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



**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 TRANSACTIONS**

**Financial advisor to Town Health International Holdings Company Limited**



**CIMB-GK Securities (HK) Limited**

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A letter from the Board is set out on pages 5 to 17 of this circular.

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

\* For identification purpose only

## CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET

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

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

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

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## DEFINITIONS

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

“Announcement”	a joint announcement dated 15 November 2007 issued by the Company, HK Health Check and Core Healthcare in relation to, among other things, the JV Agreement and the HK Health Check Loan Agreement
“associate(s)”	has the meaning ascribed to it under the GEM Listing Rules or the Listing Rules, as the case maybe
“Board”	the board of directors of the Company
“CB Subscription”	the subscription of the Convertible Bonds by Precious Success pursuant to the CB Subscription Agreement
“CB Subscription Agreement”	a conditional subscription agreement dated 6 November 2007 entered into between Core Healthcare and Precious Success in respect of the CB Subscription
“Class 1 New Drugs”	(i) those drugs that fall within the category of “第一類” as defined in Article 7 of the 新生物製品審批辦法 (局令第3號) (The Approval Method of New Biological Products (Ju Ling No.3)) issued by 國家藥品監督管理局局務會 (The Executive Meeting of State Food and Drug Administration) being “國內外尚未批准上市的生物製品”; or (ii) other drugs as agreed by the parties to the Referral Agreement from time to time including but not limited to Chinese drugs, chemical drugs and new biological products
“Classictime Investments”	Classictime Investments Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of HK Health Check
“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 it under the GEM Listing Rules or the Listing Rules, as the case maybe
“Conversion Shares”	up to 789,473,684 Core Healthcare Shares falling to be allotted and issued upon exercise of the conversion rights attaching to the Convertible Bonds at the initial conversion price (subject to adjustment) of HK\$0.19 per Core Healthcare Share

## DEFINITIONS

“Convertible Bonds”	the 1% convertible bonds with an aggregate principal amount of HK\$150 million to be issued by Core Healthcare to Precious Success pursuant to the CB Subscription Agreement
“Core Healthcare”	Core Healthcare Investment Holdings Limited, a company incorporated in the Cayman Islands with limited liability and the issued shares of which are listed on GEM
“Core Healthcare EGM”	an extraordinary general meeting of Core Healthcare to be convened and held for the purpose of considering and, if thought fit, passing resolutions to approve, among other things, the CB Subscription Agreement
“Core Healthcare Group”	Core Healthcare and its subsidiaries
“Core Healthcare Share(s)”	ordinary share(s) of HK\$0.01 each in the issued share capital of Core Healthcare
“Director(s)”	the director(s) of the Company
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Committee”	the listing committee of the board of directors of the Stock Exchange with responsibility for GEM
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries
“HK Health Check”	Hong Kong Health Check and Laboratory Holdings Company Limited, a company incorporated in Bermuda with limited liability and the issued shares of which are listed on the main board of the Stock Exchange
“HK Health Check Group”	HK Health Check and its subsidiaries
“HK Health Check Loan”	an unsecured loan with a principal amount of HK\$75 million to be provided by Classictime Investments to Spring Biotech pursuant to the HK Health Check Loan Agreement
“HK Health Check Loan Agreement”	a loan agreement to be entered into between Spring Biotech and Classictime Investments in relation to the HK Health Check Loan
“HK Health Check SGM”	a special general meeting of HK Health Check to be convened and held for the purpose of considering and, if thought fit, approving, among other things, the HK Health Check Loan Agreement

## DEFINITIONS

“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Core Healthcare Shareholders”	the shareholders of Core Healthcare, other than (i) HK Health Check, the Company, Precious Success and parties acting in concert with them in regard to Core Healthcare (ii) those who are interested in or involved in the CB Subscription Agreement and/or the Whitewash Waiver; and (iii) those who are also required to abstain from voting at the Core Healthcare EGM in relation to the CB Subscription Agreement and/or the Whitewash Waiver under the Takeovers Code and the GEM Listing Rules
“Independent HK Health Check Shareholders”	the shareholders of HK Health Check, other than Town Health and its associates and those (if any) who are required to abstain from voting at the HK Health Check SGM in relation to the HK Health Check Loan Agreement under the Listing Rules
“JV Agreement”	the joint venture agreement dated 6 November 2007 entered into between Classictime Investments, Spring Biotech and Precious Success which sets out, among other matters, the principal terms of the JV Loan
“JV Loan”	the advance of an aggregate amount of HK\$150 million in the form of shareholders’ loans to be made to Precious Success by Classictime Investments and Spring Biotech, based on their respective interest in Precious Success
“Last Trading Day”	5 November 2007, being the last day on which Core Healthcare Shares were traded on GEM prior to the suspension trading of such shares pending the issue of the Announcement
“Latest Practicable Date”	3 December 2007, being the last trading day prior to the date of this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	31 January 2008 or such later date as the parties to the relevant agreements may agree
“PRC”	the Peoples’ Republic of China, which for the purpose of this circular, excludes Hong Kong, the Macau Special Administrative Region and Taiwan

