
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or transferred all your shares in Town Health International Holdings Company Limited, you should at once hand this circular 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.

This circular is for information only and does not constitute an invitation or offer to acquire, purchase or subscribe for any securities of the Company.

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.

**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)**

**(I) DISCLOSEABLE TRANSACTION – INVESTMENT
IN A JOINT VENTURE TRUST IN THE PRC;
(II) GRANT OF CALL OPTION FOR ISSUE OF SHARES; AND
(III) PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL**

A notice convening an extraordinary general meeting of Town Health International Holdings Company Limited to be held at Shop No. 1A-1C, Level 1, Hilton Plaza Commercial Centre, No. 3-9 Shatin Centre Street, Shatin, New Territories, Hong Kong at 9:00 a.m. on Friday, 9 May 2008 is set out on pages 22 to 23 of this circular. A form of proxy for use at the extraordinary general meeting is also enclosed. Such form of proxy is also published on the website of The Stock Exchange of Hong Kong Limited (www.hkex.com.hk).

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

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 purposes only

22 April 2008

CHARACTERISTICS OF GEM

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

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

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

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DEFINITIONS

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

“Board”	the board of directors of the Company
“Call Option”	the right to be granted by the Company to Ping An Trust Co. to subscribe for up to 3,393,583,143 Options Shares at the Exercise Price during the Call Option Period pursuant to the Call Option Agreement
“Call Option Agreement”	a conditional agreement dated 29 March 2008 entered into between Ping An Trust Co. and the Company for the grant of the Call Option
“Call Option Fee”	RMB100 (equivalent to HK\$110)
“Call Option Period”	twenty months commencing from the date when Call Option Agreement becomes unconditional
“Clinic Project”	an exclusive cooperation between the Company and Ping An Trust Co. to develop and manage clinic chain in Guangdong Province in particular in Pearl River Delta areas
“Company”	Town Health International Holdings Company Limited, a company incorporated in the Cayman Islands with limited liability and the issued Shares of which are listed on the GEM
“connected persons”	has the meaning ascribed to it under the GEM Listing Rules
“Consultancy Agreement”	an exclusive consultancy agreement proposed to be entered into between the Joint Venture Company and the Company or its nominee
“Directors”	directors (including the independent non-executive directors) of the Company from time to time
“EGM”	the extraordinary general meeting of the Company to be held and convened for the purpose of considering and, if thought fit, approving, among others, the Call Option Agreement and the increase in authorised share capital of the Company

DEFINITIONS

“Exercise Price”	at the fixed price of HK\$0.12 per Option Share or the average closing price of the five consecutive trading days immediately preceding to the exercise of the Call Option, whichever is the lower
“Framework Agreement”	a conditional agreement dated 29 March 2008 entered into among Ping An Trust Co., the Company and Guangdong Town Health
“GEM”	the Growth Enterprise Market on the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on the GEM
“Group”	the Company and its subsidiaries
“Guangdong Town Health”	廣東康健醫院管理有限公司 [#] (Guangdong Town Health Hospital Management Limited), a limited liability company established in Guangdong, PRC, a wholly owned subsidiary of Hong Kong Health Check
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong 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
“Independent Third Parties”	third parties independent of the Company and its connected persons and are not connected persons of the Company
“Joint Venture Company”	a joint venture company with limited liability to be established in Guangdong, PRC by Zhong Da Holdings in accordance with the terms of an agreement to be entered into between Ping An Trust Co. and Zhong Da Holdings to implement and operate the Clinic Project
“Latest Practicable Date”	18 April 2008, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein

DEFINITIONS

“Option Share(s)”	the new Share(s) to be allotted and issued upon the exercise of the Call Option
“Ping An Group”	Ping An Insurance (Group) Company of China, Ltd. and its subsidiaries
“Ping An Trust”	a special trust set up and managed by Ping An Trust Co. for the Clinic Project
“Ping An Trust Co.”	平安信託投資有限責任公司 [#] (Ping An Trust & Investment Co. Ltd.), a limited liability company established in the PRC
“PRC”	the People’s Republic of China, which for the purpose of this circular shall excludes Hong Kong, Macau Special Administrative Region and Taiwan
“Qualified Ping An Subsidiary”	any subsidiary of the Ping An Group which is qualified to participate and contribute to the Ping An Trust in accordance with laws and regulations of PRC
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shareholders”	holders of Shares
“Shares”	ordinary shares of HK\$0.01 each in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Sun Yat-sen University”	中山大學 in Guangdong province, PRC
“Trust Scheme Agreement”	an agreement to be entered into among the Qualified Ping An Subsidiary, Ping An Trust Co. and Guangdong Town Health (as agent of the Company)
“Zhong Da Holdings”	廣州中大控股有限公司 [#] (Guangzhou Zhong Da Holdings Company Limited), a limited liability company established by the Sun Yat-sen University in the PRC
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong

