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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)

**CONNECTED TRANSACTION:
JOINT VENTURE AGREEMENT WITH TAIGANG MEDICAL**

JOINT VENTURE AGREEMENT WITH TAIGANG MEDICAL

On 1 August 2017, Town Health M&B, an indirect wholly-owned subsidiary of the Company, entered into the Cooperation Agreement with Taigang Medical in relation to formation of the Joint Venture to develop beauty and cosmetic medicine institutions and related business in Taiyuan city of Shanxi Province, the PRC. Pursuant to the Cooperation Agreement, a formal agreement would be entered into between the parties to provide further details on the establishment of the Joint Venture.

On 13 September 2018, after trading hours, Town Health M&B and Taigang Medical entered into the JV Agreement, being the formal agreement in relation to the establishment of the Joint Venture. The JV Agreement shall come into effect after being approved by the relevant PRC authorities.

Pursuant to the JV Agreement, Town Health M&B and Taigang Medical shall make capital contributions of RMB30,000,000 and RMB20,000,000 to the Joint Venture respectively, and the Joint Venture shall be owned as to 60% by Town Health M&B and 40% by Taigang Medical in accordance with their respective capital contributions.

IMPLICATIONS UNDER THE LISTING RULES

The Cooperation Agreement was not subject to any notification and announcement requirements under the Listing Rules.

Subsequent to the signing of the Cooperation Agreement and as at the date of this announcement, Taigang Medical is owned as to 50% by China Life Shanghai, a subsidiary of China Life Insurance. As at the date of this announcement, China Life Insurance holds approximately 23.72% of the Shares and is a connected person of the Company. As such, Taigang Medical, being a company controlled by China Life Insurance, is a connected person of the Company and the formation of the Joint Venture with Taigang Medical under the JV Agreement constitutes a connected transaction for the Company.

As the relevant percentage ratios under the Listing Rules in respect of the formation of the Joint Venture are less than 5%, while the formation of the Joint Venture does not constitute a notifiable transaction for the Company and is not subject to the notification and announcement requirements of Chapter 14 of the Listing Rules, it is subject to the reporting and announcement requirements but is exempt from the circular, independent financial advice and shareholders' approval requirements of Chapter 14A of the Listing Rules according to Rule 14A.76(2) of the Listing Rules.

On 1 August 2017, Town Health M&B, an indirect wholly-owned subsidiary of the Company, entered into the Cooperation Agreement with Taigang Medical in relation to formation of the Joint Venture to develop beauty and cosmetic medicine institutions and related business in Taiyuan city of Shanxi Province, the PRC. Pursuant to the Cooperation Agreement, a formal agreement would be entered into between the parties to provide further details on the establishment of the Joint Venture.

On 13 September 2018, after trading hours, Town Health M&B and Taigang Medical entered into the JV Agreement, being the formal agreement in relation to the establishment of the Joint Venture. The JV Agreement shall come into effect after being approved by the relevant PRC authorities.

Major terms of the JV Agreement are set out below.

JV AGREEMENT

Date

13 September 2018

Parties

- (i) Town Health M&B, an indirect wholly-owned subsidiary of the Company; and
- (ii) Taigang Medical.

Subsequent to the signing of the Cooperation Agreement and as at the date of this announcement, Taigang Medical is owned as to 50% by China Life Shanghai, a subsidiary of China Life Insurance. As at the date of this announcement, China Life Insurance holds approximately 23.72% of the Shares and is a connected person of the Company. As such, Taigang Medical, being a company controlled by China Life Insurance, is a connected person of the Company.

Formation of the Joint Venture and capital commitments

The Joint Venture is to be established to develop beauty and cosmetic medicine institutions and related business in Taiyuan city of Shanxi Province, the PRC.

Town Health M&B and Taigang Medical shall make capital contributions of RMB30,000,000 and RMB20,000,000 to the Joint Venture respectively, and the Joint Venture shall be owned as to 60% by Town Health M&B and 40% by Taigang Medical in accordance with their respective capital contributions. The respective capital commitments of Town Health M&B and Taigang Medical shall be paid up within 30 years of the date of issuance of the business licence of the Joint Venture.

The total amount of the capital contribution to the Joint Venture of RMB50,000,000 was arrived at after arm's length negotiations between Town Health M&B and Taigang Medical having taken into account the funding requirement for developing and operating the Medical Institutions and the future prospect of the Joint Venture. The Directors (excluding the Interested Directors) consider that the amount of capital contribution to the Joint Venture is fair and reasonable.