## DEFINITIONS

“Precious Success”	Precious Success Group Limited 珍成集團有限公司, a joint venture company established in the British Virgin Islands with limited liability which is owned as to 50% by Classictime Investments and as to 50% by Spring Biotech
“Share(s)”	ordinary share(s) of HK\$0.01 each in the issued share capital of the Company
“Shareholder(s)”	the holder(s) of the Share(s)
“Share Options”	options granted under the share option scheme of the Company adopted on 24 April 2002 pursuant to which, 526,600,000 options have been granted as at the Latest Practicable Date
“Spring Biotech”	Spring Biotech Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary”	shall have the meaning as ascribed to it under the Listing Rules or the GEM Listing Rules, as the case maybe
“Takeovers Code”	The Hong Kong Code on Takeovers and Mergers
“Town Health Service Agreement”	the service agreement dated 6 November 2007 entered into between the Company and Core Healthcare in relation to the provision of consultancy services to the Core Healthcare Group
“Whitewash waiver”	a waiver from the obligations to make a mandatory general offer under Rule 26 of the Takeover Code which would otherwise arise on the part of Precious Success, HK Health Check, the Company and parties acting in concert with them as a result of the allotment and issue of the Conversion Shares upon the exercise of the Convertible Bonds pursuant to the CB Subscription Agreement pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.

## LETTER FROM THE BOARD



### TOWN HEALTH INTERNATIONAL HOLDINGS COMPANY LIMITED

康健國際控股有限公司\*

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 8138)**

*Executive Directors:*

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

*Head office and principal place  
of business:*

Shop 37, Level 3  
Hilton Plaza Commercial Centre  
3-9 Shatin Centre Street  
Shatin, New Territories  
Hong Kong

6 December 2007

*To the Shareholders and, for information only, holders of the Share Options*

Dear Sir/Madam,

### DISCLOSEABLE TRANSACTIONS

#### INTRODUCTION

The Board is pleased to announce that, on 6 November 2007, Classictime Investments, a wholly owned subsidiary of HK Health Check, and Spring Biotech, a wholly owned subsidiary of the Company, entered into (i) the JV Agreement in respect of Precious Success, a joint venture company owned as to 50% by HK Health Check and as to 50% by the Company; and (ii) the HK Health Check Loan Agreement.

\* For identification purpose only



## LETTER FROM THE BOARD

Pursuant to the JV Agreement, for the sole purpose of financing the commitment of Precious Success under the CB Subscription, Classictime Investments and Spring Biotech will contribute, in proportion to their respective interest in Precious Success, an aggregate amount of HK\$150 million in the form of shareholders' loans to Precious Success. Accordingly, the Company and HK Health Check will each contribute HK\$75 million to Precious Success.

The advance of the JV Loan is subject to, among other matters, the HK Health Check Loan Agreement being approved by the Independent HK Health Check Shareholders at the HK Health Check SGM and the HK Health Check Loan being made available by Classictime Investments to Spring Biotech and the CB Subscription Agreement becoming unconditional pursuant to its terms.

Pursuant to the terms of the JV Agreement, Spring Biotech and Classictime Investments will, upon the CB Subscription Agreement become unconditional pursuant to its terms and the JV Loan and the HK Health Check Loan being approved by the Independent HK Health Check Shareholders at the HK Health Check SGM, enter into the HK Health Check Loan Agreement pursuant to which Classictime Investments will provide the HK Health Check Loan to Spring Biotech solely to finance Spring Biotech's contribution towards the JV Loan to be advanced to Precious Success pursuant to the JV Agreement.

