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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should immediately consult your licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your securities in **Town Health International Holdings Company Limited**, you should at once hand this circular to the purchaser or the transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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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)

**DISCLOSEABLE TRANSACTION –
SUBSCRIPTION OF CONVERTIBLE BOND**

This circular will remain on the GEM website at <http://www.hkgem.com> on the “Latest Company Announcements” page for seven days from the date of its publication and on the website of Town Health International Holdings Company Limited at <http://www.townhealth.com>.

CHARACTERISTICS OF GEM

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

The principal means of information dissemination on GEM is publication on the internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website at www.hkgem.com in order to obtain up-to-date information on GEM-listed issuers.

CONTENTS

	<i>Page</i>
Definitions	1
Letter from the Board	
The Option Agreement	4
Principal terms of the Convertible Bond II	6
Reason for the Grant of Option	7
Information on HKHC	8
General	8
Appendix – General information	9

DEFINITIONS

In this circular, the following expressions have the meanings set out below unless the context otherwise requires:

“Announcement”	the announcement dated 11 April 2007 made by the Company containing, amongst other things, the details of the Grant of Option and the Whitewash Waiver
“associate(s)”	has the meaning ascribed thereto under the GEM Listing Rules
“Board”	board of Directors
“Company”	Town Health International Holdings Company Limited, a company incorporated in the Cayman Islands with limited liability and the issued Shares of which are listed on GEM
“Conversion Share(s)”	new HKHC Shares falling to be allotted and issued upon exercise of the conversion rights attaching to the Convertible Bond II
“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
“Director(s)”	director(s) of the Company
“Dr. Choi”	Dr. Francis Choi Chee Ming, J.P., a non-executive Director
“Executive”	the Executive Director of the Corporate Finance Division of the Securities and Futures Commission 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 the Option by HKHC to Top Act pursuant to the Option Agreement
“Group”	the Company and its subsidiaries
“HKHC”	Hong Kong Health Check and Laboratory Holdings Company Limited, a company incorporated in Bermuda with limited liability and the issued HKHC Shares of which are listed on the main board of the Stock Exchange

DEFINITIONS

“HKHC SGM”	a special general meeting of HKHC to be convened for the purpose of considering and, if thought fit, approving, among other things, the Option Agreement and the Whitewash Waiver
“HKHC Shares”	ordinary shares of HK\$0.01 each in the share capital of HKHC
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Latest Practicable Date”	30 April 2007, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Option”	the option to be 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
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“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 HKHC Shares
“Takeovers Code”	the Code on Takeovers and Merges of Hong Kong
“Top Act”	Top Act Group Limited, a company incorporated in the British Virgin Islands with limited liability, and a wholly owned subsidiary of the Company

DEFINITIONS

“Whitewash Waiver”	the whitewash waiver to be applied for by or on behalf of 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 HKHC Shares (excluding the issued HKHC Shares which are owned or agreed to be acquired by Top Act and parties acting in concert with it) arising from the exercise of the conversion rights attaching to the Convertible Bond II
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.

LETTER FROM THE BOARD



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)

Executive Directors:

Miss Choi Ka Yee, Crystal (*Chairman*)
Dr. Cho Kwai Chee
Mr. Cho Kwai Yee, Kevin
Dr. Fung Yiu Tong, Bennet

Non-executive Director:

Dr. Francis Choi Chee Ming *JP*

Independent non-executive Directors:

Mr. Chan Kam Chiu
Mr. Wai Kwok Hung *JP*
Mr. Ho Kwok Wah, George

Registered office:

Ugland House
P.O. Box 309
George Town
Grand Cayman
Cayman Islands
British West Indies

*Head office and principal place
of business in Hong Kong:*

Shop No. 37, Level 3
Hilton Plaza Commercial Centre
3-9 Shatin Centre Street, Shatin
New Territories
Hong Kong

2 May 2007

To the Shareholders

Dear Sir or Madam,

**DISCLOSEABLE TRANSACTION –
SUBSCRIPTION OF CONVERTIBLE BOND**

THE OPTION AGREEMENT

On 11 April 2007, the Company announced that Top Act, a wholly owned subsidiary of the Company entered into the Option Agreement dated 29 March 2007 with HKHC. Pursuant to the Option Agreement, HKHC has conditionally 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 up to an aggregate principal amount of HK\$500,000,000 during the Option Period.

