

The Stock Exchange of Hong Kong Limited 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.

This announcement is for information purposes only and does not constitute an invitation or offer to acquire purchase or subscribe for any securities.



**HONG KONG HEALTH CHECK AND
LABORATORY HOLDINGS COMPANY LIMITED**
香港體檢及醫學診斷控股有限公司*
(incorporated in Bermuda with limited liability)
(Stock code: 397)



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)

- (I) PLACING OF NEW SHARES UNDER GENERAL MANDATE;
- (II) PLACING OF NEW SHARES SUBJECT TO SHAREHOLDERS' APPROVAL;
- (III) PLACING OF CONVERTIBLE BONDS;
- (IV) CONNECTED TRANSACTION IN RELATION TO THE GRANT OF
OPTION TO TOWN HEALTH INTERNATIONAL HOLDINGS
COMPANY LIMITED TO SUBSCRIBE FOR CONVERTIBLE BONDS;
- (V) WHITEWASH WAIVER;
- (VI) CONNECTED AND DISCLOSEABLE TRANSACTION;
AND
- (VII) RESUMPTION OF TRADING

**DISCLOSEABLE TRANSACTION IN RELATION TO
THE SUBSCRIPTION OF CONVERTIBLE BOND;
AND
RESUMPTION OF TRADING**

Financial adviser to Hong Kong Health Check and
Laboratory Holdings Company Limited



KINGSTON CORPORATE FINANCE LIMITED

Placing Agent



KINGSTON SECURITIES LIMITED

THE TRANCHE I PLACING AGREEMENT

On 29 March 2007, HKHC has conditionally agreed to place, through the Placing Agent under the Tranche I Placing on a fully underwritten basis, 220,000,000 Tranche I Placing Shares to independent investors at a price of HK\$0.19 per Tranche I Placing Share.

The Tranche I Placing Shares represent approximately 8.37% of the HKHC's existing issued share capital of 2,629,771,468 HKHC Shares and approximately 7.72% of HKHC's issued share capital of 2,849,771,468 HKHC Shares as enlarged by the Tranche I Placing.

The Tranche I Placing is conditional upon, among other things, the Stock Exchange granting or agreeing to grant the listing of, and permission to deal in, the Tranche I Placing Shares.

The Tranche I Placing Price of HK\$0.19 represents a discount of approximately 19.08% to the benchmarked price of the HKHC Shares, which is the higher of (i) the closing price of HK\$0.226 on the Last Trading Day, being the latest trading day before the date of this announcement; and (ii) the average closing price of HK\$0.2348 in the last 5 trading days prior to the date of the Tranche I Placing Agreement. The Tranche I Placing Price of HK\$0.19 also represents a discount of 8.35% to the average closing price of HK\$0.2073 in the last 10 trading days prior to the date of the Tranche I Placing Agreement.

The Tranche I Placing Price was determined with reference to the prevailing market price of the HKHC Share and was negotiated on an arm's length basis between HKHC and the Placing Agent. The HKHC Directors (including the independent non-executive HKHC Directors) consider that the terms of the Tranche I Placing are fair and reasonable based on the current market conditions and in the interests of HKHC and the HKHC Shareholders as a whole.

THE TRANCHE II PLACING AGREEMENT

On 29 March 2007, HKHC has conditionally agreed to place, through the Placing Agent under Tranche II Placing on a fully underwritten basis 560,000,000 Tranche II Placing Shares to independent investors at a price of HK\$0.19 per Tranche II Placing Share.

The Tranche II Placing Shares represent approximately 21.29% of HKHC's existing issued share capital of 2,629,771,468 HKHC Shares and approximately 17.56% of HKHC's issued share capital of 3,189,771,468 HKHC Shares as enlarged by the Tranche II Placing and approximately 16.42% of HKHC's issued share capital of 3,409,771,468 HKHC Shares as enlarged by Tranche I Placing and Tranche II Placing.

The Tranche II Placing is conditional upon, among other things, (i) the passing of a resolution by the HKHC Shareholders to approve the allotment and issue of the Tranche II Placing Shares at the HKHC SGM; and (ii) the Stock Exchange granting or agreeing to grant the listing of, and permission to deal in, the Tranche II Placing Shares.

The Tranche II Placing Price of HK\$0.19 represents (i) a discount of approximately 15.93% to the closing price of HK\$0.226 on the Last Trading Day, being the latest trading day before the date of this announcement; (ii) a discount of approximately 19.08% the average closing price of HK\$0.2348 in the last 5 trading days prior to the date of the Tranche II Placing Agreement; and (iii) a discount of 8.35% to the average closing price of HK\$0.2073 in the last 10 trading days prior to the date of the Tranche II Placing Agreement.

The Tranche II Placing Price was determined with reference to the prevailing market price of the HKHC Share and was negotiated on an arm's length basis between HKHC and the Placing Agent. The HKHC Directors (including the independent non-executive HKHC Directors) consider that the terms of the Tranche II Placing are fair and reasonable based on the current market conditions and in the interests of HKHC and the HKHC Shareholders as a whole.

The gross proceeds from the Tranche I Placing will be approximately HK\$41.8 million and the net proceeds will be approximately HK\$40.4 million. The gross proceeds from the Tranche II Placing will be approximately HK\$106.4 million and the net proceeds will be approximately HK\$103.4 million. The gross proceeds from the Tranche I Placing and the Tranche II Placing will be approximately HK\$148.2 million. The net proceeds of approximately HK\$143.8 million from the Tranche I Placing and the Tranche II Placing are intended to be used as to (i) HK\$80 million for potential acquisition if opportunities arise; (ii) as to HK\$30 million for the expansion and enhancement of the HKHC Group's health check centre in Hong Kong which provides health check, advanced diagnostic imaging services, day care observation services and medical laboratory related services in Hong Kong; (iii) as to HK\$20 million for the preliminary development of health check service in the PRC; and (iv) the remaining balance as general working capital purpose.

The Placing is subject to termination on the occurrence of, amongst other things, any event of force majeure (which include events set out in details below) at any time up to 8:00 a.m. on the completion date of the respective Tranche I Placing and Tranche II Placing.

THE CB PLACING AGREEMENT

On 29 March 2007, HKHC and the Placing Agent also entered into the CB Placing Agreement pursuant to which the Placing Agent agreed to place, on a best effort basis, up to an aggregate principal amount of HK\$250,000,000 Convertible Bonds I which can be exercised and converted into 1,000,000,000 HKHC Shares at a conversion price of HK\$0.25 per Conversion Share.

At any time up to the one-month period commencing from the date of fulfillment of conditions of the CB Placing Agreement, the Placing Agent can at any time, by giving not less than 5 business days' written notice in advance, call for HKHC to issue Convertible Bonds I up to an aggregate principal amount of HK\$250,000,000.

The Placing Agent shall procure that the Placees of the Convertible Bonds I and their respective ultimate beneficial owners are third parties independent of and not connected with HKHC and its connected persons (as defined in the Listing Rules) and not acting in concert with any of Town Health, Top Act, Dr. Choi or Miss Choi Ka Yee, Crystal.

Assuming that the maximum aggregate principal amount of the Convertible Bonds I, i.e. HK\$250,000,000 are placed under the CB Placing, upon exercise in full of the conversion rights attaching to such Convertible Bonds I, an aggregate of 1,000,000,000 Conversion Shares would fall to be allotted and issued by HKHC at the initial conversion price of HK\$0.25 per Conversion Share, which would represent (i) approximately 38.03% of the existing issued share capital of HKHC comprising 2,629,771,468 HKHC Shares; (ii) approximately 35.09% of the issued share capital of HKHC as enlarged by the Tranche I Placing; (iii) approximately 29.33% of the issued share capital of HKHC as enlarged by the Tranche I Placing and the Tranche II Placing; and (iv) approximately 22.68% of the issued share capital of HKHC as enlarged by the Tranche I Placing, the Tranche II Placing and the CB Placing.

Completion of the CB Placing is conditional upon the fulfillment of the conditions as listed below. The Conversion Shares falling to be issued upon exercise of the conversion rights attaching to the Convertible Bonds I will when issued rank pari passu with all other HKHC Shares then in issue.

The conversion price of HK\$0.25 represents: (i) a premium of approximately 10.62% over the closing price of HK\$0.226 on the Last Trading Day, being the latest trading day before the date of this announcement; and (ii) a premium of approximately 6.47% over the average closing price of HK\$0.2348 in the last 5 trading days prior to the date of the CB Placing Agreement; and (iii) a premium of 20.60% over the average closing price of HK\$0.2073 in the last 10 trading days prior to the date of the CB Placing Agreement.

The maximum gross and net proceeds from the CB Placing will be approximately HK\$250 million and HK\$244 million, respectively. The net proceeds are expected to be applied towards the expansion of HKHC Group's new centre for the provision of health check, advanced diagnostic services, day care observation services and medical laboratory related services, and the establishment of similar centres at other locations in Hong Kong and the PRC. In the event that such expansion and establishment of the proposed new centres are not implemented, such net proceeds will be used as general working capital for HKHC Group.

THE OPTION AGREEMENT

On 29 March 2007, HKHC entered into the Option Agreement with Top Act, a wholly owned subsidiary of Town Health. Pursuant to the Option Agreement, HKHC has agreed to grant the Option to Top Act at a nominal consideration of HK\$1.00. Pursuant to the Option Agreement, Top Act shall be entitled to require HKHC to issue the Convertible Bond II in an aggregate principal amount of HK\$500,000,000 during the Option Period.

