

Each of The Stock Exchange of Hong Kong Limited and the Securities and Futures Commission takes no responsibility for the contents of this announcement, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



TOWN HEALTH INTERNATIONAL HOLDINGS COMPANY LIMITED

康健國際控股有限公司

(incorporated in the Cayman Islands with limited liability)

**PLACING OF EXISTING SHARES
AND
SUBSCRIPTION OF NEW SHARES**



GREAT CHINA BROKERAGE LIMITED

Placing Agent

On 3rd May, 2001, arrangements were made by the Company and the Placing Agent for the private placement by Origin of an aggregate of 50,000,000 existing Shares (representing approximately 12.5 per cent. of the existing issued share capital of the Company) at HK\$0.45 per Share to independent investors. The Placing Price represents a discount of about 10 per cent. to the closing price of HK\$0.50 per Share quoted on the Stock Exchange on 2nd May, 2001 and a discount of approximately 36.35 per cent. to the average closing price of HK\$0.707 per Share quoted on the Stock Exchange over the last 10 trading days up to and including 2nd May, 2001.

On 3rd May, 2001, Origin also entered into an agreement with the Company to subscribe, subject to certain conditions, for 50,000,000 new Shares (representing approximately 11.10 per cent. of the Company's enlarged issued share capital after completion of the Subscription). The subscription price payable under the Subscription is equal to the aggregate Placing Price of HK\$22.5 million for the Placing Shares net of expenses relating to the

Placing and Subscription including the commissions payable to the Placing Agent and other expenses (including stamp duty and Stock Exchange transaction levy) incurred by Origin in connection with the Placing and divided by 50,000,000 Shares. This is estimated to be approximately HK\$0.42 per Share.

Before completion of the Placing and the Subscription, Origin was beneficially interested in 196,475,846 Shares, representing approximately 49.12 per cent. of the existing issued share capital of the Company. Immediately upon completion of the Placing and the Subscription, Origin will beneficially own as to approximately 43.66 per cent. of the Company's enlarged issued share capital.

It is estimated that the Subscription will raise approximately HK\$21 million net proceeds for the Company which will be used for investment in potential bio-medical projects and the research and development of advanced diagnostic medical equipment which is complementary to the business objectives of the Group as set out in the Prospectus.

Trading in the Shares on the Stock Exchange was suspended from 10 a.m. on 3rd May, 2001 at the request of the Company pending the issue of this announcement. Application has been made for resumption of trading in the Shares as from 10 a.m. on 7th May, 2001.

I. Placing Agreement

Vendor

Origin, a controlling shareholder of the Company and a beneficial owner of 196,475,846 Shares (representing approximately 49.12 per cent. of the existing issued share capital of the Company).

Placing Shares

50,000,000 existing Shares.

The Placing Shares represent about 12.5 per cent. of the Company's existing issued share capital of 400,000,000 Shares.

The Placing Shares rank *pari passu* in all respects with all other existing issued Shares and are sold free from any claims, charges, liens, encumbrances or any other third party rights.

Placing Agent

Great China Brokerage Limited. The Placing Agent is independent from, not connected with and does not act in concert with the directors, chief executive, substantial shareholders or management shareholders of the Company or any of its subsidiaries or their respective associates.

Subject to completion of the Placing, a commission of 2.5 per cent. of the total aggregate consideration for all of the Placing Shares will be payable by Origin to the Placing Agent.

Placees

20 institutional, professional and individual investors who are independent from not connected with and do not act in concert with the directors, chief executive, substantial shareholders or management shareholders of the Company or any of its subsidiaries or their respective associates. A chart showing the shareholding interests in the Company to be held by such placees immediately following completion of the Placing and Subscription is set out in section III below.

Placing Price

HK\$0.45 per Placing Share.

The Placing Price was arrived at after arm's length negotiations between the Company, Origin and the Placing Agent, having taken into account of the general market conditions, and represents a discount of about 10 per cent. to the closing price of HK\$0.50 per Share quoted on the Stock Exchange on 2nd May, 2001, being the last trading day prior to the day on which the Placing Agreement and the Subscription Agreement were entered into, and a discount of approximately 36.35 per cent. to the average closing price of HK\$0.707 per Share quoted on the Stock Exchange over the last 10 trading days up to and including 2nd May, 2001.

Conditions of the Placing

The Placing is unconditional and fully underwritten by the Placing Agent.

Completion of Placing

The Placing was completed on 4th May, 2001.

II. Subscription Agreement

Subscriber

Origin.

New Shares

50,000,000 new Shares representing approximately 12.5 per cent. of the Company's existing issued share capital, and approximately 11.10 per cent. of the Company's issued share capital as enlarged by the issue of the New Shares under the Subscription.

Subscription Price of approximately HK\$0.42 per Share

The subscription price payable under the Subscription is equal to the aggregate Placing Price of HK\$22.5 million for the Placing Shares net of expenses relating to the Placing and Subscription including the commissions payable to the Placing Agent and other expenses (including stamp duty and Stock Exchange transaction levy) incurred by Origin in connection with the Placing and divided by 50,000,000 Shares. This is estimated to be approximately HK\$0.42 per Share.

