
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in doubt as to any aspect of this circular, you should consult a licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Town Health International Holdings Company Limited (“**Company**”), you should at once hand this circular and the enclosed form of proxy to the purchaser or transferee or to the bank, the licensed securities dealer or registered institution or other agent through whom the sale or transfer was effected for transmission to the purchaser or 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.

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this circular, make no representation as to its accuracy or completeness and expressly disclaim 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 and continued in Bermuda with limited liability)

(Stock Code: 3886)

**SHARE AND CONNECTED TRANSACTION
IN RELATION TO THE FOMT ACQUISITION
AND
NOTICE OF SPECIAL GENERAL MEETING**

**Independent financial adviser to
the Independent Board Committee and the Independent Shareholders**



VC CAPITAL LIMITED

滙盈融資有限公司

A notice convening the special general meeting of the Company to be held at 9:00 a.m. on Monday, 23 November 2009 at Meeting Room 5, 7/F., Hong Kong International Trade & Exhibition Centre, No. 1 Trademart Drive, Kowloon Bay, Kowloon, Hong Kong is set out on pages 36 to 37 of this circular. Whether or not you are able to attend the meeting, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon as soon as possible and in any event not less than 48 hours before the time of the meeting to the office of the Company's branch registrar in Hong Kong, Tricor Tengis Limited at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong. Completion and return of the form of proxy will not preclude you from attending and voting at the meeting in person should you so wish.

5 November 2009

* For identification purpose only

CONTENTS

	<i>Page</i>
Definitions	1
 Letter from the Board	
Introduction	5
The FOMT Agreement	6
Shareholding structure of the FOMT Group	9
Financial information on the FOMT Group	12
Reasons for and benefits of the FOMT Acquisition	12
Shareholding structure of the Company	13
Implications under the Listing Rules	14
Formation of the Independent Board Committee	14
SGM	15
Recommendation	15
Additional information	15
 Letter from the Independent Board Committee	 16
 Letter from VC Capital	 17
 Appendix – General information	 33
 Notice of Special General Meeting	 36

DEFINITIONS

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

“Agreement”	the conditional sale and purchase agreement dated 15 October 2009 entered into between the Purchaser, Town Health BVI and HK Health Check in relation to the Transaction
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Broad Idea”	Broad Idea International Limited, a company incorporated in the BVI with limited liability and held approximately 26.36% of the issued share capital of the Company as at the Latest Practicable Date and is beneficially owned as to (i) 50.1% by Dr. Cho Kwai Chee, an executive Director and (ii) 49.9% by Dr. Choi Chee Ming, <i>GBS, JP</i> , a non-executive Director
“business day(s)”	any day (excluding Saturday, Sunday, public holidays and any day on which a tropical cyclone warning no.8 or above or a “black” rainstorm warning signal is hoisted or remains hoisted in Hong Kong at any time between 9:00 a.m. and 12:00 noon and is not lowered or discontinued at or before 12:00 noon) on which licensed banks are generally open for business in Hong Kong
“BVI”	the British Virgin Islands
“Company”	Town Health International Holdings Company Limited, a company incorporated in the Cayman Islands and continued in Bermuda with limited liability whose issued shares are listed on the Main Board of the Stock Exchange
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Consideration Adjustment Event”	the occurrence of the FOMT Acquisition Completion at or prior to the completion of the Transaction
“Directors”	the directors of the Company
“Dividend”	a special dividend to be declared by the board of directors of FOMT, the amount of which is equal to its retained earnings as at 31 October 2009 less HK\$2,000,000.00

DEFINITIONS

“FOMT”	First Oriental Medical Technology Group Limited (名華醫療科技集團有限公司*), a company incorporated in the BVI with limited liability and was owned as to 78% and 22% by Health Walk and Kingdom Hill respectively as at the date of the FOMT Agreement and which will be owned as to 100% by Health Walk upon the FOMT Acquisition Completion
“FOMT Acquisition”	the acquisition by Health Walk of the FOMT Sale Shares beneficially and directly owned by Kingdom Hill pursuant to the terms of the FOMT Agreement
“FOMT Acquisition Completion”	completion of the FOMT Acquisition
“FOMT Agreement”	the conditional sale and purchase agreement dated 15 October 2009 entered into by Health Walk, Kingdom Hill and Tsui Mai Ling, Margaret in relation to the FOMT Acquisition
“FOMT Group”	FOMT and its subsidiaries
“FOMT Sale Shares”	242 shares of US\$1.00 each in the share capital of FOMT, representing 22% of the issued share capital of FOMT, beneficially held by Kingdom Hill as at the date of the FOMT Agreement
“Group”	the Company and its subsidiaries
“Health Walk”	Health Walk Limited, a company incorporated in the BVI with limited liability, which is an indirect wholly-owned subsidiary of the Company and the immediate holding company of FOMT
“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 (stock code: 397)
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	the independent board committee of the Company comprising all the independent non-executive Directors for the purpose of advising the Independent Shareholders regarding the FOMT Agreement and the transactions contemplated thereunder

* *for identification purpose only*

DEFINITIONS

“Independent Shareholders”	Shareholders who have no interest in the FOMT Agreement and the transactions contemplated thereunder
“Joint Announcement”	the joint announcement of the Company and HK Health Check in relation to the FOMT Acquisition and the Transaction dated 15 October 2009
“Kingdom Hill”	Kingdom Hill Limited, a company incorporated in the BVI with limited liability, holding 22% of the issued share capital of FOMT as at the date of the FOMT Agreement and beneficially and wholly owned by Ms. Tsui Mai Ling, Margaret, the wife of a director (namely Dr. Yeung Wah Hin, Alex) of each member of the FOMT Group
“Latest Practicable Date”	2 November 2009, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	5:00 p.m. on 31 March 2010 or such other date as Health Walk and Kingdom Hill shall agree in writing
“Luck Key” or “Purchaser”	Luck Key Investment Limited, a company incorporated in the BVI with limited liability and a wholly-owned subsidiary of HK Health Check as at the date of the Agreement
“PET Scan”	positron emission tomography scan, a highly specialised imaging technique that is sensitive in picking up active tumour tissue in cancer patients
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“SGM”	a special general meeting of the Company to be held on Monday, 23 November 2009 for the purposes of considering, and if thought fit, approving the FOMT Acquisition
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

DEFINITIONS

“substantial shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“TH Consideration Shares”	14,548,238 new Shares to be allotted and issued, credited as fully paid, by the Company to Kingdom Hill (and/or its nominee) on the FOMT Acquisition Completion
“TH Issue Price”	the issue price of HK\$1.306 per TH Consideration Share fixed with reference to the average closing price of the Shares as quoted on the Stock Exchange for the five consecutive trading days up to and including 15 October 2009, being the date of the FOMT Agreement
“Town Health BVI”	Town Health (BVI) Limited, a company incorporated in the BVI with limited liability and is the immediate holding company of Health Walk and a wholly-owned subsidiary of the Company
“Transaction”	the transactions as contemplated under the Agreement (including, among other matters, the sale and purchase of the entire issued share capital of Health Walk by Town Health BVI and the allotment and issue of the shares of Luck Key to Town Health BVI) as described in the Joint Announcement
“VC Capital”	VC Capital Limited, a corporation licensed to carry on type 6 (advising on corporate finance) regulated activity (as defined in the SFO) and the independent financial adviser to the Independent Board Committee and the Independent Shareholders regarding the FOMT Agreement and the transactions contemplated thereunder
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“US\$”	United States dollar(s), the lawful currency of the United States of America
“%”	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 and continued in Bermuda with limited liability)

(Stock Code: 3886)

Executive Directors:

Miss Choi Ka Yee, Crystal

Dr. Cho Kwai Chee

Mr. Lee Chik Yuet

Dr. Hui Ka Wah, Ronnie *JP*

Registered office:

Canon's Court

22 Victoria Street

Hamilton HM12

Bermuda

Non-executive Director:

Dr. Choi Chee Ming, *GBS, JP*

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

Independent non-executive Directors:

Mr. Chan Kam Chiu

Mr. Wai Kwok Hung, *SBS, JP*

Mr. Ho Kwok Wah, George

5 November 2009

To the Shareholders

Dear Sir or Madam,

SHARE AND CONNECTED TRANSACTION IN RELATION TO THE FOMT ACQUISITION

INTRODUCTION

On 15 October 2009, the Company announced in the Joint Announcement that the Group, through Health Walk, entered into the FOMT Agreement to acquire the 22% interest in the issued share capital of FOMT from Kingdom Hill at a consideration of HK\$19 million.

