herein in accordance with the requirements of the GEM Listing Rules.

It is expected that the conditions are to be fulfilled by 28 December 2000 or such later date to be agreed by the parties and the Completion of the Acquisition will take place on or before 29 December 2000 or such later date to be agreed by the parties.

Profit Guarantee:

Jacobson Van Den Berg, Mr. Lau and Mr. Sum jointly and severally warrants that the audited profit after taxation of Jacobson HK for each of

the two financial years ending 31 March 2002 will not be less than HK\$3,900,000 (the “**Guaranteed Profit**”). In the event the audited profit after taxation of Jacobson HK for any of the two financial years ending 31 March 2002 is less than the Guaranteed Profit, Jacobson Van Den Berg and the Warrantors will be liable to pay the shortfall to TH Bio-Medical Technology on a dollar-for-dollar basis. In other words, in the event that Jacobson HK has incurred net loss after taxation for the two financial years ending 31 March 2002, the Warrantors shall pay to TH Bio-Medical Technology HK\$7,800,000 plus the aggregate amount of such losses incurred for the respective financial years. Total consideration for the Acquisition is HK\$18,144,000, which is calculated based on a price earning multiple of approximately six times of the Guaranteed Profit.

A further announcement will be made in the event Jacobson HK is not able to meet the Guaranteed Profit.

Consideration and payment term:

The consideration for the Sale Shares is HK\$18,144,000 to be satisfied by way of cash at Completion and payable as to HK\$13,608,000 to Mr. Lau and as to HK\$4,536,000 to Mr. Sum. The Consideration will be funded by internal resources of the Group, primarily from funds raised by the issue of shares of the Company, the issue and/or capitalisation of various convertible securities prior to the listing of shares of the Company on GEM. The Directors consider that the Acquisition will not have material adverse impact on the financial position of the Group and the intended application of proceeds raised by the share offer pursuant to Prospectus.

The Consideration is arrived at after arm’s length negotiations between the parties thereto based on a projected price earning multiple

of Jacobson HK of approximately six times on the basis of the Guaranteed Profit and taking into account the effect of the possible synergy of the future development of the Group in the sales and distribution of healthcare, pharmaceutical (both over-the-counter and prescription) and traditional Chinese medicine products and the business of Jacobson HK.

Information on Jacobson HK

Jacobson HK is a company incorporated in Hong Kong in 1996. It is a Dutch-origin company established in the 1950's as a trading house for pharmaceutical and medical products and has grown into a trading conglomerate with strong business presence in Hong Kong and the PRC. The core business of Jacobson HK includes the marketing and distribution of proprietary and consumer healthcare products, manufacturing and distribution of generic pharmaceuticals products and the manufacturing of herbal ingredients as finished products. Jacobson HK is one of the five largest suppliers of pharmaceutical products to the Group. Mr. Sum, an executive Director is the managing director of Jacobson HK.

The audited profits/(loss) of Jacobson HK before and after taxation for the two financial years ended 31 March 2000 are as follows:

	Financial year ended 31 March 1999	Financial year ended 31 March 2000
Profits/(loss) before taxation	HK\$578,307	(HK\$777,713)
Profits/(loss) after taxation	HK\$436,447	(HK\$750,913)

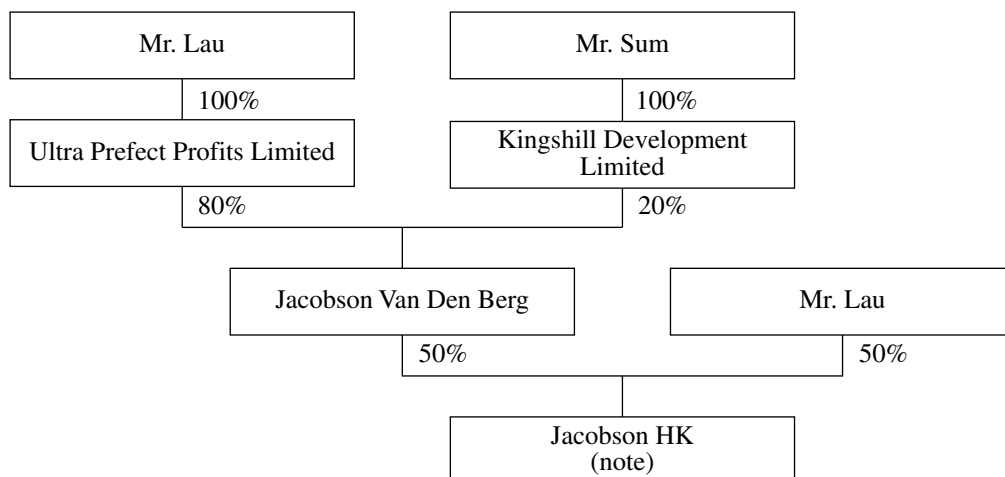
The loss incurred for the financial year ended 31 March 2000 was primarily attributable to a one time write-off of doubtful debts and obsolete inventory and marketing and advertising expenses to secure new agency business of an aggregate of approximately HK\$1.8 million.