DEFINITIONS

“RMB” Renminbi in Yuan, the lawful currency of PRC

“%” per cent.

For the purpose of this circular, unless otherwise indicated, conversion of RMB into HK\$ is calculated at the approximate exchange rate of RMB1.00 to HK\$1.10. This exchange rate is for illustration purpose only and does not constitute a representation that any amounts have been, could have been, or may be exchanged at this or any other rate at all.

The English translations of Chinese names or words in this announcement, where indicated, are included for information purpose only, and should not be regarded as the official English translation of such Chinese names or words.

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:

Dr. Cho Kwai Chee
Miss Choi Ka Yee, Crystal
Mr. Cho Kwai Yee, Kevin
Dr. Fung Yiu Tong, Bennet
Dr. Hui Ka Wah, Ronnie *JP*

Non-executive Director:

Dr. Choi Chee Ming Francis *JP*

Independent non-executive Directors:

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

Registered office:

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

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

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

22 April 2008

To the Shareholders

Dear Sir or Madam,

**(I) DISCLOSEABLE TRANSACTION – INVESTMENT
IN A JOINT VENTURE TRUST IN THE PRC;
(II) GRANT OF CALL OPTION FOR ISSUE OF SHARES; AND
(III) PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL**

INTRODUCTION

On 3 April 2008, the Board announced that on 29 March 2008, (i) the Company, Guangdong Town Health (as the agent of the Company) and Ping An Trust Co. entered into the Framework Agreement; (ii) the Company entered into the Call Option Agreement with Ping An Trust Co; and (iii) the Board proposed to increase the authorised share capital of the Company.

* *For identification purposes only*

LETTER FROM THE BOARD

THE FRAMEWORK AGREEMENT

Date

29 March 2008

Parties

- (1) Ping An Trust Co.
- (2) The Company
- (3) Guangdong Town Health

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Ping An Trust Co. and its ultimate beneficial owners are Independent Third Parties.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, save and except that (i) the Company is interested in 487,804,878 shares and HK\$340,000,000 convertible bonds convertible into 2,175,609,756 shares of Hong Kong Health Check, and (ii) Miss Choi Ka Yee, Crystal, an executive Director, is interested in 100,000,000 shares of Hong Kong Health Check, Guangdong Town Health, which is a wholly owned subsidiary of Hong Kong Health Check, and its ultimate beneficial owners are Independent Third Parties. Guangdong Town Health entered into the Framework Agreement in the capacity of the agent of the Company.

Purposes of the Framework Agreement

The Framework Agreement was entered into among the Company, Guangdong Town Health (as the agent of the Company) and Ping An Trust Co. for the purpose of entering into an exclusive cooperating agreement to develop and manage clinic chain in Guangdong, in particular, in Pearl River Delta areas. Pursuant to the Framework Agreement, each of the Company (through Guangdong Town Health) and the Qualified Ping An Subsidiary shall participate and contribute equally (50:50) to the Ping An Trust which will be invested by Ping An Trust Co. in its capacity as the trustee of Ping An Trust for the implementation of the Clinic Project by acquiring of 80% equity interest in the Joint Venture Company, a joint venture to be established by Zhong Da Holdings in Guangzhou, the PRC. The Joint Venture Company will principally be engaged in operation and management of medical institutes, including but not limited to development of medical institutes, community clinics and clinic chain in Guangdong Province of PRC. In accordance with the Framework Agreement, Ping An Trust Co. will procure Zhong Da Holdings to enter into other agreements with Ping An Trust Co. to (1) govern the establishment, operation and management of the Joint Venture Company; and (2) reflect the major terms of the Framework Agreement in respect of operation and management of the Joint Venture Company.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Zhong Da Holdings and its ultimate beneficial owners are Independent Third Parties.