The main purpose of this circular is to provide you with further particulars of the FOMT Acquisition and a notice of the SGM.

* *For identification purpose only*

LETTER FROM THE BOARD

An Independent Board Committee, comprising all the independent non-executive Directors, has been established to advise the Independent Shareholders in relation to the FOMT Acquisition. VC Capital has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the FOMT Agreement and the transactions contemplated thereunder.

THE FOMT AGREEMENT

The principal terms of the FOMT Agreement are set out below:

Date

15 October 2009

Parties

Vendor: Kingdom Hill, a company wholly and beneficially owned by Ms. Tsui Mai Ling, Margaret and a substantial shareholder of FOMT (which is a non wholly-owned subsidiary of the Company). In addition, Ms. Tsui Mai Ling, Margaret is the wife of Dr. Yeung Wah Hin, Alex, who was a director of each of the members of the FOMT Group as at the date of the FOMT Agreement. Accordingly, Kingdom Hill is a connected person of the Company under the Listing Rules.

To the best of the knowledge, information and belief of the Directors having made all reasonable enquires, the principal activity of Kingdom Hill is investment holding.

Purchaser: Health Walk, an indirect wholly-owned subsidiary of the Company as at the date of the FOMT Agreement.

Vendor guarantor: Ms. Tsui Mai Ling, Margaret, the sole beneficial owner of Kingdom Hill. Ms. Tsui is joined as a party to the FOMT Agreement to guarantee the performance of the obligations of Kingdom Hill under the FOMT Agreement.

Subject matter

Pursuant to the FOMT Agreement, Health Walk has conditionally agreed to acquire, and Kingdom Hill has conditionally agreed to sell, the FOMT Sale Shares free from all encumbrances, and together with all rights and benefits attaching thereto including but not limited to the right to dividends or distributions made or declared on or after the date of the FOMT Acquisition Completion.

The FOMT Sale Shares represent 22% of the issued share capital of FOMT and were beneficially owned by Kingdom Hill as at the date of the FOMT Agreement.

LETTER FROM THE BOARD

The original purchase cost paid by Kingdom Hill for the acquisition of the 22% interest in the share capital of FOMT was approximately HK\$7.5 million.

Consideration

The consideration for the FOMT Acquisition of HK\$19 million is determined after arm's length negotiations between Health Walk and Kingdom Hill with reference to the profitability and future business prospect of the FOMT Group, which will be satisfied by the allotment and issue of the TH Consideration Shares by the Company to Kingdom Hill (and/or its nominee) based on the TH Issue Price of HK\$1.306 per TH Consideration Share by taking the average closing price of the Shares as quoted on the Stock Exchange for the five consecutive trading days up to and including 15 October 2009, being the date of the FOMT Agreement.

The TH Consideration Shares, when allotted and issued, shall rank pari passu in all respects with the Shares in issue on the date of allotment and issue of the TH Consideration Shares including the right to receive all dividends, distributions and other payments made or to be made, the record dates for which fall on or after the date of such allotment and issue. There will not be any transfer restriction under the FOMT Agreement on the TH Consideration Shares subsequent to the allotment and issue. Based on the TH Issue Price, an aggregate of 14,548,238 new Shares would fall to be issued upon the FOMT Acquisition Completion, representing:

- (i) approximately 4.71% of the existing issued share capital of the Company as at the date of the FOMT Agreement; and
- (ii) approximately 4.49% of the total issued share capital of the Company as enlarged by the issue of the TH Consideration Shares.

The TH Issue Price of HK\$1.306 per TH Consideration Share:

- (i) represents a premium of approximately 1.24% over the closing price of HK\$1.290 per Share as quoted on the Stock Exchange on 15 October 2009, being the date of the FOMT Agreement;
- (ii) is equal to the average closing price of HK\$1.306 per Share for the five consecutive trading days up to and including 15 October 2009, being the date of the FOMT Agreement;
- (iii) represents a premium of approximately 2.35% over the average closing price of HK\$1.276 per Share for the ten consecutive trading days up to and including 15 October 2009, being the date of the FOMT Agreement; and
- (iv) represents a premium of approximately 2.83% over the closing price of HK\$1.270 per Share as quoted on the Stock Exchange on 2 November 2009, being the Latest Practicable Date.

LETTER FROM THE BOARD

The TH Issue Price was determined after arm's length negotiations between Health Walk and Kingdom Hill after taking into account the recent trading prices of the Shares.

Application for listing

Application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the TH Consideration Shares. The Directors will seek approval from the Independent Shareholders at the SGM for the grant of a specific mandate for the issue of the TH Consideration Shares.

Conditions precedent to the FOMT Acquisition Completion

The FOMT Acquisition Completion is conditional upon fulfillment or waiver (as the case may be) of the following conditions:

- (i) the passing of the necessary resolution(s) by the Independent Shareholders at the SGM by way of a poll to approve:
 - (a) the FOMT Agreement and the transactions contemplated in or incidental to the FOMT Agreement and the implementation thereof, including, but not limited to, the allotment and issue of the TH Consideration Shares in accordance with the terms thereof; and
 - (b) such other matters as required by the Listing Rules for consummation of the transactions contemplated therein;in accordance with the requirements of the Listing Rules, the bye-laws of the Company and the applicable laws, rules and regulations;
- (ii) the Listing Committee of the Stock Exchange having granted the listing of, and the permission to deal in, the TH Consideration Shares on the Stock Exchange;
- (iii) the warranties given by Kingdom Hill as detailed in the FOMT Agreement remaining true and accurate in all respects and not misleading in any respect as at the date of the FOMT Acquisition Completion; and
- (iv) the board of directors of FOMT to declare the Dividend payable to the shareholders of FOMT whose names appear on the register of members of FOMT as at the date of the declaration.

LETTER FROM THE BOARD

Health Walk shall be entitled at any time before the Long Stop Date by a notice in writing to Kingdom Hill to waive condition (iii) above. If any condition is not fulfilled or waived on or before the Long Stop Date, all rights and obligations of the parties under the FOMT Agreement shall lapse and be of no further force and effect (save and except for certain provisions in the FOMT Agreement which shall remain in full force and effect) and the parties shall be released from all further obligations thereunder without any liability save and except for any antecedent breach.

The FOMT Acquisition Completion

Subject to fulfillment or wavier (as the case may be) of the conditions in full, the FOMT Acquisition Completion shall take place within three business days or on such other date as the parties to the FOMT Agreement may mutually agree in writing.

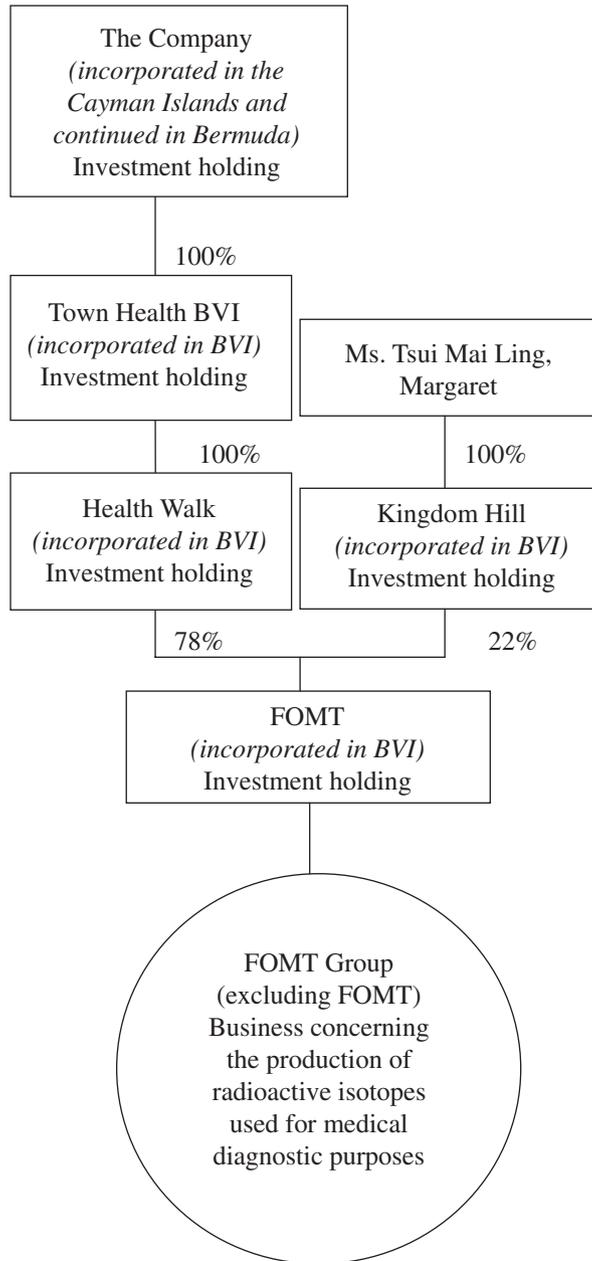
At the FOMT Acquisition Completion, the Company will allot and issue, credited as fully paid, the TH Consideration Shares to Kingdom Hill (and/or its nominee) for the satisfaction of the consideration of the FOMT Acquisition. In consideration for the Company allotting and issuing the TH Consideration Shares to Kingdom Hill (and/or its nominee), Health Walk will allot and issue one share to Town Health BVI (at the direction of the Company) at the FOMT Acquisition Completion.

