
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 a stockbroker or other registered dealer in securities, 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 accompanying form of proxy to the purchaser or the transferee or to the bank, stockbroker or other agent through whom the sale 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 AND CONNECTED TRANSACTION:
ACQUISITION OF NU/HART HAIR CLINICS AND
RE-ELECTION OF DIRECTOR**

**Independent Financial Adviser to the Independent Board Committee
and the Independent Shareholders**



South China Capital Limited

The notice convening the Extraordinary General Meeting of the Company to be held at Shop 1A-1C, Level 1, Hilton Plaza Commercial Centre, 3-9 Shatin Centre Street, Shatin, New Territories, Hong Kong, on Monday, 3 December 2007, at 9:00 a.m. is set out on pages 44 to 45 of this circular. Whether or not you propose to attend and vote at the Extraordinary General Meeting, you are requested to complete the form of proxy in accordance with the instructions printed thereon and return the same to the Company's branch share registrar in Hong Kong, Tengis Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for the Extraordinary General Meeting or any adjourned meeting thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting at the Extraordinary General Meeting or any adjourned meeting thereof (as the case may be) if you so wish.

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: (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 "Information on Listed Companies" page of the GEM website at <http://www.hkgem.com> for at least 7 days from the date of its posting and on the Company's own website at <http://www.townhealth.com>.

15 November 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 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 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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DEFINITIONS

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

“Acquisition”	the acquisition of the nine Nu/Hart Hair Clinics by Asiatop pursuant to the Acquisition Agreement
“Acquisition Agreement”	a master acquisition agreement dated 24 September 2007 entered into between Asiatop and the Vendors, who are the existing ultimate beneficial owners of the entire equity interests in the companies which operate the eight existing Nu/Hart Hair Clinics in Atlanta, Chicago, New York, Philadelphia and Pittsburgh in the USA and in Manila, and Puerto Rico and Hong Kong and the Nu/Hart Hair Clinic in Dubai
“Asiatop”	Asiatop Group Limited, a limited liability company incorporated in the British Virgin Islands, which has been renamed as “Nu/Hart Medical International Limited”
“Board”	the board of Directors
“Company”	Town Health International Holdings Company Limited, a company incorporated in the Cayman Islands with limited liability whose shares are listed on GEM
“connected person(s)”	has the meaning ascribed to this term under the GEM Listing Rules
“Director(s)”	the director(s) of the Company
“EGM”	an extraordinary general meeting of the Company to be held to approve the Acquisition under the Acquisition Agreement and the re-election of Director
“Gary”	Chow Kai Wah Gary
“Group”	the Company and its subsidiaries
“GEM”	Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on the GEM
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China

DEFINITIONS

“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Independent Financial Adviser” or “South China Capital”	South China Capital Limited, a deemed licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO and the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Transaction
“Independent Shareholders”	the Shareholders who are independent of and not connected with the Vendors
“Kathy”	Kathleen Smith Russell
“Latest Practicable Date”	12 November 2007
“Loan”	the US\$1.5 million to be lent by the Company to Asiatop
“Loan Agreement”	the loan agreement to be entered into by Asiatop and the Company in respect of the Loan upon completion under the Acquisition Agreement
“Mac”	Mac Mushtaq G Fadra
“Management Services Agreement”	a management services agreement to be entered into by the Original Vendors, a nominee of Town Health BVI and Asiatop upon completion under the Acquisition Agreement
“Nu/Hart Hair Clinics”	the hair clinics referred to in the section titled “Assets to be acquired” under the paragraph headed “Acquisition Agreement Dated 24 September 2007”
“Original Vendors”	Kathy, Mac and Gary
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shareholders”	the shareholders of the Company
“Shareholders’ Agreement”	a shareholders’ agreement to be entered into by the Vendors and Asiatop upon completion under the Acquisition Agreement
“Share Charge”	a share charge to be given by Kathy, Mac and Gary in favour of the Company as security for the Loan

DEFINITIONS

“Share Option Agreement”	a share option agreement to be entered into by the Original Vendors, a nominee of Town Health BVI and Asiatop upon completion under the Acquisition Agreement
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subsidiary Shares”	a total of 470 shares of US\$1.00 each in the share capital of Asiatop
“Town Health BVI”	Town Health (BVI) Limited, an investment holding company incorporated in the British Virgin Islands with limited liability, a direct wholly-owned subsidiary of the Company
“Transaction”	collectively, the Acquisition under the Acquisition Agreement and the related transactions contemplated in connection therewith, including the Shareholders’ Agreement, the Share Option Agreement, the Loan Agreement, the Share Charge and the Management Services Agreement
“Transaction Agreements”	the Acquisition Agreement, the Shareholders’ Agreement, the Share Option Agreement, the Loan Agreement, the Share Charge, Management Services Agreement and any other related agreements
“US\$”	United States dollars, the lawful currency of USA
“USA”	the United States of America
“Vendors”	Kathy, Mac, Gary and Town Health BVI
“%”	per cent



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
Dr. Hui Ka Wah Ronnie *JP*

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

Principal Place of Business

and Head Office:

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

15 November 2007

To Shareholders

Dear Sir or Madam,

**DISCLOSEABLE AND CONNECTED TRANSACTION:
ACQUISITION OF NU/HART HAIR CLINICS AND
RE-ELECTION OF DIRECTOR**

1. INTRODUCTION

On 9 October 2007, the Company announced that the Group entered into the Acquisition Agreement with the Vendors in relation to the acquisition by Asiatop of the entire beneficial interests the nine existing Nu/Hart Hair Clinics located in Atlanta, Chicago, New York, Philadelphia and Pittsburgh in the USA and in Dubai, Manila, Puerto Rico and Hong Kong for a total consideration of US\$7,158,827.

The Transaction constitutes a discloseable and connected transaction of the Company under Chapters 19 and 20 of the GEM Listing Rules, which is subject to reporting and announcement requirements and the approval of the Independent Shareholders at the EGM.

LETTER FROM THE BOARD

The purpose of this circular is to provide you with further details of the Acquisition, the re-election of Director and other general information of the Group.

2. ACQUISITION AGREEMENT DATED 24 SEPTEMBER 2007

Parties

Purchaser

Asiatop, a company incorporated in the British Virgin Islands with limited liability, is an indirect wholly owned subsidiary of the Company as at the date of this circular. The principal activity of Asiatop is investment holding. As at the date of this circular, Asiatop does not have any operation or hold any asset. Upon completion of the Acquisition, Asiatop will cease to be wholly-owned by the Company and will only be a subsidiary owned as to approximately 53% by the Company.

Vendors

- (1) Kathy, an existing 17.5% shareholder of Nu/Hart HK and a connected person of the Company;
- (2) Mac, an existing 17.5% shareholder of Nu/Hart HK and a connected person of the Company;
- (3) Gary, an existing 14% shareholder of Nu/Hart HK and a connected person of the Company; and
- (4) Town Health BVI, a company incorporated in the British Virgin Islands with limited liability, a direct wholly-owned subsidiary of the Company.

Asset to be acquired

Pursuant to the Acquisition Agreement, Asiatop agreed to acquire and the Vendors (which include Town Health BVI) agreed to sell the 100% interest held by Kathy and Mac in the Nu/Hart Hair Clinic in Dubai (“**Nu/Hart Dubai**”) and the 100% shareholdings or the entire interest held by the Vendors in the following companies (“**Target Companies**”), which operate the Nu/Hart Hair Clinics in Atlanta, New York, Chicago, Philadelphia and Pittsburgh in the USA and in Manila, Puerto Rico and Hong Kong, respectively:

- (1) Nu/Hart Hair Solutions, Inc., incorporated in the State of New York, USA (“**Nu/Hart New York**”)
- (2) Nu/Hart Advantages, Inc., incorporated in the State of Illinois, USA (“**Nu/Hart Illinois**”)

LETTER FROM THE BOARD

- (3) Nu/Hart Advantages, Inc., incorporated in the State of Georgia, USA (“**Nu/Hart Georgia**”)
- (4) Nu/Hart Hair Solutions, Inc., incorporated in the State of Pennsylvania, USA (“**Nu/Hart Pennsylvania**”)
- (5) Nu/Hart Hair Laboratories, Inc., incorporated in the State of Pennsylvania, USA (“**Nu/Hart Laboratories**”)
- (6) Nu/Hart Manila, Inc., incorporated in the State of Delaware, USA (“**Nu/Hart Manila**”)
- (7) Nu/Hart Clinic P.R., Inc., incorporated in Puerto Rico (“**Nu/Hart Puerto Rico**”)
- (8) Nu/Hart Hair Solutions Limited, incorporated in Hong Kong (“**Nu/Hart HK**”),

and all assets, clients, intellectual property rights and goodwill relating to the nine Nu/Hart Hair Clinics. Immediately prior to the completion of the Acquisition Agreement, each of Nu/Hart New York, Nu/Hart Illinois, Nu/Hart Georgia, Nu/Hart Pennsylvania and Nu/Hart Laboratories is beneficially owned as to 100% by Kathy, Nu/Hart Manila is beneficially owned as to 50% by Kathy and as to 50% by Mac, Nu/Hart Puerto Rico is beneficially owned as to 72.2% by Kathy and as to 27.8% by Mac, Nu/Hart Dubai is beneficially owned as to 60% by Kathy and as to 40% by Mac and Nu/Hart HK is beneficially owned as to as to 51% by Town Healthy BVI, as to 17.5% by Kathy, as to 17.5% by Mac and as to 14% by Gary. As at 31 December, 2006, the unaudited consolidated total asset value of the nine Nu/Hart Hair Clinics was approximately US\$830,000 (approximately HK\$6,471,000) and the unaudited total asset value of Nu/Hart HK was approximately US\$435,000 (approximately HK\$3,396,000).

The Nu/Hart Hair Clinics are one of the world leaders in the field of micro-grafting and follicular unit extraction hair transplants and are instrumental in developing some of the highest standards in the field of hair transplantation and laser re-growth. The Nu/Hart Hair Clinics have been dedicated exclusively to hair transplantation since 1984 and have coordinated over 25,000 hair transplantation procedures on men and women from over 40 countries around the world since establishment. Subject to the Acquisition being completed, it is contemplated that Asiatop and its subsidiaries will also expand into men’s sexual health and related services.