LETTER FROM THE BOARD

Under the Framework Agreement, Guangdong Town Health (being an agent of the Company), the Qualified Ping An Subsidiary and Ping An Trust Co. will enter into the Trust Scheme Agreement for a term of ten years. Pursuant to the Trust Scheme Agreement Guangdong Town Health and the Qualified Ping An Subsidiary both as settlors shall establish a trust with an initial fund of RMB300 million (equivalent to approximately HK\$330 million) which will be contributed by the Qualified Ping An Subsidiary and Guangdong Town Health in equal shares in cash in two tranches. Ping An Trust Co. as the trustee will hold the Ping An Trust on trust for Guangdong Town Health (as the agent of the Company) and the Qualified Ping An Subsidiary as the only two beneficiaries, in equal shares. The role and responsibility of the Company is to duly make its contribution of RMB150 million (equivalent to approximately HK\$165 million) to the Ping An Trust via its agent Guangdong Town Health. The first tranche contribution of RMB200 million to the Ping An Trust shall be made by the Qualified Ping An Subsidiary and Guangdong Town Health (each contributing RMB100 million (equivalent to approximately HK\$110 million)) upon the satisfaction of the conditions precedents of the Framework Agreement as mentioned below. The second tranche contribution of RMB100 million to the Ping An Trust shall be made by the Qualified Ping An Subsidiary and Guangdong Town Health (each contributing RMB50 million (equivalent to approximately HK\$55 million)) within six months upon signing of the Framework Agreement. Ping An Trust Co. in its capacity as the trustee shall invest all the trust fund of RMB300 million in the Joint Venture Company. The initial injection to the trust fund is based on the projected funding need of the Joint Venture Company. The Company intends to finance its total committed contribution of RMB150 million (equivalent to HK\$165 million) in cash by internal resources and/or by bank borrowing.

Currently the parties to the Trust Scheme Agreement intend to share any profit generated under the Ping An Trust in equal shares. Upon the expiry of the Trust Scheme Agreement in ten years, it is at the Company's discretion (via Guangdong Town Health) to further extend the Trust Scheme Agreement for five years. The Ping An Trust will be dissolved after the expiry of the Trust Scheme Agreement. All the assets under the Ping An Trust after paying the necessary costs, expenses, taxes and fees shall be distributed to the two beneficiaries in equal shares. Guangdong Town Health shall hold any profit sharing or distribution of assets from the Ping An Trust on trust for the Company and return the same to the Company at the direction of the Company. As at the Latest Practicable Date, the terms under the Trust Scheme Agreement have not yet been finally concluded. The profit sharing arrangement and the arrangement upon the expiry of the Trust Scheme Agreement may be subject to further negotiation of the parties thereto. Further announcement will be made by the Company in accordance with the requirement under the GEM Listing Rules if the profit sharing arrangement or the assets distribution upon expiry of the Ping An Trust are substantially different from the disclosure above.

Depending on the funding requirements of the Joint Venture Company in future, the total fund of the Ping An Trust may be increased to RMB500 million subject to approval by the parties to the Framework Agreement and board of directors of the Joint Venture Company. There does not exist any capital commitment of the Company to contribute any fund in excess of RMB150 million (equivalent to HK\$165 million) under the Framework Agreement as at Latest Practicable Date.

LETTER FROM THE BOARD

Information on the Joint Venture Company

To the best knowledge of the Directors, the Joint Venture Company will be initially set up by Zhong Da Holdings with the registered capital of RMB1 million (equivalent to approximately HK\$1.1 million). The registered capital of the Joint Venture Company shall then be increased and Ping An Trust Co. intends to invest approximately RMB300 million (equivalent to approximately HK\$330 million) of the Ping An Trust to acquire 80% of the equity interest of the Joint Venture Company. It is the Director's understanding that apart from the initial capital commitment of RMB1 million, Zhong Da Holdings will procure the Clinic Project to utilise the venue, goodwill of the Sun Yat-sen University and the manpower from the affiliated hospitals of the Sun Yat-sen University. Upon completion of the acquisition, Ping An Trust Co. will hold 80% equity interest in the Joint Venture Company whilst Zhong Da Holdings will hold the remaining 20% equity interest in the Joint Venture Company.

