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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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

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

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this circular, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.

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**TOWN HEALTH INTERNATIONAL HOLDINGS COMPANY LIMITED**

**康健國際控股有限公司**

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

**(Stock Code: 8138)**

**DISCLOSEABLE TRANSACTION**

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A letter from the board of directors of the Company is set out on pages 3 to 6 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>.*

31 March 2008

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## CHARACTERISTICS OF GEM

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

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

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

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## DEFINITIONS

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

“associates”	has the meaning ascribed to this term under the GEM Listing Rules
“Board”	the board of Directors
“Business Day”	a day (other than a Saturday and a Sunday) on which licensed banks are generally open for business in Hong Kong throughout their normal business hours
“Company”	Town Health International Holdings Company Limited, an exempted company incorporated in the Cayman Islands with limited liability and the issued Shares of which are listed on GEM
“Completion”	completion of the sale and purchase of the Sale Shares and the Sale Loan pursuant to the terms and conditions of the S&P Agreement
“Directors”	directors (including independent non-executive directors) of the Company
“Disposal”	the disposal of the Sale Shares and the Sale Loan by Health Walk to the Purchaser under the S&P Agreement
“GEM”	the Growth Enterprises Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries
“Health Walk”	Health Walk Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of the Company
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	third party(ies) independent of the Company and connected persons (as defined under the GEM Listing Rules) of the Company and are not connected persons (as defined under the GEM Listing Rules) of the Company

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## DEFINITIONS

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“Latest Practicable Date”	27 March 2008, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular
“Pacific Medical”	Pacific Medical (Holding) Company Limited, a company incorporated in the British Virgin Islands with limited liability and a non-wholly-owned subsidiary of the Company
“Pacific Medical Group”	Pacific Medical and its subsidiaries
“PRC”	the People’s Republic of China, which for the purpose of this circular, shall exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Purchaser”	周楚廷, an Independent Third Party
“S&P Agreement”	the sale and purchase agreement dated 10 March 2008 and entered into between Health Walk as vendor and the Purchaser as purchaser in relation to the sale and purchase of the Sale Shares and the Sale Loan
“Sale Loan”	approximately HK\$3,433,000 owed by Pacific Medical to Health Walk
“Sale Shares”	44,904 shares of US\$0.01 each in the issued share capital of Pacific Medical, being 56.13% of the entire issued share capital of Pacific Medical
“SFO”	the Securities and Futures Ordinance (Chapter 571 of Laws of Hong Kong)
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“HK\$”	Hong Kong dollars, the lawful currency for the time being of Hong Kong
“%”	per cent.

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## LETTER FROM THE BOARD

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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)**

*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*

*Registered office:*

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

*Non-executive Director:*

Dr. Choi Chee Ming Francis *JP*

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

*Independent non-executive Directors:*

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

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

31 March 2008

*To the Shareholders*

Dear Sir or Madam,

## DISCLOSEABLE TRANSACTION

### INTRODUCTION

On 12 March 2008, the Company announced that Health Walk, a wholly-owned subsidiary of the Company, entered into the S&P Agreement with the Purchaser on 10 March 2008, pursuant to which the Health Walk agreed to sell and the Purchaser agreed to purchase the Sale Shares and the Sale Loan for cash consideration in the aggregate amount of HK\$8,000,000. Completion took place on the date of signing the S&P Agreement. The Disposal constitutes a discloseable transaction on the part of the Company under the GEM Listing Rules.

The purpose of this circular is to provide you with further details of the Disposal and other general information of the Group.

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## LETTER FROM THE BOARD

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### S&P AGREEMENT

Date: 10 March 2008

Parties: (1) Health Walk, as vendor  
(2) the Purchaser, an Independent Third Party, as purchaser

To the best of the Director's knowledge, information and belief having made all reasonable enquiry, the Purchaser is an Independent Third Party.

Pursuant to the S&P Agreement, Health Walk agreed to sell and the Purchaser agreed to purchase (i) the Sale Shares, representing 56.13% of the issued share capital of Pacific Medical and (ii) the Sale Loan.

### Consideration

The consideration for the Sale Shares and the Sale Loan is HK\$8,000,000 in aggregate, which shall be satisfied by the Purchaser in cash in the following manner:

- (i) HK\$4,000,000 has been paid to Health Walk upon signing of the S&P Agreement;  
and
- (ii) HK\$4,000,000 to be paid within one month after the date of the S&P Agreement.

The Board considers that the consideration was determined after arm's length negotiation between the relevant parties to the S&P Agreement and was determined with reference to the (i) the unaudited consolidated net liabilities of Pacific Medical Group of approximately HK\$5,045,000 as at 31 December 2007 and (ii) the outstanding balance of the Sale Loan of approximately HK\$3,433,000 as at the date of the S&P Agreement.

The Board considers the consideration to be fair and reasonable and in the interest to the Company and the Shareholders as a whole.

### Conditions and Completion

There is no condition precedent for the Completion of S&P Agreement. Completion took place on the date of signing of the S&P Agreement.

Upon Completion, the Group no longer holds any shares in any companies of Pacific Medical Group, and each of the companies in the Pacific Medical Group ceases to be subsidiaries of the Group. The business operation and the composition of the management of the Company remains unchanged after Completion.