LETTER FROM THE BOARD

The unaudited consolidated total asset value and net liability value of the nine Nu/Hart Hair Clinics as at 31 December, 2006 were approximately US\$830,000 (approximately HK\$6,471,000) and US\$523,000 (approximately HK\$4,080,000), respectively. As at 31 December, 2006, Nu/Hart HK had an unaudited net asset value of approximately US\$172,000 (approximately HK\$1,342,000). Based on the management accounts of the Target Companies and the Nu/Hart Dubai, the unaudited consolidated net profits before tax and net profits after tax of the nine Nu/Hart Hair Clinics for the year ended 31 December, 2006 were approximately US\$433,000 (approximately HK\$3,377,000) and US\$393,000 (approximately HK\$3,064,000), respectively, and the unaudited consolidated net losses before tax and net losses after tax of the nine Nu/Hart Hair Clinics for the year ended 31 December, 2005 were approximately US\$187,000 (approximately HK\$1,461,000) and US\$190,000 (approximately HK\$1,478,000), respectively. The unaudited net profits before tax and net profits after tax of Nu/Hart HK for the year ended 31 December, 2006 were approximately US\$260,000 (approximately HK\$2,030,000) and US\$221,000 (approximately HK\$1,725,000), respectively and the unaudited net losses before and after tax of Nu/Hart HK for the year ended 31 December, 2005 were approximately US\$62,000 (approximately HK\$484,000).

Consideration

The total consideration for the Acquisition is US\$7,158,827. Upon completion of the Acquisition Agreement, the Purchaser will satisfy the consideration for the Acquisition as follows:

- (1) US\$3,793,523 in cash which will be funded from the subscription monies to be received from Town Health BVI and paid as follows:
 - a. US\$2,371,070 to Kathy;
 - b. US\$615,659 to Mac; and
 - c. US\$806,794 to Town Health BVI; and
- (2) US\$3,365,304 by issuing and allotting 470 Subsidiary Shares to the Original Vendors as follows:
 - a. 372 Subsidiary Shares to Kathy;
 - b. 67 Subsidiary Shares to Mac; and
 - c. 31 Subsidiary Shares to Gary.

LETTER FROM THE BOARD

The consideration has been determined after arm's length negotiations having regard to the average result per annum of the existing nine Nu/Hart Hair Clinics over the three financial years ended 31 December, 2006 and the future earnings potential of the clinics.

Pursuant to the Acquisition Agreement, Town Health BVI will subscribe for 530 Subsidiary Shares in Asiatop prior to completion of the Acquisition Agreement for a total subscription price of US\$3,793,523 to fund the Acquisition.

The aggregate original purchase cost of Kathy, Mac and Gary for the establishment of the Target Companies and the Nu/Hart Dubai is approximately US\$50,000.

Profit Guarantee

The Acquisition Agreement contains a profit guarantee (the "**Profit Guarantee**") given by Kathy and Mac to Town Health BVI pursuant to which Kathy and Mac agreed that if Asiatop does not record an aggregate net profit after tax ("**NPAT**") of US\$5 million (the "**Guaranteed Cumulative Profit**") for the period commencing from 1 January, 2008 and ending on 31 December, 2012 ("**Guaranteed Period**"), Kathy and Mac would be required to compensate Town Health BVI or its nominee, based on their shareholding in Asiatop inter se, 53% of the difference between the Guaranteed Cumulative Profit and the actual cumulative net profit after tax of Asiatop during the Guaranteed Period ("**Shortfall Profit**") either, at their option, (i) by cash to Town Health BVI or its nominee, or (ii) by transfer to Town Health BVI or its nominee such number of shares in Asiatop equivalent to the percentage of his/her shareholding in Asiatop multiplied by the Shortfall Profit, and divided by the Future Valuation, which is calculated in accordance with the following formula:

$$\text{"Future Valuation"} = \text{Actual Average NPAT (per year)} \times 5.5$$

If the Actual Average NPAT is zero or negative, Kathy and Mac would need to pay for the Shortfall Profit by cash. If the actual cumulative NPAT of Asiatop during the Guaranteed Period is less than the Guaranteed Cumulative Profit, an announcement will be published by the Company pursuant to Rule 20.57 of the GEM Listing Rules which will include the opinion of the independent non-executive Directors in accordance with Rule 20.57(4)(a) and (b).

LETTER FROM THE BOARD

Completion and conditions precedent

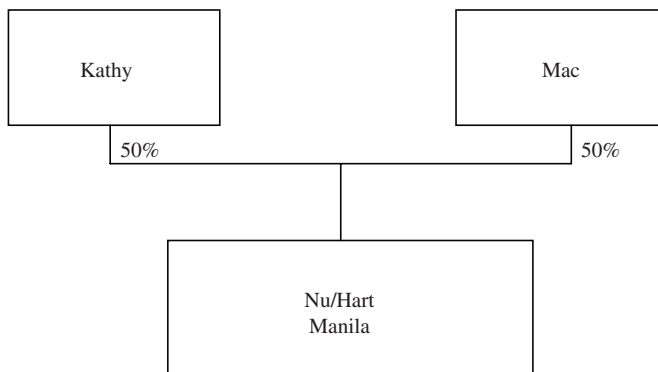
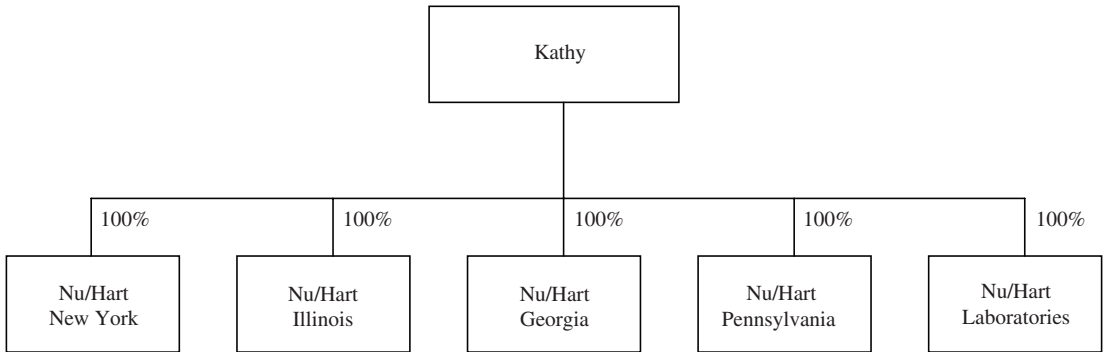
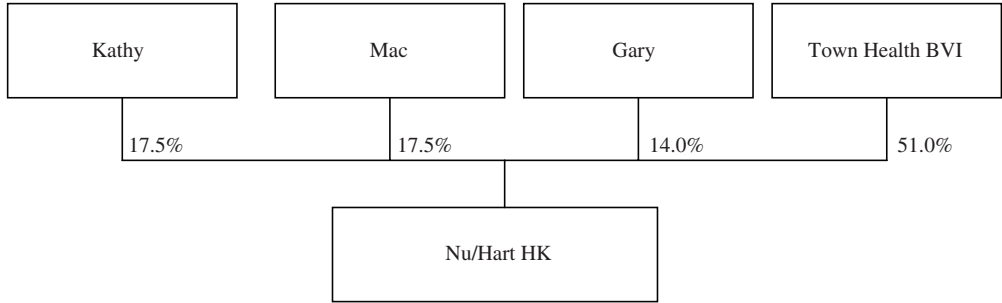
Completion of the Acquisition Agreement is conditional upon, among other things, and shall take place on the fifth business day after the relevant conditions of the Acquisition Agreement have been satisfied or waived by the relevant parties to the Acquisition Agreement:

- the approval of the Acquisition Agreement and the transactions contemplated thereunder by the Independent Shareholders at the EGM;
- the completion of the transfer of the shareholding in Nu/Hart Puerto Rico from Dr. Boles to Kathy and the completion of the transfer of the shareholding in Nu/Hart Manila from Joseph Bistricher and Jeff Paccione to Kathy and/or Mac, so that the Original Vendors and in the case of Nu/Hart HK, and the Vendors, become the beneficial owners of the Nu/Hart Hair Clinics;
- Asiatop receiving legal opinions in respect of all the Target Companies (except for Nu/Hart HK) on terms satisfactory to Asiatop, terms of which must include, without limitation, the beneficial ownership of the Target Companies;
- Asiatop having completed its due diligence review on the Target Companies and the Nu/Hart Dubai and the results of such review being satisfactory to it;
- the execution of the other Transaction Agreements by the parties thereto;
- Asiatop having received a non-competition undertaking in an agreed form duly signed by each of the Original Vendors; and
- Asiatop receiving evidence satisfactory to it as to the manner of control and ownership of Nu/Hart Dubai and Nu/Hart Manila.

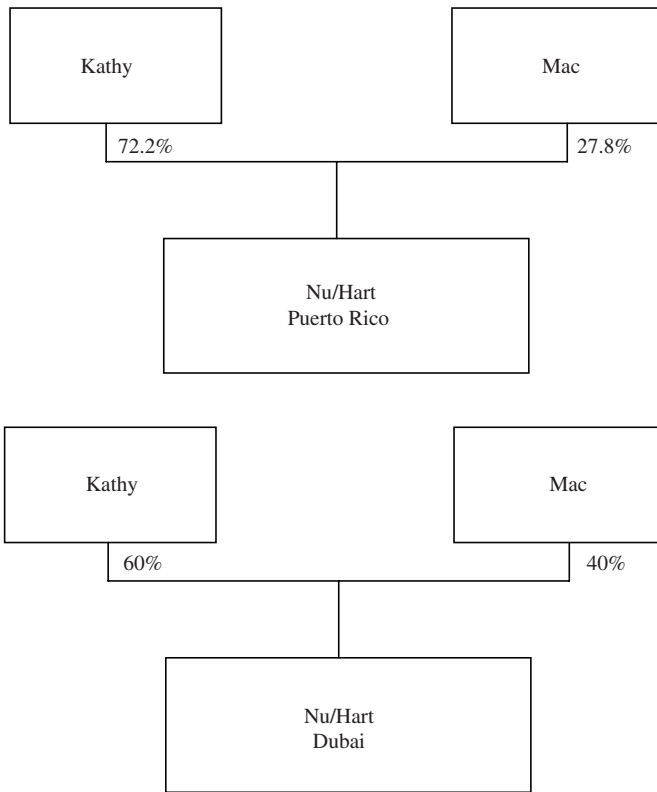
If the conditions of the Acquisition Agreement are not fulfilled or waived (where applicable) on or before 90 days from the date of the Acquisition Agreement, the parties to the Acquisition Agreement shall be entitled to postpone the completion of the Acquisition Agreement or terminate the Acquisition Agreement. As at the Latest Practicable Date, none of the conditions precedent has been fulfilled or waived.