The board of directors of the Joint Venture Company will comprise six directors, of which two will be nominated by Zhong Da Holdings, two will be nominated by Ping An Trust Co. and two will be nominated by the Company. The chairman of the Joint Venture Company will be nominated by Ping An Trust Co. and the general manager of the Joint Venture Company will be nominated by the Company.

After the Joint Venture Company having been established, Ping An Trust Co. shall procure the Joint Venture Company to enter into the exclusive Consultancy Agreement with the Company or its nominee for a term of 5 years which is subject to review by the board of directors of the Joint Venture Company after 3 years. Under the Consultancy Agreement, the Company or its nominee shall provide consultancy and management services to all the chain-clinics operated by the Joint Venture Company. The services to be provided by the Company or its nominee including among other things, strategy and marketing, planning, advices on clinic operation and management, treatment protocol and audit, recruitment, staff training, clinic chain information technology system and drugs and medicine supply system etc. The Company or its nominee will only be entitled to consultancy fee if the Joint Venture Company has distributable profit for a fiscal year during the term of the Consultancy Agreement in the manner below:

Distributable profit of the Joint Venture Company for any fiscal year	Consultancy fee receivable by the Company
For the first HK\$50 million	5% of the actual distributable profit
For the second HK\$50 million	4.5% of such increment
For the third HK\$50 million	4.0% of such increment
For the fourth HK\$50 million	3.5% of such increment
For the fifth HK\$50 million	3.0% of such increment
For the sixth HK\$50 million and above	2.5% of such increment

The aggregate consultancy fee receivable by the Company or its nominee in five fiscal years of the Joint Venture Company during the term of the Consultancy Agreement shall be capped at RMB22.5 million (equivalent to approximately HK\$24.75 million).

LETTER FROM THE BOARD

Conditions precedent of the Framework Agreement

The Framework Agreement shall be conditional upon the fulfilling of the following conditions precedent:

- (a) the obtaining of all necessary consents and approvals by Ping An Trust Co. as required under the articles of association of Ping An Trust Co. and from its supervisory corporate authority (including but not limited to its investment management committee) and all relevant laws, rules and regulations in respect of the Framework Agreement and the transactions contemplated thereunder having been obtained;
- (b) the obtaining of a PRC legal opinion (in form and substance satisfactory to the Company) in relation to the Framework Agreement and the transactions (save except the Call Option Agreement) contemplated thereunder; and
- (c) all necessary consents and approvals required to be obtained from the governmental authority in the PRC in respect of the Framework Agreement and the transactions contemplated thereunder having been obtained (if so advised by the PRC legal opinion asforesaid).

If any of the above conditions is not satisfied (or waived as the case may be) at or before 12:00 noon on 16 June 2008, or such later date as parties thereto may agree in writing, the Framework Agreement shall terminate and neither party shall have any liability to the other except for antecedent breaches of the Framework Agreement.

As at the Latest Practicable Date, none of the conditions precedent under the Framework Agreement has been satisfied.

THE CALL OPTION AGREEMENT

Date

29 March 2008

Parties

- (1) Ping An Trust Co.
- (2) The Company

In consideration of payment of the Call Option Fee by Ping An Trust Co., the Company conditionally agreed to grant the Call Option to Ping An Trust Co. pursuant to which Ping An Trust Co. shall have the right to subscribe for up to 3,393,583,143 Shares, representing approximately 19.9% of the existing issued share capital of the Company, at the Exercise Price exercisable during the Call Option Period. Save and except that Ping An Trust Co. may transfer the Call Option to any subsidiary of Ping An Group, the Call Option is not transferable in nature.

LETTER FROM THE BOARD

The Call Option Agreement provides that in case the Company intends to pass a resolution for voluntary liquidation in a coming extraordinary general meeting, the Company must inform the Call Option holder in writing about the same. Upon receipt of the written notice from the Company, the Call Option holder is entitled to subscribe for the Call Option Shares, which when issued, will rank pari passu in all respects among themselves and with the then issued Shares including the right to receive all future dividends and distributions which may be declared, made or paid by the Company. Save as disclosed the Call Option Agreement does not provide any other right to the Call Option holder on the liquidation of the Company. The Call Option Agreement further provides exercise price adjustment and anti-dilution rights to the Call Option holder. Details of the adjustment and anti-dilution mechanism are set out in the paragraph heading “Adjustments and anti-dilution mechanism” below. Save as disclosed the Call Option Agreement does not provide any other right to the Call Option holder to participate in any distributions made by the Company.

