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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)

**DISCLOSEABLE TRANSACTION:
ACQUISITION OF 49% INTEREST IN THE TARGET**

THE SP AGREEMENT

The Board is pleased to announce that, after trading hours on 17 March 2015, the Purchaser, an indirect wholly-owned subsidiary of the Company, the Vendor and Mr. Zou as the Vendor's guarantor, entered into the SP Agreement pursuant to which the Purchaser has conditionally agreed to acquire, and the Vendor has conditionally agreed to sell, the Sale Shares, representing 49% of the issued share capital of the Target at the consideration of RMB151,280,000 (equivalent to approximately HK\$187,587,200) (subject to adjustments), upon and subject to the terms set out therein.

The Target is a company incorporated in the BVI with limited liability and is an investment holding company. The Target owns the entire issued share capital of HK Huayao, a company incorporated in Hong Kong with limited liability and is an investment holding company. HK Huayao owns the entire equity interests in Hangzhou Renji which in turn owns the entire equity interests in Hangzhou Shengkang and Hangzhou Shuke. Hangzhou Renji, Hangzhou Shengkang and Hangzhou Shuke are limited liability companies established in the PRC. The Target Group is principally engaged in operating (i) a rehabilitation-oriented hospital in Hangzhou which mainly provides services relating to rehabilitation care, traditional Chinese orthopaedics and Western medial orthopaedics; and (ii) an outpatient medical clinic in Hangzhou which provides traditional Chinese medical care, Western internal medicine healthcare and quality dental care services.

Immediately after Completion, the Target will be owned as to 49% by the Purchaser, 49% by the Vendor and 2% by the Existing Target Shareholder.

LISTING RULES IMPLICATIONS

As the relevant percentage ratios (as defined under the Listing Rules) in respect of the Acquisition (including the Consideration and the proposed payment of the relevant portion of the Capital Contribution by the Group) are more than 5% but less than 25%, the Acquisition constitutes a discloseable transaction for the Company under the Listing Rules and is subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

The Board is pleased to announce that, after trading hours on 17 March 2015, the Purchaser, an indirect wholly-owned subsidiary of the Company, the Vendor and Mr. Zou as the Vendor's guarantor, entered into the SP Agreement pursuant to which the Purchaser has conditionally agreed to acquire, and the Vendor has conditionally agreed to sell, the Sale Shares, representing 49% of the issued share capital of the Target at the consideration of RMB151,280,000 (equivalent to approximately HK\$187,587,200) (subject to adjustments), upon and subject to the terms set out therein.

THE SP AGREEMENT

Major terms of the SP Agreement are set out below.

Date:

17 March 2015

Parties:

- | | | |
|--------------------|---|--|
| Purchaser | : | Wise Lead Holdings Limited, a company incorporated in the BVI with limited liability and is an investment holding company. The Purchaser is an indirect wholly-owned subsidiary of the Company; |
| Vendor | : | Tianle Group Limited, a company incorporated in the BVI with limited liability and is principally engaged in investment holding; and |
| Vendor's guarantor | : | Mr. Zou, the sole legal and beneficial owner of the entire issued share capital of the Vendor, is joined as a party to the SP Agreement as guarantor to guarantee the performance of the obligations of the Vendor under the SP Agreement. |

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, each of the Vendor and Mr. Zou is an Independent Third Party.

Assets to be acquired:

The Purchaser has conditionally agreed to acquire, and the Vendor has conditionally agreed to sell, the Sale Shares, representing 49% of the issued share capital of the Target, free from all encumbrances and together with all rights and benefits attaching thereto.