LETTER FROM THE BOARD

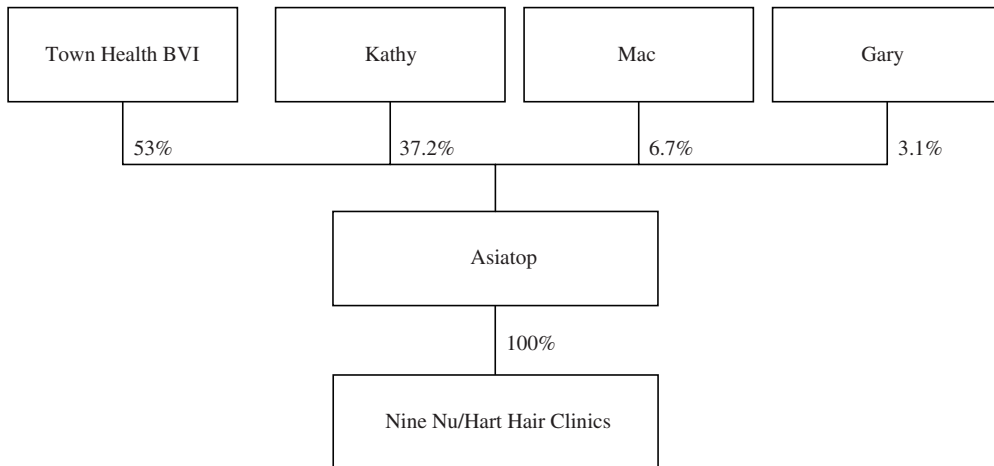
Immediately upon completion, it is expected that Asiatop will hold all the interests in the nine Nu/Hart Hair Clinics and will be owned as to 53% by Town Health BVI, as to 37.2% by Kathy, as to 6.7% by Mac and as to 3.1% by Gary. The charts below set out the beneficial ownership structure of the nine Nu/Hart Hair Clinics immediately prior to the completion of the Acquisition Agreement:



LETTER FROM THE BOARD



The chart below sets out the shareholding structure of Asiatop, which will hold all the interests in the nine Nu/Hart Hair Clinics, immediately after the completion of the Acquisition Agreement:



LETTER FROM THE BOARD

The Acquisition Agreement was entered into on normal commercial terms after arm's length negotiation. The Directors believe that the terms of the Acquisition Agreement are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole. The Directors also consider that the completion of the Acquisition will not bring any adverse effect on the Group.

3. LOAN

Under the Acquisition Agreement, the Company has agreed to enter into the Loan Agreement on completion of the Acquisition Agreement, pursuant to which the Company will lend US\$1.5 million to Asiatop at the prime lending rate for Hong Kong dollars quoted by The Hongkong and Shanghai Banking Corporation Limited for the establishment and operation of men's sexual health centers. The term of the Loan will be from the date of drawdown to 31 December, 2012 and the Loan will be repaid at the end of the term in one bullet payment comprising the principal and accrued interest. During the term of the Loan, Asiatop shall not incur debt in excess of US\$250,000.

The Acquisition Agreement further provides that Kathy, Mac and Gary will guarantee the repayment of the Loan and will charge their respective shareholdings in Asiatop in favour of the Company as security for the Loan.

4. SHAREHOLDERS' AGREEMENT

Under the Acquisition Agreement, the parties agreed to enter into the Shareholders' Agreement on completion of the Acquisition:

Parties

Russell Investment Company, LLC, Elective Health Care, LLC, Martnell Limited, Kathy, Mac, Gary, Town Health BVI and Asiatop.

Board of Directors

The Shareholders' Agreement provides that the board of directors of Asiatop should consist of five members and Town Health BVI shall be entitled to nominate three members of the board. The initial board of Asiatop shall consist of the following persons/entities or their nominees:

- (1) Yau Chun Tak;
- (2) Gary;
- (3) Kathy;
- (4) Mac; and
- (5) Lee Chik Yuet.

LETTER FROM THE BOARD

Pre-emption Rights

If a shareholder of Asiatop wishes to sell shares, the other shareholders will have a pro rata right of first refusal to buy those shares.

Change of control

Russell Investment Company, LLC (an investment holding company owned as to 100% by Kathy), Elective Health Care, LLC (an investment holding company owned as to 100% by Mac), Martnell Limited (an investment holding company owned as to 100% by Gary), Kathy, Mac and Gary undertake to Town Health BVI that change in control of Russell Investment Company, LLC, Elective Health Care, LLC or Martnell Limited shall not occur without the prior written consent of Town Health BVI.

Unanimous approval

The following matters require unanimous approval by members of the board of directors of Asiatop:

1. increase the number of members of the board;
2. engage in any transaction with an affiliate;
3. make any amendment to incorporation or registration documents or name, articles or by-laws;
4. wind up or dissolve Asiatop, or sell, lease or otherwise dispose of all or substantially all of the assets of Asiatop;
5. merge, acquire, sell or otherwise dispose of a simple majority of shares;
6. incur debt or expenses in excess of US\$250,000;
7. issue additional shares, grant any right convertible into shares;
8. raise working capital or borrow funds in excess of US\$250,000 in addition to the US\$1,500,000 pursuant to the Loan;
9. set up subsidiary or invest in any shareholdings or equity interest in any company; and
10. appointment of the chief executive officer (or equivalent post) of Asiatop.

LETTER FROM THE BOARD

Non-competition

Each shareholder of Asiatop agrees not to be interested in, or otherwise participate in the management or operation of, any business which may directly or indirectly compete with the business of Asiatop in markets where Asiatop operates.

Termination

The Shareholders' Agreement shall be terminated:

1. when Asiatop only has one shareholder; or
2. upon dissolution of Asiatop.

5. SHARE OPTION AGREEMENT

Under the Acquisition Agreement, the parties also agreed to enter into the Share Option Agreement on completion of the Acquisition Agreement whereby Kathy, Mac, Gary and Town Health BVI's nominee have the right ("**Options**") to subscribe for such aggregate number of shares representing 15% of all the outstanding issued shares of Asiatop (without taking into account any shares to be issued pursuant to the Options). Options will be allocated equally between Kathy, Mac, Gary and a nominee to be designated by Town Health BVI at any time or changed from time to time. The subscription price will be at US\$1,073,831.55 (based on the consideration to be paid by the Vendors for the nine Nu/Hart Hair Clinics under the Acquisition Agreement). The Options are only exercisable upon an exit transaction (such as a public offering of shares in Asiatop or sale of all or substantially all the assets of, or more than 50% of the entire issued share capital of Asiatop). The Options will vest at 0.75% per year of service under the Management Services Agreement completed by each of Kathy, Mac and Gary and at 0.75% per year for Town Health BVI's nominee commencing from the date of the Stock Option Agreement. In the event of an exit transaction, the vesting of the Options would accelerate to the full allocation of 3.75% for each of Kathy, Mac, Gary and Town Health BVI's nominee. If Kathy, Mac, Gary or the Town Health BVI's nominee voluntarily or involuntarily terminates his/her/its involvement with Asiatop, as outlined in the Management Services Agreement, then such person shall only be entitled to retain their vested portion of the Options as at the termination date. Town Health BVI has a right to purchase from each of Kathy, Mac and Gary up to 50% of the Options held by them at a 20% discount to (i) the valuation for the shares in Asiatop used in the exit transaction or (ii) the valuation at 5.5 times the net profit after tax based on the latest audited consolidated financial statements of Asiatop, whichever is higher (the "Valuation"), and the remaining 50% of the Options held by Kathy, Mac and Gary at the Valuation. Based on the applicable percentage ratios, the Options if exercised by Kathy, Mac and Gary would constitute a disclosable transaction under the GEM Listing Rules. An announcement will be made in accordance with the GEM Listing Rules on the exercise of such Options by Kathy, Mac or Gary. The Company will comply with the applicable provisions of the GEM Listing Rules relating to the exercise of such right of purchase by Town Health BVI, if required.

LETTER FROM THE BOARD

6. MANAGEMENT SERVICES AGREEMENT

Under the Acquisition Agreement, the parties also agreed to enter into the Management Services Agreement for a term of three years on completion under the Acquisition Agreement, which will set out the responsibilities and remuneration of the members of the management team (Kathy, Mac, Gary and nominee of Town Health BVI) .

Under the terms of the Management Services Agreement, Kathy is entitled to receive a fee of US\$175,000 per annum and required to work full time. Each of Mac and Gary is entitled to receive a fee of US\$150,000 per annum and required to work at least 50% of the hours equivalent to full time. The responsibilities of the management team include, among others:

1. market analysis, centre development, planning;
2. financial oversight of Asiatop, including establishment of financial controls and cash management procedures, preparation of budget, financial forecasting and tax returns and submission of financial reports (including profit and loss statement, balance sheet and statement of cash flows) to Asiatop on a monthly basis;
3. oversee medical office infrastructure, including design of clinic, surgical suite layout, leasehold improvements;
4. purchase of all office and medical supplies necessary for daily operations;
5. procurement and maintenance of all equipment;
6. recruitment of staff and physicians.

The Management Services Agreement may be terminated by Asiatop:

1. if a member of the management commits fraud or theft and such member is not removed from the management within 30 days of such fraud or theft;
2. upon death or permanent disability of two-thirds or more of the members of the management;
or
3. if three quarters of the board of Asiatop vote in favour of such termination.

The management team may terminate the Management Services Agreement by 90 day written notice with written consent of at least two-thirds of the members of the management team. No compensation is required to be paid if the Management Services Agreement is terminated during the three years term.

LETTER FROM THE BOARD

7. CONNECTED RELATIONSHIP

The Company currently holds, through Town Health BVI, a 51% shareholding in Nu/Hart HK, which operates the Nu/Hart Hair Clinic in Hong Kong. Kathy, Mac and Gary serve as directors of Nu/Hart HK and therefore, are connected persons of the Company pursuant to Rule 20.11(1) of the GEM Listing Rules. Accordingly, the Transaction constitutes a connected transaction of the Company and is subject to reporting, announcement requirements and the Independent Shareholders' approval by poll at the EGM. Accordingly, Kathy, Mac and Gary and their respective associates will abstain from voting at the EGM.

Upon completion under the Acquisition Agreement, it is expected that Asiatop will be owned as to 53% by Town Health BVI, as to 37.2% by Kathy, as to 6.7% by Mac and as to 3.1% by Gary and will be a non-wholly owned subsidiary of the Company. As at the Latest Practicable Date, none of the Original Vendors holds any shares in the Company.

8. REASONS FOR AND BENEFIT OF THE TRANSACTION

The Group is principally engaged in the provision of management services for private medical and dental practices and integrated healthcare service for the general public in Hong Kong.

The Nu/Hart Hair Clinics are one of world leaders in the field of micro-grafting and follicular unit extraction hair transplants.