Pursuant to the HK Health Check Loan Agreement, Classictime Investments has an option (the "**Option**") to purchase up to Spring Biotech's 50% interest in Precious Success within two years from the date of the HK Health Check Loan Agreement, at a consideration calculated based on the product of (i) up to 50% of the aggregate number of Conversion Shares issuable upon the full exercise of the Convertible Bonds, and (ii) the higher of (a) 50% of the five-day average closing price of the Core Healthcare Shares immediately before the exercise of the Option, and (b) HK\$0.25 per Core Healthcare Share. The extent to which Classictime Investments may require Spring Biotech to sell its interest in Precious Success upon each exercise of the Option shall be limited to comply with the caps determined in accordance with the formulae set out in the HK Health Check Loan Agreement.

Completion of the JV Agreement (so far as it relates to the JV Loan) is conditional upon, among other things, the completion of the CB Subscription Agreement pursuant to its terms.

Completion of the CB Subscription Agreement is inter-conditional on the completion of the JV Agreement (in so far as it relates to the advance of the JV Loan and the HK Health Check Loan).

## LETTER FROM THE BOARD

The purpose of this circular is to provide you with (i) details regarding the JV Agreement; (ii) details of the Option; and (iii) other information as required under the GEM Listing Rules.

### THE JV AGREEMENT

#### Date

6 November 2007

#### Parties

- (1) Classictime Investments, a wholly-owned subsidiary of HK Health Check.

The HK Health Check Group has previously been principally engaged in the manufacturing and sales of garment in the PRC. As stated in the circular of HK Health Check dated 25 July 2007, the HK Health Check Group has now diversified into the healthcare business by (i) commencing establishment of its own new health centres in Hong Kong; and (ii) acquiring established health check centres in Hong Kong for the provision of health check, advanced diagnostic imaging services, day care observation service and media laboratory related services to the public.

While, as at the Latest Practicable Date, (i) the Company is a substantial shareholder of HK Health Check which owns 10.7% interest in the issued share capital of HK Health Check; (ii) the Company, through its subsidiary, holds the convertible bond issued by HK Health Check; and (iii) Miss Choi Ka Yee, Crystal is an executive director of both the Company and HK Health Check having approximately 2.19% shareholding in HK Health Check, HK Health Check is not a connected person of the Company.

- (2) Spring Biotech, a wholly-owned subsidiary of the Company. The Company is a substantial shareholder of HK Health Check which owns approximately 10.7% interest in the issued share capital of HK Health Check as at the Latest Practicable Date.
- (3) Precious Success, a joint venture company with an issued share capital of US\$2.00 as at the Latest Practicable Date, is owned as to 50% by HK Health Check and as to 50% by the Company. Precious Success was established for the purpose of the CB Subscription. It will be accounted for as an associated company of each of HK Health Check and the Company. Precious Success is not a “subsidiary undertaking” of HK Health Check or the Company as defined in the twenty-third schedule to the Companies Ordinance (Chapter 23 of Laws of Hong Kong).

## LETTER FROM THE BOARD

### JV Loan

As at the Latest Practicable Date, Precious Success has an issued share capital of US\$2.00, comprising two shares of US\$1.00 each, and Classictime Investments and Spring Biotech each held one share.

Pursuant to the JV Agreement, for the sole purpose of the CB Subscription, the Company, through Spring Biotech, and HK Health Check, through Classictime Investments, will contribute an aggregate amount of HK\$150 million in the form of shareholders' loans to Precious Success in the following manner:

- (i) Classictime Investments will contribute HK\$75,000,000 in the form of shareholder's loan and payable in cash, which will be financed by internal resources of the HK Health Check Group; and
- (ii) Spring Biotech will contribute HK\$75,000,000 in the form of shareholder's loan, which will be financed by Classictime Investments under the HK Health Check Loan to be advanced pursuant to the terms of the HK Health Check Loan Agreement.

Precious Success shall pay interest on the JV Loan to the extent and in the same aggregate amount of the interest and/or dividends (if any) actually received by Precious Success from Core Healthcare arising from Precious Success's holding of the Convertible Bonds and/or Conversion Shares, and shall be paid to Classictime Investments and Spring Biotech respectively and pro rata to the principal amount of the respective shareholders' loans due to them, upon receipt by Precious Success of such interest and/or dividends.