Upon exercise in full of the conversion rights attaching to such Convertible Bond II, an aggregate of 2,000,000,000 Conversion Shares would fall to be allotted and issued by HKHC at the initial conversion price of HK\$0.25 per Conversion Share, which would represent (i) approximately 76.05% of the existing issued share capital of HKHC comprising 2,629,771,468 Shares; (ii) approximately 45.35% of the issued share capital of HKHC as enlarged by the Tranche I Placing, Tranche II Placing, CB Placing; and (iii) approximately 31.20% of the issued share capital of HKHC as enlarged by the Tranche I Placing, the Tranche II Placing, the CB Placing and the Grant of Option;

WHITEWASH WAIVER

Before the Grant of Option, Town Health, save for the TA Convertible Bond (which is held by Top Act) convertible into 1,463,414,634 Conversion Shares, has no shareholding interest in HKHC, and its concert parties were interested in 100,000,000 HKHC Shares representing 3.8% of the existing issued share capital of HKHC as at the date of this announcement.

Assuming Top Act has exercised the TA Convertible Bond in full, Top Act and its concert parties together were interested in 1,563,414,634 HKHC Shares, representing 38.20% of the issued share capital of HKHC as enlarged by the TA Convertible Bond, and would be required to make conditional mandatory general offers for all the issued HKHC Shares, convertible notes and options of HKHC not already owned or agreed to be acquired by Top Act and its parties acting in concert. A whitewash waiver in respect of the conversion of the TA Convertible Bond has been granted by the Executive to Top Act on 3 February 2006 and the relevant approval has been obtained from the then Independent HKHC Shareholders at the special general meeting of HKHC held on 13 February 2006 for waiving the obligation under Rule 26 of the Takeovers Code arising from the exercise of the TA Convertible Bond.

Assuming Top Act has exercised the TA Convertible Bond in full immediately after completion of the Tranche I Placing and Tranche II Placing (but before exercise of the Option and the completion of the CB Placing), Top Act and its parties acting in concert will be interested in 1,563,414,634 HKHC Shares, representing approximately 32.08% of the then issued share capital of HKHC as enlarged by Tranche I Placing Shares, Tranche II Placing Shares and the exercise of TA Convertible Bond in full. A whitewash waiver in respect of the conversion of the TA Convertible Bond, which is stated in the previous paragraph has been granted and approved by the Executive and Independent HKHC Shareholders respectively.

Scenario 1:

Before the conversion of the TA Convertible Bond and the completion of the CB Placing, if Top Act has exercised the Option and exercised the conversion rights attaching to the Convertible Bond II in full immediately after completion of the Tranche I Placing and Tranche II Placing, Top Act and its parties acting in concert will be interested in 2,100,000,000 HKHC Shares, representing 38.82% of the issued share capital of HKHC enlarged by the Placing and Convertible Bond II exercised in full.

Scenario 2:

Before the conversion of the TA Convertible Bond but after the completion of the CB Placing, if Top Act has exercised the Option and exercised the conversion rights attaching to the Convertible Bond II in full immediately after completion of the Tranche I Placing, Tranche II Placing, and the conversion of Convertible Bonds I in full, Top Act and its parties acting in concert will be interested in 2,100,000,000 HKHC Shares, representing 32.76% of the issued share capital of HKHC enlarged by the Placing, and the Convertible Bond I and the Convertible Bond II exercised in full.

Scenario 3:

Assuming Top Act has exercised the TA Convertible Bond in full immediately after completion of the Tranche I Placing and Tranche II Placing (but before exercise of the Option and the completion of the CB Placing), Top Act and its parties acting in concert will be interested in 1,563,414,634 HKHC Shares, representing approximately 32.08% of the then issued share capital of HKHC as enlarged by Tranche I Placing Shares, Tranche II Placing Shares and the exercise of TA Convertible Bond in full. The immediate exercise of the Option and the exercise of the Convertible Bond II in full will increase the shareholding of Top Act and its parties acting in concert to 3,563,414,634 HKHC Shares, representing approximately 51.85% of the then issued share capital of HKHC as enlarged by the Tranche I Placing Shares, Tranche II Placing Shares, the exercise of TA Convertible Bond in full and the Conversion Shares under the Convertible Bond II, or representing approximately 45.26% of the then issued share capital of HKHC as enlarged by the Tranche I Placing Shares, Tranche II Placing Shares, the exercise of TA Convertible Bond in full and the Conversion Shares under both Convertible Bond I and Convertible Bond II, in either event resulting in an increase of more than 2% from its holding of approximately 32.08% before.

Under each of the above scenario 1, scenario 2 and scenario 3, Top Act and its parties acting in concert will be required under Rule 26 of the Takeovers Code, to make conditional mandatory general offers for all the issued HKHC Shares, convertible notes and options of HKHC not already owned or agreed to be acquired by Top Act and its parties acting in concert. Top Act will make an application to the Executive pursuant to Note 1 on Dispensations from Rule 26 of the Takeovers Code for the Whitewash Waiver, which if granted, would be subject to the approval of the Independent HKHC Shareholders on a vote to be taken by way of a poll in which Top Act, Miss Choi Ka Yee, Crystal or any party acting in concert with any of them and those who are involved in or interested in the Grant of Option shall be required to abstain from voting. If the Whitewash Waiver is granted and approved by the Independent HKHC Shareholders, the obligation of Top Act and its parties acting in concert to make conditional mandatory general offers arising from the conversion of the Convertible Bonds II under Rule 26 of the Takeovers Code will be waived. **The Whitewash Waiver may or may not be granted. If the Whitewash Waiver is not granted, the Option Agreement will lapse and the Grant of Option will not proceed.**

THE SP AGREEMENT

On 18 April 2006, the HKHC Group and Dr. Choi entered into the JV Agreement for the formation of the JV Co., details of which have been set out in the HKHC's announcement dated 19 April 2006. Pursuant to the JV Agreement, the HKHC Group and Dr. Choi have agreed to contribute HK\$21,000,000 and HK\$9,000,000 respectively into the JV Co. The contribution is in proportion to their respective shareholdings. Prior to the date of the SP Agreement, the JV Co. was owned as to 70% by HKHC Group and 30% by Dr. Choi respectively.

On 2 April 2007, the HKHC Group and Dr. Choi entered into the SP Agreement, pursuant to which, the HKHC Group agreed to acquire from Dr. Choi his 30% equity interest in the JV Co. at HK\$9,000,000. Upon completion of the Acquisition, HKHC Group will own the entire equity interest of the JV Co.

The HKHC Directors (including the independent non-executive HKHC Directors) consider that the terms of the SP Agreement are fair and reasonable, on normal commercial terms and in the interest of HKHC and the HKHC Shareholders as a whole.

GENERAL

HKHC is principally engaged in the provision of the manufacturing and sales of garment and provision of healthcare and medical checks services.

Town Health is 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.

For HKHC, Town Health is a connected person of HKHC by virtue of Dr. Choi (being the Town Health Director and having an indirect interest in Town Health through his 49.9% interest in Broad Idea International Limited which owns 51.56% in Town Health) who is a father of Miss Choi Ka Yee, Crystal, being the HKHC Director and therefore the Option Agreement constitutes a connected transaction of HKHC under Chapter 14A of the Listing Rules. Pursuant to the Listing Rules, the Option Agreement is subject to the Independent HKHC Shareholders' approval at the HKHC SGM, voting by way of poll. Miss Choi Ka Yee, Crystal and her associates will be required to abstain from voting in respect of the resolution to approve the Option Agreement and transactions contemplated thereunder at the HKHC SGM.

For the SP Agreement, as Dr. Choi is a substantial shareholder of the JV Co. which is a subsidiary of HKHC, the SP Agreement constitutes a discloseable and connected transaction of HKHC but is exempt from the Independent HKHC Shareholders' approval under Rule 14A.32 of the Listing Rules.

An Independent Board Committee will be established to advise the Independent HKHC Shareholders in relation to the terms of the Option Agreement and the Whitewash Waiver. HKHC will appoint an independent financial adviser to advise the Independent Board Committee and the Independent HKHC Shareholders in respect of the terms of the Option Agreement and the Whitewash Waiver. Further announcement will be made for the appointment of the independent financial adviser.

A circular containing, among other things, details regarding (i) the Tranche II Placing Agreement; (ii) the CB Placing Agreement; (iii) the Option Agreement; (iv) the Whitewash Waiver; (v) the letter of recommendation from the Independent Board Committee; (vi) the letter from the independent financial adviser to the Independent Board Committee and Independent HKHC Shareholders; and (vii) a notice of the HKHC SGM will be despatched to the HKHC Shareholders as soon as practicable in accordance to the Listing Rules and the Takeovers Code.

For Town Health, the Grant of Option is classified as if the Option had been exercised at Town Health's discretion and accordingly constitute a discloseable transaction with reference to the applicable ratio under Rules 19.74 of the GEM Listing Rules.

A circular containing, among other things, details regarding the Option Agreement will be despatched to Town Health Shareholders as soon as practicable in accordance to the GEM Listing Rules.

The existing authorised share capital of HKHC consists of 30,000,000,000 HKHC Shares out of which 2,629,771,468 HKHC Shares are issued and fully paid up as at the date of this announcement. Save for the options as may be granted under the share option scheme of HKHC, the TA Convertible Bonds, the Tranche I Placing Shares, the Tranche II Placing Shares, the Convertible Bonds I and the Convertible Bond II upon exercise of the Option, there are no options, rights to acquire, or any other form of security or encumbrance on, over or affecting any part of the unissued share capital of HKHC as at the date of this announcement.

Application will be made by HKHC to the Listing Committee of the Stock Exchange for the grant of the listing of, and permission to deal in, the Tranche I Placing Shares, Tranche II Placing Shares and the Conversion Shares falling to be issued upon exercise of the conversion rights attaching to the Convertible Bond I and the Convertible Bond II.