Conditions precedent:

Completion shall be conditional upon and subject to the fulfilment of or (if applicable) waiver of the following Conditions:

- (1) the Purchaser having carried out and completed the due diligence review of the Target Group (whether legal, accounting, financial, operational or other aspects that the Purchaser considers necessary) and being satisfied with the results of the due diligence review of the Target Group and its related business, assets, liabilities, activities, operations, financial position and prospects of the Target Group in all respects;
- (2) (where applicable) all the notification, publication and/or shareholders' approval requirements under Chapter 14 of the Listing Rules for the SP Agreement and the transactions contemplated thereunder including the Acquisition having been complied with by the Company;
- (3) all the representations, warranties and undertakings given by the Vendor and Mr. Zou under the SP Agreement will remain true and correct and not misleading in all respects as at the Completion Date;
- (4) all requisite consents, clearances, authorisations and approvals (or, as the case may be, the relevant waivers) in connection with the entering into and performance of the terms of the SP Agreement having been obtained by the parties to the SP Agreement;
- (5) the consummation of the transactions contemplated under the SP Agreement shall not have been restrained, enjoined or otherwise prohibited by any applicable laws and regulations, including any order, injunction, decree or judgment of any court or other governmental authority; and

- (6) there being no material adverse change to the business, assets and financial conditions of the Target Group since 31 December 2014.

The Purchaser may waive Conditions (1), (3) and (6) at any time before the Long Stop Date in whole or in part by notice in writing to the Vendor, while Conditions (2), (4) and (5) are not capable of being waived by any party to the SP Agreement.

If the Conditions shall not have been fulfilled or (if applicable) waived in full at or before 5:00 p.m. on the Long Stop Date, all rights and obligations of the parties under the SP Agreement shall cease and terminate, save and except for provisions in relation to confidentiality, costs and expenses, miscellaneous matters, notices and governing law and jurisdiction therein which shall remain in full force and effect, and no party to the SP Agreement shall have any claim against the others save for claim (if any) in respect of such provisions and any antecedent breach of the SP Agreement.

Consideration

The Consideration for the purchase of the Sale Shares is RMB151,280,000 (equivalent to approximately HK\$187,587,200) (subject to adjustments set out in the paragraph headed “Adjustments to the Consideration” below), which shall be satisfied in cash and payable by the Purchaser to the Vendor (or its nominee) at Completion.

The Consideration was determined after arm’s length negotiations between the Purchaser and the Vendor on normal commercial terms by taking into account (i) historical financial performance of the Target Group; and (ii) the business potential of the Target Group.

Adjustments to the Consideration

Under the SP Agreement, the Vendor irrevocably and unconditionally guarantees to the Purchaser that (i) the Audited Profit for FY 2015 shall not be less than RMB30,000,000 (equivalent to approximately HK\$37,200,000); (ii) the Audited Profit for FY 2016 shall not be less than RMB36,000,000 (equivalent to approximately HK\$44,640,000); and (iii) the Audited Profit for FY 2017 shall not be less than RMB42,000,000 (equivalent to approximately HK\$52,080,000).

The Consideration shall be subject to adjustments in the manner as stipulated below:

- (1) If the Audited Profit for FY 2015 is less than RMB30,000,000, the Vendor shall, within 7 Business Days after the audited consolidated financial statements of the Target Group for FY 2015 prepared in accordance with HKFRSs shall be made available to the Purchaser, pay to the Purchaser a sum (“**2015 Adjustment Amount**”) in cash which is determined in accordance with the following formula:

$$A = (\text{RMB}30,000,000 - B) \times 49\%$$

Where:

A is the 2015 Adjustment Amount payable by the Vendor to the Purchaser; and

B is the Audited Profit for FY 2015.

- (2) If the Audited Profit for FY 2016 is less than RMB36,000,000, the Vendor shall, within 7 Business Days after the audited consolidated financial statements of the Target Group for FY 2016 prepared in accordance with HKFRSs shall be made available to the Purchaser, pay to the Purchaser a sum (“**2016 Adjustment Amount**”) in cash which is determined in accordance with the following formula:

$$C = (\text{RMB}36,000,000 - D) \times 49\%$$

Where:

C is the 2016 Adjustment Amount payable by the Vendor to the Purchaser; and

D is the Audited Profit for FY 2016.