The Joint Venture will become a subsidiary of the Company and the financial results of the Joint Venture will be consolidated into the financial statements of the Company.

Business of the Joint Venture

The Joint Venture has a term of operation of 30 years and its business scope shall include provision of medical services as permitted under its medical institution practising licence(s), lifestyle beauty and sale of cosmetic products.

Rights and responsibilities of the parties

If the Joint Venture shall have any additional funding requirement, each of Town Health M&B and Taigang Medical shall have pre-emptive rights to subscribe for the additional capital increase in proportion to their respective equity interests therein. If any party intends to dispose of its equity interests in the Joint Venture, the other party shall also have pre-emptive rights to acquire such interests.

Pursuant to the JV Agreement, Town Health M&B shall be responsible for the organisation and management of the Joint Venture and the Medical Institutions, as well as formulation of their business and marketing strategies.

Pursuant to the JV Agreement, Taigang Medical shall be responsible for:

- (i) negotiating lease(s) of premises with proposed term of not less than 20 years and the rent shall be with reference to the market rental value in the neighbourhood;
- (ii) obtaining all licences and approvals, including but not limited to medical institution practising licence(s), instrument and equipment certificate(s), environmental impact assessment report(s) and fire control assessment, as may be required for the development and operation of the Medical Institutions and the practising of, including without limitation, cosmetic and plastic surgery by the Medical Institutions;
- (iii) establishing the medical team for the Medical Institutions; and
- (iv) handling all governmental inspections on the operation of the Joint Venture and the Medical Institutions.

Management of the Joint Venture

The board of directors of the Joint Venture shall consist of five directors, three of whom shall be designated by Town Health M&B and two of whom shall be designated by Taigang Medical. Chairman of the board shall be appointed by the board of directors of the Joint Venture. All directors shall have an initial tenure of three years.

Unanimous approval of all the directors of the Joint Venture shall be obtained for (i) amendment to the articles of the Joint Venture; (ii) termination or dissolution of the Joint Venture; (iii) increase or reduction in the registered capital of the Joint Venture; and (iv) merger or division of the Joint Venture.

Apart from the board of directors, each of Town Health M&B and Taigang Medical shall be entitled to appoint one supervisor to the Joint Venture, with an initial tenure of three years. Taigang Medical shall be entitled to nominate the general manager of the Joint Venture for appointment by the board of directors, while Town Health M&B shall be entitled to nominate the chief financial officer, operating and administration deputy general manager and sales and marketing deputy general manager of the Joint Venture for appointment by the board of directors.

INFORMATION ON TAIGANG MEDICAL

Taigang Medical is a limited liability company established in Taiyuan city of Shanxi Province, the PRC and is principally engaged in the provision of services in the areas of medical, nursing, health management and supply chain of pharmaceutical devices and instruments. Taigang Medical is owned as to (i) 50% by 太原鋼鐵(集團)有限公司 (Taiyuan Iron & Steel (Group) Co., Ltd.*), a company established in the PRC, based in Taiyuan city of Shanxi Province and owned by The People's Government of Shanxi Province; and (ii) 50% by China Life Shanghai.

REASONS FOR AND BENEFITS OF THE FORMATION OF THE JOINT VENTURE

The Group is principally engaged in healthcare business in Hong Kong, which comprises managed care, medical and dental clinics operation and provision of beauty and cosmetic medical services. The other major business segment of the Group is PRC healthcare business, which includes provision of hospital and clinic management services. The Group is also involved in investment business including direct investment in the healthcare sector and investment in securities and properties.

The Group currently owns 50% interests in Auspicious Idea Corporate Development Limited and its subsidiaries, which are principally engaged in the provision of beauty and cosmetic medicine services under the brand of "The Beauty Medical" in Hong Kong and the PRC. It is the strategy of the Group to further explore and expand the cosmetic medicine business in the PRC. A renowned 3A hospital in Taiyuan city under Taigang Medical has good reputation and large pool of clientele. It also has good resources on medical expertise and government relationship. The cooperation between the Group and Taigang Medical will provide a good platform for the Group to introduce market-oriented, Hong Kong-style services into the PRC market and jointly develop with Taigang Medical a chain network of cosmetic medicine institutions so as to cover initially Taiyuan city, and later, the whole Shanxi Province, the PRC. The Group believes that this will be an important development milestone for the Group's cosmetic medicine business in the PRC market.

