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WANG ON GROUP LIMITED

(Incorporated in Bermuda with limited liability)

DISCLOSEABLE TRANSACTION

**Joint financial advisers
to Wang On Group Limited**



Kingston Corporate Finance Limited



Kingsway Capital Limited



TOWN HEALTH INTERNATIONAL HOLDINGS COMPANY LIMITED

(Incorporated in the Cayman Islands with limited liability)

MAJOR TRANSACTION

**Financial adviser to
Town Health International Holdings Company Limited**



First Shanghai Capital Limited

PROPOSED ACQUISITION OF AN EFFECTIVE INTEREST OF APPROXIMATELY 52.26% IN AND SHAREHOLDER'S LOAN OF LUXEMBOURG MEDICINE COMPANY LIMITED BY WANG ON GROUP LIMITED

The respective directors of Wang On and Town Health wish to announce that on 17th February, 2003, Wang On entered into an agreement with Town Health, pursuant to which Wang On has conditionally agreed to acquire from the Town Health Group (i) the entire issued share capital of Bio Chapter at a consideration of HK\$67,332,186; and (ii) the Shareholder's Loan at a consideration

of HK\$2,655,305. The sole asset of Bio Chapter is its approximate 49.88% equity interest in LMC. The total consideration of HK\$69,987,491 will be satisfied by Wang On by the transfer of 2,120,833,061 WYT Holdings Shares held by Rich Time to Town Health (or as it may direct) at a transfer price of HK\$0.033 per WYT Holdings Share, which is equal to the closing price of WYT Holdings Shares as quoted on the Stock Exchange on 30th January, 2003 (being the last day of trading in WYT Holdings Shares on the Stock Exchange prior to the release of an announcement in relation to a proposed major and connected transaction).

The directors of Wang On also wish to announce that on 17th February, 2003, Biomore Investments entered into an agreement with the Two Individual Shareholders pursuant to which Biomore Investments has conditionally agreed to acquire 1,035,112 LMC Shares from the Two Individual Shareholders (as to 517,556 LMC Shares from each of them) at a consideration of HK\$3,214,282. Such consideration will be satisfied partly by payment of cash in the amount of HK\$1,480,000 and partly by procuring the transfer of 52,554,000 WYT Holdings Shares to the Two Individual Shareholders (or as they may direct) at a transfer price of HK\$0.033 per WYT Holdings Share.

Completion of each of the Acquisition Agreements is conditional upon (i) the passing by the shareholders of Town Health of the necessary resolution approving the sale of the entire issued share capital of Bio Chapter and the Shareholder's Loan upon the terms of the Acquisition Agreement I in accordance with the GEM Listing Rules; and (ii) Wang On having procured the Conversion to take place after fulfilment of the condition set out in (i) above.

The acquisitions contemplated under the Acquisition Agreements constitute a discloseable transaction for Wang On under the Listing Rules. A circular containing, among other things, further details of the Acquisition Agreements will be despatched to the shareholders of Wang On as soon as practicable.

The sale by Town Health of its interest in Bio Chapter and the transfer of the Shareholder's Loan to Wang On together constitute a major transaction for Town Health under the GEM Listing Rules and will be subject to its shareholders' approval at an extraordinary general meeting to be convened for such purpose. None of the shareholders of Town Health is interested in the said disposal and as such, none of them will be required to abstain from voting at the extraordinary general meeting of Town Health. A circular containing, among other things, further details of the Bio Chapter Acquisition and the notice of the extraordinary general meeting will be despatched to the shareholders of Town Health as soon as practicable.

At the request of Town Health, trading in the shares of Town Health on GEM was suspended from 9:30 a.m. on 4th February, 2003 pending the issue of this announcement. Application has been made by Town Health to the Stock Exchange for the resumption of trading in its shares on GEM from 9:30 a.m. on 18th February, 2003.