- (3) If the Audited Profit for FY 2017 is less than RMB42,000,000, the Vendor shall, within 7 Business Days after the audited consolidated financial statements of the Target Group for FY 2017 prepared in accordance with HKFRSs shall be made available to the Purchaser, pay to the Purchaser a sum (“**2017 Adjustment Amount**”) in cash which is determined in accordance with the following formula:

$$E = (\text{RMB}42,000,000 - F) \times 49\%$$

Where:

E is the 2017 Adjustment Amount payable by the Vendor to the Purchaser; and

F is the Audited Profit for FY 2017.

For the purpose of the adjustments above, if the Target Group suffers trading loss for any of FY 2015, FY 2016 and FY 2017, the Audited Profit for such year will be a negative figure.

If the Vendor fails to pay any of the relevant adjustment amounts above within the prescribed time, default interest at the rate of 10% per annum will be charged on any payment overdue.

The Vendor undertakes that it will procure the Target to deliver the audited consolidated financial statements of the Target Group prepared by an independent qualified accounting firm appointed by the Target to the Purchaser within 90 days after the relevant year end.

Completion

Completion is conditional upon and subject to fulfilment or (if applicable) waiver of all the Conditions and will take place on the Completion Date and at the same time when the completion of the 98% Acquisition takes place or immediately thereafter.

Immediately after Completion, the Target will be owned as to 49% by the Purchaser, 49% by the Vendor and 2% by the Existing Target Shareholder who is an Independent Third Party. After Completion, the Target Group will be accounted for as an associate under the consolidated financial statements of the Group.

Shareholders' Agreement

At Completion, the then shareholders of the Target, namely the Purchaser, the Vendor and the Existing Target Shareholder, Mr. Zou and the Target, will execute the Shareholders' Agreement relating to the Target.

The principal terms of the Shareholders' Agreement are summarised as follows:

Capital contribution

The shareholders of the Target shall make capital contribution in the total sum of RMB120,000,000 (equivalent to approximately HK\$148,800,000) to the Target in cash in proportion to their then respective shareholding percentages in the Target ("**Capital Contribution**").

Board composition

The board of directors of the Target shall consist of 5 directors, 2 of whom shall be nominated by the Purchaser, 2 of whom shall be nominated by the Vendor and 1 of whom shall be nominated by the Existing Target Shareholder.

Restriction on transfer or charging of shares in the Target

Unless with prior written consent of the Purchaser, each of the other shareholders of the Target shall not create or permit to subsist any pledge, lien or charge over, or grant any option or other rights over, or sell, transfer or dispose of any interest in, any of the Target Shares held by it on or before 31 December 2017. Subject to the aforesaid, any shareholder of the Target which intends to sell, transfer or dispose of its Target Shares to any third party must first offer such Target Shares to the other shareholders of the Target. If any of the offered shares are not taken up by the other shareholders, the selling shareholder shall be entitled to sell such remaining offered shares to the proposed purchaser at the offer price and on terms and conditions no more favourable than the terms of the offer for sale to the other shareholders of the Target.

INFORMATION ON THE TARGET GROUP

As at the date of this announcement, the Target is 100% owned by the Existing Target Shareholder. On 6 February 2015, the Vendor entered into a sale and purchase agreement with the Existing Target Shareholder in respect of the 98% Acquisition pursuant to which the Vendor has agreed to acquire 98 Target Shares, representing 98% of the issued share capital of the Target, from the Existing Target Shareholder. Completion of the 98% Acquisition has not yet taken place as at the date of this announcement. Pursuant to the SP Agreement, Completion shall take place simultaneously with the completion of the 98% Acquisition or immediately thereafter.

The Target is a company incorporated in the BVI with limited liability and is an investment holding company. The Target owns the entire issued share capital of HK Huayao, a company incorporated in Hong Kong with limited liability and is an investment holding company. HK Huayao owns the entire equity interests in Hangzhou Renji which in turn owns the entire equity interests in Hangzhou Shengkang and Hangzhou Shuke. Hangzhou Renji, Hangzhou Shengkang and Hangzhou Shuke are limited liability companies established in the PRC. The Target Group is principally engaged in operating (i) a rehabilitation-oriented hospital in Hangzhou which mainly provides services relating to rehabilitation care, traditional Chinese orthopaedics and Western medial orthopaedics; and (ii) an outpatient medical clinic in Hangzhou which provides traditional Chinese medical care, Western internal medicine healthcare and quality dental care services.