The Directors are of the view that the Transaction will enable the Company to acquire "Nu/Hart", a well established brand name for hair transplant procedures in the USA and other parts of the world. The Directors believe that the Nu/Hart Hair Clinics constitute a good platform to develop the hair transplant business internationally, and to explore into men's sexual health and related services in the future.

The Directors (including the independent non-executive Directors) consider that the Transaction was entered into in the ordinary and usual course of business of the Company and that the terms of the Transaction are on normal commercial terms, fair and reasonable and in the interest of the Company and its shareholders as a whole.

9. EFFECTS OF THE EARNINGS, ASSETS AND LIABILITIES OF THE GROUP

Upon completion of the Acquisition, Asiatop will be a subsidiary owned as to approximately 53% by the Company and its accounts will be consolidated into the financial statements of the Group. The Directors consider that the Acquisition would not have a material impact on the earnings and assets and liabilities of the Group. Given the earnings ability and prospects of the nine existing Nu/Hart Hair Clinics, the Directors expect that the earnings of the Group will be enhanced as a result of the Acquisition in the long run.

LETTER FROM THE BOARD

10. RE-ELECTION OF DIRECTOR

The Board currently consists of nine Directors, namely Miss Choi Ka Yee, Crystal (*Chairman*), Dr. Cho Kwai Chee, Mr. Cho Kwai Yee, Kevin, Dr. Fung Yiu Tong, Bennet, Dr. Hui Ka Wah Ronnie *JP*, Dr. Francis Choi Chee Ming *JP*, Mr. Chan Kam Chiu, Mr. Wai Kwok Hung *JP* and Mr. Ho Kwok Wah, George.

Pursuant to Article 99 of the articles of association of the Company, Dr. Hui Ka Wah Ronnie *JP* who was appointed by the Board during the current year shall hold office only until the next following general meeting of the Company, and being eligible, he has offered himself for re-election.

Details of Dr. Hui Ka Wah Ronnie *JP*, the Director proposed for re-election at the EGM are set out in Appendix II of this circular

11. EGM

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 on Monday, 3 December, 2007 at 9:00 a.m. is set out on pages 44 to 45 of this circular for the purpose of considering and, if thought fit, passing the resolutions in respect of the Acquisition Agreement and the re-election of Director.

A form of proxy for use by the Shareholders at the EGM is enclosed. Whether or not you intend to attend and vote at the EGM in person, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return it to the Registrar as soon as possible but in any event, not less than 48 hours before the time appointed for holding the EGM or any adjourned meeting thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjourned meeting thereof (as the case may be) should you so wish.

12. RECOMMENDATION

Having regard to the information described above, the Board is of the opinion that the Transaction and the re-election of Director are in the interest of the Company and the Shareholders as a whole and the terms of the Transaction are in normal commercial terms and are fair and reasonable. Accordingly, the Board recommends the Shareholders to vote in favour of all resolutions to approve the Transaction and the re-election of Director at the EGM.

13. ADDITIONAL INFORMATION

Your attention is drawn to the information set out in the Appendix I of this circular.

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



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)

15 November 2007

To the Shareholders

Dear Sirs,

**DISCLOSEABLE AND CONNECTED TRANSACTION:
ACQUISITION OF NU/HART HAIR CLINICS**

We refer to the circular dated 15 November 2007 issued to the Shareholders (the “Circular”) of which this letter forms part. Capitalized terms used herein shall have the same meanings as defined in the Circular unless the context otherwise requires. As independent non-executive Directors who do not have any interest in the Acquisition Agreement, we have been appointed by the Board to advise the Independent Shareholders as to whether, in our opinion, the terms of the Acquisition Agreement are fair and reasonable and are in the interest of the Company and the Shareholders as a whole are concerned.

South China Capital has been appointed by the Company as the Independent Financial Adviser to advise us and the Shareholders regarding the fairness and reasonableness of the terms of the Acquisition Agreement and the and the transactions contemplated thereunder. Details of its advice, together with the principal factors and reasons taken into consideration in arriving at such opinion, are set out on pages 19 to 36 of the Circular. Your attention is also drawn to the letter from the Board set out on pages 4 to 17 of the Circular and the additional information set out in the Appendix I to the Circular.

Having taken into account the opinion of and the principal factors and reasons considered by South China Capital as stated in its letter of advice, we consider that the terms of the Acquisition Agreement and the transactions contemplated thereunder are fair and reasonable and are in the interest of the Company and the Shareholders as a whole and recommend the Independent Shareholders to vote in favour of all the resolutions to approve the Acquisition Agreement and the transactions contemplated thereunder at the EGM.

Yours faithfully,

For and on behalf of

the Independent Board Committee

Mr. Chan Kam Chiu

Independent non-executive

Director

Mr. Wai Kwok Hung, JP

Independent non-executive

Director

Mr. Ho Kwok Wah, George

Independent non-executive

Director

LETTER FROM SOUTH CHINA CAPITAL

Set out below is the text of a letter received from South China Capital, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders regarding the Transaction for the purpose of inclusion in this circular.



South China Capital Limited
28/F., Bank of China Tower
No. 1 Garden Road
Central
Hong Kong

15 November 2007

*To: The independent board committee and the independent shareholders
of Town Health International Holdings Company Limited*

Dear Sirs,

DISCLOSEABLE AND CONNECTED TRANSACTION: ACQUISITION OF NU/HART HAIR CLINICS

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in connection with the Transaction, details of which are set out in the letter from the Board (the “Board Letter”) contained in the circular dated 15 November 2007 issued by the Company to the Shareholders (the “Circular”), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

On 24 September 2007, Town Health BVI and Asiatop, both being wholly-owned subsidiaries of the Company, entered into a master acquisition agreement with the Vendors in relation to the acquisition by Asiatop of the entire shareholdings in a number of companies which operate, or have the entire interest in, the nine Nu/Hart Hair Clinics located in Atlanta, Chicago, New York, Philadelphia and Pittsburgh in the USA and in Dubai, Manila, Puerto Rico and Hong Kong. The total consideration for the Acquisition is US\$7,158,827, which shall be satisfied by Asiatop as to (i) US\$3,793,523 by way of cash; and (ii) US\$3,365,304 by the issue of 470 Subsidiary Shares.

The Transaction constitutes a discloseable transaction for the Company under Chapter 19 of the GEM Listing Rules. In addition, since the Company, through Town Health BVI, holds 51% equity interest in Nu/Hart HK while Kathy, Mac and Gary, being the Original Vendors, also serve as directors of Nu/Hart HK, Kathy, Mac and Gary are considered to be connected persons (as defined under the GEM Listing Rules) of the Company. Accordingly, the Transaction constitutes a connected transaction for the Company under Chapter 20 of the GEM Listing Rules and is subject to the approval of the Independent Shareholders by way of poll at the EGM whereby Kathy, Mac and Gary and their respective associates shall be required to abstain from voting on the relevant resolution in respect of the Acquisition Agreement and the transactions contemplated therein.

LETTER FROM SOUTH CHINA CAPITAL

An Independent Board Committee comprising Mr. Chan Kam Chiu, Mr. Wai Kwok Hung JP and Mr. Ho Kwok Wah, George (all being independent non-executive Directors) has been established to advise the Independent Shareholders on (i) whether the terms of the Acquisition Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; (ii) whether the Transaction is on normal commercial terms and is fair and reasonable so far as the Independent Shareholders are concerned, and is in the ordinary and usual course of business of the Company and in the interests of the Company and the Shareholders as a whole; and (iii) how the Independent Shareholders should vote in respect of the ordinary resolution to approve the Acquisition Agreement and the transactions contemplated therein at the EGM. We, South China Capital, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

BASIS OF OUR OPINION

In formulating our advice and recommendation to the Independent Board Committee, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and the information and representations as provided to us by the Directors. We have assumed that all information and representations that have been provided by the Directors, for which they are solely and wholly responsible, are true, complete and accurate in all material respects at the time when they were made and continue to be so as at the date of the despatch of the Circular. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular were reasonably made after due enquiries and careful considerations. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its advisers and/or Directors, which have been provided to us.

The Directors have collectively and individually accepted full responsibility for the accuracy of the information contained in the Circular and have confirmed, having made all reasonable enquiries, which to the best of their knowledge and belief, there are no other facts the omission of which would make any statement in the Circular misleading.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our recommendation. We have not, however, conducted any independent in-depth investigation into the business and affairs of the Company and the Original Vendors, or their respective subsidiaries or associates, and the nine Nu/Hart Hair Clinics, nor have we considered the taxation implication on the Group or the Shareholders as a result of the Transaction. In addition, we have no obligation to update this opinion to take into account events occurring after the issue of this letter. Nothing contained in this letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the Transaction, we have taken into consideration the following principal factors and reasons:

1. The Acquisition Agreement

On 24 September 2007, Town Health BVI and Asiatop, both being wholly-owned subsidiaries of the Company, entered into a master acquisition agreement with the Vendors in relation to the acquisition by Asiatop of the entire shareholdings in a number of companies which operate, or have the entire interest in, the nine Nu/Hart Hair Clinics located in Atlanta, Chicago, New York, Philadelphia and Pittsburgh in the USA and in Dubai, Manila, Puerto Rico and Hong Kong. The total consideration for the Acquisition is US\$7,158,827 (the “Consideration”), which will be satisfied by Asiatop as to (i) US\$3,793,523 by way of cash (the “Cash Consideration”); and (ii) US\$3,365,304 by the issue of 470 Subsidiary Shares. Pursuant to the Acquisition Agreement, the Cash Consideration shall be funded from the subscription monies to be received from Town Health BVI through its subscription of 530 Subsidiary Shares prior to completion of the Acquisition Agreement at a total subscription price of US\$3,793,523.

As advised by the Directors, the Acquisition Agreement was negotiated and entered into on an arm’s length basis between the parties thereto and the Directors are of the view that the terms and conditions of the Acquisition Agreement are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole.

