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 stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Town Health International Medical Group Limited ("**Company**"), you should at once hand this circular, together with the enclosed form of proxy, to the purchasers or transferees or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchasers or transferees.

Town Health International Medical Group Limited
康健國際醫療集團有限公司

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

(Stock Code: 3886)

(1) MAJOR TRANSACTION
– ACQUISITION OF 94.3% INTEREST IN THE TARGET
AND
(2) NOTICE OF SPECIAL GENERAL MEETING

A notice convening the special general meeting of the Company to be held at 9:00 a.m. on Thursday, 25 September 2014 at 1st Floor, Town Health Technology Centre, 10-12 Yuen Shun Circuit, Siu Lek Yuen, Shatin, New Territories, Hong Kong is set out on pages SGM-1 to SGM-3 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 appointed for holding the meeting or any adjournment thereof to the office of the Company's branch share registrar and transfer office in Hong Kong, Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong. Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting or any adjournment thereof should you so wish.

21 August 2014

CONTENTS

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

"Acquisition"	acquisition of the Sale Shares pursuant to the Agreement
"Agreement"	the agreement for sale and purchase dated 12 June 2014 entered into between the Vendors and the Company in respect of the Acquisition
"Board"	the board of Directors
"Business Day"	a day (excluding Saturday and any day on which a tropical cyclone warning no.8 or above is hoisted or remains hoisted between 9:00 a.m. and 12:00 noon and is not lowered at or before 12:00 noon or on which a "black" rainstorm warning is hoisted or remains in effect between 9:00 a.m. and 12:00 noon and is not discontinued at or before 12:00 noon) on which licensed banks in Hong Kong are generally open for business
"close associates"	has the meaning ascribed to it under the Listing Rules
"Company"	Town Health International Medical Group Limited, a company incorporated in the Cayman Islands and continued in Bermuda with limited liability and the ordinary shares of which are listed on the Main Board of the Stock Exchange
"Completion"	completion of the Acquisition
"Completion Date"	the third Business Day immediately following the date when all the Conditions have been waived or satisfied by the parties to the Agreement (or such other date agreed by the Company and the Vendors in writing), on which Completion is to take place
"Conditions"	the conditions precedent to which Completion is subject to as set out in the paragraph headed "Conditions" under the section "The Agreement" in the letter from the Board in this circular

"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"Consideration"	the sum of HK$409,288,404, being the consideration for the sale and purchase of the Sale Shares
"Director(s)"	the director(s) of the Company
"Enlarged Group"	the Group as enlarged by the Acquisition
"Group"	the Company and its subsidiaries
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Latest Practicable Date"	18 August 2014, being the latest practicable date prior to the publication of this circular for the purpose of ascertaining certain information contained in this circular
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Long Stop Date"	12 December 2014 (or such later date as the Company and the Vendors may agree in writing)
"Normalised Operating Profits"	the operating profits before tax and payment of management fees and physician shareholder bonuses
"Practice Territory"	the area within one kilometer of any clinic where the Target provides medical services excluding any clinic that has entered into a contract with the Target to provide medical services to patients referred to such clinic by the Target at the time of Completion
"PRC"	the People's Republic of China, which for the purpose of this circular, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"RMB"	Renminbi, the lawful currency of the PRC

"Sale Shares"	943 shares in the share capital of the Target, representing 94.3% of the issued share capital of the Target
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"SGM"	a special general meeting of the Company convened to be held at 9:00 a.m. on Thursday, 25 September 2014 at 1st Floor, Town Health Technology Centre, 10-12 Yuen Shun Circuit, Siu Lek Yuen, Shatin, New Territories, Hong Kong for the purpose of considering and, if thought fit, approving the Acquisition and other transactions contemplated under the Agreement
"Share(s)"	ordinary share(s) of HK$0.01 each in the share capital of the Company
"Shareholder(s)"	holder(s) of the Share(s)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Target"	Dr. Vio & Partners Limited, a company incorporated in Hong Kong with limited liability
"Target Group"	the Target and West Atlantic Limited (a company incorporated in Hong Kong with limited liability, which had been dormant as at the Latest Practicable Date)
"US$"	United States dollars, the lawful currency of the United States of America
"Vendors"	Collectively, Dr. BALLANTINE Alistair Nigel Stuart, Dr. OTREMBA Francis Martin, Dr. SCRIVEN Nicholas Edward, Bioventure Holdings Limited and Healthy Treasure Trading Limited, and a "Vendor" shall be construed accordingly
"%"	per cent.

Town Health International Medical Group Limited
康健國際醫療集團有限公司

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

(Stock Code: 3886)

Executive Directors:
Miss Choi Ka Yee, Crystal *(Chairperson)*
Dr. Cho Kwai Chee *(Executive Vice Chairman)*
Dr. Hui Ka Wah, Ronnie, *JP*
(Chief Executive Officer)
Mr. Lee Chik Yuet
Dr. Chan Wing Lok, Brian
Mr. Wong Seung Ming *(Chief Financial Officer)*

Non-executive Director:
Dr. Choi Chee Ming, *GBS, JP* *(Vice-Chairman)*

Independent non-executive Directors:
Mr. Chan Kam Chiu
Mr. Ho Kwok Wah, George
Mr. Wai Kwok Hung, *SBS, JP*

Registered office:
Canon's Court
22 Victoria Street
Hamilton HM 12
Bermuda

Head office and principal place of business in Hong Kong:
6th Floor,
Town Health Technology Centre
10-12 Yuen Shun Circuit
Siu Lek Yuen, Shatin
New Territories, Hong Kong

21 August 2014

To the Shareholders

Dear Sir or Madam,

MAJOR TRANSACTION
– ACQUISITION OF 94.3% INTEREST IN THE TARGET

INTRODUCTION

Reference is made to the announcement of the Company dated 12 June 2014 in which the Company announced that on 12 June 2014, the Company and the Vendors entered into the Agreement pursuant to which the Vendors have conditionally agreed to sell, and the Company has conditionally agreed to acquire, the Sale Shares, representing 94.3% of the issued share capital of the Target, at the Consideration of HK$409,288,404.

The purpose of this circular is to provide you with, among other things, (i) details of the Agreement and the transactions contemplated thereunder (including the Acquisition); (ii) other information as required to be disclosed under the Listing Rules; and (iii) the notice of the SGM.

THE AGREEMENT

Major terms of the Agreement are set out below.