The Tranche I Placing, Tranche II Placing, CB Placing and Grant of Option may or may not proceed, HKHC Shareholders and potential investors are advised to exercise caution when dealing in the HKHC Shares. Town Health Shareholders and potential investors are advised to exercise caution when dealing in the shares of Town Health.

SUSPENSION AND RESUMPTION OF TRADING

At the request of HKHC, trading in the HKHC Shares on the Stock Exchange has been suspended from 9:30 a.m. on 26 March 2007 pending the release of this announcement. Application has been made to the Stock Exchange for the resumption of trading in the HKHC Shares on the Stock Exchange from 9:30 a.m. on 12 April 2007.

At the request of Town Health, trading in the shares of Town Health on GEM has been suspended from 9:30 a.m. on 26 March 2007 pending the release of this announcement. Application has been made to the Stock Exchange for the resumption of trading in the shares of Town Health on GEM from 9:30 a.m. on 12 April 2007.

THE TRANCHE I PLACING AGREEMENT

Date

29 March 2007

Issuer

HKHC

Placing Agent

The Placing Agent has conditionally agreed to place in aggregate of 220,000,000 Tranche I Placing Shares on a fully underwritten basis and will receive a placing commission of 2.50% on the gross proceeds of the Tranche I Placing. The HKHC Directors (including the independent non-executive HKHC Directors) are of the view that the placing commission is fair and reasonable and in the interest of HKHC and HKHC Shareholders as a whole.

The Placing Agent and its ultimate beneficial owners are third parties independent of HKHC and its connected persons (as defined in Listing Rules).

Placees

1. Kong Kam Yu Sammy (*Note 1*);
2. BIO Garden Inc. (*Notes 1 & 2*);
3. Best China Limited (*Note 3*); and
4. More Distribution Limited (*Note 4*).

Notes:

1. The Shares to be issued to them will be placed by a sub-placing agent.
2. BIO Garden Inc. is incorporated in the British Virgin Islands, which is wholly owned by Kong Kam Yu Sammy, who is a third party independent of HKHC and its connected person (as defined in Listing Rules).
3. Best China Limited is beneficially owned by Mrs. Chu Yuet Wah, a third party independent of HKHC and its connected person (as defined in Listing Rules).
4. More Distribution Limited is beneficially owned by Ms. Wang Chao, Julia, a third party independent of HKHC and its connected person (as defined in Listing Rules).

HKHC confirms that each of the Placees and whose ultimate beneficial owners are third parties independent of HKHC and its connected persons (as defined in the Listing Rules), and not acting in concert with any of Town Health, Top Act, Dr. Choi or Miss Choi Ka Yee, Crystal. It is not expected that any individual Placee will become a substantial HKHC Shareholder (as defined under the Listing Rules) immediately after the Tranche I Placing.

Tranche I Placing Shares

The Tranche I Placing Shares represent approximately 8.37% of the existing issued share capital of HKHC of 2,629,771,468 HKHC Shares and approximately 7.72% of HKHC's issued share capital of 2,849,771,468 HKHC Shares as enlarged by the Tranche I Placing.

Ranking of Tranche I Placing Shares

The Tranche I Placing Shares will rank, upon issue, *pari passu* in all respects with the HKHC Shares in issue on the date of allotment and issue of the Tranche I Placing Shares.

Tranche I Placing Price

The Tranche I Placing Price of HK\$0.19 represents a discount of approximately 19.08% to the benchmarked price of the HKHC Shares, which is the higher of (i) the closing price of HK\$0.226 on the Last Trading Day, being the latest trading day before the date of this announcement; and (ii) the average closing price of HK\$0.2348 in the last 5 trading days prior to the date of the Tranche I Placing Agreement. The Tranche I Placing Price of HK\$0.19 also represents a discount of 8.35% to the average closing price of HK\$0.2073 in the last 10 trading days prior to the date of the Tranche I Placing Agreement.

The Tranche I Placing Price was determined with reference to the prevailing market price of the HKHC Share and was negotiated on an arm's length basis between HKHC and the Placing Agent. The HKHC Directors (including the independent non-executive HKHC Directors) consider that the terms of the Tranche I Placing are fair and reasonable based on the current market conditions and in the interests of HKHC and the HKHC Shareholders as a whole.

General Mandate

The Tranche I Placing Shares will be issued under the general mandate to allot, issue and deal with HKHC Shares granted to the HKHC Directors by resolution of the HKHC Shareholders passed at the annual general meeting of HKHC held on 31 August 2006 subject to the limit up to 20% of the then issued share capital of HKHC (i.e. 231,903,371 HKHC Shares). As at the date of this announcement, none of the HKHC Shares has been issued under the general mandate.

Conditions of the Tranche I Placing

Completion of the Tranche I Placing is conditional upon:

- (i) the Listing Committee of the Stock Exchange granting or agreeing to grant the listing of, and permission to deal in, the Tranche I Placing Shares under the Tranche I Placing; and
- (ii) the obligations of the Placing Agent under the Tranche I Placing Agreement becoming unconditional and not being terminated in accordance with the terms of the Tranche I Placing Agreement, including provisions regarding force majeure event.

Termination and force majeure

The Placing Agent may, in its reasonable opinion, terminate the Tranche I Placing Agreement by notice in writing to HKHC at any time up to 8:00 a.m. on the date for the completion of the Tranche I Placing if:

- (1) there is any change in national, international, financial, exchange control, political, economic conditions in Hong Kong which in the reasonable opinion of the Placing Agent would be materially adverse in the consummation of the Tranche I Placing; or
- (2) there is any breach of the warranties, representations and undertakings given by HKHC in the Tranche I Placing Agreement and such breach is considered by the Placing Agent on reasonable grounds to be material in the context of the Tranche I Placing; or
- (3) there is any material change (whether or not forming part of a series of changes) in market conditions which in the reasonable opinion of the Placing Agent would materially and prejudicially affect the Tranche I Placing or makes it inadvisable or inexpedient for the Tranche I Placing to proceed; or
- (4) any statement contained in this announcements (other than in relation to Town Health) has become or been discovered to be untrue, incorrect or misleading in any material respect which in the opinion of the Placing Agent would be materially adverse in the consummation of the Tranche I Placing.

HKHC may, in its reasonable opinion, after consultation with the Placing Agent, terminate the Tranche I Placing Agreement by notice in writing to the Placing Agent at any time up to 8:00 a.m. on the date for the completion of the Tranche I Placing if there is a breach of the warranties, representations and undertakings given by the Placing Agent in the Tranche I Placing Agreement and such breach is considered by HKHC on reasonable grounds to be material.

The HKHC Directors are not aware of the occurrence of any of such events as at the date of this announcement.

Completion of the Tranche I Placing

The condition set out in the Tranche I Placing Agreement is expected to be fulfilled on or before 20 April 2007, or such later date as may be agreed by HKHC and the Placing Agent and the completion of the Tranche I Placing will take place on the fourth business day after the Tranche I Placing Agreement has become unconditional.

THE TRANCHE II PLACING AGREEMENT

Date

29 March 2007

Issuer

HKHC

Placing Agent

The Placing Agent has conditionally agreed to place in aggregate of 560,000,000 Tranche II Placing Shares on a fully underwritten basis and will receive a placing commission of 2.5% on the gross proceeds of the Tranche II Placing upon completion of the Tranche II Placing. The HKHC Directors (including the independent non-executive HKHC Directors) are of the view that the placing commission is fair and reasonable and in the interest of HKHC and HKHC Shareholders as a whole.

The Placing Agent and its ultimate beneficial owners are third parties independent of HKHC and its connected persons (as defined in Listing Rules).

Placees

1. ABN AMRO Bank N.V. (London Branch) (*Note 1*);
2. Galaxy Asset Management (HK) Limited – Galaxy China Opportunities Fund;
3. Atlantis Investment Management Limited (*Note 2*); and
4. China Assets (Holdings) Limited (*Note 3*).

Notes:

1. ABN AMRO Bank N.V. will hold the HKHC Shares as principal
2. Atlantis Investment Management Limited will be placed by a sub-placing agent. The beneficial owner of Atlantis Investment Management Limited is Atlantis China Fortune Fund which is a public listed fund registered in Dublin.
3. China Assets (Holdings) Limited (stock code: 170) is a company incorporated in Hong Kong with limited liability and the issued shares of which are listed on the main board of the Stock Exchange.

HKHC confirms that each of the Placees is a third party independent of HKHC and its connected persons (as defined in the Listing Rules), and not acting in concert with any of Town Health, Top Act, Dr. Choi or Miss Choi Ka Yee, Crystal. It is not expected that any individual Placee will become a substantial HKHC Shareholder (as defined under the Listing Rules) immediately after the Tranche II Placing.

Tranche II Placing Shares

The Tranche II Placing Shares represent approximately 21.29% of the existing issued share capital of HKHC of 2,629,771,468 HKHC Shares and approximately 17.56% of HKHC's issued share capital of 3,189,771,468 HKHC Shares as enlarged by the Tranche II Placing and approximately 16.42% of HKHC's issued share capital of 3,409,771,468 HKHC Shares as enlarged by Tranche I and Tranche II Placing.

Ranking of Tranche II Placing Shares

The Tranche II Placing Shares will rank, upon issue, pari passu in all respects with the HKHC Shares in issue on the date of allotment and issue of the Tranche II Placing Shares.