SHAREHOLDING STRUCTURE OF THE FOMT GROUP

Set out below is a simplified group structure of the FOMT Group.

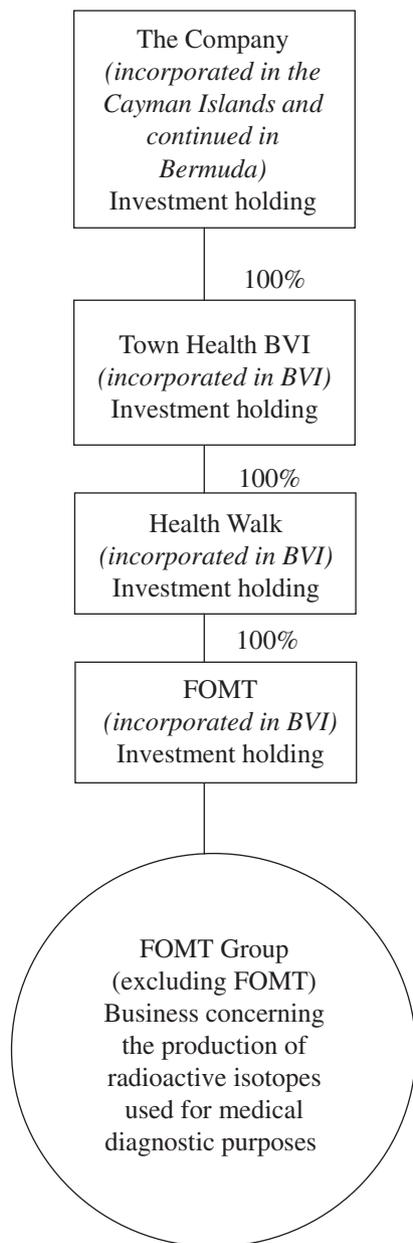
LETTER FROM THE BOARD

Immediately before the FOMT Acquisition Completion



LETTER FROM THE BOARD

Upon the FOMT Acquisition Completion



LETTER FROM THE BOARD

FINANCIAL INFORMATION ON THE FOMT GROUP

The FOMT Group is principally engaged in the production of radioactive isotopes used for medical diagnostic purposes, which had been sold to the major hospitals and healthcare institutions in Hong Kong. Radioactive isotopes are used as tracers to identify abnormal bodily processes, because some natural elements tend to concentrate in certain parts of the body: iodine in the thyroid, phosphorus in the bones, potassium in the muscles. When a patient is injected with a radioactive element, a special camera (i.e. PET Scan) can take pictures of the internal workings of the organ. With the availability of these radioactive isotopes, doctors will be able to diagnose cancer, heart diseases and neurological disorders.

Set out below is a summary of certain financial information of the FOMT Group based on the unaudited consolidated accounts of the FOMT Group for the two years ended 31 March 2009 which have been prepared in accordance with the generally accepted accounting principles in Hong Kong:

	For the year ended	
	31 March	
	2008	2009
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Revenue	21,001	24,590
Net profit before taxation	17,785	16,578
Net profit after taxation	15,253	13,644

	As at 31 March	
	2008	2009
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Total assets	22,914	8,301
Net assets	21,104	3,304

REASONS FOR AND BENEFITS OF THE FOMT ACQUISITION

By acquiring the minority interests of FOMT pursuant to the FOMT Agreement, the shareholding of FOMT can then be consolidated in one single shareholder and wholly owned by the Company. The Directors believe that the efficiency of the administration of the FOMT Group could be enhanced and the reaction time of the management of the FOMT Group to the market changes could also be shortened.

LETTER FROM THE BOARD

On 15 October 2009, the Company also announced in the Joint Announcement that Town Health BVI (a wholly-owned subsidiary of the Company), Luck Key (a wholly-owned subsidiary of HK Health Check as at the date of the Agreement) and HK Health Check have entered into the Agreement pursuant to which Luck Key has agreed to purchase, and Town Health BVI has agreed to sell, the entire issued share capital of Health Walk at a consideration of HK\$70,200,000, which is subject to adjustment in the event of the occurrence of the Consideration Adjustment Event. Such consideration shall be satisfied by the allotment and issue, credited as fully paid, the shares of Luck Key to Town Health BVI.

Pursuant to the Agreement, the FOMT Acquisition Completion will trigger the occurrence of the Consideration Adjustment Event. If the Consideration Adjustment Event occurs prior to the completion of the Transaction, the consideration for the Transaction to be paid by Luck Key to Town Health BVI will be adjusted upwards by an amount of HK\$19,800,000. Comparing such additional consideration with the consideration for the FOMT Acquisition (i.e. HK\$19,000,000), 100% interest in FOMT can be disposed of by the Group through the Transaction at a higher value. As such, the Directors (including the independent non-executive Directors) consider that the FOMT Acquisition as contemplated by the FOMT Agreement is in the interest of the Company, the terms of which are on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Shareholders should note that the FOMT Acquisition and the Transaction are not inter-conditional upon each other. For the avoidance of doubt, in the event the FOMT Acquisition Completion takes place prior to the Completion, it will only constitute a Consideration Adjustment Event. However, as stated above, if completion of the Transaction does not take place, the Directors consider that the FOMT Acquisition can still consolidate the shareholding of FOMT in one single shareholder. Therefore, the Directors consider that the FOMT Acquisition is in the interests of the Company and the Shareholders as a whole notwithstanding that the FOMT Acquisition and the Transaction are not inter-conditional upon each other.

SHAREHOLDING STRUCTURE OF THE COMPANY

The following table sets out the shareholding structure of the Company (1) as at the date of the Latest Practicable Date; and (2) immediately after the allotment and issue of the TH Consideration Shares:

	As at the Latest Practicable Date		Immediately after allotment and issue of the TH Consideration Shares	
	<i>No. of Shares</i>	%	<i>No. of Shares</i>	%
Broad Idea (Note 2)	81,488,523	26.36	81,488,523	25.18
Kingdom Hill and its associates	–	–	14,548,238	4.49
Other public Shareholders	<u>227,657,949</u>	<u>73.64</u>	<u>227,657,949</u>	<u>70.33</u>
Total:	<u><u>309,146,472</u></u>	<u><u>100.00</u></u>	<u><u>323,694,710</u></u>	<u><u>100.00</u></u>

LETTER FROM THE BOARD

Notes:

1. The above table assumes that there will not be any change in the issued share capital of the Company from the Latest Practicable Date up to (and including) the FOMT Acquisition Completion.
2. Broad Idea, a company incorporated in the BVI with limited liability, is beneficially owned as to (i) 50.1% by Dr. Cho Kwai Chee, an executive Director, and (ii) 49.9% by Dr. Choi Chee Ming, GBS, JP, a non-executive Director.

IMPLICATIONS UNDER THE LISTING RULES

All applicable percentage ratios for the FOMT Acquisition do not exceed 5%. However, as the consideration for the FOMT Acquisition includes securities for which listing will be sought, the FOMT Acquisition constitutes a share transaction for the Company under the Listing Rules.

As (i) Kingdom Hill is a substantial shareholder of a non wholly-owned subsidiary of the Company and (ii) the ultimate beneficial owner of Kingdom Hill, Ms. Tsui Mai Ling, Margaret, is the wife of Dr. Yeung Wah Hin, Alex, who is a director of each of the members of the FOMT Group as at the date of the FOMT Agreement, Kingdom Hill is a connected person of the Company under the Listing Rules. The FOMT Acquisition therefore also constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules.