Date

12 June 2014

Parties

(1) the Company, as the purchaser

(2) Dr. BALLANTINE Alistair Nigel Stuart, as one of the vendors, who held 20.9% of the issued share capital of the Target as at the Latest Practicable Date

(3) Dr. OTREMBA Francis Martin, as one of the vendors, who held 20.9% of the issued share capital of the Target as at the Latest Practicable Date

(4) Dr. SCRIVEN Nicholas Edward, as one of the vendors, who held 20.9% of the issued share capital of the Target as at the Latest Practicable Date

(5) Bioventure Holdings Limited, a company incorporated in the British Virgin Islands with limited liability and principally engaged in investment holding, as one of the vendors, which held 15.2% of the issued share capital of the Target as at the Latest Practicable Date

(6) Healthy Treasure Trading Limited, a company incorporated in the British Virgin Islands with limited liability and principally engaged in investment holding, as one of the vendors, which held 16.4% of the issued share capital of the Target as at the Latest Practicable Date

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, each of the Vendors and (if applicable) their respective ultimate beneficial owners is a third party independent of the Company and connected persons of the Company.

Assets to be acquired

The Company has conditionally agreed to acquire and the Vendors have conditionally agreed to sell the Sale Shares at the Consideration of HK$409,288,404. The Sale Shares represent 94.3% of the issued share capital of the Target. The Agreement does not contain any restrictions relating to the subsequent sale of such securities.

As at the Latest Practicable Date, the remaining 5.7% of the issued share capital of the Target was held by Crown Glory Assets Limited, a company incorporated in the British Virgin Islands with limited liability. To the best of the Directors' knowledge, information and belief having made all reasonable enquires, each of Crown Glory Assets Limited and its ultimate beneficial owner is a third party independent of the Company and connected persons of the Company.

Consideration

The Consideration is HK$409,288,404 which shall be paid by the Company in the following manner:

(a) an initial deposit in the sum of HK$46,000,000, which has been paid to the Vendors upon signing of the Agreement; and

(b) the remaining balance of the Consideration, being HK$363,288,404, which shall be paid to the Vendors at Completion.

The Group intends to satisfy the Consideration through its internal resources.

Basis of the Consideration

The Consideration was determined after arm's length negotiations between the Company and the Vendors with reference to (i) historical financial performance of the Target, being the turnover growth of the Target by almost two times from approximately HK$99,300,000 (audited) for the year ended 31 December 2004 to approximately HK$293,508,000 (audited) for the year ended 31 December 2013, and the Normalised Operating Profits of the Target for the year ended 31 December 2013 of approximately HK$36,169,000 (unaudited); and (ii) the business potential of the Target.

As the Target is a primary and specialty healthcare service provider with its focus in offering third-party funded healthcare scheme services, its mode of business operation does not require substantial investment in fixed assets and capital expenditure. Therefore, the Directors consider that it is not appropriate to use the net asset value of the Target as a basis for determining the Consideration.

The Normalised Operating Profits of the Target represent its operating profits before tax and payment of management fees and physician shareholder bonuses to the providers of management, administrative and business services, and the shareholders respectively. It is expected that such management fees and bonuses will terminate after Completion. As such, the Directors are of the view that the Normalised Operating Profits of the Target will better reflect the performance of the Target and provide a better estimate of the potential internal return of the Target in the future and that the Normalised Operating Profits of the Target is a fair basis for determining the Consideration.

Moreover, Hong Kong is now facing with rapidly ageing population and escalating healthcare demand. The number of corporations which are willing to provide healthcare schemes or plans to their employees has been increasing. The Group believes that such trend will continue and foresees that there will be a stronger need for Hong Kong's healthcare market. The Group believes that there will be good potential for the Target to expand its existing services.

In addition, the Target has recorded lower price-to-earnings ratio ("**P/E ratio**") (with reference to its Normalised Operating Profits) comparing with those of other listed companies in the healthcare industry, such as (i) Skyocean International Holdings Limited ((Stock code: 593) which is principally engaged in provision of elderly care services and medical equipment distribution) with P/E ratio of approximately 36.38, (ii) Phoenix Healthcare Group Co. Ltd ((Stock code: 1515) which is principally engaged in provision of general hospital services and hospital management services, and supply chain business in Beijing, the PRC) with P/E ratio of approximately 24.86, and (iii) Shandong Weigao Group Medical Polymer Company Limited ((Stock code: 1066) which is principally engaged in the research and development, production and sale of single-use medical devices) with P/E ratio of approximately 92.95, based on the closing stock price of each of such companies as at 31 July 2014 and its profit after tax for the year ended 31 December 2013 as disclosed in its annual report for the year ended 31 December 2013. Having made the best efforts of the Company, to the best of the Directors' knowledge, information and belief, there are no other companies listed on the Stock Exchange that are principally engaged in businesses which are similar to that of the Target and are profit-making. Given that the businesses of the listed companies as disclosed above are relevant to that of the Target to the extent that they are engaged in the healthcare industry, and their P/E ratios are merely one of the factors to be taken into account in determining the Consideration, the Directors consider that the P/E ratios of the above listed companies can serve as a reference when considering the P/E ratio of the Target in determination of the Consideration.

Having taken into account (i) the lower P/E ratio (with reference to its Normalised Operating Profits) of the Target comparing with those of other listed companies in the healthcare industry as disclosed above in which their P/E ratios for 2013 are generally over 20; (ii) the Target is profit-making based on its Normalised Operating Profits; (iii) the financial performance of the Target as disclosed above; and (iv) the business potential of the Target in view of the increasing demand for healthcare services, the Directors (including the independent non-executive Directors) consider that the Consideration is on normal commercial terms and is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Conditions

Completion is subject to and conditional upon:

(a) there being no restriction in connection with the transfer of the Sale Shares as contemplated under the Agreement;

(b) there being no action or proceeding pending or threatened by any person or government agency to enjoin or prohibit the transfer of the Sale Shares as contemplated under the Agreement;

(c) the transfer of the Sale Shares and other transactions contemplated under the Agreement having been approved by the Shareholders (who are not required to abstain from voting in such respect under the Listing Rules or otherwise);

(d) the receipt by the Vendors from the Company of all necessary consents, approvals and authorisations required by the Company for the consummation of, and implementation of transactions contemplated under, the Agreement and all such consents, approvals and authorisations being effective and not revoked or withdrawn;

(e) there being no material unremedied breach by the Company of any of its undertakings and covenants contained in the Agreement;

(f) the representations, warranties and undertakings given by the Company under the Agreement remaining true and correct in all material respects (other than in respect of those representations and warranties which are already subject to materiality qualification) and that no events have occurred that would result in any breach of any of the representations, warranties and undertakings given by the Company under the Agreement or other provisions of the Agreement by the Company;

(g) the receipt by the Company from the Vendors of all necessary consents, approvals and authorisations required by the Vendors for the consummation of, and implementation of transactions contemplated under, the Agreement and all such consents, approvals and authorisations being effective and not revoked or withdrawn;

(h) the Vendors having obtained all such waivers and consents as the Company may require in relation to the completion of the transactions contemplated under the Agreement;

(i) there being no material unremedied breach by the Vendors of any of their undertakings and covenants contained in the Agreement;

(j) there is no change (or effect) which has a material and adverse effect on the financial position, business or prospects or results of operations of the Target Group taken as a whole has occurred since the date of signing of the Agreement; and

(k) the representations, warranties and undertakings given severally by the Vendors under the Agreement remaining true, accurate and not misleading in all material respects (other than in respect of those representations and warranties which are already subject to a materiality qualification) and that no events have occurred that would result in any breach of any of the representations, warranties and undertakings given severally by the Vendors under the Agreement or other provisions of the Agreement by any of the Vendors.

