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**Town Health International Medical Group Limited**  
**康健國際醫療集團有限公司**

*(Incorporated in the Cayman Islands and continued in Bermuda with limited liability)*

**(Stock Code: 3886)**

**COMPLETION OF DISCLOSEABLE TRANSACTION:  
INVESTMENT IN NANYANG XIANGRUI  
AND  
SUPPLEMENTAL AGREEMENTS  
TO THE MANAGEMENT AGREEMENT**

Reference is made to the announcement of Town Health International Medical Group Limited (“**Company**”, together with its subsidiaries, the “**Group**”) dated 4 December 2015 (“**Announcement**”) in relation to the investment by the Group in 南陽祥瑞醫院管理諮詢有限公司 (in English, for identification purpose only, Nanyang Xiangrui Hospital Management Advisory Co. Ltd.) (“**Nanyang Xiangrui**”). Unless otherwise stated, capitalised terms used herein shall have the same meanings as those defined in the Announcement.

**COMPLETION OF THE INVESTMENT**

The Board is pleased to announce that completion of the Investment took place on 29 September 2016, being the date the Group settled the Consideration. Pursuant to the Investment, the Group has (i) acquired from the existing equity holders of Nanyang Xiangrui approximately 43.71% equity interests in Nanyang Xiangrui (before the Group’s capital injection in Nanyang Xiangrui and represents approximately 31.06% equity interests in Nanyang Xiangrui as enlarged by the Group’s capital injection) at an aggregate consideration of RMB284,089,250 (equivalent to approximately HK\$332,384,423) and (ii) injected capital in the amount of RMB264,776,875 (equivalent to approximately HK\$309,788,944) in Nanyang Xiangrui for approximately 28.94% equity interests in Nanyang Xiangrui (as enlarged by the Group’s capital injection in Nanyang Xiangrui). The final Consideration of RMB548,866,125 (equivalent to approximately HK\$642,173,366) has been settled by internal resources of the Group.

Nanyang Xiangrui is the sole investor and promoter of the Medical Institutions, including Nanshi Hospital. Upon completion of the Investment, the Group holds 60% equity interests in Nanyang Xiangrui, and Nanyang Xiangrui becomes a non-wholly-owned subsidiary of the Company.

## **REFUND OF EARNEST MONEY**

In accordance with the Investment and Cooperation Agreement and as disclosed in the Announcement, the Earnest Money in the amount of RMB120,000,000 (equivalent to HK\$140,400,000) paid by the Group to Nanyang Xiangrui and Mr. Zhao shall be refunded to the Group within five working days after settlement of the Consideration by the Group.

## **SUPPLEMENTAL AGREEMENTS TO THE MANAGEMENT AGREEMENT**

As disclosed in the Announcement, pursuant to the Management Agreement, Nanyang Xiangrui and the Medical Institutions will enter into further agreements to govern the details of the services to be provided by Nanyang Xiangrui and the service fees to be charged by Nanyang Xiangrui.

### **Nanshi Hospital and Youtian Branch**

On 29 September 2016, Nanyang Xiangrui separately entered into a supplemental agreement to the Management Agreement with each of (i) Nanshi Hospital; and (ii) Youtian Branch (now known as 南陽市官莊工區南石醫院 (in English, for identification purpose only, Nanyang City Guanzhuang Gongqu Nanshi Hospital) (collectively as the “**Supplemental Agreements**”). The major terms of the Supplemental Agreements are set out below:

Services to be provided by Nanyang Xiangrui to Nanshi Hospital and Youtian Branch (“**Relevant Medical Institutions**”) are summarised as follows:

- (i) *Brand support/development*: to manage the brand of the Relevant Medical Institutions in the PRC and the Henan Province by building a marketing team responsible for managing promotion, advertisement, public relations and strategic planning in brand development and market positioning;