THE ACQUISITION AGREEMENT I AND THE ACQUISITION AGREEMENT II

Date of the Acquisition Agreement I and the Acquisition Agreement II

17th February, 2003

Parties and assets involved

	Acquisition Agreement I	Acquisition Agreement II
Vendors	: Town Health	Two Individual Shareholders
Purchaser	: Wang On	Biomore Investments
Assets to be acquired	: (i) 27,799 shares of US\$1.00 each in the issued capital of Bio Chapter, representing the entire issued share capital of Bio Chapter, the sole asset of which is its approximate 49.88% equity interest in LMC ; and (ii) the Shareholder's Loan.	1,035,112 LMC Shares from the Two Individual Shareholders (as to 517,556 LMC Shares from each of them), representing approximately 2.38% of the total issued LMC Shares.

Each of Town Health and the Two Individual Shareholders is independent of and not connected with any of the directors, chief executive, substantial shareholders of Wang On or any of its subsidiaries or an associate (as defined in the Listing Rules) of any of them.

Wang On is independent of and not connected with any of the directors, chief executive, substantial shareholders or management shareholders of Town Health or an associate (as defined in the GEM Listing Rules) of any of them.

Consideration

Set out below are the details of the consideration payable by Wang On and the method of settlement under the Acquisition Agreements:

	Acquisition Agreement I	Acquisition Agreement II
Consideration	: A sum of HK\$69,987,491, of which HK\$67,332,186 shall be attributable to the Bio Chapter Acquisition and HK\$2,655,305 shall be attributable to the acquisition of the Shareholder's Loan	A sum of HK\$3,214,282, which shall be payable by Wang On to the Two Individual Shareholders in equal shares
Method of settlement of consideration	: By the transfer of 2,120,833,061 WYT Holdings Shares held by Rich Time to Town Health (or as it may direct) at a transfer price of HK\$0.033 per WYT Holdings Share	Partly by payment of cash in the amount of HK\$1,480,000 and partly by procuring the transfer of 52,554,000 WYT Holdings Shares to the Two Individual Shareholders (or as they may direct) at a transfer price of HK\$0.033 per WYT Holdings Share

The consideration for the Bio Chapter Acquisition and the LMC Acquisition was arrived at after arm's length negotiations between all parties to the Acquisition Agreements by reference to the following:

- the historical audited net profit of the LMC Group. For the fifteen months ended 31st March, 2001 and the year ended 31st March, 2002, the LMC Group recorded an audited profit attributable to shareholders of approximately HK\$10,644,000 and HK\$9,544,000 respectively; and
- the expected future growth potential of the LMC Group after taking into account the LMC Group's well-known and long established brand name "Madame Pearl's" and its future business expansion in the PRC.

The consideration for the acquisition of the Shareholder's Loan was arrived at after arm's length negotiations between Wang On and Town Health by reference to the face value of the Shareholder's Loan.

The transfer price of HK\$0.033 per WYT Holdings Share equals the closing price of HK\$0.033 per WYT Holdings Share as quoted on the Stock Exchange on 30th January, 2003 (being the last day of trading in WYT Holdings Shares on the Stock Exchange prior to the release of an announcement in relation to a proposed major and connected transaction) and a discount of approximately 0.3% to the average closing price of HK\$0.0331 per WYT Holdings Share as quoted on the Stock Exchange for the 10 trading days up to and including 30th January, 2003.

Conditions precedent

Completion of each of the Acquisition Agreements is conditional upon the following conditions being fulfilled:

- (i) the passing by the shareholders of Town Health of the necessary resolution approving the sale of the entire issued share capital of Bio Chapter and the Shareholder's Loan upon the terms of the Acquisition Agreement I in accordance with the GEM Listing Rules; and
- (ii) Wang On having procured the Conversion to take place after fulfilment of the condition set out in (i) above.

In the event that the above conditions are not fulfilled on or before 31st March, 2003 (or such later date as may be agreed between the parties to the Acquisition Agreement I and the Acquisition Agreement II (as the case may be), the Acquisition Agreement I and the Acquisition Agreement II (as the case may be) shall lapse.