Conditions precedent of the Call Option Agreement

The grant of the Call Option shall be conditional upon the fulfilling of the following conditions precedent:

- (a) (if necessary) the passing by Shareholders at the EGM of an ordinary resolution to approve the Call Option Agreement and the transactions contemplated thereunder;
- (b) the Listing Committee of the Stock Exchange granting listing of and permission to deal in the Option Shares;
- (c) the Framework Agreement becoming unconditional; and
- (d) the obtaining of all necessary approvals, consents and permission in relation to the Call Option and the allotment and issue of Option Shares.

If any of the above conditions is not satisfied (or waived as the case may be) at or before 12:00 noon on 16 June 2008, or such later date as parties thereto may agree in writing, the Call Option Agreement shall terminate and neither party shall have any liability to the other except for antecedent breaches of the Call Option Agreement.

As at the Latest Practicable Date, none of the conditions precedent under the Call Option Agreement has been satisfied.

LETTER FROM THE BOARD

The Option Shares will be issued at the Exercise Price which is HK\$0.12 per Option Share or the average closing price of the five consecutive trading days immediately preceding to the exercise of the Call Option, whichever is the lower. The fixed exercise price of HK\$0.12 per Option Share represents:

- (i) a discount of 20% to the closing price of HK\$0.15 per Share as quoted on the Stock Exchange on 28 March 2008, being the last trading day prior to the date of the Call Option Agreement;
- (ii) a discount of approximately 16.67% to the average closing price of HK\$0.144 per Share as quoted on the Stock Exchange over the last five consecutive trading days up to and including 28 March 2008; and
- (iii) a discount of approximately 17.24% to the average closing price of HK\$0.145 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

The Exercise Price is determined after arm's length negotiation with reference to recent closing prices of Shares. The 3,393,583,143 Option Shares represent approximately 19.9% of the existing issued share capital of the Company and approximately 16.6% of the issued share capital of the Company as enlarged by the issue and allotment of the Option Shares. The Option Shares shall be issued pursuant to a specific mandate to be sought at the EGM.

The Option Shares, when issued, will rank pari passu in all respects among themselves and with the then issued Shares, including the right to receive all future dividends and distributions which may be declared, made or paid by the Company on or after the respective dates of allotment and issue of the Option Shares.

The Company will apply to the GEM Listing Committee of the Stock Exchange for the listing of, and permission to deal in the Option Shares.

Adjustments and anti-dilution mechanism

The number of the Option Shares and the Exercised Price shall be subject to adjustment in the event of a capitalisation issue, rights issue, sub-division or consolidation of shares or reduction of capital. In addition, during the Call Option Period, if the Company issues any new Shares, or any convertible bonds, warrants entitling the holders to convert into new Shares (the "**Dilution Events**"), the Company shall grant further option(s) to Ping An Trust Co., exercisable up to the expiry of the Call Option Period, entitling it to subscribe for additional Shares equal to 20% less one Share of the new Shares issued or issuable under the Dilution Events, at an exercise price equal to the relevant issue price/conversion price under the Dilution Events. The Company shall grant further option(s) to Ping An Trust Co. subject to the compliance with the GEM Listing Rules. Separate mandates would be sought in relation to the future grant of further option(s) and issue of new Shares thereunder. If Ping An Trust Co. becomes a connected person of the Company upon the future grant and exercise of the Call Option, the Company shall comply with Chapter 20 of the GEM Listing Rules upon the grant of further option(s) to Ping An Trust Co. As at the Latest Practicable Date, other than the Call Option and options granted under the share option scheme of the Company, the Company has no outstanding warrants, options and convertible bonds which are convertible into new Shares.