Mandate to issue New Shares

The New Shares will be issued and allotted under the general mandate granted to the Directors at an extraordinary general meeting of the Company held on 20th September, 2000 which has not previously been utilised.

Rights of the New Shares

The New Shares will upon issue rank pari passu in all respects with the existing Shares in issue including the right to receive all dividends and distributions declared, paid or made with reference to a record date on or after the date of completion of the Subscription.

Completion of the Subscription

Expected to take place on the day on which the last of the conditions referred to under "Conditions of the Subscription" below has been satisfied, which shall not be later than 17th May, 2001.

Conditions of the Subscription

Completion of the Subscription is conditional upon the following taking place on or before 17th May, 2001 or such later date as may be agreed between the parties:

- (a) the completion of the Placing;
- (b) the GEM Listing Committee granting listing of, and permission to deal in, the New Shares; and
- (c) the Executive granting Origin the waiver from the obligation to make a general offer under the Takeovers Code as a result of the completion of the Subscription.

If any of the conditions of the Subscription is not fulfilled by 17th May, 2001 or such later date as may be agreed between the parties to the Subscription Agreement, the Subscription Agreement will lapse. The requirement to obtain the waiver referred to in (c) from the Executive may not be waived by the parties to the Subscription Agreement pursuant to the Subscription Agreement.

III. Shareholding interests of the placees in the Company

The Directors were informed by the Placing Agent that the Placing Agent had successfully arranged for the placing of all of the Placing Shares to a total of 20 placees who are independent from, not connected with and do not act in concert with the directors, chief executive, substantial shareholders or management shareholders of the Company or any of its subsidiaries or their respective associates. The shareholding interests in the Company that will be held by each of the 20 placees immediately following completion of the Placing and Subscription are as follows:-

Placees	Number of Placing Shares	% of the Placing Shares	% of the share capital of the Company after the Placing	% of the share capital of the Company as enlarged by the Subscription
1.	6,500,000	13.00	1.625	1.44
2. <i>(Note 1)</i>	6,000,000	12.00	1.5	1.33
3.	5,000,000	10.00	1.25	1.11
4.	5,000,000	10.00	1.25	1.11
5. <i>(Note 2)</i>	4,500,000	9.00	1.125	1.00
6. <i>(Note 3)</i>	4,000,000	8.00	1.00	0.89
7. <i>(Note 4)</i>	3,500,000	7.00	0.875	0.78
8.	3,500,000	7.00	0.875	0.78
9. <i>(Note 5)</i>	3,500,000	7.00	0.875	0.78
10.	3,000,000	6.00	0.75	0.67
11. <i>(Note 6)</i>	2,000,000	4.00	0.5	0.44
12.	1,000,000	2.00	0.25	0.22
13.	1,000,000	2.00	0.25	0.22
14. <i>(Note 7)</i>	300,000	0.60	0.075	0.07
15. <i>(Note 8)</i>	300,000	0.60	0.075	0.07
16.	300,000	0.60	0.075	0.07
17. <i>(Note 9)</i>	200,000	0.40	0.05	0.04
18.	200,000	0.40	0.05	0.04
19. <i>(Note 10)</i>	100,000	0.20	0.025	0.02
20. <i>(Note 11)</i>	<u>100,000</u>	<u>0.20</u>	<u>0.025</u>	<u>0.02</u>
Total	<u>50,000,000</u>	<u>100.00</u>	<u>12.5</u>	<u>11.10</u>

Note 1: The name of this placee is Chou Ling Kuen Elsa who is the spouse of a director of the Placing Agent.

Note 2: The name of this placee is Lee Man Fai who is an employee of the Placing Agent.

Note 3: The name of this placee is Wong Ching Yi who is an employee of the Placing Agent.

Note 4: The name of this placee is Leung Tsz Man who is a director of the Placing Agent.

Note 5: The name of this placee is Wong Pui Wa who is the spouse of an employee of the Placing Agent.

Note 6: The name of this placee is Chan Wing Nga who is an employee of the Placing Agent.

Note 7: The name of this placee is Ma Kwong Lee who is an employee of the Placing Agent.

Note 8: The name of this placee is Yeung Pui King who is a commission agent of the Placing Agent.

Note 9: The name of this placee is Lui Kam Fu who is an employee of the Placing Agent.

Note 10: The name of this placee is Ma Wai Sze who is an employee of the Placing Agent.

Note 11: The name of this placee is Chan Pak Yin who is a commission agent of the Placing Agent.

As shown in the table above, the one placee who has taken up most Placing Shares has taken up about 13% of the Placing Shares and the 10 placees who have taken up the most Placing Shares together have taken up about 89% of the Placing Shares.

IV. Obligation to make a general offer

After completion of the Placing, the percentage of voting rights of the Company held by Origin has been reduced to approximately 36.62 per cent.. Upon completion of the Subscription, it will then increase from 36.62 per cent. to approximately 43.66 per cent., thereby triggering the obligation to make a mandatory general offer for all the Shares not held by it and party acting in concert with it under the “creeper provisions” in Rule 26.1 of the Takeovers Code.