Precious Success shall repay the JV Loan to Classictime Investments and Spring Biotech respectively and at the same time pro rata to the principal amounts outstanding for the time being if and when Precious Success receives a written demand for repayment given jointly by Classictime Investments and Spring Biotech.

The JV Loan, which is unsecured, is conditional upon (i) the CB Subscription Agreement becoming unconditional; (ii) the JV Loan being approved by the Independent HK Health Check Shareholders at the HK Health Check SGM; and (iii) the HK Health Check Loan Agreement being approved by the Independent HK Health Check Shareholders at the HK Health Check SGM and the HK Health Check Loan being made available by Classictime Investments to Spring Biotech.

If the above conditions have not been fulfilled on or before 5:00 p.m. on the Long Stop Date, the JV Loan shall not become effective, and the provisions in the JV Agreement in relation to the JV Loan shall lapse and determine.

The Directors consider the JV Loan to be on normal and commercial terms.

## LETTER FROM THE BOARD

### *HK Health Check Loan*

Pursuant to the terms of the JV Agreement, upon the CB Subscription Agreement becoming unconditional pursuant to its terms and the JV Loan and the HK Health Check Loan being approved by the Independent Shareholders at the HK Health Check SGM, Classictime Investments and Spring Biotech will enter into the HK Health Check Loan Agreement pursuant to which Classictime Investments will provide the HK Health Check Loan to Spring Biotech solely to fund the Company's contribution towards the JV Loan to be advanced to Precious Success pursuant to the JV Agreement.

The advance of the HK Health Check Loan is conditional upon, among other matters, the Independent HK Health Check Shareholders approving the HK Health Check Loan Agreement and the CB Subscription Agreement becoming unconditional pursuant to its terms.

Pursuant to the terms of the HK Health Check Loan Agreement, Spring Biotech shall pay interest on the HK Health Check Loan to Classictime Investments calculated at an annual interest rate of 1%, which is determined with reference to the coupon rate of 1% per annum of the Convertible Bonds.

Spring Biotech may repay all or any part of the outstanding amount of the HK Health Check Loan, together with any accrued interest thereon, at any time it deems fit or as and when requested to do so by Classictime Investments on not less than three months' prior notice in writing.

### *The Option*

Pursuant to the HK Health Check Loan Agreement, Spring Biotech has granted Classictime Investments the Option which gives Classictime Investments the right to purchase Spring Biotech's shareholding interest in Precious Success and its corresponding interest in the JV Loan (the "**Sale Interests**"), within two years from the date of the HK Health Check Loan Agreement (the "**Option Exercise Period**"), at the consideration provided that the extent to which Classictime Investments may require Spring Biotech to sell its interest in Precious Success upon each exercise of the Option ("**Relevant Exercise**") shall be limited so as to comply with each of the caps determined in accordance with the formulae set out in the HK Health Check Loan Agreement (the "**Caps**"), details of which are listed out below. The percentage of the Sale Interests which shall be sold by Spring Biotech upon a Relevant Exercise (the "**Relevant Percentage**") shall be the maximum permissible without breaching any of the Caps, which were designed to ensure that each such sale would amount to no more than a discloseable transaction for the Company for the purposes of the GEM Listing Rules.

Pursuant to Rule 19.22 of the GEM Listing Rules, which are applicable to the Company, all Options exercised during the Option Exercise Period will be aggregated in calculating of the percentage ratios in relation to each Relevant Exercise. Accordingly, the Caps were or also designed to ensure that each Relevant Exercise of the Option, taking into account Rule 19.22 of the GEM Listing Rules, will not constitute a major transaction of the Company, but a discloseable transaction under the GEM Listing Rules.

Further announcement will be made by HK Health Check upon the exercise of the Option in compliance with the Listing Rules.

## LETTER FROM THE BOARD

The consideration (the “**Consideration**”) payable by Classictime Investments upon each Relevant Exercise shall be the product of (i) the Relevant Percentage of 50% of the aggregate number of Conversion Shares issuable upon the full exercise of the Convertible Bonds, and (ii) the higher of (a) 50% of the five-day average closing price of the Core Healthcare Shares immediately before the exercise of the Option; and (b) HK\$0.25 per Core Healthcare Share.