Conditions (a) to (c) above are not waiveable by the Vendors and the Company. The Vendors may waive any of the Conditions (d) to (f) above and the Company may waive any of the Conditions (g) to (k) above to the extent they may legally do so.

If any of the Conditions are not fulfilled or (if applicable) waived at or before 12:00 noon on the Long Stop Date, all rights and obligations of the parties to the Agreement under the Agreement will cease and terminate (save and except certain provisions relating to return of deposit, confidentiality and certain miscellaneous matters), and no party to the Agreement shall have any claim against the other parties to the Agreement save for claims (if any) in respect of any antecedent breach thereof.

Completion

Completion will take place on the third Business Day immediately following the date when all the Conditions have been waived or satisfied by the parties to the Agreement (or such other date agreed by the Company and the Vendors in writing). The Company may nominate a party to take up and purchase the Sale Shares at Completion.

Immediately after Completion and on the assumption that all the Sale Shares are sold by the Vendors to the Company, the Target will become a 94.3%-owned subsidiary of the Company.

Failure to complete

(a) If any of the Vendors fails to complete the sale of the Sale Shares (other than as a result of (i) the failure to fulfill Conditions (a) to (c); and/or (ii) the failure of the Company to fulfil or perform any of the Conditions (d) to (f)) in accordance with the terms and conditions of the Agreement, such Vendor shall within three Business Days after its failure to complete the sale of the Sale Shares, (i) refund the deposit paid to it by the Company and (ii) pay to the Company a sum equivalent to the deposit paid to it by the Company as liquidated damages and the Agreement shall be terminated (as between the Company and such Vendor), and shall cease to have any further effect.

(b) If the Company fails to complete the purchase of the Sale Shares (other than as a result of (i) the failure to fulfill Conditions (a) to (c); and/or (ii) the failure of the Vendors to fulfill or perform any of the Conditions (g) to (k)) in accordance with the terms and conditions of the Agreement, the relevant Vendor(s) shall be entitled to keep the deposit paid to it (including any interest accrued thereon), and the Agreement shall be terminated (as between the Company and the relevant Vendor(s)), and shall cease to have any further effect.

(c) Subject to the arrangement set out in sub-paragraphs (d) and (e) below, if the Company shall fail to complete the purchase of the Sale Shares as a result of the failure of any Vendor to fulfil or perform any of the Conditions (g) to (k) in accordance with the terms and conditions of the Agreement, such Vendor shall within three Business Days after the Company's failure to complete the purchase of the Sale Shares (i) refund the deposit paid to it by the Company and (ii) pay to the Company a sum equivalent to the deposit paid to it by the Company as liquidated damages and the Agreement shall be terminated (as between the Company and such Vendor), and shall cease to have any further effect.

(d) Notwithstanding anything in the Agreement to the contrary, if the aggregate number of Sale Shares to be sold by the Vendors which are ready and willing to sell ("**Non-Defaulting Vendors**") to the Company at Completion is less than 510 shares of the Target, the Company is entitled at its absolute discretion to determine whether to complete the sale and purchase of the Sale Shares with the Non-Defaulting Vendors.

If the Company determines not to complete the sale and purchase of the Sale Shares with any of the Non-Defaulting Vendors, then each of the Non-Defaulting Vendors shall within three Business Days thereafter refund the deposit paid to it by the Company and following which, the Agreement shall automatically terminate and neither the Company nor the Non-Defaulting Vendors shall have any claim of any nature whatsoever against each other directly under the Agreement. Each of those Vendors (other than the Non-Defaulting Vendors) which fails and/or refuses to complete the sale and purchase of the Sale Shares with the Company (other than due to default of the Company) shall within three Business Days after its failure to complete the sale of the Sale Shares (i) refund the deposit paid to it by the Company and (ii) pay to the Company a sum equivalent to the deposit paid to it by the Company as liquidated damages.

(e) Pursuant to the Agreement, the Vendors agree and undertake that as soon as practicable and in any event, within 21 days after execution of the Agreement, an agreement ("**Termination Agreement**") shall be executed by, among other parties, each of the Vendors and the Target to, inter alia, terminate the shareholders agreement entered into among the Vendors and the Target in relation to the Target, and certain employment and management services agreements. If any party to the Termination Agreement shall fail to execute the Termination Agreement within the prescribed time, the Agreement shall terminate and the Company shall not be obliged to complete the sale and purchase of the Sale Shares thereunder. In such event, each of the Vendors shall within three Business Days thereafter refund the deposit paid to it by the Company. Further, for each of those Vendors which fails and/or refuses to execute the Termination Agreement, apart from refund of the deposit, it shall pay damages to the Company as mentioned in sub-paragraph (a) above. As at the Latest Practicable Date, the Termination Agreement has been duly executed by all the parties thereto.

Undertaking under the Agreement

(a) Under the Agreement, each of Dr. BALLANTINE Alistair Nigel Stuart, Dr. OTREMBA Francis Martin and Dr. SCRIVEN Nicholas Edward agrees that for a period of 12 months after Completion that he shall not, without the prior written permission of the Target:

(i) practise medicine within the Practice Territory in competition with any medical practice of the Target provided, however, that the practice of medicine by him in the direct employ at any government or private hospital, university, government agency or organisation or any non-profit organisation shall not be deemed to be in competition with any medical practice of the Target; or

(ii) directly or indirectly carry on or be engaged in (whether alone or in partnership or joint venture with anyone else) or otherwise be concerned with or interested in (whether as trustee, principal, agent, shareholder, unit holder or in any other capacity) any business similar to or competitive with the business of provision of corporate health scheme management and related services of the Target in Hong Kong; or

(iii) directly or indirectly, solicit or endeavour to solicit or obtain the custom of any person, firm or corporation which has been a customer of the Target.

(b) Under the Agreement, the Company agrees that, if the Agreement is terminated in accordance with its terms, it shall not, during the period commencing on the date of the Agreement and expiring on the date falling 12 months immediately following the date of termination of the Agreement, directly or indirectly:

(i) employ, solicit, entice or endeavour to employ or solicit or entice away from the Target any person who is an employee of the Target or its subsidiary as at the date of the Agreement; or

(ii) solicit, attempt to solicit, assist others to solicit, any person, firm or corporation which has been a customer of the Target or its subsidiary (other than those customers with whom the Company had a business relationship prior to the date of the Agreement).