Tranche II Placing Price

The Tranche II Placing Price of HK\$0.19 per HKHC Share represents (i) a discount of approximately 15.93% to the closing price of HK\$0.226 on the Last Trading Day, being the latest trading day before the date of this announcement; (ii) a discount of approximately 19.08% to the average closing price of HK\$0.2348 in the last 5 trading days prior to the date of the Tranche II Placing Agreement; and (iii) a discount of 8.35% to the average closing price of HK\$0.2073 in the last 10 trading days prior to the date of the Tranche II Placing Agreement.

The Tranche II Placing Price was determined with reference to the prevailing market price of the Share and was negotiated on an arm's length basis between HKHC and the Placing Agent. The HKHC Directors (including the independent non-executive HKHC Directors) consider that the terms of the Tranche II Placing are fair and reasonable based on the current market conditions and in the interests of HKHC and the HKHC Shareholders as a whole.

Conditions of the Tranche II Placing

Completion of the Tranche II Placing is conditional upon:

- (i) the Listing Committee of the Stock Exchange granting or agreeing to grant the listing of, and permission to deal in, the Tranche II Placing Shares;
- (ii) the passing of a resolution by the HKHC Shareholders approving the allotment and issue of the Tranche II Placing Shares at the HKHC SGM; and
- (ii) the obligations of the Placing Agent under the Tranche II Placing Agreement becoming unconditional and not being terminated in accordance with the terms of the Tranche II Placing Agreement, including provisions regarding force majeure event.

Termination and force majeure

The Placing Agent may, in its reasonable opinion, terminate the Tranche II Placing Agreement by notice in writing to HKHC at any time up to 8:00 a.m. on the date for the completion of the Tranche II Placing if:

- (i) there is any change in national, international, financial, exchange control, political, economic conditions in Hong Kong which in the reasonable opinion of the Placing Agent would be materially adverse in the consummation of the Tranche II Placing; or
- (ii) there is any breach of the warranties, representations and undertakings given by HKHC in the Tranche II Agreement and such breach is considered by the Placing Agent on reasonable grounds to be material in the context of the Tranche II Placing; or
- (iii) there is any material change (whether or not forming part of a series of changes) in market conditions which in the reasonable opinion of the Placing Agent would materially and prejudicially affect the Tranche II Placing or makes it inadvisable or inexpedient for the Tranche II Placing to proceed; or
- (iv) any statement contained in this announcements (other than in relation to Town Health) has become or been discovered to be untrue, incorrect or misleading in any material respect which in the opinion of the Placing Agent would be materially adverse in the consummation of the Tranche II Placing.

HKHC may, in its reasonable opinion, after consultation with the Placing Agent, terminate the Tranche II Placing Agreement by notice in writing to the Placing Agent at any time up to 8:00 a.m. on the date for the completion of the Tranche II Placing if there is a breach of the warranties, representations and undertakings given by the Placing Agent in the Tranche II Placing Agreement and such breach is considered by HKHC on reasonable grounds to be material.

The HKHC Directors are not aware of the occurrence of any of such events as at the date of this announcement.

Completion of the Tranche II Placing

The conditions set out in the Placing Agreement is expected to be fulfilled on or before 31 May 2007, or such later date as may be agreed by HKHC and the Placing Agent and the completion of the Tranche II Placing will take place on the fourth business day after the Tranche II Placing Agreement has become unconditional.

THE CB PLACING AGREEMENT

On 29 March 2007, HKHC and the Placing Agent also entered into the CB Placing Agreement pursuant to which the Placing Agent agreed to place, on a best effort basis, up to an aggregate principal amount of HK\$250,000,000 Convertible Bonds I.

Placing agent:

Kingston Securities Limited is the placing agent for the CB Placing and will be entitled to receive a placing commission of 2.5% of the gross proceeds of the Convertible Bonds I to be placed by it.

The Placing Agent and its ultimate beneficial owners are third parties independent of, and not connected with, HKHC and its connected persons (as defined in Listing Rules).

Placees:

The Placing Agent shall procure that each of the Placees of the Convertible Bonds I to be placed, will be a third party independent of HKHC and its connected persons (as defined in the Listing Rules) and not acting in concert with any of Town health, Top Act, Dr. Choi or Miss Choi Ka Yee, Crystal.

Conversion Shares falling to be issued upon exercise in full of the conversion rights attaching to the Convertible Bonds I

Assuming that the maximum aggregate principal amount of the Convertible Bonds I (i.e. HK\$250,000,000) are placed under the CB Placing, upon exercise in full of the conversion rights attaching to the Convertible Bonds I, an aggregate of 1,000,000,000 Conversion Shares would fall to be allotted and issued by HKHC at the initial conversion price of HK\$0.25 per Conversion Share, which will represent (i) approximately 38.03% of the existing issued share capital of HKHC comprising 2,629,771,468 HKHC Shares; (ii) approximately 35.09% of the issued share capital of HKHC as enlarged by the Tranche I Placing; (iii) approximately 29.33% of the issued share capital of HKHC as enlarged by the Tranche I Placing and the Tranche II Placing; and (iv) approximately 22.68% of the issued share capital of HKHC as enlarged by the Tranche I Placing, the Tranche II Placing and the CB Placing.

The Conversion Shares falling to be issued upon exercise of the conversion rights attaching to the Convertible Bonds I will, when issued, rank pari passu with all other HKHC Shares in issue as at the date of allotment and issue of such Conversion Shares.

Conditions

The CB Placing is conditional upon:

- (i) the Listing Committee of the Stock Exchange granting approval of the issue of the Convertible Bonds I (if required) and the listing of, and permission to deal in the Conversion Shares falling to be issued on the exercise of the conversion rights attaching to the Convertible Bonds I either unconditionally or subject to conditions to which the Placing Agent may accept; and
- (ii) the HKHC Shareholders passing at the HKHC SGM the resolution approving the allotment and issue the Conversion Shares falling to be issued upon the exercise of the conversion rights attaching to the Convertible Bonds I.

If any of the above conditions are not fulfilled at or before 5:00 p.m. (Hong Kong time) on 31 May 2007 or such later time or date as may be agreed between the Placing Agent and HKHC in writing, the Placing Agent may, at any time thereafter, terminate its obligations under the CB Placing Agreement by notice in writing to HKHC, whereupon the obligations of the Placing Agent under this CB Placing Agreement shall forthwith cease and terminate and neither HKHC nor the Placing Agent shall have any claim against any of the others, save for any antecedent breach thereof.

Completion

At any time up to the one-month period commencing from the date of fulfillment of conditions of the CB Placing Agreement, the Placing Agent can at any time, by giving not less than 5 business days' written notice in advance, call for HKHC to issue Convertible Bonds I up to an aggregate principal amount of HK\$250,000,000. Each call shall not be less than HK\$10,000,000.

PRINCIPAL TERMS OF THE CONVERTIBLE BONDS I

Issuer: HKHC

Aggregate principal amount: HK\$250,000,000

Maturity date: the date falling on the 4th anniversary of the date of issue of the Convertible Bonds I. Any unredeemed and unconverted Convertible Bonds I will be redeemed at 100% of the outstanding principal amount together with any accrued interest in cash.

Initial conversion price: HK\$0.25 per Conversion Share

The initial conversion price was determined on an arm's length basis between HKHC and the Placing Agent with reference to, among other things, the recent performance of the HKHC Share price.

The initial conversion price is subject to adjustments, including consolidation or subdivision of HKHC Shares, rights issue, extraordinary stock or cash distribution, and other dilutive events, which may or may not occur.

The conversion price of HK\$0.25 per Share represents: (i) a premium of approximately 10.62% over the closing prices of HK\$0.226 per Share on the Last Trading Day, being the latest trading day before the date of this announcement; and (ii) a premium of approximately 6.47% over the average of the closing prices of HK\$0.2348 per Share in the last 5 trading days prior to the date of the CB Placing Agreement; and (iii) a premium of 20.60% over the average of the closing price of HK\$0.2073 per Share in the last 10 trading days prior to the date of the CB Placing Agreement.

The holders of the Convertible Bonds I shall have the right at any time after the date of issue of the Convertible Bonds I to convert any outstanding amount of the Convertible Bonds I at denomination of HK\$10,000,000 each into the Conversion Shares at the then applicable conversion price, unless the amount remaining on exercise of the conversion rights shall be less than HK\$10,000,000 and in such event, the entire outstanding amount shall be converted.

Ranking: The Conversion Shares, when allotted and issued, will rank pari passu in all respects with the other HKHC Shares in issue as at the date of issue of such Conversion Shares

Interest:	2% per annum payable half yearly in arrears
Transferability:	The Convertible Bonds I may be transferred to any third party without the prior written consent of HKHC. None of the Convertible Bonds I may be transferred to a “connected person” (as defined in the Listing Rules) of HKHC. HKHC shall give notice to the Stock Exchange for any transfer of the Convertible Bonds I and shall state whether any connected person (as defined in the Listing Rules) of HKHC is involved.
Voting rights:	The Convertible Bonds I do not confer any voting rights at general meetings of HKHC on the holder(s) of the Convertible Bonds I
Events of default:	On the occurrence of certain events of default specified in the Convertible Bonds I (e.g. liquidation), each of the holders of the Convertible Bonds I shall be entitled to demand for immediate repayment of the principal amount outstanding and accrued but unpaid interest under the relevant Convertible Bonds I
Listing:	No application will be made for the listing of the Convertible Bonds I on the Stock Exchange or any other stock exchange.

OTHER INFORMATION ON THE PLACING AND THE CB PLACING

Reasons for the Placing and the CB Placing

The HKHC Directors consider the timing of the fund raising by the Placing and the CB Placing are appropriate as the recent stock market has shown strong sentiment and the Placing and the CB Placing will be attractive to the potential investors. The HKHC Directors consider that notwithstanding that the Placing and the CB Placing will result in the dilution of the existing shareholding interest of the HKHC Shareholders, the Placing and the CB Placing represent an opportunity to raise capital for HKHC to enhance the general working capital base and the existing business of the Group and to further strengthen and develop the services arm of the HKHC Group.

