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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)

DISCLOSEABLE TRANSACTION

THBM entered into the Sale and Purchase Agreement with I-Techno on 8th February, 2001 to purchase from I-Techno a 46.43% shareholding in Luxembourg Medicine, a company principally engaged in the business of manufacture and sale of cough syrup under the brandname “Madame Pearl’s”. The Acquisition was completed on 8th February, 2001 following the execution of the Sale and Purchase Agreement.

The terms of the Sale and Purchase Agreement, including the consideration, were determined on arm’s length basis after commercial negotiations between I-Techno and THBM. The consideration in the amount of HK\$39 million was paid in cash on 8th February, 2001 and was funded from the Group’s internal resources other than the proceeds of the placing and share offering which accompanied the listing of the Company on GEM in October 2000.

The Acquisition constitutes a discloseable transaction of the Company under the GEM Listing Rules.

A circular containing further details of the Acquisition will be despatched to the shareholders of the Company as soon as practicable.

THE SALE AND PURCHASE AGREEMENT

Date

8th February, 2001

Parties

Vendor: I-Techno

Purchaser: THBM

I-Techno is an independent third party not connected with the directors, chief executive, substantial shareholders or management shareholders of the Company or any of their respective associates (as defined in the GEM Listing Rules).

The Acquisition

THBM purchased a 46.43% shareholding in Luxembourg Medicine from I-Techno. As a result of the Acquisition, THBM has become the single largest shareholder in Luxembourg Medicine and is entitled to appoint 2 out of the 5 directors on the board of that company.

After the Acquisition, Luxembourg Medicine is owned as to 46.43% by THBM, as to approximately 45.02% by I-Techno and as to approximately 8.55% by 6 other individuals who are independent third parties not connected with the directors, chief executive, substantial shareholders or management shareholders of the Company or any of their respective associates (as defined in the GEM Listing Rules).

The principal business of Luxembourg Medicine is the manufacture and sale of cough syrup under the brandname "Madame Pearl's". The audited net asset value of Luxembourg Medicine as at 31st December, 1999 was approximately HK\$419,000. The audited net profit before and after taxation and extraordinary items of Luxembourg Medicine for the financial year ended 31st December, 1998 was approximately HK\$25.3 million and HK\$21.3 million respectively and for the financial year ended 31st December, 1999 was approximately HK\$15.5 million and HK\$13.6 million respectively. For the eleven months ended 30th November, 2000, the unaudited net asset value of Luxembourg Medicine was approximately HK\$8.0 million and the unaudited net profit before and after taxation and extraordinary items of Luxembourg Medicine was approximately HK\$10.2 million and HK\$8.6 million respectively.

Consideration

The consideration paid by THBM in respect of the Acquisition was HK\$39.0 million. This was determined on arm's length basis having regard to

the future growth prospects of the business of Luxembourg Medicine and represents approximately 6.17 times the net profit after taxation and extraordinary items of Luxembourg Medicine for the year ended 31st December, 1999. The price-earnings multiple was determined by reference to a comparable market transaction. The consideration which was paid in cash on 8th February, 2001 was funded out of the Group's internal resources other than the proceeds of the placing and share offering which accompanied the listing of the Company on GEM in October 2000.

Completion

The Acquisition was completed on 8th February, 2001 following the execution of the Sale and Purchase Agreement.

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 also directly engaged in various healthcare-related businesses. The Group's principal activities are the provision of management services to medical and dental practices and the provision of healthcare and related services.

Given the general public in Hong Kong has become more aware of the importance of maintaining good health and are more receptive to buying healthcare products over the counter for minor ailments, the Directors believe that there is a potentially profitable market in Hong Kong for over-the-counter ("OTC") healthcare products. The Directors also believe that, with the open up of the Chinese market as a result of China's accession to WTO in the foreseeable future, the market for OTC healthcare products in China will grow tremendously. Given that "Madame Pearl's" is a well-known and long established brandname of OTC healthcare products in Hong Kong and the mainland China, the Directors are of the view that the future growth prospect of Luxembourg Medicine is promising and that the business of Luxembourg Medicine will complement the existing businesses of the Group.

The Directors believe that it is beneficial to the Group, through the Acquisition, to explore the markets for OTC healthcare products in Hong Kong and the mainland China. This is in line with the Group's direction of strengthening and broadening its business of sales and distribution of healthcare and pharmaceutical (both OTC and ethical) products, as stated in the section headed "Future plan and prospect" of the Company's interim results announcement for the six months ended 30th September, 2000 issued on

13th November, 2000. This is also in line with the Company's corporate strategies, namely that the Company would review and expand its product portfolio to broaden its customer base as set out in the Company's prospectus issued on 9th October, 2000 (the "Prospectus") under paragraph (e) headed "Development of preventive healthcare business" in the section "Business objectives". The Directors believe that the Acquisition is a move to achieve the Company's business objectives, as set out in the Prospectus, to become a provider of high quality, generally affordable and comprehensive private healthcare services for preventive healthcare and maintenance of health.

The Directors, including the independent non-executive directors, believe that the terms of the Acquisition are fair and reasonable and that the Acquisition is in the best interests of the Company and its shareholders as a whole.

GENERAL

The Acquisition constitutes a discloseable transaction of the Company under the GEM Listing Rules. A circular containing further details of the Acquisition will be despatched to the shareholders of the Company as soon as practicable.

DEFINITIONS

"Acquisition"	the purchase of a 46.43% shareholding in Luxembourg Medicine by THBM from I-Techno pursuant to the Sale and Purchase Agreement;
"Company"	Town Health International Holdings Company Limited, a company incorporated in the Cayman Islands with limited liability whose shares are listed on GEM;
"Directors"	the directors, including the independent non-executive directors, of the Company;
"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;

“I-Techno”	I-Techno Group Limited, a company incorporated in the British Virgin Islands with limited liability. It is an investment holding company wholly-owned by an individual. Both I-Techno and its shareholder are independent third parties not connected with the directors, chief executive, substantial shareholders or management shareholders of the Company or any of their respective associates (as defined in the GEM Listing Rules);
“Luxembourg Medicine”	Luxembourg Medicine Company Limited, a company incorporated in Hong Kong with limited liability. It was owned as to approximately 91.45% by I-Techno and as to approximately 8.55% by 6 other individuals immediately prior to the Acquisition. Both Luxembourg Medicine and its shareholders are independent third parties not connected with the directors, chief executive, substantial shareholders or management shareholders of the Company or any of their respective associates (as defined in the GEM Listing Rules);
“Sale and Purchase Agreement”	a sale and purchase agreement dated 8th February, 2001 entered into between I-Techno and THBM in respect of the sale and purchase of a 46.43% shareholding in Luxembourg Medicine;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited; and
“THBM”	Town Health Bio-Medical Technology Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of the Company.

By order of the Board
Town Health International Holdings Company Limited
Cho Kwai Chee
Chairman

Hong Kong, 9th February, 2001

This announcement, for which the Directors 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 opinions 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.

The announcement will remain on the GEM website at <http://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 International Holdings Company Limited.