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TOWN HEALTH INTERNATIONAL HOLDINGS COMPANY LIMITED

康健國際控股有限公司

(incorporated in the Cayman Islands with limited liability)

CANCELLATION OF THE ACQUISITION AGREEMENT

The Directors wish to announce that the Acquisition Agreement entered into on 16 November 2000 for the proposed acquisition of 80 per cent. equity interests in Jacobson HK was cancelled.

Unless otherwise stated, terms used in this announcement shall have the same meanings as those defined in the announcement (the “Announcement”) of the Company dated 16 November 2000 relating to the proposed acquisition of 80 per cent. interests in the enlarged issued share capital of Jacobson Medical (Hong Kong) Limited by Town Health Bio-medical Technology Limited (“Town Health Bio-Tech”), a wholly owned subsidiary of Town Health International Holdings Company Limited (the “Company”).

The Directors announced on 16 November 2000 details of the proposed Acquisition. Jacobson Van Den Berg (i.e. the vendor) is beneficially owned as to 80 per cent. by Mr. Lau and as to 20 per cent. by Mr. Sum. Both Mr. Lau and Mr. Sum are initial management shareholders of the Company. 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 under the GEM Listing Rules.

In evaluating the proposed Acquisition, the Directors considered that the proposed Acquisition would offer an excellent opportunity to provide a synergy to both the business of the Group and Jacobson HK in respect of the sales and distribution of healthcare, pharmaceutical (both over-the-counter and

prescription) and traditional Chinese medicine products. During the negotiations for the proposed Acquisition, Mr. Lau, Mr. Sum and Jacobson Van Den Berg (the “Other Parties”) indicated to Town Health Bio-Tech their intention to complete the Acquisition Agreement as soon as practicable, preferably by the end of 2000. In order to secure the transaction, Town Health Bio-Tech and the Other Parties agreed and fixed the long-stop date of the Acquisition Agreement at 28 December 2000. Given that more time is required by Town Health Bio-Tech to collate and ascertain relevant legal and financial information and documents in addition to those information set out in the Announcement which is necessary for the preparation of the circular in relation to the proposed Acquisition, Town Health Bio-Tech has requested the Other Parties for an extension of the long-stop date as set out in the Acquisition Agreement from 28 December 2000 to 31 January 2001. In response to such request, the Other Parties indicated to Town Health Bio-Tech that such request for an extension of time is not agreeable to them. Accordingly, on 7 December 2000, Town Health Bio-Tech and the Other Parties entered into a cancellation agreement (the “Cancellation Agreement”) pursuant to which the parties have agreed to cancel the Acquisition Agreement and release each other from all past given, present and future obligations and liabilities under the Acquisition Agreement with effect from 7 December 2000. As at the date of this announcement, none of the conditions precedent set out in the Acquisition Agreement have been fulfilled.

The Directors consider that entering into of the Cancellation Agreement will not have a material adverse impact to the Group’s business and development plans although it may result in the loss of an opportunity to develop its sales and distribution of healthcare, pharmaceutical and traditional Chinese medicine products business. The Group will continue implementing the business plans to realise its business objectives as stated in the Prospectus and the Interim Results and will consider other valuable investment or acquisition opportunities as they arise. However, as Jacobson Van Den Berg has indicated to Town Health Bio-Tech that it intends to retain Jacobson HK as its private investment at the moment, the parties involved do not have a present intention to restart negotiation for any investment in or acquisition of any interests in Jacobson

HK. Accordingly, the Directors do not expect that any future decision in relation to any investment in Jacobson HK will be effected in the financial year ending 31 March 2001. The Group will comply with the GEM Listing Rules including the issue of an announcement, if necessary, for any investment decision in the future.

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

Hong Kong, 8 December 2000

This announcement, for which the Directors 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 the Company. The Directors, 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 the Company at www.townhealth.com