Use of proceeds

The Placing

The gross proceeds from the Tranche I Placing will be approximately HK\$41.8 million and the net proceeds, after deduction of related expenses, will be approximately HK\$40.4 million. The gross proceeds from the Tranche II Placing will be approximately HK\$106.4 million and the net proceeds after deduction of related expenses, will be approximately HK\$103.4 million. The gross proceeds in aggregate from the Placing will be approximately HK\$148.2 million and the net proceeds of approximately HK\$143.8 million from the Placing are intended to be used as to (i) HK\$80 million for potential acquisition if opportunities arise; (ii) as to HK\$30 million for the expansion and enhancement of the HKHC Group’s health check centre in Hong Kong which provides health check, advanced diagnostic imaging services, day care observation services and medical laboratory related services in Hong Kong; (iii) as to HK\$20 million for the preliminary development of health check service in the PRC; and (iv) the remaining balance as general working capital purpose. The net proceeds raised per HKHC Share upon the completion of both the Tranche I Placing and the Tranche II Placing will be approximately HK\$0.1844 per HKHC Share.

CB Placing

The maximum gross and net proceeds (after deduction of related expenses) from the CB Placing will be approximately HK\$250 million and HK\$244 million, respectively. The net proceeds are expected to be applied towards the expansion of HKHC Group’s new centre for the provision of health check, advanced diagnostic services, day care observation services and medical laboratory related services, and the establishment of similar centres at other locations in Hong Kong and the PRC. In the event that such expansion and establishment of the proposed new centres are not implemented, such net proceeds will be used as general working capital for HKHC Group.

Fund raising activities of HKHC in the past 12 months

Date of announcement	Transaction	Net proceeds raised (approximately)	Intended use of proceeds	Actual use of proceeds
21 November 2006	Placing of convertible notes to not less than 6 placese (Note)	HK\$19 million	To be used for the expansion and enhancement of the HKHC Group's health check centre in Hong Kong which provides health check, advanced diagnostic imaging services, day care observation services and medical laboratory related services in Hong Kong.	Used for the enhancement of the HKHC group's health check centre in Hong Kong, as general working capital for HKHC and for the acquisition of medical related business
4 September 2006	Placing of convertible notes to not less than 6 placese (Note)	HK\$38 million	To be used for the expansion and enhancement of the HKHC Group's health check centre in Hong Kong which provides health check, advanced diagnostic imaging services, day care observation services and medical laboratory related services in Hong Kong.	Used for the enhancement of the HKHC group's health check centre in Hong Kong, as general working capital for HKHC and for the acquisition of medical related business

Note: These convertible notes had been fully converted into the existing issued HKHC Shares as at the date of this announcement.

THE OPTION AGREEMENT

On 29 March 2007, HKHC entered into the Option Agreement with Top Act, a wholly owned subsidiary of Town Health. Pursuant to the Option Agreement, HKHC has agreed to grant the Option to Top Act at a nominal consideration of HK\$1.00. Pursuant to the Option Agreement, Top Act shall be entitled to require HKHC to issue Convertible Bond II in an aggregate principal amount of HK\$500,000,000 during the Option Period.

Conditions

The Grant of Option and its completion are conditional upon the fulfillment of the following conditions:

- (a) the Stock Exchange shall have approved the Grant of Option and the issue of the Convertible Bond II either unconditionally or subject to conditions to which neither HKHC nor Top Act shall reasonably object and the satisfaction of such conditions;
- (b) the Listing Committee of the Stock Exchange shall have granted (either unconditionally or subject to conditions to which neither HKHC nor Top Act shall reasonably object) listing of and permission to deal in the Conversion Shares to be issued upon the exercise of the conversion rights attaching to the Convertible Bond II;
- (c) if necessary, the passing by the Independent HKHC Shareholders of the necessary resolution by way of poll at the HKHC SGM approving the Whitewash Waiver, and the granting of the Whitewash Waiver by the Executive in accordance with the Takeovers Code;
- (d) if necessary, the passing by the Independent HKHC Shareholders of the necessary resolution by way of poll at the HKHC SGM approving the Option Agreement, the issue of the Convertible Bond II and the transactions contemplated thereunder including but not limited to the allotment and issue of the Conversion Shares;
- (e) if necessary, the passing by the independent Town Health Shareholders of the necessary resolution by way of poll at an extraordinary meeting of Town Health approving the Option Agreement and the transactions contemplated thereunder;
- (f) if necessary, the Bermuda Monetary Authority having granted its permission for the issue of the Convertible Bond II and the Conversion Shares;
- (g) all necessary approval, licenses, authorisations and consents required to be obtained on the part of HKHC and Top Act in relation to the Option Agreement and the transactions contemplated hereunder having been obtained; and

(h) no event having occurred or occurring which would constitute an event of default under the Option Agreement.

None of the conditions above would be waived by HKHC and Top Act. If any of the above conditions are not fulfilled on or before 5:00 p.m. on 31 May 2007 or such later date as may be agreed between Top Act and HKHC, the Option Agreement will lapse and become null and void and the parties shall be released from all obligations hereunder, save the liabilities for any antecedent breaches thereof.

Completion

Subject to fulfillment of the conditions of the Option Agreement and exercise of the Option, completion shall take place at 3:00 p.m. on the third business day following the notice served by Top Act to HKHC for exercise of the Option (or such other date as may be agreed between HKHC and Top Act in writing).

Principal terms of the Convertible Bond II

Issuer: HKHC

Principal amount: HK\$500,000,000

Maturity date: the date falling on the 4th anniversary of the date of issue of the Convertible Bond II. Any unredeemed and unconverted Convertible Bonds II will be redeemed at 100% of the outstanding principal amount together with any accrued interest in cash.

HKHC shall be entitled at any time while the Convertible Bond II is outstanding to redeem the Convertible Bond II or any part thereof in multiples of HK\$10,000,000 together with a sum equivalent to the interest accrued on the amount redeemed up to the date of redemption. The Convertible Bond II or any part thereof redeemed shall be forthwith cancelled.

Initial conversion price: HK\$0.25 per Conversion Share

The initial conversion price was determined on an arm's length basis respectively between HKHC and Town Health with reference to, among other things, the performance of the HKHC Share price.

The initial conversion price is subject to adjustments, including consolidation or subdivision of HKHC Shares, rights issue, extraordinary stock or cash distribution, and other dilutive events, which may or may not occur.

The conversion price of HK\$0.25 represents: (i) a premium of approximately 10.62% over the closing price of HK\$0.226 on the Last Trading Day, being the latest trading day before the date of this announcement; (ii) a premium of approximately 6.47% over the average closing price of HK\$0.2348 in the last 5 trading days prior to the date of the Option Agreement; and (iii) a premium of 20.60% over the average closing price of HK\$0.2073 in the last 10 trading days prior to the date of the Option Agreement.

The holders of the Convertible Bond II shall have the right at any time after the date of issue of the Convertible Bond II to convert any outstanding amount of the Convertible Bond II at denomination of HK\$10,000,000 each (or such lesser amount as may represent the entire principal amount thereof) into the Conversion Shares at the conversion price

Ranking: The Conversion Shares, when allotted and issued will rank pari passu in all respects with the other HKHC Shares in issue as at the date of issue of the Conversion Shares

Interest: 2% per annum on the principal amount of the Convertible Bond II outstanding payable half yearly in arrears

Transferability: The Convertible Bond II may be transferable in whole multiples of HK\$10,000,000 (or such lesser amount as may represent the entire principal amount thereof) provided always that no transfer or assignment of the Convertible Bond II shall be made to any connected person (as defined in the Listing Rules) of HKHC

Voting rights:	The Convertible Bond II does not confer any voting rights at general meetings of HKHC on the holder(s) of the Convertible Bond II
Events of default:	On the occurrence of certain events of default specified in the Convertible Bond II (e.g. liquidation), the holder(s) of the Convertible Bond II shall be entitled to demand for immediate repayment of the principal amount outstanding and accrued but unpaid interest under the relevant Convertible Bond II
Listing:	No application will be made for the listing of the Convertible Bond II on the Stock Exchange or any other stock exchange.

Upon exercise in full of the conversion rights attaching to such Convertible Bond II, an aggregate of 2,000,000,000 Conversion Shares would fall to be allotted and issued by HKHC at the initial conversion price of HK\$0.25 per Conversion Share, which would represent (i) approximately 76.05% of the existing issued share capital of HKHC comprising 2,629,771,468 Shares; (ii) approximately 45.35% of the issued share capital of HKHC as enlarged by the Tranche I Placing, Tranche II Placing and, CB Placing; and (iii) approximately 31.20% of the issued share capital of HKHC as enlarged by the Tranche I Placing, the Tranche II Placing, the CB Placing and the Grant of Option.

Reason for the Grant of Option

In view that HKHC has been allied with Town Health in expanding its principal business of provision of healthcare and medical checks services, HKHC would like to maintain a good business relationship with Town Health. Taking into account the dilution effect arising from the Placing and CB Placing, HKHC grants the Option to Top Act, an indirect wholly owned subsidiary of Town Health, to minimise the dilution effect on the voting rights of Top Act in the event the TA Convertible Bond has been exercised in full. The HKHC Directors consider the Option Agreement is fair and reasonable and in the interest of HKHC and the HKHC Shareholders as a whole. An Independent Board Committee will be established to advise the Independent HKHC Shareholders and an independent financial adviser will be appointed to advise the Independent Board Committee and Independent HKHC Shareholders in respect of the Grant of Option.