The extent of the Sale Interests in Precious Success that Classictime Investments may require Spring Biotech to sell upon a Relevant Exercise shall be limited so as to comply with each of the caps as illustrated below:

(a) Consideration Cap

The Consideration shall not exceed the lower of (i) or (ii) below:

- (i) an amount calculated in accordance with the following formula:

$$(\text{THMC} \times 24.99\%) - X$$

- (ii) HK\$554,565,389, being 24.99% of the market capitalization of the Company based on the average closing price of the shares of the Company for the five trading days up to and including 5 November 2007 (being the trading date immediately preceding the date of the JV Agreement).

Where:-

THMC = the market capitalization (determined in accordance with the GEM Listing Rules) as at the date on which the Option is exercised by Classictime Investments by giving a written notice to that effect to Spring Biotech (the “Option Exercise Date”); and

X = the aggregate consideration paid by Classictime Investments on all acquisitions of any parts of the Sale Interests made upon any prior exercise of the Option within the 12 months immediately preceding the Option Exercise Date and on other acquisitions, if any, whenever completed which are required pursuant to the GEM Listing Rules to be aggregated with the acquisition of the Relevant Percentage of the Sale Interests pursuant to the Relevant Exercise.

## LETTER FROM THE BOARD

(b) Asset, Profit and Revenue Caps

The amounts set out in Column 1 below in respect of the Relevant Exercise cannot exceed the corresponding amounts set out in Column 2 below:

<b>Column 1</b>	<b>Column 2</b>
(JVTA x 50% x Relevant Percentage) + PJVTA	THTA x 24.99%
(JVNP x 50% x Relevant Percentage) + PJVNP	THNP x 24.99%
(JVR x 50% x Relevant Percentage) + PJVR	THR x 24.99%

Where:–

- JVTA = the total assets of Precious Success as at the end of the latest financial year for which audited accounts are available at the Option Exercise Date;
- PJVTA = if the Option was previously exercised in the 12 months immediately preceding the Option Exercise Date, the aggregate of each sum calculated in respect of each such prior exercise of the Option as JVTA x 50% x the Relevant Percentage for that exercise and, if there are, on any other acquisitions whenever completed which are required pursuant to the GEM Listing Rules to be aggregated with the acquisition of the Relevant Percentage of the Sale Interests pursuant to the Relevant Exercise, the relevant share of assets which is required to be aggregated as aforesaid;
- THTA = the consolidated total assets of the Company shown in its latest audited accounts or latest published half-year, quarterly or other interim report (whichever is more recent) that are available at the Option Exercise Date and adjusted in accordance with Rule 19.16 of the GEM Listing Rules;
- JVNP = the net profit before tax, minority interests and extraordinary items of Precious Success for the latest financial year for which audited accounts are available at the Option Exercise Date;
- PJVNP = if the Option was previously exercised in the 12 months immediately preceding the Option Exercise Date, the aggregate of each sum calculated in respect of each such prior exercise of the Option as JVNP x 50% x the Relevant Percentage for that exercise and, if there are, on any other acquisitions whenever completed which are required pursuant to the GEM Listing Rules to be aggregated with the acquisition of the Relevant Percentage of the Sale Interests pursuant to the Relevant Exercise, the relevant share of profit which is required to be aggregated as aforesaid;

## LETTER FROM THE BOARD

- THNP = the consolidated net profit before tax, minority interests and extraordinary items of the Company for the latest financial year for which audited accounts are available as at the Option Exercise Date;
- JVR = the revenue of Precious Success arising from its principal activities for the latest financial year for which audited accounts are available at the Option Exercise Date;
- PJVR = if the Option was previously exercised in the 12 months immediately preceding the Option Exercise Date, the aggregate of each sum calculated in respect of each such prior exercise of the Option as  $JVR \times 50\% \times$  the Relevant Percentage for that exercise and, if there are, on any other acquisitions whenever completed which are required pursuant to the GEM Listing Rules to be aggregated with the acquisition of the Relevant Percentage of the Sale Interests pursuant to the Relevant Exercise, the relevant share of revenue which is required to be aggregated as aforesaid; and
- THR = the consolidated revenue of the Company arising from the principal activities of the Company and its subsidiaries for the latest financial year for which audited accounts are available as at the Option Exercise Date.