Conditions precedent

As referred to in the Board Letter, completion of the Acquisition Agreement is conditional upon, among other things, and shall take place on the fifth business day after the following conditions have been satisfied or waived by the relevant parties to the Acquisition Agreement:

- (i) the approval of the Acquisition Agreement and the transactions contemplated thereunder by the Independent Shareholders at the EGM;
- (ii) the completion of the transfer of the shareholding in Nu/Hart Puerto Rico from Dr. Boles to Kathy and the completion of the transfer of the shareholding in Nu/Hart Manila from Joseph Bistricher and Jeff Paccione to Kathy and/or Mac, so that the Original Vendors and in the case of Nu/Hart HK, and the Vendors, become the beneficial owners of the Nu/Hart Hair Clinics;
- (iii) Asiatop receiving legal opinions in respect of all the Target Companies (save and except for Nu/Hart HK) on terms satisfactory to Asiatop, terms of which must include, without limitation, the beneficial ownership of the Target Companies;

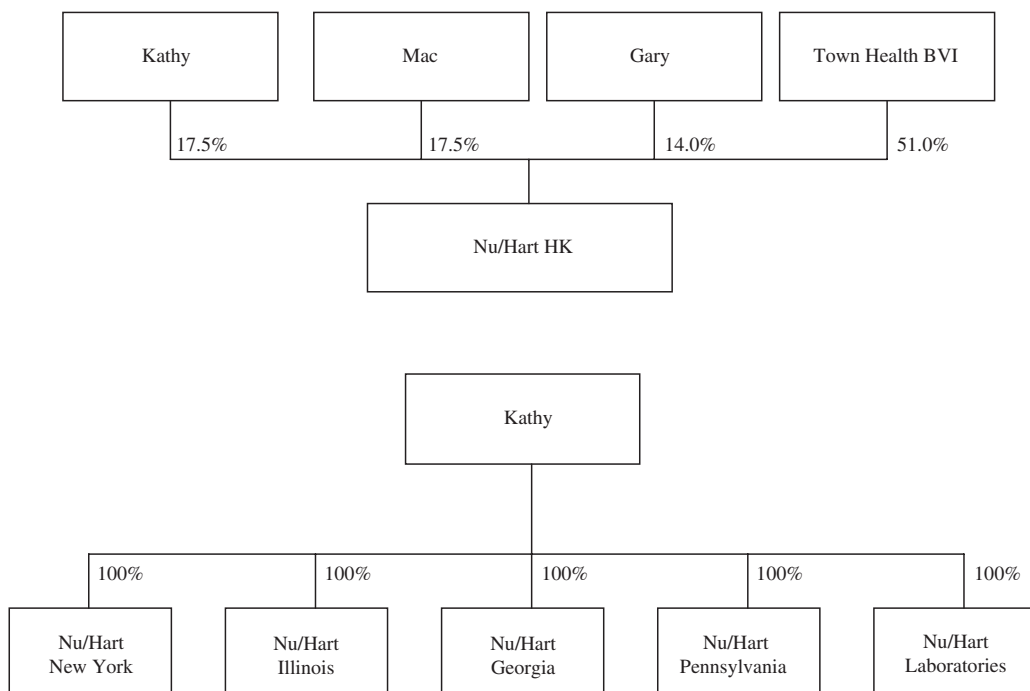
LETTER FROM SOUTH CHINA CAPITAL

- (iv) Asiatop having completed its due diligence review on the Target Companies and Nu/Hart Dubai and the results of such review being satisfactory to it;
- (v) the execution of the other Transaction Agreements by the parties thereto;
- (vi) Asiatop having received a non-competition undertaking in an agreed form duly signed by each of the Original Vendors; and
- (vii) Asiatop receiving evidence satisfactory to it as to the manner of control and ownership of Nu/Hart Dubai and Nu/Hart Manila.

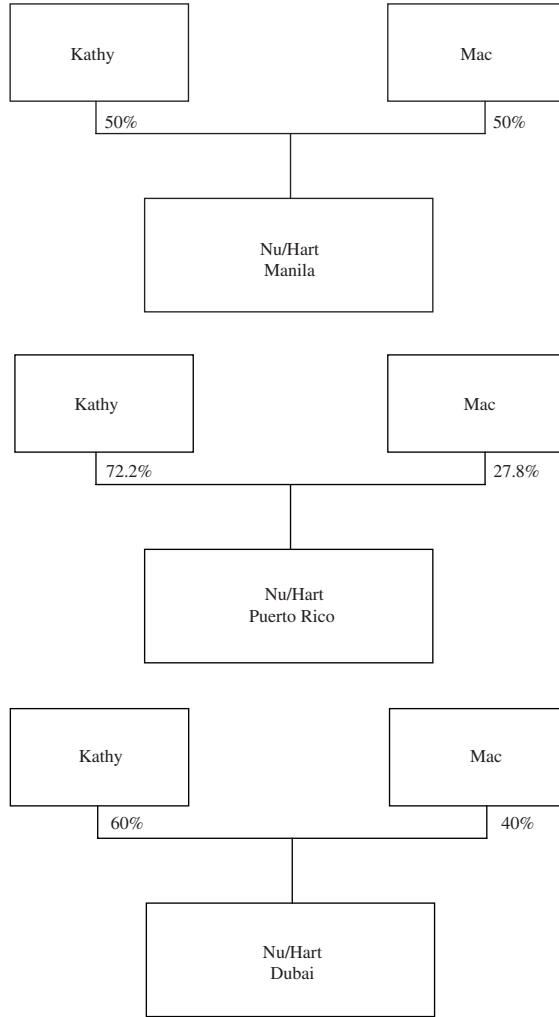
If the conditions of the Acquisition Agreement are not fulfilled or waived (where applicable) on or before 90 days from the date of the Acquisition Agreement, the parties to the Acquisition Agreement shall be entitled to postpone the completion of the Acquisition Agreement or terminate the Acquisition Agreement. As at the Latest Practicable Date, none of the above conditions precedent has been fulfilled or waived.

Shareholding structure of Asiatop

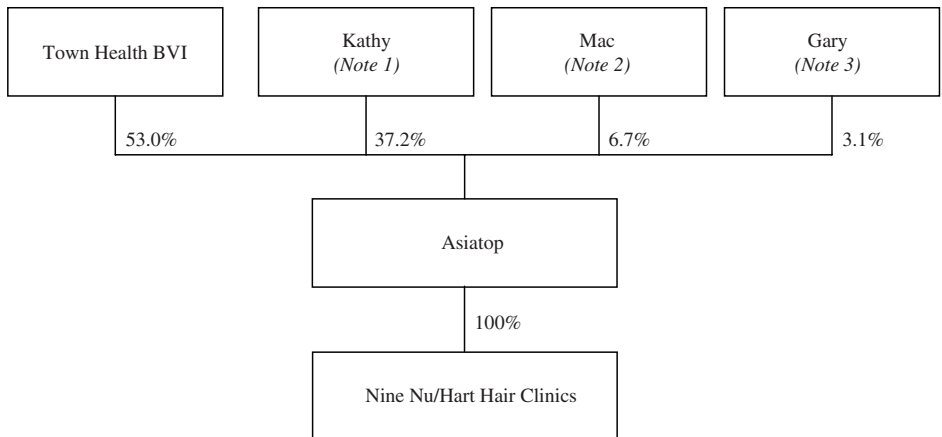
The charts below set out the shareholding structure of the nine Nu/Hart Hair Clinics prior to the completion of the Acquisition Agreement:



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The chart below sets out the shareholding structure of Asiatop, which holds the entire equity interests in the nine Nu/Hart Hair Clinics, immediately upon completion of the Acquisition Agreement:



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Notes:

1. The shares are held by Russell Investment Company, LLC (an investment holding company which is owned as to 100% by Kathy).
2. The shares are held by Elective Health Care, LLC (an investment holding company which is owned as to 100% by Mac).
3. The shares are held by Martnell Limited (an investment holding company which is owned as to 100% by Gary).

Immediately upon completion of the Acquisition Agreement, Asiatop will hold the entire equity interests in the nine Nu/Hart Hair Clinics and will be owned as to approximately 53% by Town Health BVI, as to approximately 37.2% ultimately by Kathy, as to approximately 6.7% ultimately by Mac and as to approximately 3.1% ultimately by Gary.

2. Background of the Acquisition

Business information on the Group

The Group is principally engaged in the provision of management services for private medical and dental practices and integrated healthcare service for the general public in Hong Kong. According to the annual report of the Company for the year ended 31 March 2007 (the “2007 Annual Report”), the Company had established the largest medical and healthcare network in Hong Kong with 80 clinics (as provided by the Directors, the number of clinics which the Company currently operates has exceeded 100) and was providing services to over 700,000 patients for the year ended 31 March 2007.

Financial information on the Group

Tabularised below is a summary of the audited consolidated financial information on the Group as extracted from the 2007 Annual Report:

Consolidated Income Statement	For the year ended 31 March 2007	For the year ended 31 March 2006	Year on year change
	<i>HK\$</i>	<i>HK\$</i>	<i>%</i>
Turnover	275,627,568	231,179,362	19.23
Gross profit	128,975,350	111,839,139	15.32

Consolidated Balance Sheet	As at 31 March 2007	As at 31 March 2006	Year on year change
	<i>HK\$</i>	<i>HK\$</i>	<i>%</i>
Cash and bank balances	75,624,316	116,406,424	(35.03)
Net asset value (“NAV”)	452,186,429	248,505,506	81.96
Current ratio (Total current assets/total current liabilities)	4.0 times	2.9 times	37.93

As depicted by the above table, the Group recorded an audited total turnover of approximately HK\$275.63 million for the year ended 31 March 2007, representing an increase of approximately 19.23% as compared to the prior year. Based on the 2007 Annual Report, such increase was mainly due to the satisfactory performance of the Group's core business – provision of healthcare and dental services. In addition, the Group's audited gross profit had also been rising by approximately 15.32% and its gross profit margin was approximately 46.79% for the year ended 31 March 2007. According to the Directors, the Company has experienced rapid expansion in scale of operations. As a result of increasing economies of scale from sharing of medical resources as well as the implementation of effective cost control measures, the Group was able to cut its operation costs and achieve the aforementioned profitability.

Business strategies of the Group

As stated in the 2007 Annual Report, the Group had decided to solidify its existing business foundation and had targeted to attain new height for its business operations. The Directors noticed that men are increasingly conscious of their self-image and there has also been an upward moving trend of men's diseases, such as prostate disease. Given the said situation, the Directors foresaw the market need for a healthcare service centre with complete systematic equipment that provides male patients with all-in-one healthcare service, including hair-transplanting, medical beauty together with sexual health and related services. For this reason, the Group intended to expand into the hair transplantation industry and the men's sexual health and related services sector.

In addition, after discussing with the Directors, we were also given to understand that the Group has decided to expand its existing principal business, being the provision of management services for private medical and dental practices and integrated healthcare service, into the PRC and the wider Asia-Pacific region.

Information on the nine Nu/Hart Hair Clinics

According to the Directors and the Original Vendors, the nine Nu/Hart Hair Clinics have been dedicated exclusively to hair transplantation since their establishment. Following the establishment of five Nu/Hart Hair Clinics in the USA in 1984, Nu/Hart Hair Clinics further expanded into Dubai, Puerto Rico, Manila and Hong Kong successively after 2001, and has become one of the world leaders in the field of micro-grafting and follicular unit extraction hair transplant. As advised by the Original Vendors, today the Nu/Hart Hair Clinics is the leading clinic chain which offers hair transplantation procedures internationally.