The Town Health Directors (including the independent non-executive Town Health Directors) consider the Option Agreement is fair and reasonable and in the interest of Town Health and Town Health Shareholders as a whole.

Use of proceeds

The net proceeds from the exercise of the Option will be approximately HK\$499 million which are expected to be applied towards the expansion of HKHC Group's new centre for the provision of health check, advanced diagnostic services, day care observation services and medical laboratory related services, and the establishment of similar centres at other locations outside Hong Kong. In the event that such expansion and establishment of the proposed new centres are not implemented, such net proceeds will be used as general working capital for HKHC Group.

INFORMATION ON TOP ACT AND TOWN HEALTH

Top Act is an indirect wholly owned subsidiary of Town Health. Town Health became listed on GEM on 18 October 2000 and is principally engaged in the (i) provision of healthcare and dental services; (ii) sale of healthcare and pharmaceutical products; and (iii) investment in a number of companies in the healthcare industry.

Town Health is currently owned as to (i) 51.56% of its issued share capital by Broad Idea International Limited which is beneficially owned by Dr. Cho Kwai Chee as to 50.1% and Dr. Choi as to 49.9% respectively; (ii) 0.05% of its issued share capital by Dr. Fung Yiu Tong, Bennet, the executive director of both HKHC and Town Health; and (iii) the remaining 48.39% of its issued share capital by the public.

WHITEWASH WAIVER

Before the Grant of Option, Top Act, save for the TA Convertible Bond granted on 23 February 2006 exercisable into 1,463,414,634 Conversion Shares at the conversion price of HK\$0.041 (details has been set out in HKHC's announcement dated 6 March 2006), has no shareholding interest in HKHC, and its concert party, namely Miss Choi Ka Yee, Crystal, was interested in 100,000,000 HKHC Shares representing approximately 3.8% of the existing issued share capital of HKHC as at the date of this announcement.

Assuming Top Act has exercised the TA Convertible Bond in full, Top Act and its concert parties together were interested in 1,563,414,634 HKHC Shares, representing 38.20% of the issued share capital of HKHC as enlarged by the TA Convertible Bond, and would be required to make conditional mandatory general offers for all the issued HKHC Shares, convertible notes and options of HKHC not already owned or agreed to be acquired by Top Act and its parties acting in concert. A whitewash waiver in respect of the conversion of the TA Convertible Bond has been granted by the Executive to Top Act on 3 February 2006 and the relevant approval has been obtained from the then Independent HKHC Shareholders at the special general meeting of HKHC held on 13 February 2006 for waiving the obligation under Rule 26 of the Takeovers Code arising from the exercise of the TA Convertible Bond.

Assuming Top Act has exercised the TA Convertible Bond in full immediately after completion of the Tranche I Placing and Tranche II Placing (but before exercise of the Option and the completion of the CB Placing), Top Act and its parties acting in concert will be interested in 1,563,414,634 HKHC Shares, representing approximately 32.08% of the then issued share capital of HKHC as enlarged by Tranche I Placing Shares, Tranche II Placing Shares and the exercise of TA Convertible Bond in full. A whitewash waiver in respect of the conversion of the TA Convertible Bond, which is stated in the previous paragraph has been granted and approved by the Executive and Independent HKHC Shareholders respectively.

Scenario 1:

Before the conversion of the TA Convertible Bond and the completion of the CB Placing, if Top Act has exercised the Option and exercised the conversion rights attaching to the Convertible Bond II in full immediately after completion of the Tranche I Placing and Tranche II Placing, Top Act and its parties acting in concert will be interested in 2,100,000,000 HKHC Shares, representing 38.82% of the issued share capital of HKHC enlarged by the Placing and Convertible Bond II exercised in full.

Scenario 2:

Before the conversion of the TA Convertible Bond but after the completion of the CB Placing, if Top Act has exercised the Option and exercised the conversion rights attaching to the Convertible Bond II in full immediately after completion of the Tranche I Placing, Tranche II Placing, and the conversion of Convertible Bonds I in full, Top Act and its parties acting in concert will be interested in 2,100,000,000 HKHC Shares, representing 32.76% of the issued share capital of HKHC enlarged by the Placing, and the Convertible Bond I and the Convertible Bond II exercised in full.

Scenario 3:

Assuming Top Act has exercised the TA Convertible Bond in full immediately after completion of the Tranche I Placing and Tranche II Placing (but before exercise of the Option and the completion of the CB Placing), Top Act and its parties acting in concert will be interested in 1,563,414,634 HKHC Shares, representing approximately 32.08% of the then issued share capital of HKHC as enlarged by Tranche I Placing Shares, Tranche II Placing Shares and the exercise of TA Convertible Bond in full. The immediate exercise of the Option and the exercise of the Convertible Bond II in full will increase the shareholding of Top Act and its parties acting in concert to 3,563,414,634 HKHC Shares, representing approximately 51.85% of the then issued share capital of HKHC as enlarged by the Tranche I Placing Shares, Tranche II Placing Shares, the exercise of TA Convertible Bond in full and the Conversion Shares under the Convertible Bond II, or representing approximately 45.26% of the then issued share capital of HKHC as enlarged by the Tranche I Placing Shares, Tranche II Placing Shares, the exercise of TA Convertible Bond in full and the Conversion Shares under both Convertible Bond I and Convertible Bond II, in either event resulting in an increase of more than 2% from its holding of approximately 32.08% before.

Under each of the above scenario 1, scenario 2 and scenario 3, Top Act and its parties acting in concert will be required under Rule 26 of the Takeovers Code to make conditional mandatory general offers for all the issued HKHC Shares, convertible notes and options of HKHC not already owned or agreed to be acquired by Top Act and its parties acting in concert. Top Act will make an application to the Executive pursuant to Note 1 on Dispensations from Rule 26 of the Takeovers Code for the Whitewash Waiver, which if granted, would be subject to the approval of the Independent HKHC Shareholders on a vote to be taken by way of a poll in which Top Act, Miss Choi Ka Yee, Crystal or any party acting in concert with any of them and those who are involved in or interested in the Grant of Option shall be required to abstain from voting. If the Whitewash Waiver is granted and approved by the Independent HKHC Shareholders, the obligation of Top Act and its parties acting in concert to make conditional mandatory general offers arising from the conversion of Convertible Bonds II under Rule 26 of the Takeovers Code will be waived. The Whitewash Waiver may or may not be granted. **If the Whitewash Waiver is not granted, the Option Agreement will lapse and the Grant of Option will not proceed.**

Save for the Option Agreement, the TA Convertible Bond and the shareholding interest of 100,000,000 HKHC Shares held by Miss Choi Ka Yee, Crystal, neither Top Act, Town Health, Dr. Choi, Miss Choi Ka Yee, Crystal nor any of their respective parties acting in concert are interested in any HKHC Shares or has dealt in HKHC Shares during the past 6 months preceding the date of the Option Agreement and during the period between the date of the Option Agreement and this announcement.

SHAREHOLDING STRUCTURE OF HKHC

The table 1 and table 2 set out below show the effect of shareholding of HKHC as a result of the completion of the Tranche I Placing, Tranche II Placing, conversion of the TA Convertible Bonds, Convertible Bond I and/or Convertible Bond II in full under different scenarios:

Table 1:

	As at the date of this Announcement		Upon completion of the Tranche I Placing		Upon completion of the Tranche I Placing and the Tranche II Placing		Upon completion of the Tranche I Placing, the Tranche II Placing and assuming all TA Convertible Bonds are converted in full		Upon completion of the Tranche I Placing, the Tranche II Placing and assuming all TA Convertible Bonds and Convertible Bond II are converted in full	
	HKHC Shares	Approximate	HKHC Shares	Approximate	HKHC Shares	Approximate	HKHC Shares	Approximate	HKHC Shares	Approximate
		%		%		%		%		%
Top Act Group Limited							1,463,414,634	30.03	3,463,414,634	50.39
Choi Ka Yee Crystal (Note 1)	100,000,000	3.80	100,000,000	3.51	100,000,000	2.93	100,000,000	2.05	100,000,000	1.46
Public:										
Best China Limited (Note 2)			130,000,000	4.56	130,000,000	3.81	130,000,000	2.67	130,000,000	1.89
More Distribution Limited (Note 3)			70,000,000	2.46	70,000,000	2.05	70,000,000	1.44	70,000,000	1.02
BIO Garden Inc. (Note 4)			2,000,000	0.07	2,000,000	0.06	2,000,000	0.04	2,000,000	0.03
Kong Kam Yu Sammy			18,000,000	0.63	18,000,000	0.53	18,000,000	0.37	18,000,000	0.26
ABN AMRO Bank N.V. (London Branch)					180,000,000	5.28	180,000,000	3.69	180,000,000	2.62
Galaxy Asset Management (HK) Limited					180,000,000	5.28	180,000,000	3.69	180,000,000	2.62
Atlantis Investment Management Limited (Note 5)					160,000,000	4.69	160,000,000	3.28	160,000,000	2.32
China Assets (Holdings) Limited (Note 6)					40,000,000	1.17	40,000,000	0.82	40,000,000	0.58
Holder of Convertible Bonds I (Note 7)										
Other public HKHC Shareholders	2,529,771,468	96.20	2,529,771,468	88.77	2,529,771,468	74.20	2,529,771,468	51.92	2,529,771,468	36.81
Sub-total (Notes 8&9)	<u>2,529,771,468</u>	<u>96.20</u>	<u>2,749,771,468</u>	<u>96.49</u>	<u>3,309,771,468</u>	<u>97.07</u>	<u>3,309,771,468</u>	<u>67.92</u>	<u>3,309,771,468</u>	<u>48.15</u>
Total	<u>2,629,771,468</u>	<u>100.00</u>	<u>2,849,771,468</u>	<u>100.00</u>	<u>3,409,771,468</u>	<u>100.00</u>	<u>4,873,186,102</u>	<u>100.00</u>	<u>6,873,186,102</u>	<u>100.00</u>

