
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or transferred all your shares in Town Health International Holdings Company Limited, you should at once hand this circular and the accompanying form of proxy 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)

PROPOSED BONUS ISSUE OF SHARES AND CHANGE IN BOARD LOT SIZE

A notice convening an extraordinary general meeting of the Company (the “EGM”) to be held at Shop 1A-1C, Level 1, Hilton Plaza Commercial Centre, 3-9 Shatin Centre Street, Shatin, New Territories, Hong Kong immediately after the conclusion of the annual general meeting of the Company scheduled to be held on Friday, 27 July 2007 at 9:00 a.m. is set out on pages 9 to 10 of this circular. A form of proxy for use at the EGM is enclosed with this circular.

Whether or not you are able to attend the EGM, you are requested to complete the form of proxy in accordance with the instructions printed thereon and deposit the same at the office of the Company’s branch share registrar and transfer office in Hong Kong, Tengis Limited, at 26th Floor, Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

This circular, for which the directors of the Company (the “Directors”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market (“GEM”) of The Stock Exchange of Hong Kong Limited 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: (i) the information contained in this circular 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 circular misleading; and (iii) 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.

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>.

10 July 2007

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 in order to obtain up-to-date information on GEM-listed issuers.

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EXPECTED TIMETABLE

The expected timetable for the implementation of the Bonus Issue and the change in board lot size is set out below.

Last day of dealings in the Shares on a cum-Entitlement basis	Wednesday, 18 July 2007
Commencement of dealings in the Shares on an ex-Entitlement basis	Thursday, 19 July 2007
Latest time for lodging transfer of the Shares in order to be entitled to the Bonus Shares	4:00 p.m. on Friday, 20 July 2007
Register of members of the Company closes for the Bonus Issue	Monday, 23 July 2007 to Friday, 27 July 2007, (both dates inclusive)
EGM	Immediately after the conclusion of the annual general meeting of the Company to be held at 9:00 a.m. on 27 July 2007
Record date for determination of entitlements to the Bonus Issue	27 July 2007
Certificates for the Bonus Shares expected to be despatched	on or before Thursday, 9 August 2007
Commencement of dealing of Bonus Shares	9:30 a.m. on Monday, 13 August 2007
Effective date of the change in board lot size from 2,000 Shares to 10,000 Shares	Monday, 13 August 2007
First day for free exchange of existing share certificates in board lots of 2,000 Shares for new share certificates in board lots of 10,000 Shares	Monday, 13 August 2007
First day of odd lot facility	Monday, 13 August 2007
Last day of odd lot facility	Monday, 3 September 2007
Last day for free exchange of existing share certificates in board lots of 2,000 Shares for new share certificates in board lots of 10,000 Shares	4:00 p.m. on Monday, 10 September 2007

DEFINITIONS

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

“Board”	the board of Directors
“Bonus Issue”	the proposed issue of Bonus Shares on the basis of two bonus Shares for every one existing Share
“Bonus Shares”	the new Shares to be issued under the Bonus Issue
“business days”	any day on which the Stock Exchange is open for the transaction of business
“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
“Directors”	the directors of the Company from time to time
“EGM”	the extraordinary general meeting of the Company to be convened at Shop 1A-1C, Level 1, Hilton Plaza Commercial Centre, 3-9 Shatin Centre Street, Shatin, New Territories, Hong Kong immediately after the conclusion of the Company’s annual general meeting to be held on Friday, 27 July 2007 at 9:00 a.m., a notice of which is set out on pages 9 to 10 of this circular
“Excepted Shareholders”	those Overseas Shareholders, the Board, after making enquiries pursuant to Rule 17.41 of the GEM Listing Rules, considers it necessary or expedient on account either of legal restrictions under the laws of the relevant place or the requirements of the relevant body or stock exchange in that place not to extend the Bonus Issue to them
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	Rules Governing the Listing of Securities on GEM
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

DEFINITIONS

“Latest Practicable Date”	5 July 2007, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information in this circular
“PRC”	the People’s Republic of China
“Overseas Shareholders”	holders of Shares whose addresses as shown on the register of members on the Record date are outside Hong Kong
“Qualifying Shareholders”	holders of Shares not being Excepted Shareholders who are entitled to the Bonus Issue
“Record Date”	27 July 2007, being the record date for determination of entitlements to the Bonus Issue
“Registrar”	Tengis Limited, Hong Kong branch share registrar and transfer office of the Company at 26th Floor, Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong
“Shares”	ordinary shares of HK\$0.01 each in the share capital of the Company
“Shareholders”	holders of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“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

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

10 July 2007

To the Shareholders

Dear Sir or Madam,

PROPOSED BONUS ISSUE OF SHARES AND CHANGE IN BOARD LOT SIZE

INTRODUCTION

The purpose of this circular is to provide you with further details in respect of the Bonus Issue and the change in board lot size and to give you the notice of the EGM at which ordinary resolution will be proposed to consider and, if thought fit, approve the Bonus Issue.