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## LETTER FROM THE BOARD

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### INFORMATION ON PACIFIC MEDICAL GROUP

Pacific Medical is an investment holding company incorporated in the British Virgin Islands and its subsidiaries are principally engaged in the provision of cardiology and peripheral vascular related surgical solutions, to medical institutions and medical practitioners in the PRC and Hong Kong. Since its establishment, Pacific Medical Group has been focusing on interventional cardiology.

Based on the unaudited consolidated financial statements of Pacific Medical Group and prepared in accordance with accounting principles generally accepted in Hong Kong, Pacific Medical Group recorded a net profit before tax and after tax of approximately HK\$2,240,000 and HK\$208,000 respectively for the year ended 31 March 2006, and a net loss before tax and after tax of approximately HK\$10,294,000 and HK\$10,538,000 respectively for the year ended 31 March 2007.

Immediately prior to the Completion, the issued share capital of Pacific Medical is owned as follows:

<b>Shareholders of Pacific Medical</b>	<b>% shareholding in Pacific Medical</b>
Health Walk	56.13%
Cheng Ping Fai, Daniel	9.90%
Chan Kin Ho	9.90%
Chin Chi Tang	5.25%
Martnell Limited	3.87%
Ng Kai Hung	7.475%
Liu Kam Yin, Kenneth	7.475%

To the best knowledge and information of the Directors, save for Martnell Limited, all the shareholders of Pacific Medical as shown in the table above are not connected persons of the Company, and are independent of and not connected with any of the directors, chief executive, substantial shareholders or management shareholders of the Company or any of its subsidiaries or any of their respective associates.

Martnell Limited is interested in 14% shareholding of a non-wholly owned subsidiary of the Company, and therefore is regarded as a connected person of the Company as defined under the GEM Listing Rules. However, Martnell Limited does not participate in the negotiation process of and is not a party to the transaction contemplated under the S&P Agreement, this transaction is not a connected transaction.



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## LETTER FROM THE BOARD

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### FINANCIAL EFFECT OF THE DISPOSAL AND USE OF PROCEEDS

Upon Completion, the Group is expected to record a gain of about HK\$7,730,000. Such gain was calculated with reference to the unaudited consolidated net liabilities of Pacific Medical Group of approximately HK\$5,045,000 as at 31 December 2007 and the outstanding balance of the Sale Loan of approximately HK\$3,433,000 as at the date of the S&P Agreement.

The Directors intend to apply the entire sale proceeds from the disposal of Pacific Medical Group for the Group's general working capitals.

To the best knowledge and belief of the Directors, it is expected that the earnings of the Group will increase, while the total assets and the total liabilities of the Group will decrease upon Completion.

### REASONS FOR THE DISPOSAL

The Group is a management service provider for private medical and dental practices and an integrated healthcare service provider for the general public in Hong Kong. In order to enhance the reputation of the Group, the Group would like to concentrate on the core business of provision of healthcare service to the general public. The principal business of Pacific Medical Group is distribution of medical equipment, which is not in line with the Group's development plan. Moreover, the business of Pacific Medical Group is facing a lot of challenges in these few years and the sales performance is not satisfactory recently.

In view of the above, the Directors, including the independent non-executive Directors, considered that the terms of the S&P Agreement were entered into upon normal commercial terms following arm's length negotiations among the parties, and that the terms of the S&P Agreement are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

### GENERAL

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

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

## 1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief:

- (a) the information contained in this circular is accurate and complete in all material respects and is not misleading;
- (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> )	7,890,742,353	46.75%
Dr. Francis Choi Chee Ming, <i>J.P.</i>	Interest in controlled corporation ( <i>Note 1</i> )	7,890,742,353	46.75%
Dr. Fung Yiu Tong, Bennet	Beneficial owner	8,067,270	0.05%

*Note 1:* These 7,890,742,353 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 *J.P.* Accordingly, Dr. Cho Kwai Chee and Dr. Francis Choi Chee Ming *J.P.* are both deemed to be interested in the 7,890,742,353 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 or 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 and the chief executive, 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.

<b>Name of Shareholder</b>	<b>Capacity</b>	<b>Number of Shares held</b>	<b>Approximate percentage of shareholding</b>
Broad Idea	Beneficial owner	7,890,742,353	46.75%
Atlantis Investment Management Limited	Investment Manager	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

As at the Latest Practicable Date, so far as the Directors are aware of, none of themselves, the compliance advisor (as defined in the GEM Listing Rules), or the management shareholders 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.

**4. LITIGATION**

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

**5. SERVICE CONTRACTS**

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

**6. GENERAL**

- (a) The registered office of the Company is at Ugland House, P.O. Box 309, George Town, Grand Cayman, Cayman Islands, British West Indies.
- (b) The head office and principal place of business of the Company in Hong Kong is at Shop No. 37, Level 3, Hilton Plaza Commercial Centre, 3-9 Shatin Centre Street, Shatin, New Territories, Hong Kong.
- (c) The branch share registrar and transfer office of the Company in Hong Kong is Tricor 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 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, *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.

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