The unaudited consolidated net profit of the Target Group for the two years ended 31 December 2013 and 2014 were as follows:

	For the year ended 31 December 2013 RMB	For the year ended 31 December 2014 RMB
Net profit (before taxation)	300,000 (equivalent to approximately HK\$372,000)	5,619,000 (equivalent to approximately HK\$6,967,560)
Net profit (after taxation)	186,000 (equivalent to approximately HK\$230,640)	4,735,000 (equivalent to approximately HK\$5,871,400)

The unaudited consolidated total asset value and the net asset value of the Target Group as at 31 December 2014 were approximately RMB69,074,000 (equivalent to approximately HK\$85,651,760) and approximately RMB39,864,000 (equivalent to approximately HK\$49,431,360) respectively.

REASONS FOR AND BENEFITS OF THE ACQUISITION

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.

As the Group believes that the PRC healthcare market offers numerous investment opportunities with good potential, the Group has been actively seeking investment opportunities in the PRC healthcare market. The Target Group is a reputable rehabilitation and healthcare services provider based in Hangzhou, which has extensive business relationships and good knowledge of the business environment relating to the rehabilitation hospital and healthcare business in the PRC. The rehabilitation hospital has the market niche which offers clinical services complementary to the services of many big integrated hospitals in the nearby locality. With the increasing demand for rehabilitation services in Hangzhou and other parts of the PRC, the Group expects that such scalable and promising business model can be replicated in other provinces in the PRC. After Completion, the Group, the Vendor and the Existing Target Shareholder will contribute a total sum of RMB120 million into the Target in accordance with the terms of the Shareholders' Agreement, and such sum will be used to acquire or develop three more clinics in the coming two years. Leveraging the acquired clinics as the stepping stone and the strong management and professional expertise in operating chain clinics, the Group will continue to grow and expand its healthcare business scope in a bid to further its development in the PRC healthcare market.

As such, the Directors believe that the Acquisition will facilitate the Group's development of healthcare business in the PRC with a view to bringing more investment returns to the shareholders of the Company.

Having considered the factors as mentioned above, the Directors are of the view that the respective terms of the SP Agreement and the Shareholders' Agreement (including the Consideration and the proposed payment of the relevant portion of the Capital Contribution by the Group) are fair and reasonable and in the interests of the Company and its shareholders as a whole.

LISTING RULES IMPLICATIONS

As the relevant percentage ratios (as defined under the Listing Rules) in respect of the Acquisition (including the Consideration and the proposed payment of the relevant portion of the Capital Contribution by the Group) are more than 5% but less than 25%, the Acquisition constitutes a discloseable transaction for the Company under the Listing Rules and is subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context otherwise requires:

“Acquisition”	the acquisition of the Sale Shares
“Audited Profit”	the audited consolidated profit after tax of the Target Group, excluding any non-recurring and exceptional gains that are not related to the ordinary business of the Target Group based on the audited consolidated financial statements of the Target Group prepared in accordance with HKFRSs
“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
“BVI”	the British Virgin Islands
“Company”	Town Health International Medical Group Limited, a company incorporated in the Cayman Islands and continued in Bermuda with limited liability and the issued ordinary shares of which are listed on the Main Board of the Stock Exchange
“Completion”	completion of the Acquisition

“Completion Date”	the day on which the Completion is to take place (which day must be a Business Day after the last outstanding Condition shall have been fulfilled or waived) and the day on which the completion of the 98% Acquisition is to take place (or such other day as the Purchaser and the Vendor shall agree in writing), provided that such day shall fall on or before 31 March 2015 as the Purchaser and the Vendor may agree or if the Purchaser and the Vendor shall fail to agree on such day, 31 March 2015
“Conditions”	the conditions precedent to which the Completion is subject to as set out in the paragraph headed “Conditions precedent” of this announcement
“Consideration”	the sum of RMB151,280,000 (equivalent to approximately HK\$187,587,200) (subject to adjustments), being the consideration for the sale and purchase of the Sale Shares
“Director(s)”	the director(s) of the Company
“Existing Target Shareholder”	a Hong Kong citizen, being the sole legal and beneficial owner of the entire issued share capital of the Target as at the date of this announcement and will own 2% of the issued share capital of the Target upon completion of the 98% Acquisition
“FY 2015”	the year ending 31 December 2015
“FY 2016”	the year ending 31 December 2016