### INFORMATION ON THE GROUP, REASON FOR ENTERING INTO THE JV AGREEMENT AND THE HK HEALTH CHECK LOAN AGREEMENT

The Group is principally engaged in the provision of management service for private medical and dental practices and integrated healthcare service for the general public in Hong Kong. Being an integrated healthcare service provider in Hong Kong, the Group has been actively participating in the provision of para-medical services and other health care related business, such as the operation of laboratory and the sale of healthcare and pharmaceutical products. The Directors also proactively look for business opportunities to enhance the Group profile and to create synergy for its existing operations.

One of the principal purposes of the Company and HK Health Check (through their respective wholly-owned subsidiaries) in entering into the JV Agreement (through their respective wholly-owned subsidiaries) is to provide the funding required by Precious Success to complete the CB Subscription so as to allow the Company and HK Health Check, through Precious Success, to tap into the PRC drugs and drug distribution business through the investment in Core Healthcare. Upon full conversion of the Convertible Bonds, Core Healthcare will be owned as to approximately 52.9% by Precious Success assuming there will be no other changes to Core Healthcare's issued share capital taking effect.

## LETTER FROM THE BOARD

To facilitate the Company's participation (through Spring Biotech) in the JV Agreement and to facilitate Core Healthcare tapping into the Company's expertise in providing the consultancy services to the Core Healthcare Group pursuant to the Town Health Service Agreement, HK Health Check (through Classictime Investments) provide the HK Health Check Loan to Spring Biotech under the HK Health Check Loan Agreement.

The terms of the JV Agreement and the HK Health Check Loan Agreement, including the terms of the Options, have been arrived at after arm's length negotiations. The Directors consider that terms of the JV Agreement and the Options are fair and reasonable and are in the interest of the Company as well as the Shareholders as a whole.

Set out below are information on the CB Subscription and the Town Health Service Agreement for your information.

### **THE CB SUBSCRIPTION AGREEMENT**

#### **Date**

6 November 2007

#### **Issuer**

Core Healthcare

#### **Subscriber**

Precious Success, a joint venture company owned as to 50% by Classictime Investments (a wholly-owned subsidiary of HK Health Check) and as to 50% by Spring Biotech (a wholly-owned subsidiary of the Company).

#### **CB Subscription**

Pursuant to the CB Subscription Agreement, Precious Success has conditionally agreed to subscribe for the Convertible Bonds with a principal amount of HK\$150 million which can be exercised and converted into 789,473,684 Conversion Shares at an initial conversion price (subject to adjustment) of HK\$0.19 per Conversion Share.

As at the Latest Practicable Date, the Company owns approximately 4.7% of the existing issued share capital of Core Healthcare; whereas none of HK Health Check, Precious Success and parties acting in concert with them own any Core Healthcare Shares. Upon full conversion of the Convertible Bonds, but before taking into account the issue of the placing shares pursuant to the Placing Agreement and the consideration shares issued by Core Healthcare pursuant to the Service Agreements, the Company, HK Health Check, Precious Success and parties acting in concert with them will, in aggregate, hold approximately 55.1% of the enlarged issued share capital of Core Healthcare. Accordingly, upon full conversion of the Convertible Bonds, the Company, HK Health Check, Precious Success and parties acting in concert with them will be obliged to make an unconditional



## LETTER FROM THE BOARD

mandatory general offer for all the issued shares of Core Healthcare not already owned or agreed to be acquired by the Company, HK Health Check, Precious Success and parties acting in concert with them under Rule 26.1 of the Takeovers Code, unless a waiver from strict compliance with Rule 26.1 of the Takeovers Code has been obtained from the Executive. The Company, HK Health Check and Precious Success has applied to the Executive for the Whitewash Waiver which, if granted, will be subject to the approval by the Independent Core Healthcare Shareholders by way of a poll at the Core Healthcare EGM. If the Whitewash Waiver is not granted by the Executive or is not approved by the Independent Core Healthcare Shareholders, the CB Subscription Agreement will lapse and the CB Subscription will not proceed.

The Directors and the HK Health Check Directors have no intention to arrange for Precious Success to exercise the Convertible Bonds immediately upon completion of the CB Subscription.

### Principal Terms of the Convertible Bonds

Principal amount            HK\$150 million

Coupon rate                1% per annum

Maturity                      On the fourth anniversary of the issue of the Convertible Bonds upon completion of the CB Subscription, unless previously redeemed, converted or purchased and cancelled, the Convertible Bonds outstanding as at maturity shall be redeemed by Core Healthcare at 100% of their then outstanding principal amount.