Completion

Completion of the Acquisition Agreements shall take place on the second Business Day after the fulfillment of the above conditions, or such later date as the relevant parties may agree in writing prior to completion.

CONVERSION OF THE CONVERTIBLE NOTES BY THE WANG ON GROUP

Currently, Wang On (through Rich Time) is the holder of the Convertible Notes in the aggregate principal amount of HK\$76 million. To facilitate the Bio Chapter Acquisition and to ensure that the Wang On Group will remain the single largest shareholder of WYT Holdings after completion of the Acquisition Agreements, Wang On has agreed under the Acquisition Agreement I to procure the Conversion to take place after the shareholders of Town Health have passed the necessary resolution to approve the sale of the entire issued share capital of Bio Chapter and the Shareholder's Loan upon the terms of the Acquisition Agreement I in accordance with the GEM Listing Rules. The Conversion will result in the issue of 1,200,000,000 WYT Holdings Shares at a conversion price of HK\$0.01 each, representing approximately 8.22% of the total issued WYT Holdings Shares as at the date of this announcement and approximately 7.60% of the total issued WYT Holdings Shares after the Conversion has taken place (assuming no new WYT Holdings Shares will be issued prior to the Conversion). If the necessary resolution is not passed by the shareholders of Town Health, the Conversion will not take place.

INFORMATION ON THE LMC GROUP

The LMC Group is principally engaged in the sale of cough syrup under the brand name "Madame Pearl's" including "AntiHist Syrup", "Cough Mixture" and "Dry Cough Mixture", etc., and other healthcare products in the form of tablets and capsule.

The audited consolidated net profit of the LMC Group for the fifteen months ended 31st March, 2001 and the year ended 31st March, 2002 are set out as follows:

	Fifteen months ended	Year ended
	31st March, 2001	31st March, 2002
	<i>(Note)</i>	
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit before taxation	12,597	11,324
Profit attributable to shareholders	10,644	9,544

Note: As a result of Town Health becoming its controlling shareholder in February 2001, LMC changed its financial year-end date from 31st December to 31st March in 2001, in order to be consistent with the financial year-end date of Town Health.

The LMC Group recorded an unaudited loss for the six months ended 30th September, 2002 of approximately HK\$5.5 million.

The audited consolidated net asset value of the LMC Group was approximately HK\$10,520,000 as at 31st March, 2002 (comprising total assets of approximately HK\$25,972,000 and total liabilities of approximately HK\$15,452,000).

LMC is currently owned as to approximately 49.88% by Bio Chapter, as to approximately 47.53% by Biomore Investments, as to approximately 2.38% by the Two Individual Shareholders and as to the remaining balance of approximately 0.21% by other three individuals who are independent of and not connected with (i) any of the directors, chief executive, substantial shareholders of Wang On or any of its subsidiaries or an associate (as defined in the Listing Rules) of any of them and (ii) any of the directors, chief executive, substantial shareholders or management shareholders of Town Health or an associate (as defined in the GEM Listing Rules) of any of them. After completion of the Acquisition Agreements, LMC will be owned as to approximately 99.79% by the Wang On Group and as to the balance of approximately 0.21% by the aforesaid three individuals.

At present, the board of directors of LMC consists of 6 members, out of which 2 members are representatives of Wang On, 2 members are representatives of Town Health and 2 members are full-time staff of LMC. Upon completion of the Acquisition Agreement I, Town Health shall procure the resignation of the 2 board members of LMC nominated by it at the request of Wang On.

INFORMATION ON WYT HOLDINGS

The WYT Holdings Group is principally engaged in (i) the business of manufacturing, processing and retailing of traditional Chinese medicine which includes Chinese medicinal products sold under the name "Wai Yuen Tong" and a range of products manufactured by selected medicinal materials with traditional prescription; and (ii) the manufacture and sale of watches and bags.