- (ii) *Financial and capital support/management*: in addition to those as disclosed in the Announcement, to assist the Relevant Medical Institutions to improve their budget planning and execution, refining internal audit system and accounting and financial management, and making use of the platform and resources of the Company in Hong Kong to achieve assets investment and/or management;
- (iii) *Administration and human resources management support*: to introduce the Company's human resources management system to the Relevant Medical Institutions to institutionalise and standardise staff recruitment and performance appraisal, formulation of remuneration and management policy and increase operational effectiveness; to upgrade the existing facilities and utilities management of the Relevant Medical Institutions to ensure quality control, health and safety, facilities maintenance and environmental protection; to assist the Relevant Medical Institutions to formulate infrastructure development plan, improve hospital security and food and catering offerings;
- (iv) *Medical services/resources support and institutional development planning*: to advise on expansion of the Relevant Medical Institutions and assist in identifying, assessing, and negotiating with, potential cooperation partners or merger and acquisition targets; to arrange staff training and improve clinical capacity of the Relevant Medical Institutions to open up new areas of services such as dental, beauty and cosmetic, in vitro fertilisation and health check; to bring into the Company's business partners and offer referrals to suitable patients of the Relevant Medical Institutions in relation to medical insurance, consultation and tourism;
- (v) *Integrated information technology support*: to manage the information system of the Relevant Medical Institutions and provide related repair and maintenance services; to bring into the Company's online-to-offline platform to strengthen support to patients and promote services of the Relevant Medical Institutions; to assist in building effective communication and relationship between patients by introducing health experts and remote management, treatment and consultation; and
- (vi) *Procurement and supply chain services support*: to assist in the procurement and management of medicines, medical instruments and disposables and advise on supplier selection, terms of supply and improve information flow to ensure and manage supply and quality control.

Nanyang Xiangrui shall receive management fees from the Relevant Medical Institutions under the Supplemental Agreements.

### **Erjiao Hospital and the Health Service Centre**

The operation of Erjiao Hospital and the Health Service Centre are currently managed by an Independent Third Party pursuant to certain pre-existing arrangement before the Investment, which will last until July 2018. It is intended that a supplemental agreement to the Management Agreement, on terms which are substantially the same with those in relation to the Relevant Medical Institutions set out above, will be entered into between Nanyang Xiangrui and these two Medical Institutions upon the expiry or early termination of such pre-existing arrangement with the Independent Third Party.

### **DEVELOPMENT OF NANSHI HOSPITAL**

The Group will accelerate the development of the healthcare services of Nanshi Hospital by (i) introducing Hong Kong style medical services, health check, cosmetic medicine, pretreatment for reproductive medicine, and obstetric and gynaecological services to Nanshi Hospital; (ii) proactively developing for it an e-procurement platform which will facilitate its electronic supply chain management and enhance its operational efficiency; (iii) in line with long-term development of Nanshi Hospital, developing a new medical building based on construction standards of international medical institutions, with 800 beds and floor area of approximately 71,000 square meters, and equipped with advanced surgical centres and high-end health check and medical diagnosis equipment, in order to expand the scale of the intensive care units and obstetric and gynaecological services of Nanshi Hospital, and provide the hospital with VIP rooms for premium healthcare services; (iv) continuing to improve and upgrade the hardware and equipment, and broaden service offerings of Nanshi Hospital; (v) establishing an integrated clinic providing all-round dental, health check and cosmetic medicine services; and (vi) developing a new electronic platform for health management of both inpatients and outpatients of Nanshi Hospital. The Group will adopt a prudent approach to allocate its resources and ensure effective budget control with an aim to bringing positive return to the Shareholders.

*In this announcement, amounts in RMB are converted to HK\$ at the exchange rate of RMB1 to HK\$1.17. Such exchange rate has been used, where applicable, for the purpose of illustration only and does not constitute a representation that any amounts were or may have been exchanged at this or any other rates or at all.*

By order of the Board  
**Town Health International Medical Group Limited**  
**Lee Chik Yuet**  
*Executive Director*

Hong Kong, 29 September 2016

*As at the date of this announcement, the executive Directors are Miss Choi Ka Yee, Crystal (Chairperson), Dr. Cho Kwai Chee (Executive Deputy Chairman), Dr. Hui Ka Wah, Ronnie, JP (Chief Executive Officer), Dr. Ip Chun Heng, Wilson, Mr. Lee Chik Yuet and Mr. Wong Seung Ming (Chief Financial Officer); the non-executive Directors are Dr. Choi Chee Ming, GBS, JP (Deputy Chairman), Ms. Fang Haiyan (Deputy Chairperson), Mr. Tsai Ming-hsing (Deputy Chairman) and Mr. Chen Jinhao; and the independent non-executive Directors are Mr. Ho Kwok Wah, George, MH, Mr. Wong Tat Tung, MH, JP, Mr. Yu Xuezhong, Ms. Li Mingqin and Mr. Wang John Hong-chiun.*