An application has been made to the Executive for waiver from such obligation to make a general offer under Rule 26 of the Takeovers Code.

As disclosed in the Prospectus, Origin has undertaken to the Company and the Stock Exchange and the Sponsors that during the additional six months period after the Moratorium Period, it will not dispose of (nor enter into any arrangement to dispose of) nor permit the register holder to dispose of (nor enter into any agreement to dispose of) any of its direct or indirect interest in its share holdings in the Company so that it would control less than 35% of the

issued share capital of the Company. The shareholding of Origin in the Company has only been reduced to approximately 36.62 per cent. after completion of the Placing and will increase to approximately 43.66 per cent. after completion of the Subscription.

V. Reasons for the Placing and the Subscription and the intended use of proceeds

The Group is principally engaged in the provisions of management service for private and dental practice and is an integrated health care service provider for the general public in Hong Kong. The Placing and the Subscription will enlarge the shareholder base and the capital base of the Company and will strengthen the financial position of the Group. The net proceeds receivable by the Company under the Subscription are estimated to be approximately HK\$21 million, equivalent to approximately HK\$0.42 per New Share. The Company intends to apply such net proceeds for investment in potential bio-medical projects and the research and development of advanced diagnostic medical equipment, which the Board considers represent attractive investment opportunities on account of their growth and profitability potential and synergy with the Group's existing business and is complementary to the business objectives of the Group as set out in the Prospectus. The Board confirms that the business objectives of the Group remain unchanged as set out in the Prospectus and the investment in potential bio-medical projects and development of advanced diagnostic medical equipment is intended to be conducted by the Group complementary with the existing business of the Group.

The Board considers the terms and conditions of the Subscription to be fair and reasonable and believe that the Placing and the Subscription are in the best interest of the Company and its shareholders. The Board also consider that the timing of the Placing and Subscription is appropriate. The Placing Price was arrived at after arm's length negotiations between the Company, Origin and the Placing Agent, taking into account of the general market conditions and the Board considers that the discount of the Placing Price as referred to above is fair and reasonable.

VI. Application for listing

Application will be made to the GEM Listing Committee for the grant of the listing of and permission to deal in the New Shares.

VII. Suspension of trading

Trading in the Shares on GEM was suspended from 10 a.m. on 3rd May, 2001 at the request of the Company pending the issue of this announcement. Application has been made for resumption of trading in the Shares as from 10 a.m. on 7th May, 2001.

VIII. Definitions

“associate”	has the meaning as defined in the GEM Listing Rules;
“Board”	the board of Directors
“Company”	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;
“Directors”	directors of the Company;
“Executive”	the Executive Director of the Corporate Finance Division of the Securities and Futures Commission or any delegate of the Executive Director;
“GEM”	The Growth Enterprise Market of the Stock Exchange;
“GEM Listing Committee”	the listing sub-committee of the board of the Stock Exchange with responsibility for GEM;
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM;
“Group”	the Company and its subsidiaries;
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Moratorium Period”	six months from 18th October, 2000, the date on which dealings in Shares on GEM commenced;

“New Shares”	50,000,000 new Shares to be issued and allotted under the Subscription;
“Origin”	Origin Limited, a company incorporated in the British Virgin Islands with limited liability, the vendor under the Placing and the subscriber under the Subscription;
“Placing”	placing of the Placing Shares by Origin and all related transactions as contemplated under the Placing Agreement;
“Placing Agent”	Great China Brokerage Limited, a dealer registered under the Securities Ordinance (Chapter 333 of the Laws of Hong Kong);
“Placing Agreement”	the agreement relating to the placing of the Placing Shares entered into between Origin and the Placing Agent on 3rd May, 2001;
“Placing Price”	HK\$0.45 for each Placing Share;
“Placing Shares”	50,000,000 existing Shares to be sold under the Placing;
“Prospectus”	the prospectus dated 9th October, 2000 issued by the Company in connection with the listing of the Shares on GEM;
“Share(s)”	ordinary share(s) of nominal value of HK\$0.10 each in the capital of the Company;
“Sponsors”	First Shanghai Capital Limited, a dealer and investment adviser registered under the Securities Ordinance (Chapter 333, Laws of Hong Kong) and CEF Capital Limited, a securities dealer registered under the Securities Ordinance (Chapter 333, Laws of Hong Kong);
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Subscription”	subscription of the New Shares by Origin and all related transactions as contemplated under the Subscription Agreement;

“Subscription
Agreement”

the agreement relating to the Subscription by Origin of the New Shares entered into between the Company and Origin on 3rd May, 2001; and

“Takeovers Code”

the Codes on Takeovers and Mergers.

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

Hong Kong, 4th May, 2001

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this announcement and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this announcement have been arrived at after due and careful consideration and there are no other facts not contained in this announcement, the omission of which would make any statement in this announcement misleading.

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.