The audited loss before taxation of WYT Holdings Group for each of the two years ended 31st March, 2001 and 2002 were approximately HK\$31,260,000 and HK\$33,682,000 respectively. The audited loss after taxation of WYT Holdings Group for each of the two years ended 31st March, 2001 and 2002 were approximately HK\$31,491,000 and HK\$33,787,000 respectively. The audited loss of WYT Holdings Group attributable to its shareholders for each of the two years ended 31st March, 2001 and 2002 were approximately HK\$31,491,000 and HK\$33,552,000 respectively. The unaudited net deficit in the net tangible assets of WYT Holdings Group as at 30th September, 2002 was approximately HK\$105,666,000.

It is the present intention of Wang On that after completion of the Acquisition Agreements, its 2 existing representatives will continue to be its only appointees in the board of WYT Holdings to involve in its management. At present, the directors of Town Health do not intend to appoint any director to the board of WYT Holdings after completion of the Acquisition Agreements.

REASONS FOR THE BIO CHAPTER ACQUISITION, THE LMC ACQUISITION AND THE SHAREHOLDER'S LOAN BY WANG ON

The Wang On Group is principally engaged in the commercial management of Chinese wet markets, shopping centers, car parks and property investment. It also has interests in the pharmaceutical business through its investments in LMC and WYT Holdings.

Currently, the Wang On Group (through Biomore Investments) is interested in approximately 47.53% of the total issued LMC Shares and LMC is accounted for as an associate company of Wang On. After completion of the Acquisition Agreements, the shareholding of the Wang On Group in LMC will increase to approximately 99.79%, thereby enabling Wang On to treat LMC as a subsidiary and consolidate its results into those of Wang On. Having considered the expected future growth potential of the LMC Group after taking into account the LMC Group's well-known and long established brand name "Madame Pearl's" and its future business expansion in the PRC, the directors of Wang On consider that the Bio Chapter Acquisition, the LMC Acquisition and the acquisition of the Shareholder's Loan are in the interest of the Wang On Group.

In view of the above, the directors of Wang On consider the terms of the Acquisition Agreements to be fair and reasonable and are in the best interest of Wang On and its shareholders as a whole.

REASONS FOR THE DISPOSAL OF INTEREST IN BIO CHAPTER BY TOWN HEALTH

Town Health, through its subsidiaries, is principally engaged in the provision of management services for private medical and dental practices and is an integrated healthcare service provider for the general public in Hong Kong.

The directors of Town Health believe that the sale (through the sale of Bio Chapter and the Shareholder's Loan) of its stake in LMC, which is a privately-owned company, in exchange for interest in WYT Holdings, which is a listed company, would provide more flexibility to the Town Health Group as it would ease the burden of the Town Health Group to provide management support to the LMC Group. The two executive directors of Town Health would no longer be required to participate in the management of the LMC Group on a regular basis, thus allowing them to focus on the management of the Town Health Group. It would enable the Town

Health Group to increase its investment in traditional Chinese medicine business through its investment in WYT Holdings and would allow Town Health to focus on its existing core businesses in medical and dental practices. Town Health currently intends to hold the WYT Holdings Shares as long-term investment.

The directors of Town Health consider that the increase in shareholding in WYT Holdings is consistent with the corporate strategy of Town Health to diversify its business to capture the market potential of other healthcare-related business, including traditional Chinese medicine business, as stated in its prospectus dated 9th October, 2000.

The transfer price of HK\$0.033 per WYT Holdings Share was arrived at after arm's length negotiation between Town Health and Wang On. As the transfer price is the same as the latest market price and at a slight discount to the latest 10-day average market price of WYT Holdings Shares, the directors of Town Health consider that the transfer price of the WYT Holdings Shares is fair and reasonable.

The Town Health Group acquired approximately 46.43% and 3.45% equity interests in LMC in February 2001 and March 2002 respectively at the consideration of HK\$39,000,000 and HK\$6,000,000 respectively. By reference to the carrying value of its investment in LMC Group as at 30th September 2002, the unamortized goodwill arising from the acquisition of LMC Group as at 30th September 2002, and the transfer price of HK\$0.033 per WYT Holdings Share, the directors of Town Health currently estimate that the expected gain on the disposal of the entire issued share capital of Bio Chapter by Town Health will amount to approximately HK\$23.8 million.