Table 2

	Upon completion of the Tranche I Placing, the Tranche II Placing and assuming all Convertible Bonds I are converted in full		Upon completion of the Tranche I Placing, the Tranche II Placing and assuming all Convertible Bond II are converted in full		Upon completion of the Tranche I Placing, the Tranche II Placing, assuming all Convertible Bonds I and Convertible Bonds II are converted in full		Upon completion of the Tranche I Placing, the Tranche II Placing, and assuming all Convertible Bonds I and Convertible Bond II and TA Convertible Bonds are converted in full	
	HKHC Shares	Approximate	HKHC Shares	Approximate	HKHC Shares	Approximate	HKHC Shares	Approximate
		%		%		%		%
Top Act Group Limited	-	-	2,000,000,000	36.97	2,000,000,000	31.20	3,463,414,634	43.99
Choi Ka Yee Crystal (Note 1)	100,000,000	2.27	100,000,000	1.85	100,000,000	1.56	100,000,000	1.27
Public:								
Best China Limited (Note 2)	130,000,000	2.95	130,000,000	2.40	130,000,000	2.03	130,000,000	1.65
More Distribution Limited (Note 3)	70,000,000	1.59	70,000,000	1.29	70,000,000	1.09	70,000,000	0.89
BIO Garden Inc. (Note 4)	2,000,000	0.05	2,000,000	0.04	2,000,000	0.03	2,000,000	0.03
Kong Kam Yu Sammy	18,000,000	0.41	18,000,000	0.33	18,000,000	0.28	18,000,000	0.23
ABN AMRO Bank N.V. (London Branch)	180,000,000	4.08	180,000,000	3.33	180,000,000	2.81	180,000,000	2.29
Galaxy Asset Management (HK) Limited	180,000,000	4.08	180,000,000	3.33	180,000,000	2.81	180,000,000	2.29
Atlantis Investment Management Limited (Note 5)	160,000,000	3.63	160,000,000	2.96	160,000,000	2.50	160,000,000	2.03
China Assets (Holdings) Limited (Note 6)	40,000,000	0.91	40,000,000	0.74	40,000,000	0.62	40,000,000	0.51
Holder of Convertible Bonds I (Note 7)	1,000,000,000	22.67	-	-	1,000,000,000	15.60	1,000,000,000	12.70
Other public HKHC Shareholders	2,529,771,468	57.36	2,529,771,468	46.76	2,529,771,468	39.47	2,529,771,468	32.12
Sub-total (Notes 8 & 9)	<u>4,309,771,468</u>	<u>97.73</u>	<u>3,309,771,468</u>	<u>61.18</u>	<u>4,309,771,468</u>	<u>67.24</u>	<u>4,309,771,468</u>	<u>54.74</u>
Total	<u>4,409,771,468</u>	<u>100.00</u>	<u>5,409,771,468</u>	<u>100.00</u>	<u>6,409,771,468</u>	<u>100.00</u>	<u>7,873,186,102</u>	<u>100.00</u>

1. Miss Choi Ka Yee, Crystal, is a HKHC Director. Her interest is held through her wholly-owned company, Central View International Limited.
2. Best China Limited is beneficially owned by Mrs. Chu Yuet Wah, a third party independent of HKHC and its connected person (as defined in Listing Rules).
3. More Distribution Limited is beneficially owned by Ms. Wang Chao, Julia, a third party independent of HKHC and its connected person (as defined in Listing Rules).
4. BIO Garden Inc is incorporated in the British Virgin Islands, which is wholly owned by Kong Kam Yu Sammy, who is a third party independent of HKHC and its connected person (as defined in Listing Rules).
5. Atlantis Investment Management Limited will be placed by a sub-placing agent. The beneficial owner of Atlantis Investment Management Limited is Atlantis China Fortune Fund which is a public listed fund registered in Dublin.
6. China Assets (Holdings) Limited (stock code: 170) is a company incorporated in Hong Kong with limited liability and the issued shares of which are listed on the main board of the Stock Exchange.
7. The Placees of the Convertible Bonds I are yet to be determined, the Placing Agent shall procure that each of the Placees of the Convertible Bonds I to be placed, will be a third party independent of HKHC and its connected persons (as defined in the Listing Rules) and not acting in concert with any of Town health, Top Act, Dr. Choi or Miss Choi Ka Yee, Crystal. It is expected that there will be no substantial shareholders to be placed with the Convertible Bonds I.
8. Such Tranche I Placing Shares and Tranche II Placing Shares would be allotted and issued upon completion of the respective Tranche I Placing and Tranche II Placing.
9. None of the Placees of Tranche I Placing and Tranche II Placing will become a substantial shareholder of HKHC after the completion of Tranche I Placing and Tranche II Placing.

THE SP AGREEMENT

On 18 April 2006, the HKHC Group and Dr. Choi entered into the JV Agreement for the formation of the JV Co., details of which have been set out in the HKHC's announcement dated 19 April 2006. Pursuant to the JV Agreement, the HKHC Group and Dr. Choi have agreed to contribute HK\$21,000,000 and HK\$9,000,000 respectively into the JV Co. The contribution is in proportion to their respective shareholdings. Prior to the date of the SP Agreement, the JV Co. was owned as to 70% by HKHC Group and 30% by Dr. Choi respectively.

On 2 April 2007, the HKHC Group and Dr. Choi entered into the SP Agreement, details of which are set out below:

Date:	2 April 2007
Parties:	(1) Classictime Investments Limited; and (2) Dr. Choi
Assets to be acquired:	30% equity interest in the JV Co.
Consideration:	HK\$9,000,000 to be paid upon completion of the Acquisition in cash, which is equal to 30% of the net assets of the JV Co.
Conditions:	Completion of the Acquisition is conditional upon, among other condition, all necessary consents and approvals required to be obtained in respect of the SP Agreement and the transactions contemplated thereunder having been obtained on or before 31 May 2007.
Completion:	Completion of the Acquisition will take place on the date falling three business days after the date of fulfillment of the conditions stated above.

Information on the JV Co.

The JV Co. has been incorporated in accordance with the JV Agreement in the British Virgin Islands. Immediately before the SP Agreement, the JV Co. is owned as to 70% by HKHC Group and as to 30% by Dr. Choi. After its incorporation, the JV Co. has not commenced business and accordingly, no profit and loss has been resulted. The unaudited net assets of the JV Co. as at 28 February 2007 are approximately HK\$30 million,

Reasons for the Acquisition

The Acquisition will enable the HKHC Group to streamline its operation. Given the financial position of the HKHC Group, particularly after the Placing, the HKHC Group intends to reduce the financial assistance from Dr. Choi who is a connected person to the HKHC.

The HKHC Directors (including the Independent non-executive HKHC Directors) consider that the terms of the SP Agreement are fair and reasonable, on normal commercial terms and in the interest of HKHC and the HKHC Shareholders as a whole.

GENERAL

HKHC is principally engaged in the provision of the manufacturing and sales of garment and provision of healthcare and medical checks services. The net asset values for HKHC for the two years ended 31 March 2006 are HK\$20,812,000 and HK\$1,873,000 respectively. The net loss before and after taxation and extraordinary items for the year ended 31 March 2005 are HK\$28,759,000 and HK\$28,769,000 respectively. The net loss before and after taxation and extraordinary items for the year ended 31 March 2006 are both HK\$45,346,000. The unaudited net asset value for HKHC as at 30 September 2006 was HK\$62,000.

Town Health is 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.

For HKHC, Town Health is a connected person of HKHC by virtue of Dr. Choi (being the Town Health Director and having an indirect interest in Town Health through his 49.9% interest in Broad Idea International Limited which owns 51.56% in Town Health) who is father of Miss Choi Ka Yee, Crystal, being the HKHC Director and therefore the Option Agreement constitutes a connected transaction of HKHC under Chapter 14A of the Listing Rules. Pursuant to the Listing Rules, the Option Agreement subject to the Independent HKHC Shareholders' approval at the HKHC SGM, voting by way of poll. Miss Choi Ka Yee, Crystal and her associates will be required to abstain from voting in respect of the resolution to approve the Option Agreement and transactions contemplated thereunder at the HKHC SGM.

For the SP Agreement, as Dr. Choi is a substantial shareholder of the JV Co. which is a subsidiary of HKHC, the SP Agreement constitutes a discloseable and connected transaction of HKHC but is exempt from the Independent HKHC Shareholders' approval under Rule 14A.32 of the Listing Rules.

An Independent Board Committee will be established to advise the Independent HKHC Shareholders in relation to the terms of the Option Agreement and the Whitewash Waiver. HKHC will appoint an independent financial adviser to advise the Independent Board Committee and the Independent HKHC Shareholders in respect of the terms of the Option Agreement and the Whitewash Waiver. Further announcement will be made for the appointment of the independent financial adviser.

A circular containing, among other things, details regarding (i) the Tranche II Placing Agreement; (ii) the CB Placing Agreement; (iii) the Option Agreement; (iv) the Whitewash Waiver; (v) the letter of recommendation from the Independent Board Committee; (vi) the letter from the independent financial adviser to the Independent Board Committee and Independent HKHC Shareholders; and (vii) a notice of the HKHC SGM will be despatched to the HKHC Shareholders as soon as practicable in accordance to the Listing Rules and the Takeovers Code.