The audited net asset value of Jacobson HK as at 31 March 1999 and 31 March 2000 are HK\$1,908,632 and HK\$1,157,719 respectively.

Jacobson HK is beneficially owned as to 90 percent. by Mr. Lau and as to 10 percent. by Mr. Sum either directly or through their indirect interest in Jacobson Van Den Berg, the vendor of the Sale Shares. Both Mr. Lau and Mr. Sum are the initial management shareholders of Town Health. In addition, Mr. Sum is an executive Director. Both Mr. Lau and Mr. Sum are also the beneficial owners of Jacobson Medical Corporation, an initial management shareholder of the Company which is the registered owner of 34,924,479 shares of Town Health, representing approximately 8.72 percent. of the issued share capital of Town Health. Jacobson Medical Corporation and Jacobson Van Den Berg are investment holding companies and do not engage in any business which is or may compete with the business of the Group.

The following are the existing shareholding structure of Jacobson HK and immediately before and after Completion:

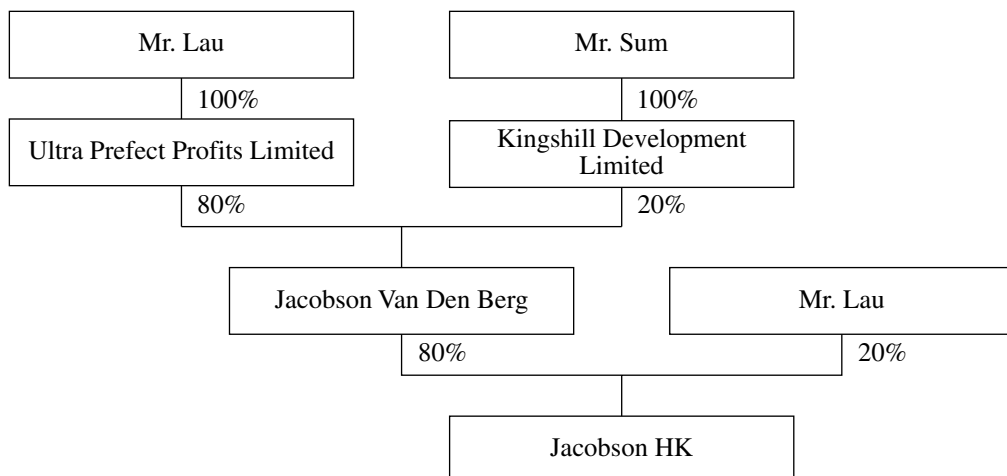
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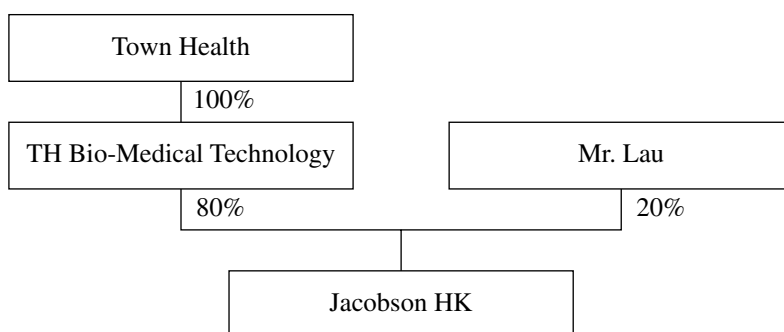
Note:

Jacobson HK currently has in issue two shares and will immediately issue and allot 98 shares as to 79 shares to Jacobson Van Den Berg and as to 19 shares to Mr. Lau, so that immediately before completion of the Acquisition, Jacobson HK will have an issued share capital of 100 shares of HK\$1.00 each and hold as to 80 shares by Jacobson Van Den Berg and as to 20 shares by Mr. Lau

Immediately before Completion



Immediately after Completion



Reasons for the Acquisition

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. It is directly engaged in various healthcare-related businesses and health food distribution business.