Having considered the factors mentioned above, the directors of Town Health consider the terms of the disposal of interest in Bio Chapter and the transfer of the Shareholder's Loan are fair and reasonable and are in the interests of Town Health and its shareholders as a whole.

SHAREHOLDING OF WANG ON AND TOWN HEALTH IN WYT HOLDINGS

The shareholding of the Wang On Group and the Town Health Group in WYT Holdings (including the number of WYT Holdings Shares held and the approximate percentage of shareholding) prior to and immediately after the Conversion (assuming no new WYT Holdings Shares will be issued prior to the Conversion), upon completion of the Acquisition Agreements (assuming no new WYT Holdings Shares will be issued after the Conversion but before the completion of the Acquisition Agreements) and assuming full conversion of the Convertible Notes in the remaining outstanding principal amount of HK\$64,000,000 at the initial conversion price of HK\$0.01, are presented as follows:

	A		B		C		D	
Wang On Group	5,847,388,666	40.08%	7,047,388,666	44.63%	4,874,001,605	30.87%	11,274,001,605	50.81%
Town Health Group	2,591,111,334	17.76%	2,591,111,334	16.41%	4,711,944,395	29.84%	4,711,944,395	21.23%
Other shareholders	6,151,419,864	42.16%	6,151,419,864	38.96%	6,203,973,864	39.29%	6,203,973,864	27.96%
Total	<u>14,589,919,864</u>	<u>100.00%</u>	<u>15,789,919,864</u>	<u>100.00%</u>	<u>15,789,919,864</u>	<u>100.00%</u>	<u>22,189,919,864</u>	<u>100.00%</u>

- The existing shareholding structure of WYT Holdings.
- After the Conversion which will result in the issue of 1,200,000,000 WYT Holdings Shares at a conversion price of HK\$0.01 each (assuming no new WYT Holdings Shares will be issued prior to the Conversion).
- After B above and completion of the Acquisition Agreements, upon which 2,120,833,061 WYT Holdings Shares will be transferred from the Wang On Group to Town Health (or as it may direct) and 52,554,000 WYT Holdings Shares will be transferred from the Wang On Group to the Two Individual Shareholders who are categorised as other shareholders (assuming no new WYT Holdings Shares will be issued after the Conversion but before the completion of the Acquisition Agreements).
- After C above and the issue of 6,400,000,000 WYT Holdings Shares to Wang On assuming full conversion of the Convertible Notes in the remaining outstanding principal amount of HK\$64,000,000 by Rich Time at the initial conversion price of HK\$0.01.

GENERAL

The acquisitions contemplated under the Acquisition Agreements constitute a discloseable transaction for Wang On under the Listing Rules. A circular containing, among other things, further details of the Acquisition Agreements will be despatched to the shareholders of Wang On as soon as practicable.

The sale by Town Health of its interest in Bio Chapter and the transfer of the Shareholder's Loan to Wang On together constitute a major transaction for Town Health under the GEM Listing Rules and will be subject to its shareholders' approval at an extraordinary general meeting to be convened for such purpose. None of the shareholders of Town Health is interested in the said disposal and as such, none of them will be required to abstain from voting at the extraordinary general meeting of Town Health. Origin Limited, a company controlled by Dr. Cho Kwai Chee and which holds approximately 20.06% of the total issued share capital of Town Health, has undertaken with Wang On that it will vote in favour of the transaction at the extraordinary general meeting of Town Health. Currently, Dr. Cho Kwai Chee is not interested in any of the shares of WYT Holdings (other than through his interest in Town Health) and Wang On. A circular containing, among other things, further details of the Bio Chapter Acquisition and the notice of the extraordinary general meeting will be despatched to the shareholders of Town Health as soon as practicable.