LETTER FROM THE BOARD

PROPOSED BONUS ISSUE

Basis of Bonus Issue

Subject to the conditions as set out under the heading “Conditions of Bonus Issue” below, the Bonus Issue is proposed to be made on the basis of two Bonus Shares for every existing one Share held on the Record Date by the Qualifying Shareholders. The Bonus Shares will be issued and credited as fully paid at par. On the basis of 5,586,981,908 existing Shares in issue as at the Latest Practicable Date, and assuming no further Shares will be issued or purchase before the Record Date, 11,173,963,816 Bonus Shares will be issued under the Bonus Issue, representing approximately 200% of the issued share capital as at the Latest Practicable Date and the Record Date.

It is proposed that the Directors be authorized to capitalize an amount of approximately HK\$111,739,638 being part of the amount standing to the credit of the share premium account of the Company and to apply the said sum in paying up in full at par the Bonus Shares.

Record Date and closure of register of members

The Bonus Shares will be issued to the Qualifying Shareholders. Arrangement for the Excepted Shareholders are further elaborated below under the heading “Overseas Shareholders”.

The register of members of the Company will be closed from Monday, 23 July 2007 to Friday, 27 July 2007, both dates inclusive, in order to determine the entitlement of the Shareholders under the Bonus Issue.

Shareholders are reminded that in order to qualify for the Bonus Issue, they must ensure that all transfers accompanied by the relevant share certificates are lodged with the Company’s branch share registrar and transfer office in Hong Kong, Tengis Limited, at 26th Floor, Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong for registration not later than 4:00 p.m. on Friday, 20 July 2007.

Reasons for the Proposed Bonus Issue

In recognition of the continual support of the Shareholders, the Board decided to propose the Bonus Issue. In addition to that, the Directors believe that the Bonus Issue will enhance the liquidity of the Shares in the market and thereby enlarging the Company’s shareholder and capital base.

Overseas Shareholders

For the Overseas Shareholders, enquiry will be made by the Board pursuant to Rule 17.41 of the GEM Listing Rules. Upon such enquiry, if the Board is of the view that the exclusion of the Overseas Shareholders is necessary or expedient, the Bonus Shares will not be granted

LETTER FROM THE BOARD

to the Excepted Shareholders. In such circumstances, arrangements will be made for the Bonus Shares which would otherwise have been issued to the Excepted Shareholders, if any, to be sold in the market as soon as practicable after dealing in the Bonus Shares commences. Any net proceeds of sale, after deduction of expenses, will be distributed in Hong Kong dollars to the Excepted Shareholders, if any, pro rata to their respective shareholdings and remittances therefor will be posted to them, at their own risk, unless the amount falling to be distributed to any such persons is less than HK\$100.00, in which case it will be retained for the benefit of the Company.

Based on the register of members of the Company as at the Latest Practicable Date, there was one Shareholder who is resident in a place outside Hong Kong, and in the PRC. As such, the Directors have, in compliance with Rule 17.41 of the GEM Listing Rules, made enquiries regarding the legal restrictions under the laws of the relevant place and the requirements of the relevant regulatory bodies or stock exchanges.

The Directors have been advised by the relevant legal advisers that there is no restriction on extending the Bonus Issue to such Shareholder in the PRC. Therefore, the allotment of the Bonus Shares will be made to such Shareholder.

Status of Bonus Shares

The Bonus Shares, upon issued, will rank *pari passu* with the Shares then existing in all respects, including the entitlement of receiving dividends and other distributions the record date for which is on or after the date of allotment and issue of those Bonus Shares.

Conditions of Bonus Issue

The Bonus Issue is conditional upon:

- (i) the approval of the Bonus Issue by the Shareholders at the EGM of the Company to be held; and
- (ii) the Listing Committee of the Stock Exchange granting the listings of, and permission to deal in, the Bonus Shares.

The Directors confirm that none of the Shareholders will be required to abstain from voting at the EGM.

Application will be made to the Listing Committee of the Stock Exchange in respect of such listings of, and permission to deal in, the Bonus Shares. Apart from making listing application to the Listing Committee of the Stock Exchange, the Board do not propose to make application to any other stock exchanges for the listing of and permission to deal in, the Bonus Shares.