As mentioned in the Prospectus and the Interim Results, one of the core areas of future development of the Group is the sale and distribution of healthcare, pharmaceutical (both over-the-counter and prescription) and traditional Chinese medicine products. The Group currently holds 20 percent interest in Health Matrix and has an option to acquire the remaining 80 percent of its issued share capital. Health Matrix is principally engaged in the distribution of health food products. It is the intention of the Group to expand the product portfolio and to widen the distribution channel of Health Matrix. The Directors consider that the established distribution network of Jacobson HK will assist Health Matrix in this aspect. With the extensive distribution network of Jacobson HK in Hong Kong and the PRC for pharmaceutical (both over-the-counter and prescription) and traditional Chinese medicine products, the Directors consider that the Acquisition is the first step towards the direction of developing the Group's sale and distribution network in healthcare, pharmaceutical and traditional Chinese medicine products so as to facilitate its future development in these areas in line with its business objectives and the business plan as stated in the Prospectus and reviewed and updated by the Board in the Interim Results.

Although it is the part of the business plan of the Group to develop a sale and distribution network for healthcare, pharmaceutical (both over-the-counter and prescription) and traditional Chinese medicine products as stated in the Prospectus, the Directors have not yet formulated appropriate steps to implement the plan at the time of the issue of the Prospectus. After the listing of the Company on the GEM, the Directors began to explore opportunities to

“Acquisition Agreement”	the agreement dated 16 November 2000 entered into among (i) TH Bio-medical Technology as purchaser; (ii) Jacobson Van Den Berg as vendor; and (iii) Mr. Lau and Mr. Sum as warrantors, for the acquisition of the Sale Shares;
“Board”	board of Directors;
“Company” or “Town Health”	Town Health International Holdings Company Limited, a company incorporated in the Cayman Islands whose shares are listed on the GEM;
“Completion”	completion of the Acquisition;
“Directors”	the directors of Town Health;
“GEM”	The Growth Enterprise Market of The Stock Exchange of Hong Kong Limited;
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM;
“Group”	Town Health and its subsidiaries;
“Health Matrix”	Health Matrix International Limited, a company incorporated in Hong Kong in which Town Health has 20 percent interest.
“Independent Shareholders”	shareholders of Town Health other than those who are prohibited by the GEM Listing Rules from voting on the resolution(s) in respect of the Acquisition;
“Interim Results”	the interim results of the Group for the six months ended 30 September 2000 announced on 13 November 2000;
“Jacobson HK”	Jacobson Medical (Hong Kong) Limited, a company incorporated in Hong Kong and as at the date hereof is owned as to 50 percent by Jacobson Van Den Berg and as to 50 percent by Mr. Lau ;

“Jacobson Van Den Berg”	Jacobson Van Den Berg (Medical) Holdings Limited, a company incorporated in the British Virgin Islands and is beneficially owned as to 80 percent. by Mr. Lau and as to 20 percent. by Mr. Sum;
“Mr. Lau”	Mr. Lau Wing Hung, an initial management shareholder of Town Health (through his indirect interest in Jacobson Medical Corporation), who is beneficially interested in 90 percent. of Jacobson HK;
“Prospectus”	the prospectus issued by Town Health dated 9 October 2000;
“Sale Shares”	80 shares of HK\$1.00 each in the capital of Jacobson HK;
“Mr. Sum”	Mr. Sum Kwong Yip, Derek, an initial management shareholder of Town Health (through his indirect interest in Jacobson Medical Corporation) and an executive Director, who is beneficially interested in 10 percent. of Jacobson HK;
“TH Bio-medical Technology”	Town Health Bio-medical Technology Limited, a company incorporated in the British Virgin Islands and is a wholly owned subsidiary of Town Health.

By order of the Board
**TOWN HEALTH INTERNATIONAL
HOLDINGS COMPANY LIMITED**
Cho Kwai Chee
Chairman

Hong Kong, 16 November 2000

This announcement, for which the directors of Town Health are collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to Town Health. The directors of Town Health, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (i) the information contained in this announcement is accurate and complete in all material respects and not misleading; (ii) there are no other matters the omission of which would make any statement in this announcement misleading; and (iii) all opinion expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

This announcement will remain on the GEM website at www.hkgem.com on the “Latest Company Announcements” page for 7 days from the date of its posting and on the website of Town Health at www.townhealth.com