Accordingly, the FOMT Acquisition Completion is subject to, among other things, the approval by the Independent Shareholders at the SGM. Kingdom Hill, together with its associates, shall abstain from voting on the resolution to approve the FOMT Agreement and the transactions contemplated thereunder at the SGM.

FORMATION OF THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee, comprising all the independent non-executive Directors, has been formed to advise the Independent Shareholders as to whether the FOMT Agreement was entered into on normal commercial terms, and whether the terms of the FOMT Agreement and the transactions contemplated thereunder are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole. Your attention is drawn to the letter from the Independent Board Committee containing its advice set out on page 16 of this circular.

VC Capital has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders as to whether the FOMT Agreement was entered into on normal commercial terms and in the ordinary and usual course of business of the Group, and whether the terms of the FOMT Agreement and the transactions contemplated thereunder are fair and reasonable so far as the Independent Shareholders are concerned, and in the interests of the Company and the Shareholders as a whole. The text of the letter of advice from VC Capital is set out on pages 17 to 32 of this circular.

LETTER FROM THE BOARD

SGM

A notice convening the SGM to be held at Meeting Room 5, 7/F., Hong Kong International Trade & Exhibition Centre, No. 1 Trademart Drive, Kowloon Bay, Kowloon, Hong Kong at 9:00 a.m. on Monday, 23 November 2009 for the purpose of considering and, if thought fit, passing, the ordinary resolution to approve the FOMT Agreement and the transactions contemplated thereunder is set out on pages 36 to 37 of this circular.

As disclosed in the paragraph headed “Implications under the Listing Rules” above, Kingdom Hill, together with its associates shall abstain from voting on the resolution to approve the FOMT Agreement and the transactions contemplated thereunder at the SGM. To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, Kingdom Hill and its associates did not have any shareholding in the Company as at the Latest Practicable Date. Pursuant to Rule 13.39(4) of the Listing Rules, the vote of the Independent Shareholders to be taken at the SGM to approve the FOMT Agreement and the transactions contemplated thereunder, will be taken by way of poll.

You will find enclosed a form of proxy for use at the SGM. Whether or not you are able to attend the SGM, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon as soon as possible and in any event not less than 48 hours before the time of the meeting to the office of the Company’s branch registrar in Hong Kong, Tricor Tengis Limited at 26/F, Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong. Completion and return of the form of proxy will not preclude you from attending and voting at the SGM in person should you so wish.

RECOMMENDATION

The Directors (including the independent non-executive Directors) consider that the FOMT Agreement and the transactions contemplated thereunder are fair and reasonable and in the interests of the Company and the Shareholders as a whole, and recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the SGM.

ADDITIONAL INFORMATION

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

On behalf of the Board of
Town Health International Holdings Company Limited
Cho Kwai Chee
Executive Director

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



TOWN HEALTH INTERNATIONAL HOLDINGS COMPANY LIMITED

康健國際控股有限公司*

(Incorporated in the Cayman Islands and continued in Bermuda with limited liability)

(Stock Code: 3886)

5 November 2009

To the Independent Shareholders

Dear Sir or Madam,

**SHARE AND CONNECTED TRANSACTION
IN RELATION TO THE FOMT ACQUISITION**

We refer to the circular of the Company dated 5 November 2009 (“**Circular**”) to the Shareholders, of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

We have been appointed by the Board as members of the Independent Board Committee to advise you on whether the FOMT Agreement was entered into on normal commercial terms, and whether the terms of the FOMT Agreement and the transactions contemplated thereunder are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole.

Your attention is also drawn to the letter from the Board set out on pages 5 to 15 of the Circular and the additional information set out in the appendix to the Circular. Having considered the terms of the FOMT Acquisition and the transactions contemplated thereunder and the advice from VC Capital, we are of the opinion that the FOMT Acquisition is on normal commercial terms and is conducted in the ordinary and usual course of business of the Group, and that the terms of the FOMT Agreement and the transactions contemplated thereunder are fair and reasonable so far as the Independent Shareholders are concerned and that they are in the interests of the Company and the Shareholders as a whole.

Yours faithfully,

Independent Board Committee

Chan Kam Chiu

Wai Kwok Hung, SBS, JP

Ho Kwok Wah, George

Independent non-executive Directors

* *For identification purpose only*

LETTER FROM VC CAPITAL

The following is the text of a letter to the Independent Board Committee and the Independent Shareholders from VC Capital in respect of the terms of the FOMT Agreement and the transactions contemplated thereunder prepared for the purpose of incorporation in this circular.



5 November 2009

*To the Independent Board Committee and
the Independent Shareholders of
Town Health International Holdings Company Limited*

Dear Sir or Madam,

SHARE AND CONNECTED TRANSACTION IN RELATION TO THE FOMT ACQUISITION

INTRODUCTION

We refer to our engagement as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the FOMT Acquisition, details of which are set out in the letter from the Board as contained in the circular of the Company dated 5 November 2009 (the “**Circular**”), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless the context otherwise requires.

As (i) Kingdom Hill is a substantial shareholder of a non wholly-owned subsidiary of the Company; and (ii) the ultimate beneficial owner of Kingdom Hill, Ms. Tsui Mai Ling, Margaret, is the wife of Dr. Yeung Wah Hin, Alex, who is a director of each of the members of the FOMT Group as at the date of the FOMT Agreement, Kingdom Hill is a connected person of the Company under the Listing Rules. The FOMT Acquisition therefore constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules and is subject to, among other things, the approval by the Independent Shareholders at the SGM. Kingdom Hill and its associates are not entitled to vote on the resolution to approve the FOMT Agreement and the transactions contemplated thereunder at the SGM. The voting on the resolution to approve the FOMT Agreement and the transactions contemplated thereunder will be taken by way of poll in accordance with the requirements of the Listing Rules.

The Independent Board Committee, comprising Mr. Chan Kam Chiu, Mr. Wai Kwok Hung, *SBS, JP* and Mr. Ho Kwok Wah, George, being all the independent non-executive Directors, has been established to advise on the fairness and reasonableness of the terms of the FOMT Agreement and the transactions contemplated thereunder so far as the Independent Shareholders are concerned and as to whether they are in the interests of the Company and the Shareholders as a whole.

LETTER FROM VC CAPITAL

In our capacity as the independent financial adviser to the Independent Board Committee and the Independent Shareholders, our role is to give an independent opinion as to (i) whether the FOMT Acquisition is on normal commercial terms; (ii) whether the FOMT Acquisition is conducted in the usual and ordinary course of business of the Group; (iii) whether the terms of the FOMT Agreement and the transactions contemplated thereunder are fair and reasonable so far as the Independent Shareholders are concerned; (iv) whether the terms of the FOMT Agreement and the transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole; and (v) how the Independent Shareholders should vote in respect of the proposed resolution to approve the FOMT Agreement and the transactions contemplated thereunder at the SGM.

VC Capital is not associated with the Company and its substantial Shareholders or any party acting, or presumed to be acting, in concert with any of them and, accordingly, is considered eligible to give independent advice in respect of the terms of the FOMT Agreement and the transactions contemplated thereunder. Apart from normal professional fees payable to us in connection with this engagement, no arrangement exists whereby VC Capital will receive any fees or benefits from the Company or its substantial Shareholders or any party acting, or presumed to be acting, in concert with any of them.

In formulating our opinion, we have relied on the information and facts supplied and the opinions expressed by the executive Directors and senior management of the Group. We have also assumed that the information and representations contained or referred to in the Circular were true and accurate at the time they were prepared or made and will continue to be so up to the date of the SGM. We have no reason to doubt the truth, accuracy and completeness of the information and representations made to us by the executive Directors and senior management of the Group. We have also been advised by the executive Directors that no material facts have been omitted from the Circular and the information provided to us.

We consider we have reviewed sufficient information to reach an informed view, to justify our reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our opinion. We have not, however, conducted any independent investigation into the business and affairs or the future prospects of the Group, nor have we carried out any independent verification of the information supplied.

All the executive Directors have confirmed, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in the Circular have been arrived at after due and careful consideration and that there are no other facts not contained in the Circular, the omission of which would make any statement in the Circular misleading.

