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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)

**DISCLOSEABLE TRANSACTION:
ASSIGNMENT OF RIGHTS**

References are made to the Company's announcements dated 4 November 2016, 12 April 2019, 10 May 2019, 3 May 2021, 6 October 2021 and 5 November 2021.

THE ASSIGNMENT

The Board announces that, after trading hours on 13 October 2022, the Assignor, a wholly-owned subsidiary of the Company, and the Assignee entered into the Assignment Deed pursuant to which the Assignor has assigned to the Assignee, and the Assignee has accepted and assumed, the Rights at the consideration of HK\$22,500,000. Completion has taken place immediately after execution of the Assignment Deed.

LISTING RULES IMPLICATIONS

As the applicable percentage ratios in respect of the Assignment are more than 5% and less than 25%, the Assignment constitutes a discloseable transaction for the Company under the Listing Rules and is subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

References are made to (i) the announcement of the Company dated 4 November 2016 in relation to, among others, the disposal of Wise Lead Holdings Limited; (ii) the announcements of the Company dated 12 April 2019, 10 May 2019, 3 May 2021, 6 October 2021 and 5 November 2021 in relation to, among others, the legal proceedings by the Assignor against the Purchaser in the Court of First Instance of the High Court of Hong Kong, the PRC Legal Claim, the Counterclaim by the Purchaser against the Assignor in the PRC Court and the appeal and cross appeal filed with Zhejiang Higher Court. Unless otherwise defined, capitalised terms used in this announcement shall have the same meanings as those defined in the aforesaid announcements.

THE ASSIGNMENT

The Board announces that, after trading hours on 13 October 2022, the Assignor, a wholly-owned subsidiary of the Company, and the Assignee entered into the Assignment Deed pursuant to which the Assignor has assigned to the Assignee, and the Assignee has accepted and assumed, the Rights at the consideration of HK\$22,500,000.

Major terms of the Assignment Deed are summarised below.

Date: 13 October 2022

Parties

Assignor: Town Health (BVI) Limited, a company incorporated in the British Virgin Islands with limited liability, which is an investment holding company and a wholly-owned subsidiary of the Company; and

Assignee: Mr. U Man Iong, an individual who is a third party independent of the Company and its connected persons

Assets to be assigned

Pursuant to the Assignment Deed, the Assignor has agreed to assign to the Assignee, and the Assignee has agreed to accept and assume, the Rights.

Consideration

The Consideration for the Assignment is HK\$22,500,000, which shall be paid by the Assignee to the Assignor in cash upon Completion.

The Consideration was determined after arm's length negotiations between the Assignor and the Assignee with reference to (i) the Judgment Debt; (ii) the value of the assets of the Purchaser preserved by the PRC Court and the probability of recovering the Judgment Debt from the Purchaser by the Group in view of the credit history of the Purchaser; (iii) the value of the assets of the Purchaser's former spouse preserved by the PRC Court and the probability of obtaining judgment against her for joint liability in the Judgment Debt; and (iv) the further legal costs to be incurred by the Assignor.

Completion

Completion has taken place immediately after execution of the Assignment Deed. Immediately after Completion, the Assignor ceased to own the Rights.

Other terms

Pursuant to the Assignment Deed, (i) subject to the payment of the Consideration to the Assignor by the Assignee, the Assignor will assist the Assignee to handle the Relevant Matters, including assisting the Assignee to apply for the change of party ("**Party Change Application**") in the relevant legal proceedings in the PRC from the Assignor to the Assignee or withdrawal or settlement of the claims; and if such application or legal proceedings are still in progress, subject to the payment of the reasonable costs ("**Relevant Costs**") of the Assignor by the Assignee, the Assignor will continue to proceed with the legal proceedings or procedures other than the Party Change Application or the application for withdrawal of the claims ("**Withdrawal Application**") in accordance with the instruction of the Assignee. If the Assignee fails to pay the Consideration to the Assignor, the Assignor shall not be required to proceed with the Party Change Application or the Withdrawal Application. In addition, if the Assignee only pays the Consideration to the Assignor but does not pay the Relevant Costs to the Assignor, the Assignor shall not be required to commence or proceed with any legal proceedings or court procedures (other than the Party Change Application or the Withdrawal Application); and the Assignor shall not be liable to the Assignee for any loss or liabilities arising therefrom; (ii) after payment of the Consideration by the Assignee to the Assignor, the Assignor shall not pursue any claims in respect of the Relevant Matters against the Purchaser and his former spouse; and (iii) the Assignee has undertaken with the Assignor that with effect from the date of the Assignment Deed, he shall fully indemnify the Assignor against all losses, compensations, fees, claims and/or any outgoings incurred or suffered by the Assignor in connection with the Relevant Matters.

INFORMATION RELATING TO THE RIGHTS

The Rights represent the Assignor's rights, interests, benefits, obligations, duties and risks in the Relevant Matters, i.e. the SP Agreement, the assignment in relation to the Sale Loan executed by, among others, the Assignor and the Purchaser, the Promissory Note, the replacement promissory note in the principal amount of HK\$203,705,000 issued by the Purchaser in favour of the Assignor, the Share Mortgage and all the litigation, legal actions and proceedings in relation thereto and arising therefrom (including but not limited to the PRC Legal Claim, the appeal to Zhejiang Higher Court seeking to overturn the Judgment filed by the Purchaser and the cross appeal to Zhejiang Higher Court filed by the Assignor in relation to its claims against the former spouse of the Purchaser under the PRC Legal Claim). The Judgment Debt, which amounts to approximately HK\$243,239,480 as at the date of the Assignment Deed, is the most significant right of the Assignor under the Rights.

