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*This announcement, for which the directors of Town Health International Holdings Company Limited (the “**Directors**”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to Town Health International Holdings Company Limited. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: 1. the information contained in this announcement is accurate and complete in all material respects and not misleading; 2. there are no other matters the omission of which would make any statement in this announcement misleading; and 3. all opinions expressed in this announcement have been arrived at after due and careful consideration and founded on bases and assumptions that are fair and reasonable.*



## **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**

### **ACQUISITION**

### **OF A 24% SHAREHOLDING INTEREST IN WAI YUEN TONG MEDICINE COMPANY LIMITED**

Plenty Time entered into the Sale and Purchase Agreement with Royal Focus on 26 March 2001 to purchase from Royal Focus the Sale Shares in WYT Medicine, a company principally engaged in the business of manufacture and sale of Chinese medicine including products under its own brandname “**Wai Yuen Tong**”, herbs and other medicinal products. The Acquisition was completed on 26 March 2001. Royal Focus, a wholly-owned subsidiary of Wang On Group, purchased from Bio-Project a 99.79% shareholding interest in WYT Medicine for a cash consideration of HK\$126,831,680, on 28 February 2001.

The terms of the Sale and Purchase Agreement, including the consideration, were determined on arm's length basis after commercial negotiations between Royal Focus and Plenty Time. The consideration in the amount of HK\$30,063,132 was paid in cash on 26 March 2001 and was funded as to HK\$25,063,132 from the Group's internal resources and as to HK\$5,000,000 from part of the proceeds received by the Company from the initial public offering by the Company in October 2000.

The Acquisition constitutes a discloseable transaction for 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.

## **SALE AND PURCHASE AGREEMENT DATED 26 MARCH 2001**

### **Parties**

Vendor: Royal Focus

Purchaser: Plenty Time

Warrantor: Mr. Chan Ken

Mr. Chan Ken, the sole shareholder of Bio-project, 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) and Royal Focus.

Bio-project and WYT Medicine entered into a management agreement on 29 November 2000 based on which Bio-project was appointed as an independent contractor for the provision of certain management services to WYT Medicine. Mr. Chan Ken, in his capacity as the guarantor to the transaction regarding the acquisition by Royal Focus of a 99.79% shareholding interest in WYT Medicine from Bio-project, has undertaken to give certain representations, warranties and undertakings under the Sale and Purchase Agreement. Such representations, warranties and undertakings are in relation to, among others, the Sale Shares, the accounts, financial situations, taxation, corporate matters, compliance of law, trading and general commercial matters, the properties, confidential information, intellectual property rights, business names, insurance matters, litigation matters and employment matters of WYT Medicine and its subsidiary and all information, statements and matters contained in the Sale and Purchase Agreement.

Royal Focus 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

Plenty Time purchased the Sale Shares from Royal Focus on 26 March 2001. The entire issued share capital of WYT Medicine comprises 21,737,375 ordinary shares of HK\$0.01 each and 1,737,375 non-voting 5% deferred shares of HK\$10 each. The Sale Shares represent 24% of the total voting power of WYT Medicine.

After the Acquisition, WYT Medicine is owned as to 24% by Plenty Time, as to approximately 75.79% by Royal Focus and as to approximately 0.21% by 3 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). Royal Focus, a wholly-owned subsidiary of Wang On Group, purchased from Bio-Project a 99.79% shareholding in WYT Medicine for a cash consideration of HK\$126,831,680 on 28 February 2001. The particulars of such transaction were disclosed in Wang On Group's announcement dated 22 December 2000. Wang On Group is principally engaged in the activities of commercial management of wet markets, shopping centres, car parks and construction, renovation and decoration services.

WYT Medicine was incorporated in 1980 in Hong Kong. According to its marketing materials, the brandname "Wai Yuen Tong" was established in 1897 in Guangzhou, China. The principal business of WYT Medicine is the manufacture, process and retail of traditional Chinese medicine sold under its own brandname "Wai Yuen Tong" which includes a range of products manufactured by selected medicinal materials with traditional prescription. WYT Medicine also retails other herbs and medicinal products and operates a number of traditional Chinese medicine consultation centres. The audited adjusted net asset value of WYT Medicine as at 30 November 2000 was approximately HK\$30,610,000. The audited net profit before and after taxation and extraordinary items of WYT Medicine for the financial year ended 31 December 1998 was approximately HK\$11,015,000 and HK\$9,452,000 respectively, for the financial year ended 31 December 1999 was approximately HK\$10,947,000 and HK\$9,136,000 respectively and for the eleven months ended 30 November 2000 was approximately HK\$13,273,000 and HK\$11,555,000 respectively.