At the request of Town Health, trading in the shares of Town Health on GEM was suspended from 9:30 a.m. on 4th February, 2003 pending the issue of this announcement. Application has been made by Town Health to the Stock Exchange for the resumption of trading in its shares on GEM from 9:30 a.m. on 18th February, 2003.

DEFINITIONS

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

“Acquisition Agreement I”	the agreement dated 17th February, 2003 entered into between Wang On and Town Health in respect of the Bio Chapter Acquisition and the acquisition of the Shareholder’s Loan
“Acquisition Agreement II”	the agreement dated 17th February, 2003 entered into between Biomore Investments and the Two Individual Shareholders in respect of the LMC Acquisition
“Acquisition Agreements”	Acquisition Agreement I and Acquisition Agreement II
“Bio Chapter”	Bio Chapter Limited, a company incorporated in the British Virgin Islands with limited liability and an indirect wholly-owned subsidiary of Town Health
“Bio Chapter Acquisition”	the acquisition by Wang On of 27,799 shares of US\$1.00 each in the capital of Bio Chapter pursuant to the Acquisition Agreement I
“Biomore Investments”	Biomore Investments Limited, a company incorporated in the British Virgin Islands and an indirect wholly-owned subsidiary of Wang On
“Business Day”	a day (other than a Saturday or a Sunday) on which banks are open for business in Hong Kong
“Conversion”	conversion of the Convertible Notes in the aggregate principal amount of HK\$12 million by Rich Time
“Convertible Notes”	3.8% convertible notes in the aggregate principal amount of HK\$84 million due on 8th July, 2005 issued by WYT Holdings on 9th July, 2002 (as to which those in the principal amount of HK\$76 million are currently held by Rich Time)
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“LMC”	Luxembourg Medicine Company Limited, a company incorporated in Hong Kong with limited liability
“LMC Acquisition”	the acquisition by Wang On of 517,556 LMC Shares from each of the Two Individual Shareholders pursuant to the Acquisition Agreement II
“LMC Group”	LMC and its subsidiaries
“LMC Shares”	shares of HK\$0.01 each in the share capital of LMC
“PRC”	the People’s Republic of China
“Rich Time”	Rich Time Strategy Limited, a company incorporated in the British Virgin Islands and an indirect wholly-owned subsidiary of Wang On
“Shareholder’s Loan”	the loan due by LMC to the Town Health Group in the amount of HK\$2,655,305.48 as at 31st December, 2002
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Town Health”	Town Health International Holdings Company Limited, a company incorporated in the Cayman Islands with limited liability and the shares of which are listed on GEM
“Town Health Group”	Town Health and its subsidiaries
“Two Individual Shareholders”	two individual shareholders of LMC who together are interested in approximately 2.38% of the total issued LMC Shares

Wang On Group Limited

“Wang On”	Wang On Group Limited, a company incorporated in Bermuda with limited liability and the shares of which are listed on the main board of the Stock Exchange
“Wang On Group”	Wang On and its subsidiaries
“WYT Holdings”	Wai Yuen Tong Medicine Holdings Limited, a company incorporated in Bermuda with limited liability and the shares of which are listed on the main board of the Stock Exchange
“WYT Holdings Group”	WYT Holdings and its subsidiaries
“WYT Holdings Shares(s)”	share(s) of HK\$0.01 each in the capital of WYT Holdings
“%”	per cent.

By Order of the Board
Wang On Group Limited
Tang Ching Ho
Chairman and Managing Director

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

Hong Kong, 17th February, 2003

This announcement (other than those information relating to Wang On), for which the directors of Town Health 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, confirmed that, to the best of their knowledge and belief: - (1) the information contained in this announcement (other than those information relating to Wang On) 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 (other than those statements relating to Wang On) misleading; and (3) all opinions expressed in this announcement (other than those opinions relating to Wang On) 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 <http://www.hkgem.com> on the “Latest Company Announcements” page for at least 7 days from the date of its publication and on the website of Town Health at <http://www.townhealth.com>.

Please also refer to the published version of this announcement in The Standard dated on 18-2-2003.