INFORMATION ABOUT THE TARGET

The Target is a company incorporated in Hong Kong with limited liability. The Target is principally engaged in provision of primary and specialty healthcare services including hospital admission, as well as the full gamut of insurance-based or employer-sponsored health scheme expenditure management, logistics and related services.

For the three years ended 31 December 2013 and the five months ended 31 May 2014, over 90% of the revenue of the Target Group was derived from consultancy fees for the provision of the consultancy services, which cover (i) provision of healthcare schemes or plans; and (ii) provision of healthcare consultation services.

As regards the provision of healthcare schemes or plans, the customers are corporate clients including Government departments, statutory bodies, insurers and local employers, which have engaged the Target to provide healthcare schemes or plans so as to allow the employees or insureds of such corporate clients to seek medical and healthcare services offered by the Target. As regards the provision of healthcare consultation services, the customers are individual patients, who attend the medical centres owned by the Target to seek medical and healthcare services provided by the physicians there.

The remaining revenue of the Target Group for the three years ended 31 December 2013 and the five months ended 31 May 2014 was derived from (i) the contract service fees for the administration of medical schemes; and (ii) the sales of medicines. In respect of medical scheme administration, the customers are corporate clients, which the Target provides services to manage healthcare benefit expenditure or pharmaceutical expenses and invoicing with local hospitals.

For the three years ended 31 December 2013 and the five months ended 31 May 2014, Dr. BALLANTINE Alistair Nigel Stuart, Dr. OTREMBA Francis Martin and Dr. SCRIVEN Nicholas Edward collectively contributed approximately less than 10% of the total revenue of the Target Group.

As at the Latest Practicable Date, (i) the number of affiliate doctors, which the Target has entered into contracts with for the purpose of provision of healthcare consultation services under the healthcare schemes or plans, exceeded 500 and most of their contracts were continuous subject to termination by notice; (ii) the Target had over 2,000 healthcare schemes or plans with corporate clients, including corporate employers providing healthcare schemes to their employees and insurance companies providing healthcare schemes to their corporate insureds for the benefits of the insureds' employees; and (iii) the Target had 3 wholly-owned medical centres in Central, Tsim Sha Tsui and Tsuen Wan, which offered general practice or specialty healthcare services to the general public.

The turnover of the Target was approximately HK$264,558,000 (audited) for the year ended 31 December 2012 and approximately HK$293,508,000 (audited) for the year ended 31 December 2013. The Target recorded turnover growth by almost two times from approximately HK$99,300,000 (audited) for the year ended 31 December 2004 to approximately HK$293,508,000 (audited) for the year ended 31 December 2013. The Normalised Operating Profits of the Target was approximately HK$28,781,000 (unaudited) for the year ended 31 December 2012 and approximately HK$36,169,000 (unaudited) for the year ended 31 December 2013. During the two years ended 31 December 2013, the Target did not record any profit or loss.

The major cost of the Target Group for the five months ended 31 May 2014 was the consultancy fees paid to the doctors for engaging them to provide healthcare consultation services to patients under the healthcare schemes or plans, which accounted for approximately 52.4% of the total revenue of the Target Group.

The consolidated total asset value and net asset value of the Target as at 31 May 2014 were approximately HK$79,807,000 (audited) and approximately HK$10,859,000 (audited) respectively.

INFORMATION ABOUT THE GROUP

The Group is principally engaged in (i) healthcare business investments; (ii) provision and management of healthcare and related services; and (iii) properties and securities investments and trading.

REASONS FOR AND BENEFITS OF THE ACQUISITION

One of the Group's principal businesses is the provision of healthcare and related services. The Group operates a network of clinics offering primary and specialty healthcare, dental services and laboratory testing for the general public.

The Target is both a direct medical service provider and a well-regarded administrator of third-party funded medical scheme services with substantial in-house expertise. There are many possible synergies between the Group and the Target. On the one hand, cross-referrals between the Group and the Target can provide more efficient and integrated care to patients, and on the other hand, the clinic network of the Group could expand and enhance the service provision of the Target. Given that the Group has engaged numerous medical service providers, including physicians in general and specialty practices and operating 68 clinics with wide range of healthcare and related services, the Acquisition will allow the Target to expand its existing portfolio of medical service providers by inclusion of the physicians engaged by the Group and to increase the number and location of its clinics by inclusion of the network of clinics of the Group. The patients and clients of the Target can seek medical and healthcare services offered by the Group. As such, the Acquisition will enable the Target to offer a wider choice for its patients and clients to seek medical and healthcare services which will be beneficial to the business development of the Target.

Likewise, the Group can attract more patients and clients through the operation of the Target after Completion. The Group can therefore enhance its profile and expand its customer base through the Target and generate greater return and profitability for the Group. As such, the Acquisition is not only in line with the core business of the Group but can also bring synergistic benefits to both parties. Moreover, the Group believes that the ageing population and the pending medical reform in Hong Kong will favour the few operators with both the financial and management strengths to execute strategies before the other players. Based on the foregoing, the Directors believe that the Acquisition offers a good opportunity for the Group to make the right investment in healthcare business which will bring not only synergy but will also place the Group strategically in a much more competitive position in the private healthcare market.

The managed healthcare business is another important development focus of the Group. According to market and public information, the Hong Kong Government is keen to introduce the medical insurance scheme as the backbone of the imminent medical reform in Hong Kong. As the insurance industry is getting more involved in the private healthcare market, the Group considers that the managed healthcare business will grow substantially. It is expected that the Target will have good development potential in this area.

The Company intends to maintain and further develop the existing business of the Target. Upon Completion, the Directors, who are experienced in corporate and finance management, will work together with the existing management of the Target on expanding and enhancing both of its primary and specialty healthcare services. The Group will also help to strengthen the business development and expand the customer base of the Target.

Save as disclosed above, the Company does not intend to change or modify the business operation of the Target and the Group after Completion.

Crown Glory Assets Limited, which owned 5.7% of the issued share capital of the Target as at the Latest Practicable Date, wishes to maintain its interest in the Target after Completion as it also considers there is good development potential for the Target in the Hong Kong healthcare market. The Company agrees to this given that the Group will have control in the Target through the Acquisition.

The Directors (including the independent non-executive Directors) are of the view that the terms of the Agreement are normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

IMPLICATIONS UNDER THE LISTING RULES

As certain of the relevant percentage ratios (as defined under the Listing Rules) in respect of the Acquisition are more than 25% but less than 100%, the Acquisition constitutes a major transaction for the Company under the Listing Rules and is subject to notification, announcement and Shareholders' approval requirements of Chapter 14 of the Listing Rules.