LETTER FROM VC CAPITAL

PRINCIPAL FACTORS AND REASONS CONSIDERED

In considering whether the FOMT Acquisition is on normal commercial terms, whether the FOMT Acquisition is conducted in the ordinary and usual course of business of the Group, whether the terms of the FOMT Agreement and the transactions contemplated thereunder are fair and reasonable so far as the Independent Shareholders are concerned and whether they are in the interests of the Company and the Shareholders as a whole, we have taken into account the following principal factors and reasons:

1. Background information

On 15 October 2009, (i) Kingdom Hill, Health Walk (an indirect wholly-owned subsidiary of the Company) and Ms. Tsui Mai Ling, Margaret entered into the FOMT Agreement in relation to the FOMT Acquisition; and (ii) the Purchaser (a wholly-owned subsidiary of HK Health Check), Town Health BVI (a wholly-owned subsidiary of the Company) and HK Health Check entered into the Agreement in connection with the Transaction.

As stated in the letter from the Board, the FOMT Acquisition and the Transaction are not inter-conditional such that (i) if only the FOMT Acquisition is completed, each member of the FOMT Group would become an indirect wholly-owned subsidiary of the Company through Health Walk; or (ii) if the Transaction is completed, the entire interest of Health Walk (which would hold 78% interest in the FOMT Group if the FOMT Acquisition is not completed or 100% interest in the FOMT Group if the FOMT Acquisition is completed) would be disposed of by Town Health BVI to the Purchaser in exchange for 49% interest of the Purchaser such that the Purchaser would be owned as to 51% by HK Health Check and as to 49% by Town Health BVI upon completion of the Transaction.

Since the FOMT Acquisition and the Transaction are not inter-conditional, the completion of the Transaction would not affect the FOMT Acquisition. Accordingly, our analysis has focused on whether the terms of the FOMT Agreement and the transactions contemplated thereunder are fair and reasonable and whether they are in the interests of the Company and the Shareholders as a whole. Shareholders are recommended to read through the Joint Announcement and the letter from the Board for details of the Transaction and its effects on the Group upon completion of the Transaction.

2. Reasons for and benefits of the FOMT Acquisition

The FOMT Agreement was entered into between Kingdom Hill, Health Walk (an indirect wholly-owned subsidiary of the Company) and Ms. Tsui Mai Ling, Margaret on 15 October 2009 in relation to the FOMT Acquisition at a consideration of HK\$19 million (the “**Consideration**”), which will be settled by the allotment and issue of the TH Consideration Shares. The Company acquired 27% of the issued share capital of FOMT in July 2009 and currently holds 78% of the issued share capital of FOMT. As discussed in the above section headed “Background information”, the FOMT Acquisition and the Transaction are not inter-conditional such that (i) if only the FOMT Acquisition is completed, the Company will increase its interest in the

LETTER FROM VC CAPITAL

FOMT Group from 78% to 100%; or (ii) if the Transaction is completed, the entire interest of Health Walk (which would hold 78% interest in the FOMT Group if the FOMT Acquisition is not completed or 100% interest in the FOMT Group if the FOMT Acquisition is completed) would be disposed of by Town Health BVI to the Purchaser in exchange for 49% interest of the Purchaser such that the Purchaser would be owned as to 51% by HK Health Check and as to 49% by Town Health BVI upon completion of the Transaction.

We note that the FOMT Acquisition Completion will trigger the occurrence of the Consideration Adjustment Event. If the Consideration Adjustment Event occurs, the consideration for the Transaction to be paid by the Purchaser to Town Health BVI will be adjusted upwards by an amount of HK\$19,800,000. Comparing such additional consideration with the Consideration (i.e. HK\$19 million), 100% interest in FOMT can be disposed of by the Group through the Transaction at a higher value. Therefore, should the completion of the Transaction takes place, the FOMT Acquisition Completion will enable the Group to enjoy an immediate financial benefit. On the other hand, if the completion of the Transaction does not take place, the Company is still able to increase its stake in the FOMT Group by 22% in order to participate in the future growth of the FOMT Group.

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 predominantly under its widely known brand name “Town Health Centre 康健醫務中心”. The Group’s business activities can be broadly categorised into (i) the provision of healthcare and dental services; and (ii) the sale of healthcare and pharmaceutical products.

The FOMT Group is principally engaged in the production of radioactive isotopes used for medical diagnostic purposes, which are sold to the major hospitals and healthcare institutions in Hong Kong.

Having considered that (i) one of the businesses of the Group is the provision of healthcare services, including consultation services for cancer, heart diseases and neurological disorders, etc, which is complementary to that of the FOMT Group; and (ii) the FOMT Group has been operating profitably for the two consecutive financial years ended 31 March 2009 and the Company’s interest in the FOMT Group will be increased by 22% following the FOMT Acquisition Completion such that the Group would be able to further enhance its earning capabilities and income base; and (iii) should both the FOMT Acquisition and the Transaction be completed, the Company would be able to enjoy an immediate financial benefit, we consider that the FOMT Acquisition is in the usual and ordinary course of business of the Group and in the interests of the Company and the Shareholders as a whole.

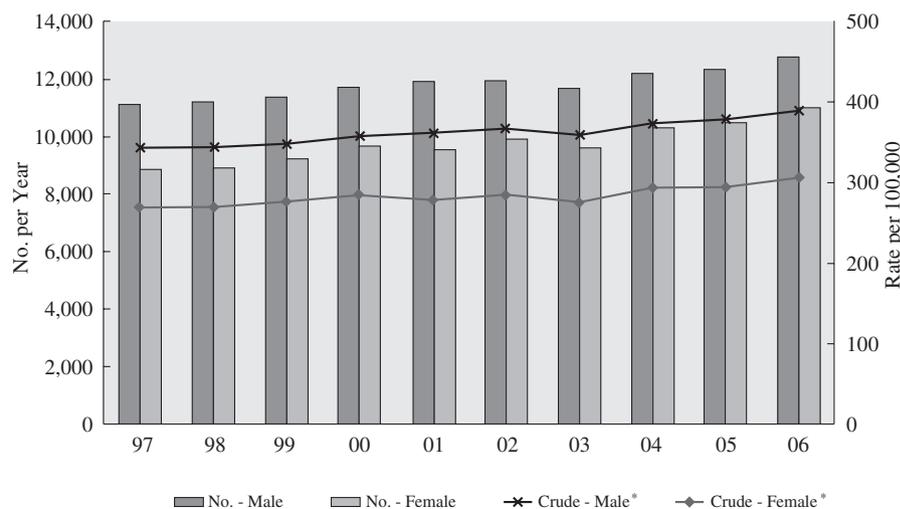
LETTER FROM VC CAPITAL

Business outlook of the FOMT Group

As informed by the executive Directors, the radioactive isotopes can help doctors diagnose cancer, heart diseases and neurological disorders as radioactive isotopes can be used as tracers to identify abnormal bodily processes. According to the statistics conducted by the Department of Health of the Hong Kong government, malignant neoplasms (cancer) and heart diseases rank top among the ten leading causes of death in Hong Kong in 2006.

With reference to the latest cancer (all sites) statistics available at the website of the Hong Kong Cancer Registry, Hospital Authority (which was conducted in 2006 and as shown below), the number of cancer cases registered has been increasing steadily from 1997 to 2006. Such increase in the number of incidences can reasonably be regarded as an implication of an upward trend in the demand of radioactive isotopes.

Incidence Trend 1997-2006



Source: Hospital Authority: Hong Kong Cancer Registry web site

* *The crude rate per 100,000 is calculated by dividing the total number of cases by the total number of population-at-risk and multiplying the result by 100,000*

As confirmed by the executive Directors, import of radioactive isotopes from overseas suppliers is difficult because of the critical limitation of the product life and the decay period of radioactive isotopes. Therefore, it is very difficult for overseas competitors to compete with the FOMT Group. Furthermore, the industry itself has a high entry barrier in terms of capital and network as the business generally involves high technicality and expertise for monitoring operation and development, and requires certain licences for business set-up and continuous operation.

LETTER FROM VC CAPITAL

Moreover, as informed by the executive Directors, PET scan is one of the technologies commonly used for medical diagnostic purposes and they do not expect their clients adopting other scanning technology to replace the PET scanning technology because of its high replacement cost.

According to information provided by the Company, the PET scan services have been introduced in Hong Kong for more than 10 years and have become more popular in the last few years. There are now approximately 10-20 hospitals/healthcare institutions offering PET scan services in Hong Kong. Together with the increasing health consciousness of the general public, one can reasonably predict a potential growth in market demand for the relevant healthcare services.