From the statistics provided to us by the Company, we understand that the nine Nu/Hart Hair Clinics have completed over 25,000 hair transplantation procedures on men and women from over 40 countries since their establishment. In 2006, around 1,200 hair transplantation procedures had been carried out by the nine Nu/Hart Hair Clinics. The nine Nu/Hart Hair Clinics altogether contracted with 16 doctors with vast experience in performing hair transplantation procedures and have established prolonged working relationship with them.

LETTER FROM SOUTH CHINA CAPITAL

With reference to the Board Letter, the unaudited consolidated total assets and net liabilities of the nine Nu/Hart Hair Clinics as at 31 December 2006 were approximately US\$830,000 (equivalent to approximately HK\$6,471,000) and US\$523,000 (equivalent to approximately HK\$4,080,000) respectively. Based on the management accounts of the Target Companies and Nu/Hart Hair Dubai, the unaudited net profits before and after tax of the nine Nu/Hart Hair Clinics for the year ended 31 December 2006 were approximately US\$433,000 (equivalent to approximately HK\$3,377,000) and US\$393,000 (equivalent to approximately 3,064,000) respectively. As for the year ended 31 December 2005, the nine Nu/Hart Hair Clinics had unaudited net losses before and after tax of approximately US\$187,000 (equivalent to approximately HK\$1,461,000) and US\$190,000 (equivalent to approximately HK\$1,478,000) respectively.

As at 31 December 2006, Nu/Hart HK recorded an unaudited net asset value of approximately US\$172,000 (equivalent to approximately HK\$1,342,000). The unaudited net profits before and after tax of Nu/Hart HK for the year ended 31 December 2006 were approximately US\$260,000 (equivalent to approximately HK\$2,030,000) and US\$221,000 (equivalent to approximately HK\$1,725,000) respectively and the unaudited net losses before and after tax of Nu/Hart HK for the year ended 31 December 2005 were approximately US\$62,000 (equivalent to approximately HK\$484,000).

Overview of the hair transplantation industry

In order for us to form a better understanding on the hair transplantation industry, we have researched over the internet and found out that a natural phenomenon called “Male Pattern Baldness” is common among men. This phenomenon describes how men would gradually lose their hair over the front, top, and crown of their head. As explained by some related medical reports, human head has about 100,000 hair follicles on average. Each follicle can grow about 20 individual hairs in a person’s lifetime while the average hair loss of 100 strands a day would be considered normal. Hair transplantation involves relocating (transplanting) bald resistant hair follicles from the back and sides of the head (the donor site) to a person’s bald or thinning areas (the recipient site). In recent years, the hair transplantation techniques have evolved from using large plugs and mini grafts to exclusively using large numbers of small micro-grafts which contain between 1 to 5 hairs. Since hair naturally grows in follicles that contain groupings of 1 to 5 hairs, the most advanced hair transplantation techniques today attempt to transplant these naturally occurring 1 to 5 hair “follicular units” in their natural groupings. We have further enquired into the Directors and were advised by the Directors that since the aforementioned micro-grafting and follicular unit extraction hair transplantation techniques are unique and sophisticated and require professionals with extensive practical experience, there are only very few other clinic chains besides the Nu/Hart Hair Clinics in the United States which are capable to perform such hair transplantation procedures in high quantities. On top of clinic chains, there are also individual doctors who offer hair transplantation services to clients. Nevertheless, they are far less competitive as compared to the Nu/Hart Hair Clinics as they do not possess sufficient staff resources and support.

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In addition, owing to the improving effectiveness and naturalness of the hair transplantation procedure, a mounting number of hair loss sufferers are selecting this method to treat their hair loss problem. As revealed by a survey conducted by the International Society of Hair Restoration Surgery, a society for hair restoration physicians, approximately 225,800 hair transplantation procedures were performed worldwide in 2006, representing a cumulative increase of approximately 34% as compared to the year 2004. Such substantial increase in hair transplantation procedures also coincides with the significant jump in the total number of hair transplantation patients from approximately 361,077 patients in 2004 to 645,281 patients in 2006 over the world. Based on the information and statistics on the hair transplantation industry as demonstrated above, we noted that although the techniques of hair transplant are highly unique and sophisticated, the Nu/Hart Hair Clinics are able to enjoy competitive advantage within the hair transplantation industry. Besides that, we also noticed that the hair transplantation industry may experience promising future prospects as a result of the mounting number of hair loss sufferers who choose to take the hair transplantation procedure. Having this being the case, we are of the opinion that the Acquisition would enable the Group to tap into the hair transplantation industry and seize the opportunity to share in its potential future growth.

For comparison and analysis purposes, we have searched for companies which are listed worldwide and are principally engaged in the hair transplantation business. To the best of our knowledge and as far as we are aware of, we found two companies which met these criteria (the “Market Comparables”) and they are both listed in Japan. Other companies which are engaged in the hair transplantation business are mostly private companies. The following table tabulates the relevant ratios of the Market Comparables based on i) their respective closing prices as at 9 September 2007, being the date of the Acquisition Agreement; and ii) their latest financial year’s publicly available financial information:

Company	Stock code	Price to earnings (“P/E”) ratio (times)	Operating margin (%)	Pre-tax margin (%)	Return on equity (%)
Artnature Inc.	7823	12.30	14.02	14.20	15.42
Aderans Holdings Company Limited	8170	16.54	12.31	15.74	8.69
Average		14.42	13.17	14.97	12.06

Source: Bloomberg

The above table shows that the Market Comparables were making profits during their latest financial years. Their operating margin and pre-tax margin were both over 10%. In addition, the Market Comparables also recorded satisfactory return on equity with an average of approximately 12.06%. Based on the closing prices of their shares as at

LETTER FROM SOUTH CHINA CAPITAL

24 September 2007, the average P/E ratio of the Market Comparables was approximately 14.42 times. It should be noted that the said statistics only provide a basic reference for the performance of listed companies which are engaged in the hair transplantation business since the business, operations and prospects of Asiastop may be different from the Market Comparables as just listed and we have not conducted in-depth investigation into their business and operations. Moreover, Shareholders should also be aware of that the financial statements of the Market Comparables were prepared in accordance with other generally accepted accounting principles which may differ from the Hong Kong Financial Reporting Standards.

Background information on the Original Vendors

Based on the information provided by the Company, set forth below are the biographical details of the Original Vendors:

(1) Kathy

Kathy has been working for the Nu/Hart Hair Clinics since 1989 in operational areas such as staff development, training and organizational protocols. In 1997, Kathy became the president of the Nu/Hart Hair Clinics. In 2001, Kathy foresaw the relatively matured hair transplantation market in the USA and therefore had actively started up the international operations of the Nu/Hart Hair Clinics with Mac in Puerto Rico, Dubai, Manila and Hong Kong. Kathy also targeted to further expand the Nu/Hart Hair Clinics internationally in the future.

(2) Mac

Mac is a director of the Nu/Hart Hair Clinics. The main responsibilities of Mac are to monitor and manage the business operations of the Nu/Hart Hair Clinics outside the USA. Mac is familiar with the cosmetic medical field with 15 years of related management, ownership, marketing and consulting experience. Apart from the cosmetic medical field, Mac also possesses extensive experience in running the business operations of medical healthcare services such as medical spa, eye centre etc. In addition, Mac obtained his MBA and MPH from Columbia University in New York, the USA and has a Bachelor's degree from Texas Christian University, the USA.

(3) Gary

Gary had devoted his time in marketing, operational management and investments over the past thirty years. For the period from 2000 to 2004, he owned an integrative medicine clinic in Hong Kong and was also the chairman of the International Preventive Medicine Association of Hong Kong during the same period. In 2004, Gary and the Company co-invested in the Pacific Medical Group, which distributes interventional cardiology electrophysiological, oncology and hospital information systems products to over 200 hospitals in the PRC and private hospitals in Hong Kong.

3. Reasons for the Acquisition

As referred to in the Board Letter, the Directors are of the view that the Acquisition will allow the Company to acquire “Nu/Hart”, being a well-established brand name for hair transplantation procedures in the USA and other parts of the world. The Directors believe that the Nu/Hart Hair Clinics can ease the Group to develop the hair transplantation business internationally, and to explore into men’s sexual health and related services in the future.

In addition, we are advised by the Directors that the Acquisition will provide synergy effects to the overall business development of the Group. As mentioned in the paragraph headed “Business information on the Group” in this letter, the Group intends to provide all-in-one men’s healthcare service, including hair-transplanting, medical beauty and sexual health and related services, in the future. Moreover, the Group is actively exploring business opportunities for developing healthcare services in the PRC and wider Asia-Pacific region. Through the Acquisition, the Directors expected that the Group can establish a platform to expand into the men’s healthcare service sector globally and to further develop its existing healthcare services in the PRC. The Directors are therefore of the opinion that the Acquisition is in line with the business strategies of the Group. Taking into account the above reasons and factors, there is no reason for us to doubt the commercial rationale of the acquisition of the nine Nu/Hart Hair Clinics and thus we consider that the Acquisition is in the ordinary and usual course of business of the Company.

Having also considered (i) the well-established history and worldwide presence of the nine Nu/Hart Hair Clinics; (ii) the upcoming development opportunities of the nine Nu/Hart Hair Clinics leveraging on the unique and sophisticated hair transplantation techniques which they possess; and (iii) the possible promising future prospects of the hair transplantation industry, we concur with the Directors that the Acquisition is in the interests of the Company and the Shareholders as a whole.

4. Basis of the Consideration

Pursuant to the Acquisition Agreement, the Purchaser shall satisfy the Consideration of US\$7,158,827 by the following methods:

- (1) US\$3,793,523 in cash which will be funded from the subscription monies to be received from Town Health BVI for subscription of 530 Subsidiary Shares prior to the completion of the Acquisition Agreement and paid as follows:
 - (a) US\$2,371,070 to Kathy;
 - (b) US\$615,659 to Mac; and
 - (c) US\$806,794 to Town Health BVI.

LETTER FROM SOUTH CHINA CAPITAL

- (2) US\$3,365,304 by issuing and allotting 470 Subsidiary Shares to the Original Vendors as follows:
- (a) 372 Subsidiary Shares to Kathy;
 - (b) 67 Subsidiary Shares to Mac; and
 - (c) 31 Subsidiary Shares to Gary.

The Directors confirmed that the Consideration was determined after arm's length negotiation with reference to the average annual financial results of the nine Nu/Hart Hair Clinics over the three years ended 31 December 2006 and the future earning potential of the clinics based on a P/E ratio of 5.5 times.

