

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)

SUBSCRIPTION OF REDUCED NUMBER OF NEW SHARES

The Board refers to the announcement dated 4th May, 2001 and the two subsequent announcements dated 16th May, 2001 and 7th June, 2001 published by the Company relating to, among other matters, the placing of 50,000,000 existing Shares by Origin and the related subscription of 50,000,000 new Shares by it and the extension of the Long Stop Day for the completion of the Subscription from 17th May, 2001 to 7th June, 2001 and then 21st June, 2001 respectively. The Board hereby announces that, as the two outstanding conditions for the Subscription under the Subscription Agreement will not be fulfilled, the Company and Origin have entered into a third supplemental agreement to the Subscription Agreement on 15th June, 2001 for Origin to subscribe for a reduced number of 34,000,000 new Shares (representing approximately 7.83 per cent. of the Company's enlarged issued share capital after completion of the Revised Subscription) at a subscription price equal to the Placing Price of HK\$0.45 per Share. Upon completion of the Revised Subscription, the percentage of the voting rights of Origin (there are no persons who are interested in any Shares who are parties acting in concert, or deemed to be acting in concert, with Origin) in the Company, including those attributed to the Revised New Shares, will increase to approximately 41.58 per cent..

The Board refers to the announcement dated 4th May, 2001 (the "First Announcement") and the two subsequent announcements dated 16th May, 2001 (the "Second Announcement") and 7th June, 2001 (the "Third Announcement") respectively published by the Company relating to the placing of 50,000,000 existing Shares by Origin and the related subscription of 50,000,000 new Shares by it and the extension of the Long Stop Day for completion of the

Subscription from 17th May, 2001 to 7th June, 2001 and then to 21st June, 2001 respectively. As disclosed in the First Announcement, the Placing was completed on 4th May, 2001 (of which the 20 placees are all independent from the Company and its connected persons and their respective associates and have not received from the Company or any of its connected persons or their respective associates any funding in relation to the placement of the respective Placing Shares placed to them under the Placing).

Unless otherwise defined herein, capitalised terms used in this announcement shall bear the same meanings as those defined in the First Announcement, Second Announcement and the Third Announcement.

Subscription of 50,000,000 new Shares by Origin

As the Directors understand that the outstanding conditions for the completion of the subscription of 50,000,000 new Shares by Origin originally contemplated under the Subscription Agreement (including the Executive granting the SFC Waiver) will not be fulfilled by the extended Long Stop Day of 21st June, 2001 as stated in the Third Announcement, the Company and Origin have agreed to make revised arrangements for Origin to subscribe for a reduced number of 34,000,000 new Shares (the “Revised New Shares”) at a subscription price equal to the Placing Price of HK\$0.45 per Share (the “Revised Subscription Price”) pursuant to 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. On 14th June, 2001, the Executive informed Origin that it was not satisfied that the placees of the Placing are independent of Origin.

Revised Subscription

Accordingly, Origin and the Company have entered into a third supplemental agreement to the Subscription Agreement (the “Third Supplemental Agreement”) on 15th June, 2001 pursuant to which Origin has agreed to subscribe for, and the Company has agreed to issue and allot, the Revised New Shares (the “Revised Subscription”), representing approximately 8.5 per cent. of the Company’s issued share capital before the completion of the Revised Subscription and 7.83 per cent. of the Company’s enlarged issued share capital after completion of the Revised Subscription, at the Revised Subscription Price. Except as described in this announcement, the terms and conditions of the Subscription Agreement remain unchanged. In particular, the 34,000,000 Revised New Shares to be issued and allotted under the Revised

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

Origin was, before completion of the Placing, the beneficial owner of 196,475,846 Shares, representing approximately 49.12 per cent. of the issued share capital of the Company before completion of the Placing. The shareholding of Origin remains unchanged since completion of the Placing on 4th May, 2001 and Origin is, as of the date of this announcement, holding 146,475,846 Shares (representing approximately 36.62 per cent. of the voting rights of the Company). Upon completion of the Revised Subscription, the percentage of the voting rights of the Company held by Origin (there are no persons who are interested in any Shares who are parties acting in concert, or deemed to be acting in concert, with Origin), including those attributed to the Revised New Shares, will increase to 41.58 per cent. and such increase would not trigger the obligation for Origin to make a mandatory general offer under the Takeovers Code. Hence, no waiver from the obligation to make a general offer under Rule 26.1 of the Takeovers Code would be required to be obtained by Origin from the Executive.

Revised Subscription Price

Pursuant to the Third Supplemental Agreement, Origin will subscribe for the Revised New Shares at the Revised Subscription Price of HK\$0.45 per Share, which is equal to the Placing Price. In addition, as the number of the Revised New Shares of 34,000,000 represents falls short of the number of Placing Shares of 50,000,000 sold by Origin under the Placing by 16,000,000, Origin and the Company have agreed to share all expenses of the Placing and the Revised Subscription in the proportion of 16:34. The estimated net proceeds of the Revised Subscription are therefore approximately HK\$14,280,000, or approximately HK\$0.42 per Share.

Condition of and Completion of the Revised Subscription

The Revised Subscription is conditional upon the GEM Listing Committee granting listing of, and permission to deal in, the Revised New Shares. If this condition of the Revised Subscription is not fulfilled by 21st June, 2001 or such later date as may be agreed between Origin and the Company, and approved by the Stock Exchange, the Subscription Agreement as supplemented by the Third Supplemental Agreement will lapse. The Completion of the Revised Subscription will take place on 18th June, 2001.

General

The Directors confirm that the reduced proceeds of the Revised Subscription will have no material adverse effects on the Company's plans for the application of the net proceeds of the original Subscription as stated in the First Announcement or the financial position of the Company.

A further announcement will be made by the Company upon completion of the Revised Subscription.

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

Hong Kong, 15th June, 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.

This 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.