The Board (including the independent non-executive Directors but excluding the Interested Directors) consider that although the formation of the Joint Venture is not in the ordinary and usual course of business of the Group, the terms of the JV Agreement are normal commercial terms and are fair and reasonable and in the interests of the Company and the shareholders of the Company as a whole. Save that the Interested Directors have abstained from voting on the Board resolutions in relation to the JV Agreement, none of the other Directors have a material interest in the JV Agreement which required any of the Directors to abstain from voting on the Board resolutions in relation to the JV Agreement.

IMPLICATIONS UNDER THE LISTING RULES

The Cooperation Agreement was not subject to any notification and announcement requirements under the Listing Rules.

Subsequent to the signing of the Cooperation Agreement and as at the date of this announcement, Taigang Medical is owned as to 50% by China Life Shanghai, a subsidiary of China Life Insurance. As at the date of this announcement, China Life Insurance holds approximately 23.72% of the Shares and is a connected person of the Company. As such, Taigang Medical, being a company controlled by China Life Insurance, is a connected person of the Company and the formation of the Joint Venture with Taigang Medical under the JV Agreement constitutes a connected transaction for the Company.

As the relevant percentage ratios under the Listing Rules in respect of the formation of the Joint Venture are less than 5%, while the formation of the Joint Venture does not constitute a notifiable transaction for the Company and is not subject to the notification and announcement requirements of Chapter 14 of the Listing Rules, it is subject to the reporting and announcement requirements but is exempt from the circular, independent financial advice and shareholders' approval requirements of Chapter 14A of the Listing Rules according to Rule 14A.76(2) of the Listing Rules.

CONTINUED SUSPENSION OF TRADING

Trading in the Shares has been suspended with effect from 9:00 a.m. on 27 November 2017 and will continue to be suspended until further notice.

Shareholders and potential investors of the Company should exercise caution when dealing in the Shares.

DEFINITIONS

Unless otherwise specified, the following terms have the following meanings in this announcement:

“Board”	the board of Directors
“China Life Insurance”	中國人壽保險（集團）公司 (China Life Insurance (Group) Company*)
“China Life Shanghai”	國壽成達（上海）健康產業股權投資中心（有限合夥） (China Life Chengda (Shanghai) Health Industry Equity Investment Centre (Limited Partnership)*)
“Company”	Town Health International Medical Group Limited, a company incorporated in the Cayman Islands and continued in Bermuda with limited liability and the ordinary shares of which are listed on the Main Board of the Stock Exchange
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Cooperation Agreement”	the cooperation agreement dated 1 August 2017 and entered into between Town Health M&B and Taigang Medical
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party”	a third party independent of the Company and connected persons of the Company

“Interested Directors”	Ms. Fang Haiyan and Mr. Chen Jinhao, Directors who considered themselves having potential conflict of interests in voting on the Board resolutions in relation to the JV Agreement
“Joint Venture”	山西太鋼康健整形美容醫院有限公司 (Shanxi Taigang Town Health Beauty Surgery Hospital Co., Ltd.*), the joint venture to be established by Town Health M&B and Taigang Medical pursuant to the JV Agreement
“JV Agreement”	the joint venture agreement dated 13 September 2018 and entered into between Town Health M&B and Taigang Medical, together with the articles of the Joint Venture
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Medical Institutions”	the beauty and cosmetic medicine institutions to be operated by the Joint Venture
“PRC”	the People’s Republic of China
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Taigang Medical”	山西太鋼醫療有限公司 (Shanxi Taigang Medical Co., Ltd.*)
“Town Health M&B”	Hong Kong Town Health Medical & Beauty Limited, a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company

“HK\$” Hong Kong dollars, the lawful currency of Hong Kong

“RMB” Renminbi, the lawful currency of the PRC

“%” per cent.

In this announcement, English translation of names in Chinese which are marked with “” are for identification purpose only.*

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

Hong Kong, 13 September 2018

As at the date of this announcement, the executive Directors are Miss Choi Ka Yee, Crystal (Chairperson), Dr. Hui Ka Wah, Ronnie, JP (Chief Executive Officer), Mr. Lee Chik Yuet, Mr. Wong Seung Ming (Chief Financial Officer) and Dr. Chan Wing Lok, Brian; the non-executive Directors are Dr. Choi Chee Ming, GBS, JP (Deputy Chairman), Ms. Fang Haiyan (Deputy Chairperson) and Mr. Chen Jinhao; and the independent non-executive Directors are Mr. Ho Kwok Wah, George, MH, Mr. Yu Xuezhong, Ms. Li Mingqin, Mr. Wang John Hong-chiun, Mr. Yu Kai Fung Jackie and Mr. Wong Sai Kit.