Profit Guarantee

From the Board Letter, we noted that the Acquisition Agreement contains a Profit Guarantee given by Kathy and Mac to Town Health BVI pursuant to which Kathy and Mac have agreed that if Asiatop does not record an aggregate net profit after tax of US\$5 million for the period commencing from 1 January 2008 and ending on 31 December 2012, Kathy and Mac would be required to compensate Town Health BVI or its nominee, based on their shareholdings in Asiatop inter se, 53% of the difference between the Guaranteed Cumulative Profit and the actual cumulative net profit after tax of Asiatop during the Guaranteed Period either, at their option:

- (i) by cash to Town Health BVI or its nominee;
- (ii) by transfer to Town Health BVI or its nominee such number of shares in Asiatop equivalent to the percentage of his/her shareholding in Asiatop multiplied by the Shortfall Profit, and divided by Future Valuation, which is calculated in accordance with the following formula:

$$\text{Future Valuation} = \text{Actual Average NPAT (per year)} \times 5.5$$

If the Actual Average NPAT is zero or negative, Kathy and Mac would need to pay for the Shortfall Profit by cash. If the actual cumulative NPAT of Asiatop during the Guaranteed Period is less than the Guaranteed Cumulative Profit, an announcement will be published by the Company pursuant Rule 20.57 of the GEM Listing Rules which will include the opinion of the independent non-executive Directors in accordance with Rule 20.57(4) (a) and (b) of the GEM Listing Rules.

We are of the view that the Profit Guarantee would safeguard the interest of the Company in the next five years ending 31 December 2012 by minimizing the uncertainties and business risks of the Group in the hair transplantation industry and the men's sexual health and related services sector. The Profit Guarantee would also provide stable income to the Company even though the profit of Asiatop may deviate from the forecast or expectation of the Directors. Due to this reason, we consider that the Profit Guarantee is in the interests of the Company and the Shareholders as a whole.

Furthermore, as confirmed by the Directors, the Directors considered that the P/E ratio of 5.5 times for the future earnings potential of the clinics was fairly and reasonably determined judging from their past experience on merger and acquisition of medical healthcare business. In addition, we noted that out of the total Consideration, US\$806,794 shall be paid to Town Health BVI while US\$3,365,304 shall be paid by issuing and allotting 470 Subsidiary Shares to the Original Vendors. Therefore, the Company shall in effect only be paying US\$2,986,729 for the Acquisition. Based on the said effective payment and 53% of the average profit guarantee of US\$1 million for Asiatop from Kathy and Mac to Town Health each year from 1 January 2008 to 31 December 2012, we calculated the P/E ratio for the Acquisition to be of approximately 5.64 times. In view that the average P/E ratio of the Market Comparables as outlined in the paragraph headed "Overview of the hair transplantation industry" in this letter was approximately 14.42 times, we concur with the Directors that the P/E ratio as represented by the Consideration is acceptable. For this reason, we also concur with the Directors that the Consideration is fair and reasonable so far as the Independent Shareholders are concerned.

5. Possible financial effects of the Acquisition

Effect on net asset value

As extracted from the 2007 Annual Report, the audited consolidated NAV of the Group was approximately HK\$452.19 million as at 31 March 2007. Upon completion of the Acquisition Agreement, the Directors confirmed that there would not be any material impact on the assets and liabilities of the Group.

Effect on earnings

Upon completion of the Acquisition Agreement, Asiatop will become a 53% indirectly-owned subsidiary of the Company and the Group will consolidate the financial results of Asiatop into the Group's financial statements. As confirmed by the Directors, given the earnings ability and prospects of the nine Nu/Hart Hair Clinics, the Directors are of the view that the earnings of the Group will be enhanced as a result of the Acquisition in the long run.

Effect on gearing

In accordance with the 2007 Annual Report, the Group's gearing position (as calculated by the total bank borrowings divided by shareholders' equity excluding minority interests) was 12.14% as at 31 March 2007. Given that the Directors have confirmed that (i) the Group will not incur any borrowings or any form of liabilities to satisfy the Consideration; and (ii) the nine Nu/Hart Hair Clinics do not have any bank borrowings; and (iii) the shareholders' equity excluding minority interests of the Group would not be changed upon completion of the Acquisition Agreement, the Acquisition would not have any impact on the Group's gearing position.

Effect on working capital

In light of that the Company will pay an aggregate of US\$2,986,729 in cash to Kathy and Mac as consideration for the Acquisition and the Directors confirmed that the Group will utilize its internal resources to satisfy such cash payment, the working capital of the Group would be reduced by US\$2,986,729 accordingly.

6. Other agreements under the Acquisition Agreement

Apart from the Acquisition, the Transaction also includes other relevant agreements, namely the Loan Agreement, the Share Charge, the Shareholders' Agreement, the Share Option Agreement and the Management Services Agreement under the Acquisition Agreement.

The Loan Agreement

(1) The Loan

Under the Acquisition Agreement, the Company has agreed to enter into the Loan Agreement upon completion of the Acquisition Agreement pursuant to which the Company will lend US\$1.5 million to Asiatop at the prime lending rate for Hong Kong dollars as quoted by The Hongkong and Shanghai Banking Corporation Limited. Pursuant to the Loan Agreement, Asiatop shall not incur additional debt in excess of US\$250,000 while the Loan or any interest accrued thereon is outstanding.

Regarding the utilisation of the Loan, we have enquired into the Directors and were provided with the roll out plan of the Group (the "Roll Out Plan") for the coming five years. Following the Roll Out Plan, Asiatop will establish new Nu/Hart hair clinics worldwide (including but not limited to the PRC) in the coming five years. The Group has already identified certain locations for the new Nu/Hart hair clinics and is currently discussing with some possible strategic partners. It is expected that all the new Nu/Hart hair clinics will focus on the provision of hair transplantation service and will subsequently provide the men's sexual health and related services. The Directors propose to commence the provision of men's sexual health and related services in the new Nu/Hart hair clinics by the first quarter of 2008 and the Company is currently negotiating a contract with the

expertise in such area. In addition, we have also reviewed the preliminary breakdown of the use of the net proceeds from the Loan and are of the view that the Loan could assist the future expansion of the new Nu/Hart hair clinics by satisfying the capital requirement under the Roll Out Plan. For this reason, we consider that the Loan Agreement is in the interests of the Company and the Shareholders as a whole.

(2) The Share Charge

We noted from the Loan Agreement that each of Kathy, Mac and Gary will provide guarantee for the repayment of the Loan and the interest accrued thereon by Asiatop to the Company. In this respect, if the repayment of any amount of the Loan and the interests accrued thereon is not repaid on or before 31 December 2012, the Company shall charge the shareholdings of each of Kathy, Mac and Gary in Asiatop as security for the Loan. In our opinion, such arrangement is in the interests of the Company and the Shareholders as a whole.

The Shareholders' Agreement

Under the Acquisition Agreement, the parties have agreed to enter into the Shareholders' Agreement upon completion of the Acquisition Agreement. Set out below are the key terms of the Shareholders' Agreement:

(1) Board of directors

Pursuant to the Shareholders' Agreement, the board of directors of Asiatop shall consist of five members and Town Health BVI shall be entitled to nominate three members of the board. The initial board of Asiatop shall consist of the following persons/entities or their nominees:

- (1) Yau Chun Tak;
- (2) Gary;
- (3) Kathy;
- (4) Mac; and
- (5) Lee Chik Yuet.

We are of the view that the aforementioned proposed composition of the board of directors of Asiatop is justifiable.

(2) Change in control

All of Russell Investment Company, LLC (an investment holding company which is owned as to 100% by Kathy), Elective Health Care, LLC (an investment holding company which is owned as to 100% by Mac), Martnell Limited (an investment holding company which is owned as to 100% by Gary), Kathy, Mac and Gary undertake to Town Health BVI that change in control of Russell Investment Company, LLC, Elective Health Care, LLC

and Martnell Limited shall not occur without the prior written consent of Town Health BVI. Given such restriction on the change in control of those three companies which will become shareholders of Asiatop upon completion of the Acquisition Agreement, we consider that the continuity in the shareholding and management of Asiatop could be safeguarded and it is therefore beneficial for the Company and the Shareholders as a whole.

(3) Non-competition

Each shareholder of Asiatop has to undertake that they would not be interested in, or otherwise participate in the management or operation of, any business which may directly or indirectly compete with the business of Asiatop in markets where Asiatop operates. We are of the view that the non-competition undertaking could minimize the possible market competition which Asiatop may face in the future and thus is in the interests of the Company and the Shareholders as a whole.

We have also reviewed the other terms of the Shareholders' Agreement and are not aware of any terms which are uncommon to normal market practice. Having this being the case, we are of the opinion that the terms Shareholders' Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned and are in the interest of the Company and the Shareholders as a whole.

The Share Option Agreement

Under the Acquisition Agreement, the parties have agreed to enter into the Share Option Agreement upon completion of the Acquisition Agreement whereby Kathy, Mac, Gary and Town Health BVI's nominee have the right to subscribe for such aggregate number of shares representing 15% of all the outstanding issued shares of Asiatop. We have enquired into the Directors for the reasons of entering into the Share Option Agreement and the Directors explained that the Options could protect the shareholding interests of all the parties to the Acquisition Agreement in the event that any exit transaction, for example, a possible offering of shares in Asiatop or sale of all or substantially all the assets of, or more than 50% of the entire issued share capital of Asiatop, takes place.

We have further enquired into the Directors regarding the pricing and vesting mechanism of the Options. In this respect, we were given to understand that the subscription price of the Options was set at US\$1,073,831.55, representing 15% of the Consideration. Furthermore, the Options are only exercisable upon an exit transaction and will vest at 0.75% per year of service completed by each of Kathy, Mac and Gary under the Management Services Agreement (details of which are set forth below) regardless of their respective shareholdings in Asiatop, and at 0.75% per year for Town Health BVI's nominee commencing from the date of the Share Option Agreement. In the event of an exit transaction takes place sooner than five years after the Share Option Agreement takes effect, the vesting of the Options would accelerate to the full allocation of 3.75% for each of Kathy, Mac, Gary and Town Health BVI's nominee.

LETTER FROM SOUTH CHINA CAPITAL

To provide similar protection to the Company, the Share Option Agreement also stipulates that Town Health BVI has a right to purchase from each of Kathy, Mac and Gary of up to 50% of the Options held by them at a discount of 20% to (i) the valuation for the shares in Asiatop used in the exit transaction; or (ii) the valuation at 5.5 times the net profit after tax based on the latest audited consolidated financial statements of Asiatop; whichever is higher, and the remaining 50% of the Options held by Kathy, Mac and Gary at the Valuation. Having considered all of the foregoing, we are of the view that the terms of the Share Option Agreement are on commercial terms which are common to normal market practice.