For Town Health, the Grant of Option is classified as if the Option had been exercised at Town Health's discretion and accordingly constitutes a discloseable transaction with reference to the applicable ratio under Rules 19.74 of the GEM Listing Rules.

A circular containing, among other things, details regarding the Option Agreement will be despatched to Town Health Shareholders as soon as practicable in accordance to the GEM Listing Rules.

The existing authorised share capital of HKHC consists of 30,000,000,000 HKHC Shares out of which 2,629,771,468 HKHC Shares are issued and fully paid up as at the date of this announcement. Save for the options as may be granted under the share option scheme of HKHC, the TA Convertible Bond, the Tranche I Placing Shares, the Tranche II Placing Shares, the Convertible Bonds I and the Convertible Bond II upon exercise of the Option, there are no options, rights to acquire, or any other form of security or encumbrance on, over or affecting any part of the unissued share capital of HKHC as at the date of this announcement.

Application will be made by HKHC to the Listing Committee of the Stock Exchange for the grant of the listing of, and permission to deal in, the Tranche I Placing Shares, Tranche II Placing Shares and the Conversion Shares falling to be issued upon exercise of the conversion rights attaching to the Convertible Bond I and the Convertible Bond II.

The Tranche I Placing, Tranche II Placing, CB Placing and Grant of Option may or may not proceed, HKHC Shareholders and potential investors are advised to exercise caution when dealing in the HKHC Shares. Town Health Shareholders and potential investors are advised to exercise caution when dealing in the shares of Town Health.

RESUMPTION OF TRADING

At the request of HKHC, trading in the HKHC Shares on the Stock Exchange has been suspended from 9:30 a.m. on 26 March 2007 pending the release of this announcement. Application has been made to the Stock Exchange for the resumption of trading in the HKHC Shares on the Stock Exchange from 9:30 a.m. on 12 April 2007.

At the request of Town Health, trading in the shares of Town Health on GEM has been suspended from 9:30 a.m. on 26 March 2007 pending the release of this announcement. Application has been made to the Stock Exchange for the resumption of trading in the shares of Town Health on GEM from 9:30 a.m. on 12 April 2007.

Terms and definitions

“Acquisition”	the acquisition of 30% equity interest in the JV Co. from Dr. Choi pursuant to the SP Agreement
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“CB Placing”	the placing of the Convertible Bonds I pursuant to the CB Placing Agreement
“CB Placing Agreement”	the conditional convertible bonds placing agreement dated 29 March 2007 entered into between HKHC and the Placing Agent in relation to the placing of Convertible Bonds I on a best effort basis
“Conversion Share(s)”	new HKHC Shares falling to be allotted and issued upon exercise of the conversion rights attaching to the Convertible Bond(s) I and/or Convertible Bond II
“Convertible Bonds I”	the convertible bonds up to an aggregate principal amount of HK\$250 million to be issued by HKHC pursuant to the CB Placing Agreement
“Convertible Bond II”	the convertible bond up to an aggregate principal amount of HK\$500 million to be issued by HKHC to Top Act pursuant to the Option Agreement
“Dr. Choi”	Dr. Francis Choi Chee Ming, J.P., a non-executive Town Health Director
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any of its delegates
“GEM”	the Growth Enterprise market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of securities on GEM
“Grant of Option”	the grant of Option by HKHC to Top Act pursuant to the Option Agreement
“HKHC”	Hong Kong Health Check and Laboratory Holdings Company Limited, a company incorporated in Bermuda with limited liability and the issued Shares of which are listed on the main board of the Stock Exchange
“HKHC Board”	the board of HKHC Directors
“HKHC Director(s)”	director(s) of HKHC
“HKHC Group”	HKHC together with its subsidiaries

“HKHC SGM”	a special general meeting of HKHC to be convened for the purpose of considering and, if thought fit, approving, among other things, (i) the Tranche II Placing Agreement (ii) the CB Placing Agreement (iii) the Option Agreement and (iv) the Whitewash Waiver
“HKHC Share(s)”	ordinary share(s) of HK\$0.01 each in the issued share capital of HKHC
“HKHC Shareholder(s)”	holder(s) of the HKHC Shares
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent board committee established by the HKHC Board to advise the Independent HKHC Shareholders in respect of the Grant of Option and the Whitewash Waiver
“Independent HKHC Shareholder(s)”	HKHC Shareholders who are not interested or involved in the Grant of Option and the Whitewash Waiver
“JV Agreement”	the agreement entered into on 18 April 2006 between Dr. Choi and HKHC Group in relation to the formation of the JV Co.
“JV Co.”	Town Health Medical Technology (China) Company Limited, the joint venture company established under the JV Agreement
“Last Trading Day”	23 March 2007, being the last full trading day for the HKHC Shares
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Option”	the option granted by HKHC to Top Act entitling Top Act to require HKHC to issue Convertible Bond II up to an aggregate principal amount of HK\$500,000,000 during the Option Period pursuant to the Option Agreement
“Option Agreement”	the agreement entered into between HKHC and Top Act, a wholly owned subsidiary of Town Health, dated 29 March 2007 in respect of the Grant of Option
“Option Period”	the period of one month commencing from the date of fulfillment of conditions precedent of the Option Agreement
“Placees”	any individual(s), institutional or other professional investor(s) procured by the Placing Agent to subscribe for any of the Tranche I Placing Shares, Tranche II Placing Shares and/or the Convertible Bonds I pursuant to the Placing Agent’s obligations under the Placing Agreements and the CB Placing Agreement
“Placing”	the Tranche I Placing and the Tranche II Placing
“Placing Agent”	Kingston Securities Limited, a licensed corporation to carry on business in type 1 (dealing in securities) regulated activity under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Placing Agreements”	the Tranche I Placing Agreement and/or the Tranche II Placing Agreement
“PRC”	the People’s Republic of China, which for the purpose of this announcement shall exclude Hong Kong, Taiwan and Macau Special Administrative Region
“SFC”	The Securities and Futures Commission of Hong Kong
“SP Agreement”	the sale and purchase agreement entered into between Classictime Investments Limited, a wholly-owned subsidiary of HKHC, as purchaser and Dr. Choi as vendor dated 2 April 2007 in relation to the Acquisition
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“TA Convertible Bond”	the convertible bond issued by HKHC on 23 February 2006 and held by Top Act which upon exercise in full will be converted into 1,463,414,634 Conversion Shares

“Takeovers Code”	The Hong Kong Code on Takeovers and Mergers
“Top Act”	Top Act Group Limited, a company incorporated in the British Virgin Islands with limited liability, and a wholly owned subsidiary of Town Health
“Town Health”	Town Health International Holdings Company Limited, a company incorporated in the Cayman Islands with limited liability whose issued shares are listed on the GEM
“Town Health Director(s)”	director(s) of Town Health
“Town Health Shareholders”	shareholders of Town Health
“Tranche I Placing”	placing of 220,000,000 new HKHC Shares by the Placing Agent pursuant to the terms of the Tranche I Placing Agreement
“Tranche I Placing Agreement”	the conditional placing agreement entered into between HKHC and the Placing Agent dated 29 March 2007 in relation to the Tranche I Placing on a fully underwritten basis
“Tranche I Placing Price”	HK\$0.19 per Tranche I Placing Share
“Tranche I Placing Share(s)”	an aggregate of 220,000,000 HKHC Shares to be placed pursuant to the terms of the Tranche I Placing Agreement
“Tranche II Placing”	placing of 560,000,000 new HKHC Shares by the Placing Agent pursuant to the terms of the Tranche II Placing Agreement
“Tranche II Placing Agreement”	a conditional placing agreement entered into between HKHC and the Placing Agent dated 29 March 2007 in relation to the Tranche II Placing on a fully underwritten basis
“Tranche II Placing Price”	HK\$0.19 per Tranche II Placing Share
“Tranche II Placing Share(s)”	an aggregate of 560,000,000 HKHC Shares to be placed pursuant to the terms of the Tranche II Placing Agreement
“Whitewash Waiver”	the whitewash waiver to be applied for by Top Act to the Executive pursuant to Note 1 on Dispensations from Rule 26 of the Takeovers Code for waiving the obligation of Top Act and parties acting in concert with it to extend a general offer to acquire the issued securities (excluding the issued securities which are owned or agreed to be acquired by Top Act and parties acting in concert with it) arising from the conversion of the Convertible Bond II
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.

By order of the HKHC Board
**Hong Kong Health Check and Laboratory
Holdings Company Limited**
Siu Kam Chau
Executive Director

By Order of the board
**Town Health International
Holdings Company Limited**
Choi Ka Yee, Crystal
Chairman

Hong Kong, 11 April 2007

* for identification purpose only

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

At the date of this announcement, the HKHC Board comprises five executive HKHC Directors, namely Dr. Fung Yiu Tong, Bennet, Mr. Lee Chik Yuet, Mr. Cho Kwai Yee, Kevin, Miss. Choi Ka Yee, Crystal and Mr. Siu Kam Chau and three independent non-executive HKHC Directors namely Mr. Chan Chi Yuen, Mr. Lo Chun Nga and Mr. Chik Chi Man.

The HKHC Directors collectively and individually, and jointly and severally, accept full responsibility, includes particulars given in compliance with the Takeovers Code and the Listing Rules for the accuracy of the information contained in this announcement, other than that relating to Town Health, and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this announcement, other than those relating to Town Health, 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 statements in this announcement misleading.

The Town Health Directors jointly and severally accept full responsibility for the accuracy of the information contained in this announcement, other than that relating to HKHC, and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this announcement, other than those relating to HKHC, 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 statements in this announcement misleading.

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

Please also refer to the published version of this announcement in China Daily.