LETTER FROM THE BOARD

CHANGES ON SHAREHOLDINGS STRUCTURE OF THE COMPANY

The shareholding structure of the Company as at the Latest Practicable Date and immediately upon the full exercise of the Call Option is set out as follows:

	Existing shareholding structure		Shareholding structure immediately upon full exercise of the Call Option	
	Number of Shares held	% of total issued Shares	Number of Shares held	% of total issued Shares
Broad Idea International Limited (<i>note 1</i>)	7,895,742,353	46.42%	7,895,742,353	38.70%
Ping An Group (<i>note 2</i>)	–	–	3,393,583,143	16.63%
Public	9,114,173,371	53.58%	9,114,173,371	44.67%
Total	<u>17,009,915,724</u>	<u>100.00%</u>	<u>20,403,498,867</u>	<u>100.00%</u>

Notes:

- (1) 50.1% of the issued share capital of Broad Idea International Limited is owned by Dr. Cho Kwai Chee, an executive Director, whilst 49.9% of the issued share capital of Broad Idea International Limited is owned by Dr. Francis Choi Chee Ming *J.P.*, a non-executive Director.
- (2) Pursuant to the Call Option Agreement, Ping An Trust Co. shall not be interested in 20% or more of the issued Shares from time to time.

INFORMATION ON PING AN TRUST CO. AND ZHONG DA HOLDINGS

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Ping An Trust Co. is a subsidiary of Ping An Insurance (Group) Company of China, Ltd. whose issued shares are listed on the Stock Exchange and the Shanghai Stock Exchange. Ping An Group is an insurance and financial services group in the PRC with the ability to provide multiple insurance and financial services and products to corporate and retail customers. Ping An Trust Co. is principally engaged in provision of trust fund and investment services.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Zhong Da Holdings is a wholly owned limited company incorporated by the Sun Yat-sen University, Guangdong City in PRC. Zhong Da Holdings is a company responsible for the operation and management of all the assets, investments, joint ventures and projects on behalf of the Sun Yat-sen University.

LETTER FROM THE BOARD

REASON FOR ENTERING THE FRAMEWORK AGREEMENT AND CALL OPTION 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, in particular, through clinic chain. Being an integrated healthcare service provider in Hong Kong, the Group has been actively participating in the provision of para-medical services and other healthcare related business, such as the investment in laboratory, healthcheck centres and the sale of healthcare and pharmaceutical products etc. The Directors also proactively look for business opportunities to enhance the Group's profile and to create synergy for its existing operations.

The Pearl River Delta areas in Guangdong Province have recorded fast economic growth in recent decades and more people are becoming aware of the importance of healthcare. The Directors believe that the healthcare market in the PRC provides abundant business opportunities for Group in the future.

The entering into of the Framework Agreement will provide a good investment channel for the Company to participate in the clinic chain business in the PRC. Further, the Directors believe that with the goodwill of the Ping An Group in insurance industry and the Sun Yat-sen University in medical and healthcare research and development, participation in the investment in the Joint Venture Company by the Company will bring synergy effect enabling the Group and the Ping An Group to jointly own branding in clinic chain in the PRC.

The Directors consider that the Framework Agreement will enhance the Group's overall business performance and strengthen its revenue bases. The Directors are of the view that the terms of the Framework Agreement are fair and reasonable and the transactions contemplated thereunder are in the interests of the Company and Shareholders as a whole.

Upon the indirect acquisition of 40% equity interest in the Joint Venture Company, it is the intention of the Company to treat such acquisition as an investment in an associated company. Although such accounting treatment is reviewed by the auditors preliminary, it is subject to the final determination by the auditors of the Company.

The Directors further believe that the grant of Call Options to Ping An Trust Co. can broaden the Shareholder base of the Company and introduce a renowned strategic Shareholder to the Company. The Directors consider that the Call Option Agreement is entered into upon normal commercial terms following arm's length negotiations between the Company and Ping An Trust Co. and that the terms of the Call Option Agreement are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

Assuming the Option Shares are issued at the Exercise Price of HK\$0.12, the net proceeds of allotment and issue of Option Shares, after deduction of the placing commission and other related expenses, will be approximately HK\$407 million. The Directors intend to apply the net proceeds for general working capital of the Group.

LETTER FROM THE BOARD

Guangdong Town Health is appointed by the Company as agent to enter into the Framework Agreement because the Company does not have any suitable subsidiary established in the PRC to enter into the Trust Scheme Agreement. In return, a fixed agency fee at HK\$50,000 per month shall be payable by the Company at the end of each month to Hong Kong Health Check in addition to reimbursement of all out of pocket expenses and financial costs arising from the provision of any of the services until cessation of all of the such services.