Having considered (i) the critical limitation in relation to the decay period of the radioactive isotopes, which makes it difficult for overseas suppliers to compete with the FOMT Group; (ii) the steady increase in the number of cancer cases registered in the last few years; (iii) the relatively high entry barrier of the radioactive isotopes industry; (iv) the under-served medical market in Hong Kong, especially for the diagnosis of cancerous diseases; (v) the high switching cost for replacement of the PET scanning technology; and (vi) the likely increase in popularity of the PET scan services for diagnosis purposes, the Company considers that there are a lot of untapped business potentials in the radioactive isotopes industry and believes that there is a positive business outlook for the FOMT Group. Accordingly, we consider that the FOMT Acquisition is in the interests of the Company and the Shareholders as a whole.

3. Principal terms of the FOMT Agreement

On 15 October 2009, Health Walk, an indirect wholly-owned subsidiary of the Company, entered into the FOMT Agreement with Kingdom Hill and Ms. Tsui Mai Ling, Margaret in relation to the FOMT Acquisition. The principal terms of the FOMT Agreement are set out below:

Assets to be acquired

Pursuant to the FOMT Agreement, Health Walk has conditionally agreed to acquire, and Kingdom Hill has conditionally agreed to sell the FOMT Sale Shares free from all encumbrances, and together with all rights and benefits attaching thereto including but not limited to the right to dividends or distributions made or declared on or after the date of the FOMT Acquisition Completion. The FOMT Sale Shares represent 22% of the issued share capital of FOMT.

LETTER FROM VC CAPITAL

Consideration

As disclosed in the letter from the Board, the Consideration for the FOMT Acquisition of HK\$19 million is determined after arm's length negotiations between Health Walk and Kingdom Hill with reference to the profitability and future business prospects of the FOMT Group, and which will be satisfied by the allotment and issue of the TH Consideration Shares, by the Company to Kingdom Hill or its nominee based on the TH Issue Price of HK\$1.306 per TH Consideration Share, being the average closing price of the Shares as quoted on the Stock Exchange for the five consecutive trading days up to and including 15 October 2009, being the date of the FOMT Agreement.

The TH Consideration Shares, when allotted and issued, shall rank *pari passu* in all respects with the Shares in issue on the date of allotment and issue of the TH Consideration Shares, including the right to receive all dividends, distributions and other payments made or to be made, the record dates for which fall on or after the date of such allotment and issue.

As informed by the Directors, the Board had considered settling the Consideration by other alternatives such as debt financing. Nevertheless, the Directors are of the view that a strong and healthy balance sheet position with low gearing ratio will allow the Group to weather the impacts arising from the global financial crisis, and provide it with the necessary capital to identify and capture any healthcare-related investments and business opportunities in the future. As a result, we consider that it is reasonable for the Directors to settle the Consideration by the allotment and issue of the TH Consideration Shares, so as to provide flexibility to the Company and retain sufficient working capital for any future possible funding needs that may arise for appropriate business or investment opportunities or for its operations as and when required in a timely manner, without affecting the gearing or incurring any liabilities of the Company. As such, we are of the view that the settlement of the Consideration by the allotment and issue of the TH Consideration Shares is fair and reasonable so far as the Independent Shareholders are concerned and is in the interests of the Company and the Shareholders as a whole.

Comparable analysis

As disclosed in the announcement of the Company dated 1 June 2009 (the "**June Announcement**"), the Company acquired 27% of the issued share capital of FOMT at a consideration of HK\$32 million, which was satisfied by the allotment and issue of 21,361,815 consideration shares by the Company to the vendor or its nominee at the issue price of HK\$1.498 per consideration share (the "**June Acquisition**"). As referred in the June Announcement, the issue price of the consideration shares was determined then with reference to the average closing price of the Shares as quoted on the Stock Exchange for the five consecutive trading days up to and including 1 June 2009, being the date of the agreement of the June Acquisition. The price to earnings ratio for the June Acquisition was approximately 7.73 times.

LETTER FROM VC CAPITAL

In order to assess whether the Consideration is fair and reasonable, we have performed a comparable analysis which was intended to summarise the price to earnings ratio (“**P/E**”) of companies listed on the Stock Exchange whose major business(es) is/are the production of radioactive isotopes used for medical diagnostic purposes. Since we could not find any companies listed on the Stock Exchange involved in a business identical to that of the FOMT Group, we have, for general reference purpose only, chosen listed companies that are operating in similar industrial sectors, i.e. the pharmaceutical and/or medical industries. We have adopted listed companies with major business(es) in the manufacture, development and/or sale of bio-chemical, medical and/or pharmaceutical products, equipment and/or services (excluding those involved in Chinese medicines and/or pharmaceuticals) and which is/are the key contributor(s) generating more than 90% of the total segment revenue as disclosed in the latest published annual reports of such companies as our comparables (the “**Comparables**”). To the best of our knowledge and endeavor, we have found 32 companies which met the said criteria. Set out below are the extract of the Comparables of 22 companies with positive earnings per share as disclosed in their latest published annual reports:

Company (Stock code)	Business(es)	P/E (times) <i>(Note)</i>
Biosino Bio-Technology and Science Incorporation* – H shares (8247)	Manufacture, sale and distribution of a variety of mono/double diagnostic reagent products and pharmaceutical products	8.96
Bloomage BioTechnology Corporation Limited (963)	Production and sale of bio-chemical products	10.71
Broad Intelligence International Pharmaceutical Holdings Limited (1149)	Manufacture, sale, research and development of pharmaceutical products and investment holding	13.21
China Asean Resources Limited (8186)	Provision of medical equipment services and related accessories, the provision of medical research and development services and the sales of medical equipment in the People’s Republic of China	3.49

LETTER FROM VC CAPITAL

Company (Stock code)	Business(es)	P/E (times) <i>(Note)</i>
China Pharmaceutical Group Limited (1093)	Manufacture and sale of pharmaceutical products	7.36
China Renji Medical Group Limited (648)	Lease and operation of medical equipment and provision of consultancy services on operation of medical equipment	0.13
Dawnrays Pharmaceutical (Holdings) Limited (2348)	Development, manufacture and sale of non-patented chemical medicines including cephalosporins in sterile bulk medicine and powder for injection forms, their intermediate pharmaceuticals and system specific medicines	6.20
Golden Meditech Company Limited (801)	Manufacture and sale of autologous blood recovery machines and disposable blood processing chambers and related accessories, provision of examination, processing, separation and storage services for blood stem cells	35.68
Hua Han Bio-Pharmaceutical Holdings Limited (587)	Research, development, manufacture and sale of gynecological medicine and medicinal healthcare products for women	9.91
Jilin Province Huinan Changlong Bio-pharmacy Company Limited – H Shares (8049)	Manufacture and distribution of biochemical medicines in the People’s Republic of China	10.26

LETTER FROM VC CAPITAL

Company (Stock code)	Business(es)	P/E (times) <i>(Note)</i>
Jiwa Bio-Pharm Holdings Limited (2327)	Manufacture and sale of pharmaceutical and pharmaceutical bulk materials; trading of pharmaceutical and health care products; distribution of pharmaceutical products	7.54
Lee's Pharmaceutical Holdings Limited (8221)	Manufacture and sale of self-developed pharmaceutical products, trading of license-in pharmaceutical products	15.21
Lijun International Pharmaceutical (Holding) Co., Ltd. (2005)	Research, development, manufacture and sale of wide range of finished medicines and bulk pharmaceutical through a network of independent retailers	14.83
Mingyuan Medicare Development Company Limited (233)	Manufacture and trading of protein chips and related equipments, provision of cervical cancer care and operation of Shanghai Woman and Child Healthcare Hospital of Hong-Kou District, Shanghai, the People's Republic of China	18.91
Shandong Luoxin Pharmacy Stock Co., Ltd* – H shares (8058)	Manufacture and sale of pharmaceutical products	11.67

LETTER FROM VC CAPITAL

Company (Stock code)	Business(es)	P/E (times) <i>(Note)</i>
Shandong Weigao Group Medical Polymer Company Limited* – H shares (8199)	Production and sale of single use consumables such as infusion sets, syringes, blood transfusion sets and blood bags, orthopedic products, other products such as blood purification consumables medical equipment and medical PVC granules	48.44
Shandong Xinhua Pharmaceutical Company Limited – H shares (719)	Development, production and sale of pharmaceutical raw materials, preparations, chemical products and other products	30.43
The United Laboratories International Holdings Limited (3933)	Manufacture and sale of antibiotics finished products and the bulk medicine and intermediate products used to produce them, cough syrup, anti-allergy medicine and capsule casings	8.60
United Gene High-Tech Group Limited (399)	Manufacture and distribution of pharmaceutical products; health supplements in the People’s Republic of China, and provision of gene testing services	3.86
Vital Pharmaceutical Holdings Limited (1164)	Research and development, sale and manufacture of pharmaceutical products	4.26
Winteam Pharmaceutical Group Limited (570)	Production and sale of pharmaceutical products	29.80

LETTER FROM VC CAPITAL

Company (Stock code)	Business(es)	P/E (times) (Note)
Wuyi International Pharmaceutical Company Limited (1889)	Research and development, manufacture and trading of pharmaceutical products	5.05
Average		13.84
Median		10.09
Maximum		48.44
Minimum		0.13
The FOMT Acquisition		6.33

Source: the Stock Exchange

* *For identification purposes only*

Note: The P/Es above are calculated as the closing prices of the shares of the aforesaid listed companies as quoted on the Main Board of the Stock Exchange or the Growth Enterprise Market of the Stock Exchange as at the date of the FOMT Agreement divided by their respective basic earnings per share as disclosed in the latest published annual reports of such listed companies.