SGM

The SGM is convened to be held at 9:00 a.m. on Thursday, 25 September 2014 at 1st Floor, Town Health Technology Centre, 10-12 Yuen Shun Circuit, Siu Lek Yuen, Shatin, New Territories, Hong Kong, the notice of which is set out on pages SGM-1 to SGM-3 of this circular, for the Shareholders to consider and, if thought fit, approve, among other matters, the Acquisition. In compliance with the Listing Rules, the resolution will be voted on by way of poll at the SGM.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, no Shareholder has any material interest in the Acquisition and no Shareholder is required to abstain from voting on the resolution to be proposed at the SGM.

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 appointed for holding the SGM or any adjournment thereof to the office of the Company's branch share registrar and transfer office in Hong Kong, Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof should you so wish.

RECOMMENDATION

The Directors believe that the terms of the Acquisition are fair and reasonable and in the interests of the Company and the Shareholders as a whole. The Board recommends the Shareholders to vote in favour of the resolution as set out in the notice of the SGM.

ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the appendices to this circular.

By order of the Board
Town Health International Medical Group Limited
Lee Chik Yuet
Executive Director

1. THREE-YEAR FINANCIAL INFORMATION OF THE COMPANY

Details of the financial information of the Group for the years ended 31 December 2011, 31 December 2012 and 31 December 2013 respectively have been set out in the Company's annual reports for the years ended 31 December 2011 (from pages 25 to 119), 31 December 2012 (from pages 30 to 126) and 31 December 2013 (from pages 34 to 140).

All annual reports of the Company have been posted on the website of the Company at http://www.townhealth.com. Please visit the Company's website for more details.

2. INDEBTEDNESS OF THE ENLARGED GROUP

As at the close of business on 30 June 2014, being the latest practicable date for the purpose of ascertaining the indebtedness prior to the printing of this circular, the Group had outstanding bank borrowings of approximately HK$283,467,000, which were secured by the Group's property, plant and equipment, investment properties, held for trading investments and pledged bank deposits. No guarantee was given by other parties regarding such bank borrowings.

As at the close of business on 30 June 2014, being the latest practicable date for the purpose of ascertaining the indebtedness prior to the printing of this circular, the Target Group had outstanding amounts due to related companies and shareholders of approximately HK$11,321,000 and HK$66,776,000 respectively. Such amounts were unsecured and no guarantee was given by other parties regarding thereto.

Save as aforesaid and apart from intra-group liabilities as at the close of business on 30 June 2014, the Enlarged Group did not have any debt securities issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptance or acceptance credits, debentures, mortgages, charges, hire purchase or finance lease commitments, guarantees or contingent liabilities.

3. WORKING CAPITAL SUFFICIENCY OF THE ENLARGED GROUP

The Directors are of the opinion that, taking into account the cash flows generated from the operating activities, the financial resources available to the Enlarged Group including internally generated funds, the available credit facilities and the effect of the Acquisition, the working capital available to the Enlarged Group is sufficient for the Enlarged Group's requirements for at least 12 months from the date of this circular.

4. FINANCIAL AND TRADING PROSPECTS OF THE ENLARGED GROUP

The Group has set its future development strategy in that it will focus on investing in the medical and healthcare related businesses, both in Hong Kong and the PRC. The Group believes that the demand for healthcare services will be on its rising trend in Hong Kong for the coming decades. Ageing population and advancement of medical technology are putting tremendous pressure on the public healthcare sector and the Hong Kong Government is now contemplating on pushing ahead meaningful medical reform, so as to mitigate the escalating public healthcare burden. There have been a number of public-private interface exercises proposed by the Hospital Authority, where public patients are encouraged to make use of private healthcare services, with subsidization provided by the Hospital Authority. The Hong Kong Government has also increased the healthcare subsidization from HK$500 to HK$2,000 per head a year for the elderly to consume healthcare and related services in the private sector. In 2013, the Hong Kong Government assigned few land sites for private investors to build new private hospitals so as to replenish the supply of private hospital beds. All these point to the direction that the Hong Kong Government wants to nurture the growth of private healthcare sector, and hopes to make use of a flourishing private healthcare sector to shoulder a larger part of public healthcare burden.

Hong Kong is now facing with rapidly ageing population and escalating healthcare demand. According to market and public information, the Hong Kong Government is now contemplating on launching the overdue medical reform. The Group believes that the main theme of the medical reform would be to shift patients from public sector to private healthcare sector by means of direct subsidization or healthcare insurances. As such, the Group believes that there exists huge market opportunities for the Group to capture. With the leading position and well established clinic network in the Hong Kong healthcare industry, the Group is well positioned to seize the immense growth potential of the market.

Revenue of the Group for the year ended 31 December 2013 increased by approximately 3.74% to approximately HK$354,553,000 (2012: approximately HK$341,768,000). The Group recorded profit of approximately HK$79,318,000 for the year ended 31 December 2013 as compared to a loss recorded for the year ended 31 December 2012, which was mainly attributable to (1) an increase in share of profits of associates; (2) the gain on disposal of associates completed during the year; and (3) an increase in the profits for provision of healthcare and dental services business, for the year ended 31 December 2013. Also, the Group did not recognise a substantial loss in relation to loss on fair value changes on held for trading investments for the year ended 31 December 2013.

The Group is one of the largest healthcare provider groups in Hong Kong. The Group's core businesses include provision of primary and specialty healthcare services and other auxiliary medical services. The Group will continue to maintain its leading position in the Hong Kong healthcare industry, and venture into the PRC healthcare market to introduce quality and professional medical healthcare and management services.

The Acquisition will provide considerable synergetic effects to the Group. On the one hand, cross-referrals between the Group and the Target can provide more efficient and integrated care to patients, and on the other hand, the clinic network of the Group could be further expanded. As such, the Acquisition is not only in line with the core business of the Group but can also bring synergistic benefits to both the Group and the Target. The Acquisition offers a good opportunity for the Group to make a terrific investment in healthcare business which will bring not only synergy but will also place the Group strategically in a much more competitive position in the private healthcare market.

5. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors confirmed that there had been no material adverse change in the financial or trading position of the Group since 31 December 2013 (being the date to which the latest published audited financial statements of the Group were made up).

6. EFFECT OF THE ACQUISITION ON THE EARNINGS AND ASSETS AND LIABILITIES OF THE GROUP

As at 31 December 2013, the published audited consolidated total assets of the Group amounted to approximately HK$2,012,517,000. As set out in Appendix III to this circular, assuming Completion had taken place on 31 December 2013, the unaudited pro forma consolidated total assets of the Enlarged Group would be increased to approximately HK$2,147,753,000. As set out in Appendix III to this circular, assuming Completion had taken place on 31 December 2013, the unaudited pro forma consolidated total liabilities of the Enlarged Group would increase to HK$638,955,000. Upon Completion, the financial results of the Target will be consolidated with those of the Group and the earnings of the Group will be affected by the performance of the Target Group. Further details of the financial effect of the Acquisition on the earnings and the assets and liabilities of the Group together with the bases in preparing the unaudited pro forma financial information are set out in Appendix III to this circular.