LETTER FROM THE BOARD

Certificates for Bonus Shares

It is expected that certificates for the Bonus Shares will be posted on or before 9 August 2007 at the risk of the Shareholders entitled thereto to their respective addresses shown on the register of members of the Company on the Record Date. Dealings in the Bonus Shares are expected to commence on 13 August 2007.

CHANGE IN BOARD LOT SIZE

In order to raise the board lot value, the Board announced on 27 June 2007 that the board lot size of the Shares for trading on GEM will be changed from 2,000 Shares to 10,000 Shares with effect from 13 August 2007.

Based on the closing price of HK\$0.71 on the Latest Practicable Date, the value of each board lot of 10,000 Shares amounts to HK\$7,100.

The change in board lot size will not affect the rights of the Shareholders. The Directors are of the opinion that such change is in the interest of the Company and the Shareholders as a whole.

Shareholders may submit their existing share certificates in board lots of 2,000 Shares to the Registrar in exchange for new share certificates in board lots of 10,000 Shares free of charge during business hours from Monday, 13 August 2007 to Monday, 10 September 2007 (both dates inclusive) at the following address:

Registrar: Tengis Limited
Address: 26th Floor, Tesbury Centre, 28 Queen's Road East,
Wanchai, Hong Kong

Such exchange of share certificates thereafter will be accepted only on payment of a fee of HK\$2.50 (or such higher amount as may from time to time be specified by the Stock Exchange) for each new share certificate in board lots of 10,000 Shares issued or each existing share certificate submitted, whichever number of share certificate involved is higher. New share certificates are expected to be available for collection from Registrar at the aforesaid address by the Shareholders within 10 business days after delivery of the existing share certificates to the Registrar for exchange purpose.

As from 13 August 2007, any new share certificates will be issued in board lots of 10,000 Shares. All existing share certificates in board lots of 2,000 Shares will continue to be evidence of title to such Shares and be valid for delivery, transfer and settlement purposes. New share certificates in board lots of 10,000 Shares will be issued in the blue colour to distinguish from the existing share certificates in the colour of purple.

LETTER FROM THE BOARD

ODD LOT ARRANGEMENTS

In order to facilitate the change in board lot size and trading of odd lots of Shares after the Bonus Issue, Shenyin Wanguo Securities (HK) Limited will be appointed as an agent to arrange for matching services regarding the sale and purchase of odd lots of Shares from Monday, 13 August 2007 to Monday, 3 September 2007 (both dates inclusive). Holders of odd lots of Shares who wish to take advantage of this trading facility should contact Mr Steven Chau of Shenyin Wanguo Securities (HK) Limited at 28th Floor, Citibank Tower, Citibank Plaza, 3 Garden Road, Hong Kong (telephone number: 2841 5190) during the period from Monday, 13 August 2007 to Monday, 3 September 2007 (both dates inclusive). Shareholders should note that matching of the sale and purchase of odd lots of Shares is not guaranteed.

ACTION TO BE TAKEN

A notice convening the EGM to be held at Shop 1A-1C, Level 1, Hilton Plaza Commercial Centre, 3-9 Shatin Centre Street, Shatin, New Territories, Hong Kong immediately after the conclusion of the Company's annual general meeting to be held on Friday, 27 July 2007 at 9:00 a.m., for the approval of the Bonus Issues is set out on pages 9 to 10 of this circular.

Whether or not you intend to attend the EGM, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof. The completion and return of a form of proxy will not preclude you from attending and voting at the EGM or any adjournment thereof in person if you so wish.

PROCEDURES FOR DEMANDING A POLL

According to Article 80 of the articles of association of the Company, at any general meeting a resolution put to the vote of the meeting shall be decided on a show of hands unless voting by way of a poll is required by the rules of the designated stock exchange or (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) a poll is duly demanded. A poll may be demanded by:

- (a) the chairman of the meeting; or
- (b) at least five members present in person or by proxy and entitled to vote or who represent in the aggregate not less than one-tenth of the total voting rights of all members having the right to attend and vote at the meeting; or
- (c) any member or members present in person or by proxy and holding shares conferring a right to attend and vote at the meeting on which there have been paid up sums in the aggregate equal to not less than one-tenth of the total sum paid up on all shares conferring that right; or

LETTER FROM THE BOARD

- (d) if required by the rules of the designated stock exchange, the chairman of the meeting and/or any director holding the proxies shall demand a poll, if such aggregate proxies held individually or collectively by (i) the chairman of the particular meeting, and/or (ii) the directors, account for five (5) per cent or more of the total voting rights at that meeting, and if on a show of hands in respect of any resolution, the meeting votes in the opposition manner to that instructed in those proxies.