Conversion                    The holder of the Convertible Bonds will have the right to convert the Convertible Bonds into Core Healthcare Shares at the Conversion Price at any time from the day immediately following the date of the issue of the Convertible Bonds up to 4:00 p.m. (Hong Kong time) on the Maturity Date subject to, and upon compliance with, the provisions of this terms and conditions of the Convertible Bonds. Any conversion shall be made in amounts of not less than a whole multiple of HK\$500,000 on each conversion save that if at any time the aggregate outstanding principal amount of the Convertible Bonds is less than HK\$500,000, the whole (but not part only) of the outstanding principal amount of the Convertible Bonds may be converted.

Conversion Price            HK\$0.19 per Conversion Share, representing:

- (i) a discount of approximately 67.2% to the closing price of HK\$0.58 on the Last Trading Day;
- (ii) a discount of approximately 67.6% to the average closing price of HK\$0.586 in the last 5 trading days prior to the Last Trading Day;

## LETTER FROM THE BOARD

- (iii) a discount of approximately 66.3% to the average closing price of HK\$0.564 in the last 10 trading days prior to the Last Trading Day;
- (iv) a discount of approximately 80.2% to the closing price of HK\$0.96 on the Latest Practicable Date;
- (v) a premium of approximately 11.8% over the placing price of the new Core Healthcare shares to be issued pursuant to the Placing Agreement; and
- (vi) a premium of approximately 46.2% over the net asset value per Core Healthcare Share (as at 30 June 2007, after taking into account the subsequent fund raising activities of Core Healthcare up to the Latest Practicable Date).

The initial conversion price of HK\$0.19 per Conversion Share was negotiated on an arm's length basis between Core Healthcare and Precious Success and was determined with reference to (a) the Placing Price; (b) the bond element and the interest rate of the Convertible Bonds; (c) the financial results in the past few financial years and the current financial position of Core Healthcare; (d) the audited net asset value per Core Healthcare Share as at 30 June 2007; and (e) the free consultancy services to be provided by HK Health Check and the Company pursuant to the Service Agreements. The initial conversion price is subject to standard anti-dilution adjustment provisions applicable in the event of share consolidation, share subdivision, capitalization issue, capital distribution, rights issue (of shares, options or warrants) or issue of convertible securities or new shares in certain circumstances.

Voting	A holder of Convertible Bonds will not be entitled to receive notice of, attend or vote at any general meeting of Core Healthcare by reason only of it being a holder of Convertible Bonds.
Listing	No application will be made for the listing of the Convertible Bonds on GEM or any other stock exchange. An application will be made by Core Healthcare to the GEM Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares (if any) to be issued as a result of the exercise of the conversion rights attached to the Convertible Bonds.
Transferability	Save with the consent of the Stock Exchange, none of the Convertible Bonds shall be transferable to any connected person of the Company. Core Healthcare shall notify the Stock Exchange immediately upon Core Healthcare becoming aware of any dealing in the Convertible Bonds by any connected person of Core Healthcare.

## LETTER FROM THE BOARD

Subject to all applicable laws and regulations, the Convertible Bonds may be transferable to any person in whole multiples of HK\$500,000 (or such lesser amount as may represent the entire principal amount thereof).

### **Ranking of the Conversion Shares**

The Conversion Shares will rank, upon issue, pari passu in all respects with the Core Healthcare Shares in issue on the date(s) of allotment and issue of the Conversion Shares.

### **Conditions of the CB Subscription**

The CB Subscription is conditional upon:-

- (i) the JV Loan being advanced to Precious Success pursuant to the terms of the JV Agreement;
- (ii) the passing by the Independent Core Healthcare Shareholders by way of poll at the Core Healthcare EGM of an ordinary resolution to approve the CB Subscription Agreement and the transactions contemplated thereunder (including the issue of the Convertible Bonds and the issue of the Conversion Shares upon the exercise of any Convertible Bonds), and the Whitewash Waiver;
- (iii) the passing of an ordinary resolution by Core Healthcare Shareholders at the Core Healthcare EGM to approve an increase in the authorized share capital of Core Healthcare; and
- (iv) the GEM Listing Committee of the Stock Exchange granting or agreeing to grant the listing of, and permission to deal in, the Conversion Shares.