(1) ACCOUNTANTS' REPORT ON THE TARGET GROUP

The following is the text of a report, prepared for the purpose of incorporation in this circular, received from the reporting accountants, Li, Tang, Chen & Co., Certified Public Accountants (Practising), Hong Kong:

李湯陳會計師事務所
LI, TANG, CHEN & CO.
Certified Public Accountants (Practising)

10th Floor
Sun Hung Kai Centre
30 Harbour Road
Wanchai
Hong Kong

21 August 2014

The Directors,
Town Health International Medical Group Limited,
(formerly known as Town Health International Investments Limited)

Dear Sirs,

INTRODUCTION

We set out below our report on the financial information relating to Dr. Vio & Partners Limited (the "Target Company") and its subsidiary (hereinafter collectively referred to as the "Target Group") comprising the consolidated and company statements of financial position of the Target Group as at 31 December 2011, 2012 and 2013 and 31 May 2014 and the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of the Target Group, for each of the years ended 31 December, 2011, 2012 and 2013 and the five months ended 31 May 2014 (the "Relevant Periods"), together with the explanatory notes thereto (the "Financial Information"), for inclusion in the circular of Town Health International Medical Group Limited (the "Company") dated 21 August 2014 (the "Circular") in connection with the proposed acquisition of 94.3% issued share capital of the Target Company by the Company. The Target Company was incorporated in Hong Kong on 18 July 1989 as a company with limited liability.

As at the date of this report, the Target Company has direct interests in a subsidiary as set out in Note 11 of Section B below.

The directors of the Target Company have prepared the consolidated financial statements of the Target Group for the Relevant Periods (the "Underlying Financial Statements") in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). We are the statutory auditors of the Target Group and the Underlying Financial Statements for each of the years ended 31 December 2011, 2012 and 2013 and the five months ended 31 May 2014 were audited by us under separate terms of engagement with the Target Company in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

The Financial Information has been prepared by the directors of the Company for inclusion in the Circular based on the Underlying Financial Statements, with no adjustments made thereon and in accordance with the applicable disclosure provisions of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL INFORMATION

The directors of the Company are responsible for the preparation of the Financial Information that gives a true and fair view in accordance with HKFRSs issued by the HKICPA, the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Listing Rules, and for such internal control as the directors of the Company determine is necessary to enable the preparation of the Financial Information that is free from material misstatement, whether due to fraud or error.

REPORTING ACCOUNTANTS' RESPONSIBILITY

Our responsibility is to form an opinion on the Financial Information based on our procedures performed in accordance with Auditing Guideline "Prospectuses and the Reporting Accountant" (Statement 3.340) issued by the HKICPA. We have not audited any financial statements of the Target Company, its subsidiary or the Target Group in respect of any period subsequent to 31 May 2014.

OPINION

In our opinion, the Financial Information gives, for the purpose of this report, a true and fair view of the state of affairs of the Target Company and the Target Group as at 31 December 2011, 2012 and 2013 and 31 May 2014 and the Target Group's consolidated results and cash flows for the Relevant Periods then ended.

CORRESPONDING FINANCIAL INFORMATION

For the purpose of this report, we have also reviewed the unaudited corresponding interim financial information of the Target Group comprising the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the five months ended 31 May 2013, together with the notes thereon (the "Corresponding Financial Information"), for which the directors are responsible, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA.

The directors of the Company are responsible for the preparation of the Corresponding Financial Information in accordance with the same basis adopted in respect of the Financial Information. Our responsibility is to express a conclusion on the Corresponding Financial Information based on our review.

A review consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the Corresponding Financial Information.

Based on our review, for the purpose of this report, nothing has come to our attention that causes us to believe that the Corresponding Financial Information is not prepared, in all material respects, in accordance with the same basis adopted in respect of the Financial Information.

A. FINANCIAL INFORMATION

1. CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Expressed in Hong Kong dollars)

		Year ended 31 December			Five months ended 31 May	
	Section B	**2011**	**2012**	**2013**	**2013**	**2014**
	Note	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*
					(unaudited)	
Turnover	*3*	237,715,879	264,558,264	293,507,714	115,935,831	129,857,891
Other income and gains	*5*	2,151,959	1,890,319	810,793	284,797	365,737
Medical supplies consumed		(29,749,896)	(33,272,619)	(34,862,443)	(14,093,756)	(15,361,196)
Staff costs		(53,532,427)	(57,092,810)	(64,933,828)	(25,897,755)	(28,055,547)
Consultancy fees incurred for doctors		(122,851,157)	(139,311,029)	(151,651,027)	(59,947,243)	(68,110,411)
Management fees incurred		(8,378,375)	(10,735,325)	(13,491,039)	(5,071,951)	(5,952,020)
Depreciation		(1,639,249)	(1,332,135)	(1,239,045)	(489,333)	(517,848)
Other operating expenses		(23,719,734)	(24,705,265)	(28,141,375)	(10,720,590)	(12,226,606)
Loss before taxation	*6*	(3,000)	(600)	(250)	–	–
Income tax expense	*7*	–	–	–	–	–
Loss and total comprehensive expense for the year/period		(3,000)	(600)	(250)	–	–

The accompanying notes form part of the Financial Information.

2. CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Expressed in Hong Kong dollars)

	Section B	At 31 December			At 31 May
		2011	**2012**	**2013**	**2014**
	Note	*HK$*	*HK$*	*HK$*	*HK$*
Non-current assets					
Property, plant and equipment	*10*	3,347,882	2,505,071	2,126,385	1,903,845
Available-for-sale financial assets	*12*	250	250	250,250	250,250
		3,348,132	2,505,321	2,376,635	2,154,095
Current assets					
Inventories	*13*	6,236,566	5,695,788	5,487,332	5,107,822
Trade receivables	*14*	39,409,773	49,451,818	51,871,373	48,260,159
Other receivables, deposits and prepayments	*15*	4,227,778	4,605,912	4,603,439	4,669,895
Cash and bank balances	*16*	9,594,692	9,403,209	9,354,600	19,615,221
		59,468,809	69,156,727	71,316,744	77,653,097
Current liabilities					
Amounts due to related companies	*17*	4,649,893	6,648,133	7,626,922	10,286,768
Amounts due to shareholders	*18*	8,629,560	12,281,620	14,110,200	18,888,513
Trade payables and accrued expenses	*19*	31,878,344	38,233,757	37,810,311	37,327,845
Deferred income		6,799,617	3,639,611	3,287,269	2,445,389
		51,957,414	60,803,121	62,834,702	68,948,515
Net current assets		7,511,395	8,353,606	8,482,042	8,704,582
Net assets		10,859,527	10,858,927	10,858,677	10,858,677
Capital and reserves					
Share capital	*20*	1,000	1,000	1,000	1,000
Unappropriated profits		10,858,527	10,857,927	10,857,677	10,857,677
Total equity		10,859,527	10,858,927	10,858,677	10,858,677

The accompanying notes form part of the Financial Information.