Unless a poll is so demanded and not withdrawn, a declaration by the chairman that a resolution has on a show of hands been carried, or carried unanimously, or by a particular majority, or lost, and an entry to that effect in the Company's book containing the minutes of proceedings of meetings of the Company shall be conclusive evidence of that fact without proof of the number or proportion of the votes recorded in favour of or against such resolution.

RESPONSIBILITY STATEMENT

This document, 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: (i) the information contained in this document is accurate and complete in all material aspects and not misleading; (ii) there are no other matters the omission of which would make any statement in this document misleading; and (iii) all opinions expressed in this document have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

RECOMMENDATION

The Directors believe that the proposed Bonus Issue is in the best interests of the Company and the Shareholders as a whole and recommend the Shareholders to vote in favour of the resolution in respect of the Bonus Issue to be proposed at the EGM.

Yours faithfully,

For and on behalf of the Board of

Town Health International Holdings Company Limited

Choi Ka Yee, Crystal

Chairman

NOTICE OF THE EGM



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)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting of Town Health International Holdings Company Limited (the “**Company**”) will be held at Shop 1A-1C, Level 1, Hilton Plaza Commercial Centre, 3-9 Shatin Centre Street, Shatin, New Territories, Hong Kong immediately after the conclusion of its annual general meeting to be held on Friday, 27 July 2007 at 9:00 a.m. to transact the following business and, if thought fit, passing the following resolution as ordinary resolution:

1. “**THAT** conditional upon the Listing Committee of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) granting the listing of and permission to deal in the new shares of the Company (the “**Shares**”) to be issued pursuant to this resolution:
 - (a) upon the recommendation of the directors of the Company (the “**Directors**”) desirable to capitalise approximately the sum of HK\$111,739,638 being part of the amount standing to the credit of the share premium account of the Company and accordingly, the Directors be and are authorised and directed to appropriate the said sum in paying up in full at par 11,173,963,816 new Shares (the “**Bonus Shares**”) of the unissued Shares, such Bonus Shares to be allotted, issued and distributed, credited as fully paid up, to and among holders of Shares standing in the register of members of the Company at close of business on 27 July 2007 in the proportion of two new Bonus Shares for every existing one issued Share held on that date (the “**Bonus Share Issue**”) and that such Shares shall rank for all purposes *pari passu* with the existing issued Shares except that they will not be eligible for the Bonus Share Issue mentioned on this resolution and provided that in the case where the address of any shareholder as shown on the register of members of the Company at the close of business on 27 July 2007 is outside Hong Kong (the “**Overseas Shareholders**”), and upon enquiry pursuant to Rule 17.41 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange the Directors are of the view that it is necessary and expedient to exclude these Overseas Shareholders, the Bonus Shares shall not be issued to such Overseas Shareholders (the “**Excepted Shareholders**”) but shall be aggregated and issued to a nominee to be named by the Directors and such

NOTICE OF THE EGM

Bonus Shares shall be sold as soon as practicable after dealing in the Bonus Shares commences and the net proceeds of sale, after deduction of expenses, shall be distributed pro rata to the relevant Excepted Shareholders unless the amount falling to be distributed to any such Excepted Shareholders is less than HK\$100, in which case such amount shall be retained for the benefit of the Company; and

- (b) the Directors be and are authorised to do all acts and things as may be necessary and expedient in connection with the Bonus Share Issue including but not limited to the issue of the Bonus Shares, adjusting the amount to be capitalised out of the share premium account and the number of unissued Shares to be allotted, issued and distributed in the manner referred to in paragraph (a) of this resolution.”

By order of the Board
Town Health International Holdings Company Limited
Choi Ka Yee, Crystal
Chairman

Hong Kong, 10 July 2007

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

Notes:

1. A member entitled to attend and vote at the extraordinary general meeting convened by the above notice is entitled to appoint one or more proxy to attend and, subject to the provisions of the Articles of Association of the Company, to vote on his behalf. A proxy need not be a member of the Company but must be present in person at the extraordinary general meeting to represent the member. If more than one proxy is so appointed, the appointment shall specify the number and class of Shares in respect of which each such proxy is so appointed.
2. In order to be valid, the form of proxy must be deposited together with a power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority, at the office of the Company's branch registrar and transfer office in Hong Kong, Tengis Limited, at 26th, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time for holding the meeting or adjourned meeting. Completion and return of a form of proxy will not preclude a shareholder of the Company from attending in person and voting at the extraordinary general meeting or any adjournment thereof, should he so wish.