LETTER FROM THE BOARD

To the best information, knowledge and belief of the Directors, HKHC is a third party independent of the Company and its connected persons (as defined in the GEM Listing Rules). As at the Latest Practicable Date, the Company, through Top Act, holds the TA Convertible Bond, and Miss Choi Ka Yee, Crystal is an executive director of both the Company and HKHC having approximately 3.51% shareholding in HKHC.

Conditions

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

- (a) the Stock Exchange approving 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 granting (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;
- (c) if necessary, the passing by the independent shareholders of HKHC 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 shareholders of HKHC 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 Shareholders of the necessary resolution by way of poll at an extraordinary meeting of the Company 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.

LETTER FROM THE BOARD

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.

As at the Latest Practicable Date, conditions (e) and (f) have been fulfilled.

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: up to 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 HKHC Share

The initial conversion price was determined on an arm's length basis respectively between HKHC and the Company 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.

LETTER FROM THE BOARD

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 income: 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 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.

REASON FOR THE GRANT OF OPTION

Taking into account the dilution effect arising from the recent placing of securities of HKHC as disclosed in the Announcement, HKHC proposed to grant the Option to Top Act, 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 Directors (including the independent non-executive Directors) consider the Option Agreement is fair and reasonable and in the interest of the Company and the Shareholders as a whole.

The exercise of the Option for the subscription of the Convertible Bond II will require the use of up to HK\$500,000,000 cash which may be financed by internal resources and/or external financing. The exercise of the conversion rights attaching to the Convertible Bond II and the TA Convertible Bond will result in the HKHC being treated as an associated company or a subsidiary of the Company, depending on the shareholding of Top Act in HKHC at the time of exercise. The results, assets and liabilities of HKHC will therefore be equity accounted for or consolidated (as the case may be) in the books of the Company.

LETTER FROM THE BOARD

INFORMATION ON HKHC

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 is HK\$62,000.

GENERAL

Top Act is an indirect wholly owned subsidiary of the Company. The Company 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.

The Grant of Option is classified as if the Option had been exercised at the Company's discretion and accordingly constitutes a discloseable transaction with reference to the applicable ratio under Rule 19.75 of the GEM Listing Rules.

Your attention is drawn to the additional information set out in the appendix to this circular.

Yours faithfully,
For and on behalf of the Board of
Town Health International Holdings Company Limited
Choi Ka Yee, Crystal
Chairman

1. RESPONSIBILITY STATEMENT

This circular, for which the 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 the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief:

- (a) the information contained in this circular is accurate and complete in all material respects and is not misleading in any natural respect;
- (b) there are no other matters the omission of which would make any statement in this circular misleading in any natural respect; and
- (c) all opinions expressed in this circular have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

2. DISCLOSURE OF INTERESTS

(a) Director's interests and short positions in the securities of the Company and its associated corporations

As at the Latest Practicable Date, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

Long Positions in issued Shares:

Name of Director	Capacity	Number of Shares	Approximate percentage of shareholding
Dr. Cho Kwai Chee	Interest in controlled corporation (<i>Note 1</i>)	2,615,027,451	51.56%
Dr. Francis Choi Chee Ming <i>JP</i>	Interest in controlled corporation (<i>Note 1</i>)	2,615,027,451	51.56%
Dr. Fung Yiu Tong, Bennet	Beneficial owners	2,689,090	0.05%

Note 1: These 2,615,027,451 Shares are owned by Broad Idea International Limited ("Broad Idea") which is owned as to 50.1% by Dr. Cho Kwai Chee and as to 49.9% by Dr. Francis Choi Chee Ming *JP*. Accordingly, Dr. Cho Kwai Chee and Dr. Francis Choi Chee Ming *JP* are both deemed to be interested in the 2,615,027,451 Shares owned by Broad Idea under Part XV of the SFO.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors nor the chief executive of the Company had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

(b) Persons who have an interest or short position which is discloseable under Divisions 2 and 3 of Part XV of the SFO and substantial Shareholders

So far as is known to the Directors, as at the Latest Practicable Date, the following person (not being Director or chief executive of the Company) had, or was deemed to have, interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or who were directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group:

Name of Shareholder	Postion	Capacity	Number of Shares held	Approximate percentage of shareholding
Broad Idea International Limited	Long	Beneficial owner	2,615,027,451	51.56%
Atlantis Investment Management Limited	Long	Beneficial owner	260,000,000	5.13%

Save as disclosed above, as at the Latest Practicable Date, the Directors were not aware of any other person (other than the Directors and the chief executive of the Company) who had, or was deemed to have, interests or short positions in the Shares or underlying Shares (including any interests in options in respect of such capital), which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group.