From the above table, we note that the average P/E as represented by the Comparables is approximately 13.84 times and the median P/E is approximately 10.09 times, with a range of approximately 0.13 times to 48.44 times.

Based on the unaudited net profit after tax of the FOMT Group for the year ended 31 March 2009 of approximately HK\$13.64 million, the P/E of the FOMT Acquisition is approximately 6.33 times (being the Consideration divided by 22% of the unaudited net profit after tax of the FOMT Group for the year ended 31 March 2009), which falls within the P/E range of the Comparables and is lower than the average P/E and median P/E of the Comparables.

Taking into account that (i) the P/E of the FOMT Acquisition of approximately 6.33 times falls within the P/E range of the Comparables and is lower than the average P/E and median P/E of the Comparables; (ii) the allotment and issue of the TH Consideration Shares can help maintain the healthy financial position of the Group; (iii) the Consideration is determined after arm's length negotiations between the parties with reference to the profitability and future business prospects of the FOMT Group; and (iv) the FOMT Group has been making profit for the two consecutive years ended 31 March 2009, reflecting the strong earning capabilities of the FOMT Group, we are of the view that the Consideration is fair and reasonable so far as the Independent Shareholders are concerned and is in the interests of the Company and the Shareholders as a whole.

LETTER FROM VC CAPITAL

The TH Issue Price

As disclosed in the letter from the Board, the TH Issue Price was determined after arm's length negotiations between Health Walk and Kingdom Hill based on the average closing price of the Shares as quoted on the Stock Exchange for the five consecutive trading days up to and including 15 October 2009, being the date of the FOMT Agreement (the "**Last Trading Day**").

The TH Issue Price of HK\$1.306 per TH Consideration Share:

- (i) represents a premium of approximately 1.24% over the closing price of HK\$1.290 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) is equal to the average closing price of HK\$1.306 per Share for the five consecutive trading days up to and including the Last Trading Day;
- (iii) represents a premium of approximately 2.35% over the average closing price of HK\$1.276 per Share for the ten consecutive trading days up to and including the Last Trading Day;
- (iv) represents a premium of approximately 2.83% over the closing price of HK\$1.270 per Share as quoted on the Stock Exchange as at the Latest Practicable Date; and
- (v) represents a discount of approximately 54.97% to the audited net asset value (including minority interests) per Share of approximately HK\$2.900 based on the audited consolidated net asset value of the Group of approximately HK\$897,098,000 as at 31 March 2009 and a total of 309,146,472 Shares in issue as at the Latest Practicable Date.

Given that the TH Issue Price was determined based on the average closing price of HK\$1.306 per Share for the five consecutive trading days up to and including the Last Trading Day, we are of the view that the TH Issue Price is fair and reasonable so far as the Independent Shareholders are concerned and is in the interests of the Company and the Shareholders as a whole.

4. Financial effects of the FOMT Acquisition on the Group

As mentioned above, on a stand-alone basis, the Company, through Health Walk, will increase its interest in the FOMT Group by 22% by virtue of the FOMT Acquisition. The completion of the Transaction will result in the Company holding 49% interest of the Purchaser, which in turn will hold 100% interest of Health Walk and thus 78% interest in the FOMT Group if the FOMT Acquisition is not completed or 100% interest in the FOMT Group if the FOMT Acquisition is completed. As stated in the Joint Announcement (which contains details of the

LETTER FROM VC CAPITAL

financial effects of the Transaction on the Group), for information only, the Group will record a gain of approximately HK\$37,810,000 as a result of the Transaction. Since the FOMT Acquisition and the Transaction are not inter-conditional and thus the completion of the Transaction would not affect the FOMT Acquisition, the following financial analysis has been prepared only for the purpose of the FOMT Acquisition Completion.

Earnings

Following the FOMT Acquisition Completion, the Company will share a higher interest of the financial results of the FOMT Group. With reference to the unaudited financial information of the FOMT Group, the FOMT Group has been operating profitably for the two financial years ended 31 March 2009. Therefore, the FOMT Acquisition is expected to enhance the income base and earning capabilities of the Group, subject to the actual operating performance of the FOMT Group in the future.

Net asset value

According to the latest published audited financial statements of the Company for the year ended 31 March 2009, the audited consolidated net asset value of the Group (including minority interests) was approximately HK\$897,098,000. Since the TH Consideration Shares will be issued at a discount to the Group's audited net asset value per Share of approximately HK\$2.90 (calculated based on the audited consolidated net asset value of the Group of approximately HK\$897,098,000 as at 31 March 2009 and a total of 309,146,472 Shares in issue as at the Latest Practicable Date), the FOMT Acquisition will result in a reduction in the net asset value per Share.

In light of the strong earning capabilities of the FOMT Group, it is expected that the Group's earning capabilities would be enhanced in the future and its assets would thereby be increased, subject to the actual performance of the FOMT Group in the future.

Gearing

According to the latest published audited financial statements of the Company for the year ended 31 March 2009, the gearing ratio (defined as total bank borrowings divided by total shareholders' equity (including minority interests)) was nil. Upon the FOMT Acquisition Completion, the net assets of the Group (including minority interests) would be increased by HK\$19 million after the allotment and issue of 14,548,238 TH Consideration Shares. Assuming the total bank borrowings of the Group remain unchanged at the FOMT Acquisition Completion, the gearing ratio of the Group is expected to remain the same as the net assets will increase upon the allotment and issue of the TH Consideration Shares.

LETTER FROM VC CAPITAL

Given that the Company will be able to (i) acquire a further 22% interest in the FOMT Group; (ii) enjoy the financial benefits from the FOMT Group; and (iii) obtain a higher net asset value without affecting the gearing of the Group, as a result of the FOMT Acquisition, we concur with the Directors that the FOMT Acquisition is fair and reasonable so far as the Independent Shareholders are concerned and is in the interests of the Company and the Shareholders as a whole.

5. Dilution of shareholding interest of the existing public Shareholders in the Company

The allotment and issue of the TH Consideration Shares will result in an immediate dilution in the shareholding interest of the Shareholders in the Company upon the FOMT Acquisition Completion, without taking into account any effects of the Transaction on the Group.

The following table sets out the shareholding structure of the Company (i) as at the Latest Practicable Date; and (ii) immediately after the allotment and issue of the TH Consideration Shares:

	As at the Latest Practicable Date		Immediately after the allotment and issue of the TH Consideration Shares	
	<i>No. of Shares</i>	<i>Approx. %</i>	<i>No. of Shares</i>	<i>Approx. %</i>
Broad Idea (<i>Note</i>)	81,488,523	26.36	81,488,523	25.18
Kingdom Hill and its associates	–	–	14,548,238	4.49
Public Shareholders	<u>227,657,949</u>	<u>73.64</u>	<u>227,657,949</u>	<u>70.33</u>
Total	<u>309,146,472</u>	<u>100.00</u>	<u>323,694,710</u>	<u>100.00</u>

Note: Broad Idea, a company incorporated in the BVI with limited liability and the immediate holding company holding approximately 26.36% of the entire issued share capital of the Company as at the Latest Practicable Date, is beneficially owned as to (i) 50.1% by Dr. Cho Kwai Chee, an executive Director; and (ii) 49.9% by Dr. Choi Chee Ming, *GBS, JP*, a non-executive Director.