The Management Services Agreement

Under the Acquisition Agreement, the parties have agreed to enter into the Management Services Agreement for the purpose of specifying the remuneration and responsibilities of the members of the management of Asiatop. The Management Services Agreement is of a first term of three years starting from completion of the Acquisition Agreement. Upon expiration of the first term, any member of the management of Asiatop may require the Company to renew this agreement for a second term of not more than two years. Pursuant to the Management Services Agreement, Kathy is entitled to receive a fee of US\$175,000 per annum and is required to work full time. Each of Mac and Gary is entitled to receive a fee of US\$150,000 per annum and is required to work at least 50% of the hours equivalent to full time. The responsibilities of the management members of Asiatop are outlined under the section headed “Management Services Agreement” in the Board Letter.

In light of the uniqueness and sophistication of the techniques involved in hair transplant as presented in the paragraph headed “Overview of the hair transplantation industry” in this letter, we consider that the Company must have adequate expertise and experience to monitor and manage the business and operations of the nine Nu/Hart Hair Clinics as well as the upcoming opening of the new Nu/Hart hair clinics. Since Kathy, Mac and Gary as illustrated under the paragraph headed “Information on the Original Vendors” in this letter are experts in the medical healthcare services and are familiar with the management and operations of the nine Nu/Hart Hair Clinics, we consider that it is essential for the Company to secure the services of these experts to Asiatop. Accordingly, we are of the view that the Management Services Agreement is in the interest of the Company and the Shareholders as a whole.

LETTER FROM SOUTH CHINA CAPITAL

RECOMMENDATION

Having taken into consideration the above factors and reasons, we are of the opinion that (i) the terms of the Acquisition Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; and (ii) the Transaction is on normal commercial terms and is fair and reasonable so far as the Independent Shareholders are concerned, and in the ordinary and usual course of business of the Company and is in the interests of the Company and Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the Acquisition Agreement and the transactions contemplated therein and we recommend the Independent Shareholders to vote in favour of the resolution in this regard.

Yours faithfully,
For and on behalf of
South China Capital Limited
Graham Lam
Director

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;
- (b) there are no other matters the omission of which would make any statement in this circular misleading; 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:

(i) 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>)	7,885,742,353	47.05%
Dr. Francis Choi Chee Ming, <i>JP</i>	Interest in controlled corporation (<i>Note 1</i>)	7,885,742,353	47.05%
Dr. Fung Yiu Tong, Bennet	Beneficial owner	8,067,270	0.05%

Note 1: These 7,885,742,353 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 7,885,742,353 Shares are 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 persons (not being Director or chief executive of the Company) had, or were 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	Position	Capacity	Number of Shares held	Approximate percentage of shareholding
Broad Idea	Long	Beneficial owner	7,885,742,353	47.05%
Atlantis Investment Management Limited	Long	Beneficial owner	840,000,000	5.01%

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. INTERESTS OF DIRECTORS

- (1) As at the Latest Practicable Date, so far as the Directors are aware of, none of them, the management Shareholders (as defined in the GEM Listing Rules) nor 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.

- (2) No Director is materially interested in any contract or arrangement subsisting at the date hereof which is significant to the business of the Group taken as a whole.
- (3) Since 31 March, 2007, the date to which the latest published audited consolidated accounts of the Group have been made up, none of the Directors has, or has had, any direct or indirect interest in any assets which have been acquired or disposed of by or leased to or which are proposed to be acquired, disposed of by or leased to, any member of the Group.

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. PROCEDURE FOR DEMANDING A POLL

According to Article 80, 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
- (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.

7. MATERIAL ADVERSE CHANGE

The Directors are not aware of any material adverse change in the financial or trading positions of the Group since 31 March, 2007, the date to which the latest published audited consolidated accounts of the Group were made up.

8. QUALIFICATION AND CONSENT OF EXPERT

The following is the qualification of the expert who has given report, opinion or advice which is contained in this circular:

Name	Qualification
South China Capital Limited	a deemed licensed corporation to carry out type 6 (advising on corporate finance) regulated activity as set out in Schedule 5 to the SFO

9. CONSENT

South China Capital has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter of advice and/or reference to its name included herein in the form and context in which it is included.

As at the Latest Practicable Date, South China Capital did not have shareholding in any company in the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any company in the Group and any direct or indirect interest in any assets acquired or disposed of by or leased to any member of the Group or is proposed to be acquired or disposed of by or leased to any member of the Group since 31 March 2007, being the date to which the latest published audited accounts of the Company were made up.

10. GENERAL

- (a) The registered office of the Company is at Uglund 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 Street, 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. Wong Seung Ming who is graduated from the City University of Hong Kong with a bachelor degree in Accountancy and is a fellow member of the Association of Chartered Certified Accountants and a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants.
- (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, J.P. 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 a Hong Kong District Affairs Advisor to Xinhua News Agency for the period from January 1995 to June 1997. 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 53, is the chairman of the Shatin District Council. Mr. Wai is a councilor 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 director of the board of governors of Tin Sum Valley Public 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 Company 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.

11. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours from 9:00 a.m. to 1:00 p.m. and 2:00 p.m. to 5:00 p.m. on any weekday (except Saturday and public holidays) at the Company's principal place of business in Hong Kong at Shop No. 37, Level 3, Hilton Plaza Commercial Centre, 3-9 Shatin Centre Street, Shatin, New Territories, Hong Kong, from the date of this circular, up to and including the date of EGM:

- (1) The Acquisition Agreement;
- (2) The letter from the Independent Board Committee, the text of which is set out on page 18 of this circular;
- (3) The letter from South China Capital, the text of which is set out on pages 19 to 36 of this circular; and
- (4) The written consent referred to in paragraph headed "Consent" in this Appendix I.

The biographical details of the Director eligible for re-election at the EGM are set out below:

EXECUTIVE DIRECTOR

Dr. Hui Ka Wah, Ronnie *JP* (“Dr. Hui”), aged 44, graduated from The University of Hong Kong and holds the qualifications of MBBS(HK), MRCP (UK), DCH (Ireland), DCH (Glasgow), FHKAM (Paed), FHKC Paed, MBA and CFA charterholder. Dr. Hui is a specialist in Paediatrics and is the principal of a private medical clinic in Hong Kong since 1991. Dr. Hui is also an independent non-executive director of CASH Financial Services Group Limited, E2-Capital (Holdings) Limited and Winbox International (Holdings) Limited, the issued shares of which are listed on GEM and main board of the Stock Exchange respectively. Dr. Hui is also an executive director of Hong Kong Health Check and Laboratory Holdings Company Limited, the issued shares of which are listed on the main board of the Stock Exchange. Dr. Hui had once been an independent non-executive director of CASH Retail Management Group Limited whose issued Shares are listed on the main board of the Stock Exchange.

Save as disclosed above, Dr. Hui did not hold any directorship in other public listed company or any other position with the Company and other members of the Group in the past three years.

There is no service contract entered into between the Company and Dr. Hui. He will have no fixed term of service with the Company but he will be subject to retirement by rotation and re-election at general meeting of the Company in accordance with the memorandum and articles of association of the Company. Dr. Hui is entitled to (i) an annual emolument of HK\$120,000 which is determined by the Board with reference to his duties and responsibilities with the Company; and (ii) a discretionary bonus which will depend on the financial results of the Company and his performance.

Dr. Hui is not connected with any director, senior management, management shareholder, substantial or controlling shareholder of the Group or any of their respective associates and Dr. Hui did not hold any other position in the Company’s subsidiaries. As at the date of this circular, Dr. Hui does not have any interest in the securities of the Company within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

Save as disclosed above, there is no other matter about Dr. Hui which are required to be disclosed pursuant to paragraphs (h) to (v) of Rule 17.50(2) of the GEM listing Rules nor are there other matters that need to be brought to the attention of the Shareholders.

NOTICE OF 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 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 on Monday, 3 December, 2007 at 9:00 a.m. for the following purposes:

- (1) To consider and approve the re-election of Dr. Hui Ka Wah Ronnie *JP* as executive director of the Company; and
- (2) To consider and, if thought fit, passing with or without modification, the following resolution as an ordinary resolution:

“**THAT** the terms of the Acquisition Agreement (as defined in the circular of the Company dated 15 November 2007, a copy of which is tabled before the meeting marked “A” for identification purpose) and a copy of which is tabled before the meeting marked “B” for identification purpose, and the transactions contemplated thereunder, which constitute a discloseable and connected transaction under the Rules Governing the Listing of the Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited, and the execution of any ancillary documents (the “Ancillary Documents”), including but not limited to, the Shareholders’ Agreement, Loan Agreement, Share Option Agreement and the Management Services Agreement (each as defined in the Acquisition Agreement), be and are hereby approved by the shareholders of the Company, and any director of the Company be and is hereby authorized, on behalf of the Company, to execute the Acquisition Agreement and the Ancillary Documents and amend the terms of the Acquisition Agreement and the Ancillary Documents as he/she deems appropriate and to do all such acts and to enter into all such transactions and arrangements as may be necessary or expedient to give effect to the Acquisition Agreement and the transactions contemplated therein.”

By order of the Board

Town Health International Holdings Company Limited

Choi Ka Yee, Crystal

Chairman

Hong Kong, 15 November 2007

NOTICE OF EGM

Principal Place of Business and Head Office:

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

Registered Office:

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

Notes:

1. A form of proxy for use at the meeting is enclosed herewith. A member, who is the holder of two or more shares, entitled to attend and vote at the meeting, is entitled to appoint more than one proxy to attend and vote on his/her behalf. A proxy need not be a member of the Company. 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. The form of proxy shall be in writing under the hand of the appointor or of his/her attorney duly authorised in writing or, if the appointor is a corporation, either under its seal or under the hand of any officer or attorney authorised to sign the same.
3. Any member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and vote instead of him/her. A proxy need not be a member of the Company.
4. In order to be valid, the form of proxy which must be completed in accordance with the instructions printed thereon, together with the power of attorney or other authority (if any) under which it is signed, or a certified copy of such power or authority, must be lodged at the branch share registrar of the Company in Hong Kong Tengis Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, not less than 48 hours before the time appointed for holding the meeting or any adjourned meeting thereof (as the case may be).
5. Completion and return of the form of proxy will not preclude members from attending and voting in person at the meeting or at any adjourned meeting thereof (as the case may be) should they so wish, and in such event, the form of proxy shall be deemed to be revoked.
6. Where there are joint registered holders of any share(s), any one of such joint holders may vote at the meeting, either in person or by proxy, in respect of such share(s) as if he/she is solely entitled thereto, but if more than one of such joint holders are present at the meeting, the most senior shall alone be entitled to vote, whether in person or by proxy. For this purpose, seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding of the share(s).