Plenty Time entered into the Shareholders Agreement with Royal Focus on completion of the sale and purchase of the Sale Shares on 26 March 2001. Pursuant to the Shareholders Agreement:

- (i) Plenty Time is entitled to appoint 2 out of 5 directors to the board of WYT Medicine; and

- (ii) Plenty Time and Royal Focus shall procure that the directors of WYT Medicine shall declare and pay dividends in respect of the financial period of WYT Medicine from 1 January 2001 to 31 March 2001 by a single payment and any subsequent financial year of WYT Medicine by not more than two payments in an aggregate amount which is not more than 70% or less than 50% of WYT Medicine's profit attributable to shareholders as stated in WYT Medicine's audited profit and loss account or income statement for that financial period or (as the case may be) financial year to the extent it is legally distributable.

There is no pre-emptive rights under the Shareholders Agreement.

## **Consideration**

The consideration paid by Plenty Time in respect of the Acquisition was HK\$30,063,132. This was determined on arm's length basis having regard to (i) the net profits of WYT Medicine in previous years; (ii) the future growth potential in business and profitability of WYT Medicine; and (iii) the cost of acquisition for the 99.79% shareholding interest in WYT Medicine by Royal Focus from Bio-Project on 28 February 2001. The consideration in the amount of HK\$30,063,132 was paid in cash on 26 March 2001 and was funded as to HK\$25,063,132 from the Group's internal resources and as to HK\$5,000,000 from part of the proceeds received by the Company from the initial public offering by the Company in October 2000.

## **Completion**

The Acquisition was completed on 26 March 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.

Given that "Wai Yuen Tong" is a well-known and long established brandname of Chinese medicinal products in Hong Kong, the Directors are of the view that the future growth prospect of WYT Medicine is promising.

The principal activity of the Group is the provision of management services to a number of medical centres providing western medical treatments. The Directors believe that certain patients having minor or prolonged illness are reluctant to receive western medical treatments and most of them prefer treatments through traditional Chinese medicine as such treatments are thought

to be more suitable for the orientals and prolonged illnesses. By entering into the Acquisition, the Group is able to capture this market segment. The Directors are of the view that the enlarged customer bases will in turn brings benefit to the Group's existing principal business.

The Directors believe that the Acquisition will provide the Group a good opportunity to expand into areas of traditional Chinese medicine and further enhance the image of the "Town Health Centre" brand as a comprehensive medical services provider. This is in line with the Group's plan, as set out in the Company's prospectus issued on 9 October 2000 (the "Prospectus"), to promote the concept of "holistic" healthcare services by diversifying into the traditional Chinese medicine business through the marketing of traditional Chinese medicine-based products in both raw and propriety presentations. Given also that WYT Medicine is currently operating a number of traditional Chinese medicine consultation centres, the Acquisition is also in line with the Company's business plan to utilize HK\$5,000,000 from the proceeds received from the initial public offering by the Company in October 2000 to partially fund the establishment and /or acquisition of not less than three traditional Chinese medicine consultation centers, as mentioned in the Prospectus under the heading "Use of Proceeds" of the section "Business Objectives".

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 for 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 the Sale Shares by Plenty Time from Royal Focus pursuant to the Sale and Purchase Agreement;
"Bio-Project"	Bio-Project Limited, a company incorporated in the British Virgin Islands with limited liability. Both Bio-Project and its sole 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);

“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;
“Plenty Time”	Plenty Time Investments Limited, a company incorporated on 20 December 2000 in the British Virgin Islands with limited liability and a wholly-owned subsidiary of the Company. After the Acquisition, the sole assets of Plenty Time is its interest in the Sale Shares;
“Royal Focus”	Royal Focus Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of Wang On Group;
“Sale and Purchase Agreement”	a sale and purchase agreement dated 26 March 2001 entered into between Royal Focus and Plenty Time in respect of the sale and purchase of the Sale Shares;
“ Sale Shares”	5,216,970 ordinary shares of HK\$0.01 each and 416,970 non-voting 5 per cent deferred shares of HK\$10 each in the capital of WYT Medicine;
“Shareholders Agreement”	a shareholders agreement entered into between Plenty Time and Royal Focus in respect of certain aspects of the management of WYT Medicine;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Wang On Group”	Wang On Group Limited, a company incorporated in Bermuda with limited liability whose shares are listed on the main board of the Stock Exchange; and

“WYT Medicine”

Wai Yuen Tong Medicine Company Limited, a company incorporated in Hong Kong with limited liability. It was owned as to approximately 99.79% by Royal Focus and as to approximately 0.21% by 3 other individuals immediately prior to the Acquisition. Both WYT 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).

By order of the board of Directors  
**Town Health International Holdings Company Limited**  
**Cho Kwai Chee**  
*Chairman*

Hong Kong, 28 March 2001

*This announcement will remain on the GEM website on the “Latest Company Announcements” page for 7 days from the day of its posting and on the website of Town Health International Holdings Company Limited.*