Pursuant to the Framework Agreement and the agency agreement with Hong Kong Health Check, the Company shall be responsible for, among others, (i) negotiating, executing and performing the terms of all agreements to be entered into between the Company, Guangdong Town Health (as the agent of the Company) and Ping An Trust Co.; (ii) financing Guangdong Town Health's contribution to the Ping An Trust; and (iii) paying the fixed agency fee to Guangdong Town Health. The Company is the ultimate beneficial owner of all its interests in the Ping An Trust and in the Joint Venture Company. As agreed between the Company and Hong Kong Health Check, Guangdong Town Health will only enter into the Trust Scheme Agreement when the Company has provided sufficient funding to Hong Kong Health Check to contribute RMB150 million and perform its obligations under the Trust Scheme Agreement.

PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL

In view that the present authorised share capital of the Company is insufficient for issuing the Option Shares if the Call Option is fully exercised, the Board proposes to seek the approval by way of ordinary resolution at the EGM for an increase in the authorised share capital of the Company from HK\$200,000,000 divided into 20,000,000,000 Shares to HK\$300,000,000 divided into 30,000,000,000 Shares by creating an additional 10,000,000,000 unissued Shares. Save as for the issue of Option Shares if exercised, the Company has no present intention of issuing any part of the increase in authorised capital.

PROCEDURES FOR DEMANDING A POLL

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

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

LETTER FROM THE BOARD

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

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

EGM

A notice of EGM convening the EGM at which resolutions will be proposed to the Shareholders to consider and, if thought fit, to approve the Call Option Agreement and the transactions contemplated thereunder and the proposed increased in authorised share capital of the Company is set out on pages 22 to 23 of this circular.

To the best knowledge of the Directors, no Shareholders have a material interest in the Call Option Agreement and the transactions contemplated thereunder and the proposed increased in authorised share capital of the Company and accordingly, no Shareholders will have to abstain from voting at the EGM.

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

FINANCIAL EFFECTS ON ASSETS, LIABILITIES AND EARNINGS

Upon the indirect acquisition of 40% equity interest in the Joint Venture Company, it is the intention of the Company to treat such acquisition as an investment in an associated company. Such accounting treatment is subject to the final determination by the auditors of the Company. It is expected that upon completion of the indirect acquisition of 40% equity interest in the Joint Venture Company, there is an increase in the interest in the associate company and decrease in cash and/or an increase in bank borrowing liability if such acquisition is financed by bank loan. Such acquisition is expected to broaden the revenue base and enhance the earning source of the Group.

LETTER FROM THE BOARD

IMPLICATION UNDER THE GEM LISTING RULES

The Framework Agreement constitutes a discloseable transaction for the Company under the GEM Listing Rules. The Call Option Agreement and the transactions contemplated thereunder and the proposed increased in authorised share capital of the Company are subject to the Shareholders' approval at the EGM under the GEM Listing Rules.

RECOMMENDATIONS

The Directors consider that the Call Option Agreement and the transactions contemplated thereunder and the proposed increased in authorised share capital of the Company are fair and reasonable and are in the interests of the Company and the Shareholders as a whole and recommend the Shareholders to vote in favour of the resolutions to be proposed at the EGM.

GENERAL

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

Yours faithfully,
For and on behalf of the Board 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 particular given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Group. 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) Directors' 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 and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO, including interests or short positions which they were deemed or taken to have under such provisions of the SFO, or which were required, pursuant to section 352 of the SFO, to be entered in the register to therein, or which were required, pursuant to the rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by Directors, to be notified to the Company and the Stock Exchange, were as follows.

Long positions in issued Shares:

Name of Director/chief executive of the Company	Capacity	Number of Shares	Approximate percentage of the total issued share capital of the Company as at the Latest Practicable Date
Dr. Cho Kwai Chee	Interest in controlled corporation (<i>Note</i>)	7,895,742,353	46.42%
Dr. Francis Choi Chee Ming, <i>J.P.</i>	Interest in controlled corporation (<i>Note</i>)	7,895,742,353	46.42%
Dr. Fung Yiu Tong, Bennet	Beneficial owner	8,067,270	0.05%

Note: These 7,895,742,353 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 7,895,742,353 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 and its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were, pursuant to rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by Directors 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 Directors 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 Shareholders	Capacity	Number of Shares	Approximate percentage of the total issued share capital of the Company as at the Latest Practicable Date
Broad Idea	Beneficial owner	7,895,742,353	46.42%
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. DIRECTORS' 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).