3. STATEMENTS OF FINANCIAL POSITION

(Expressed in Hong Kong dollars)

		At 31 December			At 31 May
	Section B	**2011**	**2012**	**2013**	**2014**
	Note	*HK$*	*HK$*	*HK$*	*HK$*
Non-current assets					
Property, plant and equipment	*10*	3,347,882	2,505,071	2,126,385	1,903,845
Interest in a subsidiary	*11*	177,429	177,429	177,429	177,429
Available-for-sale financial assets	*12*	250	250	250,250	250,250
		3,525,561	2,682,750	2,554,064	2,331,524
Current assets					
Inventories	*13*	6,236,566	5,695,788	5,487,332	5,107,822
Trade receivables	*14*	39,409,773	49,451,818	51,871,373	48,260,159
Other receivables, deposits and prepayments	*15*	4,227,778	4,605,912	4,603,439	4,669,895
Cash and bank balances	*16*	9,511,521	9,320,638	9,272,279	19,532,900
		59,385,638	69,074,156	71,234,423	77,570,776
Current liabilities					
Amounts due to related companies	*17*	4,649,893	6,648,133	7,626,922	10,286,768
Amounts due to shareholders	*18*	8,629,560	12,281,620	14,110,200	18,888,513
Trade payables and accrued expenses	*19*	31,878,344	38,233,757	37,810,311	37,327,845
Deferred income		6,799,617	3,639,611	3,287,269	2,445,389
		51,957,414	60,803,121	62,834,702	68,948,515
Net current assets		7,428,224	8,271,035	8,399,721	8,622,261
Net assets		10,953,785	10,953,785	10,953,785	10,953,785
Capital and reserves					
Share capital	*20*	1,000	1,000	1,000	1,000
Unappropriated profits		10,952,785	10,952,785	10,952,785	10,952,785
Total equity		10,953,785	10,953,785	10,953,785	10,953,785

4. CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(Expressed in Hong Kong dollars)

	Share capital	Unappropriated profits	Total
	HK$	*HK$*	*HK$*
At 1 January 2011	1,000	10,861,527	10,862,527
Changes in equity for 2011:			
Loss and total comprehensive expense for the year	–	(3,000)	(3,000)
At 31 December 2011	1,000	10,858,527	10,859,527
At 1 January 2012	1,000	10,858,527	10,859,527
Changes in equity for 2012:			
Loss and total comprehensive expense for the year	–	(600)	(600)
At 31 December 2012	1,000	10,857,927	10,858,927
At 1 January 2013	1,000	10,857,927	10,858,927
Changes in equity for 2013:			
Loss and total comprehensive expense for the year	–	(250)	(250)
At 31 December 2013	1,000	10,857,677	10,858,677

	Share capital	Unappropriated profits	Total
	HK$	*HK$*	*HK$*
At 1 January 2014	1,000	10,857,677	10,858,677
Changes in equity for the five months ended 31 May 2014			
Loss and total comprehensive expense for the period	–	–	–
At 31 May 2014	1,000	10,857,677	10,858,677
At 1 January 2013	1,000	10,857,927	10,858,927
Changes in equity for the five months ended 31 May 2013 (Unaudited):			
Loss and total comprehensive expense for the period	–	–	–
At 31 May 2013 (Unaudited)	1,000	10,857,927	10,858,927

The accompanying notes form part of the Financial Information.

5. CONSOLIDATED STATEMENTS OF CASH FLOWS

(Expressed in Hong Kong dollars)

	Year ended 31 December			Five months ended 31 May	
	2011	**2012**	**2013**	**2013**	**2014**
	HK$	*HK$*	*HK$*	*HK$*	*HK$*
				(unaudited)	
OPERATING ACTIVITIES					
Loss before taxation	(3,000)	(600)	(250)	–	–
Adjustments for:					
Interest income	(233)	(249)	(356)	(126)	(115)
Depreciation	1,639,249	1,332,135	1,239,045	489,333	517,848
Dividend income from unlisted equity securities	–	–	–	–	(50,000)
Property, plant and equipment written off	3,467	24,270	–	–	2,832
Operating profit before changes in working capital	1,639,483	1,355,556	1,238,439	489,207	470,565
(Increase)/decrease in inventories	(389,765)	540,778	208,456	(129,701)	379,510
(Increase)/decrease in trade receivables	(6,610,105)	(10,042,045)	(2,419,555)	6,907,587	3,611,214
(Increase)/decrease in other receivables, deposits and prepayments	(844,762)	(378,134)	2,473	(228,183)	(66,456)
Increase in amounts due to related companies	2,130,093	1,998,240	978,789	2,282,124	2,659,846
Increase in amounts due to shareholders	404,279	3,652,060	1,828,580	4,591,931	4,778,313
Decrease in amount due to a related party	(1,977,260)	–	–	–	–
Increase/(decrease) in trade payables and accrued expenses	2,200,552	6,355,413	(423,446)	(5,618,818)	(482,466)
Increase/(decrease) in deferred income	3,455,550	(3,160,006)	(352,342)	(1,481,434)	(841,880)
NET CASH GENERATED FROM OPERATING ACTIVITIES	8,065	321,862	1,061,394	6,812,713	10,508,646

	Year ended 31 December			Five months ended 31 May	
	2011	2012	2013	2013	2014
	HK$	*HK$*	*HK$*	*HK$*	*HK$*
				(unaudited)	
INVESTING ACTIVITIES					
Purchase of property, plant and equipment	(1,293,833)	(513,594)	(860,359)	(160,340)	(298,140)
Purchase of available-for-sale financial assets	–	–	(250,000)	–	–
Interest received	233	249	356	126	115
Dividend income from unlisted equity securities	–	–	–	–	50,000
NET CASH USED IN INVESTING ACTIVITIES	(1,293,600)	(513,345)	(1,110,003)	(160,214)	(248,025)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(1,285,535)	(191,483)	(48,609)	6,652,499	10,260,621
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF YEAR/PERIOD	10,880,227	9,594,692	9,403,209	9,403,209	9,354,600
CASH AND CASH EQUIVALENTS AT THE END OF YEAR/PERIOD	9,594,692	9,403,209	9,354,600	16,055,708	19,615,221
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS					
Cash and bank balances	9,594,692	9,403,209	9,354,600	16,055,708	19,615,221

The accompanying notes form part of the Financial Information.