3. COMPETING INTEREST

To the best knowledge of the Directors, none of themselves or the management shareholders (as defined in the GEM Listing Rules) or their respective associates had any interest in a business which competes or may compete with the business of the Group or any other conflicts of interest with the Group as at the Latest Practicable Date.

4. LITIGATION

As at the Latest Practicable Date, no member of the Group was engaged in any litigation or arbitration of material importance and no litigation, arbitration or claim of material importance is known to the Directors to be pending or threatened by or against any member of the Group.

5. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation other than statutory compensation).

6. GENERAL

- (a) The registered office of the Company is at Ugland House, P.O. Box 309, George Town, Grand Cayman, Cayman Islands, British West Indies.
- (b) The head office and principal place of business of the Company in Hong Kong is at Shop No. 37, Level 3, Hilton Plaza Commercial Centre, 3-9 Shatin Centre Streets, Shatin, New Territories, Hong Kong.
- (c) The branch share registrar and transfer office of the Company in Hong Kong is Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong.
- (d) The compliance officer is Dr. Cho Kwai Chee who is graduated from the University of Hong Kong and holds the qualifications of MBBS(HK), FHKCFP, FRACGP, DCH (London), DCH(RCP&SI) and DCH(Glasgow).
- (e) The company secretary and qualified accountant of the Company is Mr. Mak Yau Hing who is graduated from the Hong Kong Polytechnic University with a bachelor of arts degree in accountancy and from the Open University of Hong Kong with a master degree in corporate governance. He is a member of the Hong Kong Institute of Certified Public Accountants and an associate member of The Hong Kong Institute of Chartered Secretaries.
- (f) The Company has established an audit committee with written terms of reference in compliance with Rules 5.28 to 5.29 of the GEM Listing Rules. The primary duties of the audit committee are to review the Company's annual reports and accounts, half-yearly reports and quarterly reports and to provide advice and comments thereon to the Directors. The audit committee is also responsible for reviewing and supervising the financial reporting process and internal control procedures of the Group. The audit committee comprises the three independent non-executive Directors, namely Mr. Chan Kam Chiu, Mr. Wai Kwok Hung *JP* and Mr. Ho Kwok Wah, George. Mr. Chan Kam Chiu is the chairman of the audit committee.

Mr. Chan Kam Chiu, aged 54, has engaged in the catering industry for almost 30 years. He has also involved in entertainment, property and investment project in the recent years. Mr. Chan is the President (founding chairman) of Hong Kong Shatin Industries & Commerce Association Limited and currently an executive member of the Committee of the Chinese People's Political Consultative Conference of Qingxin County, Guangdong Province and member of the Committee of the Chinese People's Political Consultative Conference of Guangzhou Li Wan. He is also an honorary president and director of Shatin Sports Association Limited since 1992 and the chairman of the Shatin District Junior Police Call since 1996. He was awarded the "Chief Executive's Commendation for Community Service" since July 2004. Except for the directorship in the Company, Mr. Chan does not hold any directorship in other listed companies in the past three years. Mr. Chan was appointed as an independent non-executive Director and the chairman of the audit committee of the Company both on 30 July 2002.

Mr. Wai Kwok Hung, *JP*, aged 52, is the chairman of the Shatin District Council. Mr. Wai is a councillor of the Shatin District Council since 1988. He was also the chairman of the Culture, Sports and Community Development Committee of the Shatin Provisional District Board for the period from 1998 to 1999. He is currently a vice-president of Shatin Sports Association Limited, a manager of the board of PLK Dr. Jimmy Wong Chi-Ho (Tin Sum Valley) Primary School and Management Committee Member of Helen Liang Memorial Secondary School. Except for the directorship in the Company, Mr. Wai does not hold any directorship in other listed companies in the past three years. Mr. Wai was appointed as an independent non-executive Director and a member of the audit committee of the Company both on 30 July 2002.

Mr. Ho Kwok Wah, George, aged 49, is a practicing certified public accountant in Hong Kong. He is the proprietor of George K. W. Ho & Co., Certified Public Accountants and possesses over 20 years' professional experience in accounting, auditing, tax planning and business advisory. Mr. Ho is also a director of The Taxation Institute of Hong Kong and the Hong Kong Commerce and Industry Associations Limited. Mr. Ho is appointed as an independent non-executive director of Belle International Holdings Limited with effect from 17 October 2006. Except for the above-mentioned, Mr. Ho does not hold any directorship in other listed companies in the past three years. Mr. Ho was appointed as an independent non-executive Director and a member of the audit committee of the Company both on 28 September 2004.