“FY 2017”	the year ending 31 December 2017
“Group”	the Company and its subsidiaries
“Hangzhou Renji”	杭州仁濟醫院管理有限公司 (the English translation for identification purpose only is “Hangzhou Renji Hospital Management Co., Ltd.”), being an indirect wholly-owned subsidiary of the Target and a limited liability company established in the PRC
“Hangzhou Shengkang”	杭州聖康醫院有限公司 (the English translation for identification purpose only is “Hangzhou Shengkang Hospital Co., Ltd.”) being an indirect wholly-owned subsidiary of the Target and a limited liability company established in the PRC
“Hangzhou Shuke”	杭州數科醫療門診部有限公司 (the English translation for identification purpose only is “Hangzhou Shuke Medical Clinic Co., Ltd.”) being an indirect wholly-owned subsidiary of the Target and a limited liability company established in the PRC
“HKFRSs”	Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants
“HK Huayao”	Huayao (China) Limited, a direct wholly-owned subsidiary of the Target and a company incorporated in Hong Kong with limited liability
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Parties”	third parties independent of the Company and its connected persons (as defined in the Listing Rules)
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

“Long Stop Date”	31 March 2015
“Mr. Zou”	Mr. Zou Lin, the sole legal and beneficial owner of the entire issued share capital of the Vendor
“PRC”	the People’s Republic of China, excluding Hong Kong, Macau Special Administrative Region of the PRC and Taiwan for the purpose of this announcement
“RMB”	Renminbi, the lawful currency of the PRC
“Sale Shares”	49 Target Shares, representing 49% of the issued share capital of the Target, beneficially owned by the Vendor immediately prior to Completion
“Shareholders’ Agreement”	the shareholders’ agreement in respect of the management and rights of the then shareholders of the Target to be entered into by and among the Purchaser, the Vendor, the Existing Target Shareholder, Mr. Zou and the Target upon Completion
“SP Agreement”	the sale and purchase agreement dated 17 March 2015 entered into between the Purchaser, the Vendor and Mr. Zou as the Vendor’s guarantor in relation to the Acquisition
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target”	Huayao Medical Group Limited, a company incorporated in the BVI with limited liability
“Target Group”	the Target and its subsidiaries, namely HK Huayao, Hangzhou Renji, Hangzhou Shengkang and Hangzhou Shuke
“Target Share(s)”	ordinary share(s) of US\$1.00 each in the issued share capital of the Target

“Vendor”	Tianle Group Limited, a company incorporated in the BVI with limited liability
“98% Acquisition”	the acquisition of 98 Target Shares, representing 98% of the issued share capital of the Target, by the Vendor from the Existing Target Shareholder
“%”	per cent.

In this announcement, for the purpose of illustration only, unless otherwise specified, the exchange rate is RMB1:HK\$1.24. Such exchange rate has been used, where applicable, for the purpose of illustration only and does not constitute a representation that any amounts were or may have been exchanged at this or any other rates or at all.

By order of the Board
Town Health International Medical Group Limited
Lee Chik Yuet
Executive Director

Hong Kong, 17 March 2015

As at the date of this announcement, the executive Directors are Miss Choi Ka Yee, Crystal (Chairperson), Dr. Cho Kwai Chee (Executive Vice Chairman), Dr. Hui Ka Wah, Ronnie, JP (Chief Executive Officer), Dr. Ip Chun Heng, Wilson, Mr. Lee Chik Yuet, Dr. Chan Wing Lok, Brian and Mr. Wong Seung Ming (Chief Financial Officer); 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, Mr. Wai Kwok Hung, SBS, JP and Mr. Wong Tat Tung.