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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)

(Stock Code: 8138)

**HUA XIA HEALTHCARE
HOLDINGS LIMITED**

華夏醫療集團有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8143)

**JOINT ANNOUNCEMENT
LETTER OF INTENT –
COOPERATION IN MEDICAL AND HEALTHCARE BUSINESSES IN THE PRC**

On 18 October 2006, Town Health International and Hua Xia entered into a non-legally binding letter of intent with an objective to leveraging the resources and expertise of Town Health International and Hua Xia in their cooperative development in the medical and healthcare related business in the PRC. The Parties also agreed to cooperate in the areas of hospital management, training of medical service personnel, education and scientific research.

Town Health International and Hua Xia target to develop businesses in the provision of dental services and beauty services including cosmetic dermatology and plastic surgery on a cooperative basis at an initial stage.

It is proposed that two joint venture companies be formed, one to be engaged in the provision of dental services and another to be engaged in the provision of beauty services including cosmetic dermatology and plastic surgery. The Dental JV will be held as to 60% by Town Health International and 40% by Hua Xia whereas the Beauty JV will be held as to 40% by Town Health International and 60% by Hua Xia. As at the date of this announcement, no other detailed terms on the formation of the JV Companies have been finalized, including the registered capital.

Shareholders should note that the Letter of Intent may or may not lead to any agreement and the proposed transactions contemplated thereof may or may not proceed. No formal agreement in relation to the Letter of Intent has been entered into as at the date of this announcement. It is the common intention of the Parties to negotiate in good faith the terms of the proposed cooperation to reach a formal commercial agreement. Further announcement will be made in relation to the formation of the JV Companies in accordance with the GEM Listing Rules. As the proposed transactions contemplated under the Letter of Intent may or may not proceed, shareholders of the Parties and investors are advised to exercise caution when dealing in the shares of the Parties.

* For identification purposes only

LETTER OF INTENT

On 18 October 2006, Town Health International Holdings Company Limited (“Town Health International”) and Hua Xia Healthcare Holdings Limited (“Hua Xia”, together with Town Health International, the “Parties”) entered into a non-legally binding letter of intent (the “Letter of Intent”) with an objective to leveraging the resources and expertise of Town Health International and Hua Xia in their cooperative development in the medical and healthcare related business in the People’s Republic of China (the “PRC”). The Parties also agreed to cooperate in the areas of hospital management, training of medical service personnel, education and scientific research.

Principal terms

Formation of two joint venture companies

Town Health International and Hua Xia target to develop businesses in the provision of dental services and beauty services including cosmetic dermatology and plastic surgery on a cooperative basis at an initial stage.

It is proposed that two joint venture companies (the “JV Companies”) be formed, one to be engaged in the provision of dental services (the “Dental JV”) and another to be engaged in the provision of beauty services including cosmetic dermatology and plastic surgery (the “Beauty JV”). The Dental JV will be held as to 60% by Town Health International and 40% by Hua Xia whereas the Beauty JV will be held as to 40% by Town Health International and 60% by Hua Xia. As at the date of this announcement, no other detailed terms on the formation of the JV Companies have been finalized, including the registered capital.

Responsibilities of the Parties

Town Health International will be principally responsible for the provision of personnel, management and supervision of the dental and beauty businesses and Hua Xia will be responsible for the establishment of the businesses such as setting up healthcare center, promotion and building up business network in the PRC.

REASONS FOR THE LETTER OF INTENT

In order to capture the rapidly growing demand in the medical and healthcare services in the PRC, the Parties entered into the Letter of Intent with a view to leveraging their respective resources and expertise in their cooperative development in the medical and healthcare related business in the PRC. As an initial stage, the Parties propose to set up the JV Companies to develop business in the areas of dental services and beauty services including cosmetic dermatology and plastic surgery.

Given the well-established healthcare system and highly-trained personnel of Town Health International and the experience in hospital management and good business network in the healthcare industry in the PRC of Hua Xia, the directors of the Parties are of the view that the Letter of Intent provides a blueprint for the Parties to create synergy in the medical and healthcare business development in the PRC and the proposed formation of the JV Companies represents a good opportunity and a milestone for the Parties as a start to expand their businesses in the PRC market.

INFORMATION ON THE PARTIES

Town Health International and its subsidiaries are principally engaged in the provision of management service for private medical and dental practices and integrated healthcare service for the general public in Hong Kong.

Hua Xia and its subsidiaries are principally engaged in the production, sourcing, sales and marketing, design and development of environmental protection products and ancillary services for combating environmental problems in particularly, the PRC and Korea, and the provision of healthcare management services to certain hospitals in the PRC.

Town Health International and Hua Xia and their respective directors, chief executive, substantial shareholders, subsidiaries and associates (as defined in the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the “GEM Listing Rules”)) are not connected with each other.

GENERAL

Shareholders should note that the Letter of Intent may or may not lead to any agreement and the proposed transactions contemplated thereof may or may not proceed. No formal agreement in relation to the Letter of Intent has been entered into as at the date of this announcement. It is the common intention of the Parties to negotiate in good faith the terms of the proposed cooperation to reach a formal commercial agreement. Further announcement will be made in relation to the formation of the JV Companies in accordance with the GEM Listing Rules. As the proposed transactions contemplated under the Letter of Intent may or may not proceed, shareholders of the Parties and investors are advised to exercise caution when dealing in the shares of the Parties.

As at the date of this announcement, the board of Town Health International comprises four executive directors, namely Mr. Cho Kwai Chee, Miss Choi Ka Yee, Crystal, Mr. Cho Kwai Yee, Kevin and Mr. Fung Yiu Tong, Bennet, one non-executive director, Dr. Francis Choi Chee Ming JP, and three independent non-executive directors, namely Mr. Chan Kam Chiu, Mr. Wai Kwok Hung JP and Mr. Ho Kwok Wah, George.

As at the date of this announcement, the board of Hua Xia comprises four executive directors, namely Mr. Yung Kwok Leong, Ms. Shum Ngai Pan, Mr. Chen Jin Shan and Mr. Weng Jiaying, and three independent non-executive directors, namely Mr. Chan Francis Ping Kuen, Mr. Hsu Shiu Foo, William and Mr. Yu Chai Mei.

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

By order of the board of
**Hua Xia Healthcare
Holdings Limited**
Yung Kwok Leong
Chairman

Hong Kong, 19 October 2006

This announcement, for which the directors of Town Health International 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 International. The directors of Town Health International, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, (i) the information contained in this announcement (other than that in relation to Hua Xia) is accurate and complete in all material respects and not misleading; (ii) there are no other matters (other than that in relation to Hua Xia) 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.

This announcement, for which the directors of Hua Xia 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 Hua Xia. The directors of Hua Xia, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, (i) the information contained in this announcement (other than that in relation to Town Health International) is accurate and complete in all material respects and not misleading; (ii) there are no other matters (other than that in relation to Town Health International) 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.

This announcement will remain on the “Latest Company Announcements” page on the GEM website at www.hkgem.com for at least 7 days of its posting and on the websites of Hua Xia and Town Health International at www.huaxia-healthcare.com and www.townhealth.com respectively.