The interest of the public Shareholders will be diluted from approximately 73.64% as at the Latest Practicable Date to approximately 70.33% immediately after the allotment and issue of the TH Consideration Shares. Nevertheless, in view of the fact that (i) the shareholding of the Shareholders (except Kingdom Hill and its associates) will be diluted proportionately; (ii) the FOMT Acquisition is conducted at a relatively low P/E as compared with the Comparables; (iii) the Shareholders could possibly benefit from the enhanced earning capabilities and broadened income base of the Group as a result of the FOMT Acquisition; and (iv) the payment of the Consideration by the allotment and issue of the TH Consideration Shares can help maintain the

LETTER FROM VC CAPITAL

healthy financial position of the Group and retain sufficient and flexible working capital for the Group for any future investment opportunities and for its operations, we are of the view that the level of dilution on the shareholdings of the existing Shareholders is fair and reasonable so far as the Independent Shareholders are concerned and is in the interests of the Company and the Shareholders as a whole.

6. The Transaction

As discussed in the above section headed “Background information”, the FOMT Acquisition and the Transaction are not inter-conditional such that (i) if only the FOMT Acquisition is completed, the Company will increase its interest in the FOMT Group from 78% to 100%; or (ii) if the Transaction is completed, the entire interest of Health Walk (which would hold 78% interest in the FOMT Group if the FOMT Acquisition is not completed or 100% interest in the FOMT Group if the FOMT Acquisition is completed) would be disposed of by Town Health BVI to the Purchaser in exchange for 49% interest of the Purchaser such that the Purchaser would be owned as to 51% by HK Health Check and as to 49% by Town Health BVI at completion of the Transaction. Independent Shareholders are reminded to read the details and effects of the Transaction, which are stated in the Joint Announcement and/or the letter from the Board.

RECOMMENDATION

Having considered the above-mentioned principal factors and reasons, we consider that the FOMT Acquisition is on normal commercial terms and is conducted in the ordinary and usual course of business of the Group, and that the terms of the FOMT Agreement and the transactions contemplated thereunder are fair and reasonable so far as the Independent Shareholders are concerned and that they are in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the relevant resolution to be proposed at the SGM to approve the FOMT Agreement and the transactions contemplated thereunder.

Yours faithfully
For and on behalf of
VC Capital Limited
Keith Lou
Executive Director

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts the omission of which would make any statement herein misleading.

2. DISCLOSURE OF INTERESTS

(a) Directors' and chief executive's interests and short positions in shares, underlying shares and debentures of the Company or any of its associated corporations

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which (i) 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 and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") contained in the Listing Rules were as follows:

Long position

Directors' interests in the issued Shares

Name of Directors	Capacity	Number of Shares held	Approximate percentage of the total issued share capital of the Company
Dr. Cho Kwai Chee	Interest in controlled corporation (<i>Note</i>)	81,488,523	26.36%
Dr. Choi Chee Ming, <i>GBS, JP</i>	Interest in controlled corporation (<i>Note</i>)	81,488,523	26.36%

Note: These 81,488,523 Shares are held by Broad Idea which is owned as to 50.1% by Dr. Cho Kwai Chee and as to 49.9% by Dr. Choi Chee Ming, *GBS, JP*. Accordingly, Dr. Cho Kwai Chee and Dr. Choi Chee Ming, *GBS, JP* are both deemed to be interested in the 81,488,523 Shares held by Broad Idea under Part XV of the SFO. Dr. Cho Kwai Chee and Dr. Choi Chee Ming, *GBS, JP* are also directors of Broad Idea.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which (i) 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 the Directors and chief executive were taken or deemed to have under the provisions of the SFO); or (ii) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code contained in the Listing Rules.

- (b) As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which had been acquired or disposed of by, or leased to, any member of the Group or were proposed to be acquired or disposed of by, or leased to, any member of the Group since 31 March 2009, the date to which the latest published audited consolidated financial statements of the Group were made up.
- (c) None of the Directors are materially interested in any contract or arrangement subsisting at the Latest Practicable Date which is significant in relation to the business 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, none of them or any of 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. MATERIAL ADVERSE 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 2009 (being the date to which the latest published audited consolidated financial statements of the Group were made up).

6. EXPERT AND CONSENT

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

Name	Qualification
VC Capital	A corporation licensed to carry on type 6 (advising on corporate finance) regulated activity under the SFO

VC Capital has given and has not withdrawn its written consent to the issue of this circular with the inclusion of the text of its letter and references to its name and its opinion or advice in the form and context in which they respectively appear.

As at the Latest Practicable Date, VC Capital did not have any shareholding in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, none of VC Capital and its directors had any direct or indirect interest in any assets which had been acquired, disposed of by or leased to, or which were proposed to be acquired, disposed of by or leased to, any member of the Group since 31 March 2009, being the date to which the latest published audited consolidated financial statements of the Group were made up.

7. MISCELLANEOUS

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

8. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during the normal business hours from 10:00 a.m. to 1:00 p.m. and from 2:00 p.m. to 5:00 p.m. (save for Saturdays and public holidays) at Shop 1A-1C, Level 1, Hilton Plaza Commercial Centre, 3-9 Shatin Centre Street, Shatin, New Territories, Hong Kong from the date of this circular and up to and including 23 November 2009:

- (i) the FOMT Agreement;
- (ii) the Agreement;
- (iii) the letter of recommendation from the Independent Board Committee, the text of which is set out on page 16 of this circular;
- (iv) the letter of advice from VC Capital, the text of which is set out on pages 17 to 32 of this circular; and
- (v) the written consent referred to in the paragraph headed "Expert and consent" in this appendix.

NOTICE OF SPECIAL GENERAL MEETING



TOWN HEALTH INTERNATIONAL HOLDINGS COMPANY LIMITED 康健國際控股有限公司*

(Incorporated in the Cayman Islands and continued in Bermuda with limited liability)

(Stock Code: 3886)

NOTICE OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that a special general meeting (“**Meeting**”) of Town Health International Holdings Company Limited (“**Company**”) will be held at Meeting Room 5, 7/F., Hong Kong International Trade & Exhibition Centre, No. 1 Trademart Drive, Kowloon Bay, Kowloon, Hong Kong at 9:00 a.m. on Monday, 23 November 2009 for the purpose of considering and, if thought fit, with or without modifications, passing the following resolution as an ordinary resolution of the Company:

ORDINARY RESOLUTION

“THAT

- (a) the conditional sale and purchase agreement dated 15 October 2009 entered into by Health Walk Limited (an indirect wholly-owned subsidiary of the Company) as purchaser, Kingdom Hill Limited as vendor and Tsui Mai Ling, Margaret as vendor guarantor in relation to the sale and purchase of the 22% of the issued share capital of First Oriental Medical Technology Group Limited (“**FOMT Agreement**”), and the transactions contemplated thereunder, be and are hereby approved, confirmed and ratified;
- (b) any one of the directors of the Company be and is hereby authorised to allot and issue, credited as fully paid, 14,548,238 new shares of the Company of HK\$0.01 each (“**Shares**”) to Kingdom Hill Limited and/or its nominee (which shall rank pari passu in all respects with the existing Shares then in issue at the date of allotment of such new consideration Shares) in accordance with the terms of the FOMT Agreement; and

* *For identification purpose only*

NOTICE OF SPECIAL GENERAL MEETING

- (c) any one of the directors of the Company be and is hereby authorised to do all such acts and things, to sign and execute such documents or agreements or deeds on behalf of the Company as he/she may consider necessary, appropriate, desirable or expedient for the purposes of giving effect to or in connection with the FOMT Agreement and the transactions contemplated thereunder.”

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

Hong Kong, 5 November 2009

Registered office:
Canon's Court
22 Victoria Street
Hamilton HM12
Bermuda

*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 bye-laws of the Company, to vote on his behalf. A proxy need not be a member of the Company but must be present in person at the 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. Whether or not you intend to attend the Meeting in person, you are encouraged to complete and return the 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 notarially certified copy of such power or authority must be deposited at the office of the Company's branch registrar in Hong Kong, Tricor Tengis Limited at 26/F, 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.

As at the date hereof, the board of directors of the Company comprises four executive directors, namely Miss Choi Ka Yee, Crystal, Dr. Cho Kwai Chee, Mr. Lee Chik Yuet and Dr. Hui Ka Wah, Ronnie JP, one non-executive director, namely Dr. Choi Chee Ming, GBS, JP, and three independent non-executive directors, namely Mr. Chan Kam Chiu, Mr. Wai Kwok Hung, SBS, JP and Mr. Ho Kwok Wah, George.