4. COMPETING INTERESTS

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.

5. 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.

6. MATERIAL CHANGE

As at the Latest Practicable Date, the Board confirmed that there was no material adverse change in the financial or trading position of the Group since 31 March 2007 (being the date to which the latest published audited consolidated accounts of the Group were made up).

7. MISCELLANEOUS

- (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 55, 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 50, 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.

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 (the “**Meeting**”) of Town Health International Holdings Company Limited (the “**Company**”) will be held at Shop No. 1A-1C, Level 1, Hilton Plaza Commercial Centre, No. 3-9 Shatin Centre Street, Shatin, New Territories, Hong Kong on Friday, 9 May 2008 at 9:00 a.m. for the purpose of considering and, if thought fit, passing the following resolution with or without amendments as ordinary resolution:

ORDINARY RESOLUTIONS

1. “**THAT**

- (a) The terms under conditional agreement (the “**Call Option Agreement**”) dated 29 March 2008 entered into between the Company and 平安信託投資有限責任公司 (“**Ping An Trust Co.**”) for the grant of the right (the “**Call Option**”) by the Company to Ping An Trust Co. to subscribe for up to 3,393,583,143 Shares (the “**Option Shares**”) and the transactions contemplated thereunder, be and are hereby approved, confirmed and ratified;
- (b) subject to and conditional upon the granting by the GEM Listing Committee of the Stock Exchange of the listing of and permission to deal in the Options Shares, the unconditional specific mandate granted to the directors of the Company (the “**Directors**”) to exercise the powers of the Company to deal with the allotment and issue by the Company of up to 3,393,583,143 Option Shares at the fixed price of HK\$0.12 per Option Share or the average closing price of the five consecutive trading days immediately preceding to the exercise of the Call Option, whichever is the lower during twenty months commencing from the date when Call Option Agreement becomes unconditional be and is hereby approved, confirmed and ratified;
- (c) any one or more Directors be and is/are hereby authorised to implement and take all steps and do all acts and things and execute all such documents (including under seal) which he/she/they consider necessary or expedient to give effect to the Call Option Agreement and the transactions contemplated thereunder including the allotment and issue of the Option Shares.”

* For identification purposes only

NOTICE OF EGM

2. **“THAT**

- (a) an increase in the Company’s authorised share capital from HK\$200,000,000 divided into 20,000,000,000 Shares to HK\$300,000,000 divided into 30,000,000,000 Shares by creating an additional 10,000,000,000 unissued Shares (the **“Proposed Increase in Authorised Share Capital”**); and
- (b) any one or more of the Directors be and is/are hereby authorised for and on behalf of the Company to execute all such documents, instruments and agreements and to do all such acts or things deemed by him/them to be incidental to, ancillary to or in connection with the matters contemplated in and for completion of the Proposed Increase in Authorised Share Capital.”

By order of the Board
Town Health International Holdings Company Limited
Cho Kwai Chee
Executive Director

Hong Kong, 22 April 2008

Registered office:

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

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

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

Notes:

1. A member entitled to attend and vote at the Meeting is entitled to appoint one or more than one proxy to attend and, subject to the provisions of the Articles, to vote on his behalf. A proxy need not be a member of the Company but must be present in person at the Meeting to represent the member. If more than one proxy is so appointed, the appointment shall specify the number and class of shares in respect of which each such proxy is so appointed.
2. A form of proxy for use at the Meeting is enclosed. Whether or not you intend to attend the Meeting in person, you are encouraged to complete and return the enclosed form of proxy in accordance with the instructions printed thereon. Completion and return of a form of proxy will not preclude a member from attending in person and voting at the Meeting or any adjournment thereof, should he so wish.
3. In order to be valid, the form of proxy, together with a power of attorney or other authority, if any, under which it is signed, or a certified copy of such power or authority must be deposited at the Company’s branch share registrar and transfer office in Hong Kong, Tricor 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 adjournment thereof.
4. In the case of joint holders of shares, any one of such holders may vote at the Meeting, either personally or by proxy, in respect of such share as if he was solely entitled thereto, but if more than one of such joint holder are present at the Meeting personally or by proxy, that one of the said persons so present whose name stands first on the register of members of the Company in respect of such shares shall alone be entitled to vote in respect thereof.