REASONS FOR AND BENEFITS OF THE ASSIGNMENT

The Group is principally engaged in (i) provision of medical and dental services in Hong Kong; (ii) managing healthcare networks and provision of third party medical network administrator services in Hong Kong; (iii) provision of medical and dental services, as well as hospital management and related services in the PRC; and (iv) others including leasing of properties.

Following the issue of the Judgment, the Purchaser has filed an appeal to Zhejiang Higher Court seeking to, among others, overturn the Judgment; and the Assignor has also filed a cross appeal to Zhejiang Higher Court in relation to its claims against the former spouse of the Purchaser under the PRC Legal Claim. As at the date of this announcement, such appeal and cross appeal are scheduled to be heard by Zhejiang Higher Court on 21 October 2022. Taking into account that there is uncertainty on the additional time and resources required to be incurred by the Group in pursuing those legal proceedings and the probability of recovering the Judgement Debt from the Purchaser by the Group even if the final judgment will be issued in favour of the Group, the entering into of the Assignment Deed will enable the Group to recover part of the Judgment Debt through the Consideration and allocate all its resources to its business. It is intended that the net proceeds from the Assignment will be used as general working capital of the Group.

Having considered the factors as mentioned above, the Board is of the view that the terms of the Assignment are fair and reasonable and the Assignment is in the interests of the Company and its shareholders as a whole.

FINANCIAL EFFECT OF THE ASSIGNMENT

The Group expects to recognise an unaudited gain of approximately HK\$22,500,000 from the Assignment, which is calculated with reference to the difference between (i) the Consideration; and (ii) the carrying value of the replacement promissory note mentioned above as recorded in the unaudited consolidated financial statements of the Company for the six months ended 30 June 2022.

The actual amount of gain or loss as a result of the Assignment to be recorded by the Group is subject to the review and the final audit to be performed by the Company's auditors.

LISTING RULES IMPLICATIONS

As the applicable percentage ratios in respect of the Assignment are more than 5% and less than 25%, the Assignment constitutes a discloseable transaction for the Company under the Listing Rules and is subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the following meanings:

“Assignee”	Mr. U Man Iong, an individual who is a third party independent of the Company and its connected persons
“Assignment”	the assignment of the Rights from the Assignor to the Assignee
“Assignment Deed”	the deed of assignment dated 13 October 2022 entered into between the Assignor and the Assignee in relation to the Assignment
“Assignor”	Town Health (BVI) Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of the Company
“Board”	the board of Directors

“Company”	Town Health International Medical Group Limited, a company incorporated in the Cayman Islands and continued in Bermuda with limited liability and the issued shares of which are listed on the Main Board of the Stock Exchange
“Completion”	completion of the Assignment
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Consideration”	HK\$22,500,000, being the consideration for the Assignment
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Judgment”	the judgment issued by the PRC Court in relation to the Assignor’s claims against the Purchaser and the Counterclaim on 30 September 2021, details of which are set out in the announcement of the Company dated 6 October 2021
“Judgment Debt”	the total sum payable by the Purchaser to the Assignor pursuant to the Judgment, which consists of (i) the principal amount of HK\$203,705,000 and the interest accrued thereon (which amounts to approximately HK\$38,537,000 for the period from 1 January 2019 to the date of the Assignment Deed); and (ii) the total litigation costs in relation to the Assignor’s claims against the Purchaser of RMB997,480 which shall be borne by the Purchaser
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

“PRC”	the People’s Republic of China
“Relevant Matters”	the SP Agreement, the assignment in relation to the Sale Loan executed by, among others, the Assignor and the Purchaser, the Promissory Note, the replacement promissory note in the principal amount of HK\$203,705,000 issued by the Purchaser in favour of the Assignor, the Share Mortgage and all the litigation, legal actions and proceedings in relation thereto and arising therefrom (including but not limited to the PRC Legal Claim, the appeal to Zhejiang Higher Court seeking to overturn the Judgment filed by the Purchaser and the cross appeal to Zhejiang Higher Court filed by the Assignor in relation to its claims against the former spouse of the Purchaser under the PRC Legal Claim)
“Rights”	the Assignor’s rights, interests, benefits, obligations, duties and risks in the Relevant Matters
“RMB”	Renminbi, the lawful currency of the PRC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent

By Order of the Board
Town Health International Medical Group Limited
Jin Zhaogen
Executive Director and Chief Executive Officer

13 October 2022

As at the date of this announcement, the executive Directors are Mr. Jin Zhaogen (Chief Executive Officer), Ms. Zhao Xiangke (Chief Financial Officer), Dr. Wong Chi Kit Nelson, Dr. Law Kwan Kin, Dr. Wong Chun Wa, Mr. Ng Ting Chi, Ms. Yao Yuan and Ms. Lau Wai Yee, Susanna; the non-executive Directors are Mr. Kong Dechang (Chairman) and Mr. Hou Jun; and the independent non-executive Directors are Mr. Ho Kwok Wah, George, MH, Mr. Yu Xuezhong, Dr. Xu Weiguo, Mr. Chui Tsan Kit and Mr. Han Wenxin.