If any of the conditions (none of which can be waived by the parties) shall not have been fulfilled by 5:00 p.m. on the Long Stop Date, the CB Subscription shall lapse automatically and neither party shall have any rights and obligations arising out of the agreement save for those arising out of or in connection with any antecedent breaches.

### **THE TOWN HEALTH SERVICE AGREEMENT**

#### **Date**

6 November 2007

#### **Parties**

1. The Company; and
2. Core Healthcare

## LETTER FROM THE BOARD

### Consultancy Services

For the purpose of assisting Core Healthcare in its assessment of the feasibility of the acquisition of any Class 1 New Drugs it may have identified as a possible acquisition target (“**Targeted Drugs**”), the Company, shall, subject to fulfillment of all conditions of the Town Health Service Agreement, provide, among other things, the following services to the Core Healthcare Group at nil consideration:

- (i) provide interpretation of and other consultancy services in relation to the results of the clinical tests and trials and imaging diagnosis performed on the Targeted Drugs within such time as agreed by the parties;
- (ii) participate in consultation sessions with patients engaged in clinical studies; and
- (iii) any other services as reasonably requested by Core Healthcare in relation to any Targeted Drugs.

### Conditions of the Town Health Service Agreement

The Town Health Service Agreement is conditional upon the CB Subscription Agreement becoming unconditional pursuant to its own terms.

### FINANCIAL EFFECT

As at the Latest Practicable Date, Precious Success is an associated company of the Company and its results will be accounted for by the Group under the equity accounting method. Save for recording the JV Loan as an asset and the HK Health Check Loan as a liability, the Directors consider that there will be no significant impact on earnings, and assets and liabilities of the Group upon the advance of the JV Loan and the HK Health Check Loan.

### LISTING RULES IMPLICATIONS

The JV Loan and the Option constitute discloseable transactions of the Company under Chapter 19 of the GEM Listing Rules.

Yours faithfully,  
For and on behalf of  
**Town Health International Holdings Company Limited**  
**Cho Kwai Chee**  
*Executive 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 in any natural respect;
- (b) there are no other matters the omission of which would make any statement in this circular misleading in any natural respect; and
- (c) all opinions expressed in this circular have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

## 2. DISCLOSURE OF INTERESTS

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

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

#### *Long Positions in issued Shares:*

Name of Director	Capacity	Number of Shares	Approximate percentage of shareholding
Dr. Cho Kwai Chee	Interest in controlled corporation ( <i>Note 1</i> )	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 owned by Broad Idea under Part XV of the SFO.

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

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

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

Name of Shareholders	Position	Capacity	Number of shares held	Approximate percentage of shareholding
Dr. Francis Choi Chee Ming JP	Long	Interest in controlled corporation	7,885,742,353	47.05%
Broad Idea International Limited	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. COMPETING INTEREST

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

### 4. LITIGATION

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

### 5. SERVICE CONTRACTS

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

### 6. GENERAL

- (a) The registered office of the Company is at Uglan House, P.O. Box 309, George Town, Grand Cayman, Cayman Islands, British West Indies.
- (b) The head office and principal place of business of the Company in Hong Kong is at Shop No. 37, Level 3, Hilton Plaza Commercial Centre, 3-9 Shatin Centre Streets, Shatin, New Territories, Hong Kong.
- (c) The branch share registrar and transfer office of the Company in Hong Kong is Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong.
- (d) The compliance officer is Dr. Cho Kwai Chee who 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 graduated from the City University of Hong Kong with a bachelor of 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 JP and Mr. Ho Kwok Wah, George. Mr. Chan Kam Chiu is the chairman of the audit committee.

Mr. Chan Kam Chiu, aged 54, has engaged in the catering industry for almost 30 years. He has also involved in entertainment, property and investment project in the recent years. Mr. Chan is the President (founding chairman) of Hong Kong Shatin Industries & Commerce Association Limited and currently an executive member of the Committee of the Chinese People's Political Consultative Conference of Qingxin County, Guangdong Province and member of the Committee of the Chinese People's Political Consultative Conference of Guangzhou Li Wan. He is also an honorary president and director of Shatin Sports Association Limited since 1992 and the chairman of the Shatin District Junior Police Call since 1996. He was 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.

- (g) The English text of this circular shall prevail over the Chinese text in the case of any inconsistency.