B. NOTES TO THE FINANCIAL INFORMATION

(Expressed in Hong Kong dollars)

1. General information

Dr. Vio & Partners Limited (the "Target Company") is a company incorporated in Hong Kong with limited liability. The address of the Target Company's registered office is 3/F., Seaview Commercial Building, 21-24 Connaught Road West, Sheung Wan, Hong Kong. The Target Company is engaged in the business of provision of medical and related services including medical scheme management. The Target Company has a wholly-owned subsidiary, West Atlantic Limited, which is dormant.

2. Summary of significant accounting policies

a) Statement of compliance:

The Financial Information set out in this report has been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes Hong Kong Accounting Standards and related interpretations, issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). Further details of the significant accounting policies adopted are set out below.

The HKICPA has issued a number of new and revised HKFRSs. For the purpose of preparing this Financial Information, the Target Group has adopted all these new and revised HKFRSs to the Relevant Periods, except for any new standards or amendments that are effective for the accounting periods beginning on or after 1 June 2014. The new and revised accounting standards and amendments issued but not yet effective for the accounting periods beginning on or after 1 June 2014 are set out in note 26.

This Financial Information also complies with the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The accounting policies set out below have been applied consistently to all periods presented in the Financial Information.

The Corresponding Financial Information for the five months ended 31 May 2013 has been prepared in accordance with the same basis and accounting policies adopted in respect of the Financial Information.

b) Basis of measurement:

The Financial Information is presented in Hong Kong dollars. It is prepared on the historical cost convention.

c) Use of estimates and judgements:

The preparation of Financial Information in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise their judgement in the process of applying the Target Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Financial Information are disclosed in Note 24.

d) Consolidation:

Subsidiaries are all entities controlled by the Target Group. The Target Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Target Group has power, only substantive rights (held by the Target Group and other parties) are considered.

Subsidiaries are fully consolidated from the date on which control is transferred to the Target Group. They are de-consolidated from the date that control ceases. All significant intra-group transactions, balances, income and expenses are eliminated on consolidation.

All the Target Group companies have 31 December as their year end. Financial Information is prepared using uniform accounting policies for like transactions. Accounting policies of subsidiary have been changed where necessary to ensure consistency with the policies adopted by the Target Group.

Changes in the Target Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no gain or loss is recognised.

When the Target Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in the consolidated statements of comprehensive income. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture.

Investment in a subsidiary is accounted for in the Target Company's statements of financial position at cost less any impairment loss. The result of a subsidiary is accounted for by the Target Company on the basis of dividend received and receivable.

e) Segment reporting:

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive director.

f) Property, plant and equipment:

Property, plant and equipment are stated at historical cost less accumulated depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Target Group and the cost of the item can be measured reliably. All other repairs and maintenance are recognised in the consolidated statements of comprehensive income during the Relevant Periods in which they are incurred.

Depreciation is calculated to write off the cost of property, plant and equipment, less their estimated residual value, if any, on the straight-line basis over their estimated useful lives as follows:

Leasehold improvements	Shorter of the lease terms or 7 years
Furniture and fixtures	7 years
Office equipment	5 years
Medical equipment	3 to 7 years
Computer equipment	3 to 5 years

The gain or loss on disposal or retirement of an item of property, plant and equipment less their estimated residual value, if any, recognised in the consolidated statements of comprehensive income, is the difference between the net sales proceeds and the carrying amount of the relevant asset.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gain and losses on disposals are determined by comparing proceeds with carrying amount and are included in the consolidated statements of comprehensive income.

g) Available-for-sale financial assets:

Available-for-sale financial assets are non-derivates that are either designated or not classified as any of the other categories.

Available-for-sale financial assets are stated at fair value, except for those equity securities that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, when they are measured at cost less any accumulated impairment losses.

In respect of available-for-sale financial assets carried at fair value, the gains or losses arising from changes in the fair value of an investment are dealt with as movements in the investment revaluation reserve, until the investment is sold, collected, or otherwise disposed of, or until the investment is determined to be impaired, when the cumulative gain or loss derived from the investment recognised in the investment revaluation reserve, together with the amount of any further impairment, is recognised in the consolidated statements of comprehensive income in the period in which the impairment arises.

In respect of available-for-sale financial assets carried at cost less any accumulated impairment losses, when there is objective evidence that an impairment loss has been incurred on an investment, the carrying amount of the investment should be reduced to the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset and the amount of the impairment is recognised in the consolidated statements of comprehensive income in the period in which it is arises.

h) Inventories:

Inventories are carried at the lower of cost and net realisable value. Cost is calculated on a first-in, first-out basis and comprises costs of purchase. Net realisable value is the estimated selling price in the ordinary course of business less the estimated cost necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenues are recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

i) Receivables:

Receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment except the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less any impairment losses. A provision for impairment of receivables is established when there is objective evidence that the Target Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the consolidated statements of comprehensive income.

j) Cash and cash equivalents:

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash in hand, demand deposits, and short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

k) Payables:

Payables are initially measured at fair value and, after initial recognition, at amortised cost, except for short-term payables with no stated interest rate and the effect of discounting being immaterial, that are measured at their original invoice amount.

l) Taxation:

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current and deferred tax are recognised in the consolidated statements of comprehensive income, except it relates to items that are recognised in other comprehensive income or directly in equity, in which cases the current and deferred tax are also recognised in other comprehensive income or directly in equity, respectively.

The current tax currently payable is based on the taxable profit for the year. Taxable profit differs from accounting profit because it excludes items of income or expense that are taxable or deductible in other periods and it further excludes items that are never taxable or deductible. The Target Group's liability for current tax is calculated using tax rates that are enacted or substantively enacted by the end of the reporting period.

Deferred tax is the tax expected to be payable or recoverable on temporary differences between the carrying amount of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantially enacted by the end of the reporting period.

m) Foreign currency transaction:

i) Functional and presentation currency

Items included in the financial statements of each of the Target Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The Financial Information are presented in Hong Kong dollars, which is the Target Company's functional and the Target Group's presentation currency.

ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year/period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statements of comprehensive income.

n) Operating lease:

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are recognised in the consolidated statements of comprehensive income on a straight-line basis over the period of the lease.

o) Revenue recognition:

i) Medical consultancy fee income is recognised when the relevant services are rendered.

ii) Contract service fee income is recognised on a time apportionment basis over the terms of the relevant contract.

iii) Sale of medical supplies is recognised when goods are delivered to customer which is taken to be the point in time when the customer has accepted the goods and the related risks and rewards of ownership.

iv) Management fee income and management and accounting service fee income are recognised at the time when the relevant services are rendered.

v) Dividend income from unlisted investments is recognised when the shareholders' rights to receive the payment have been established.

vi) Interest income is recognised as it accrues using the effective interest method.

p) Employee retirement benefits:

The Target Company joins a defined contribution mandatory provident fund retirement benefits scheme (the "MPF scheme") under the Mandatory Provident Fund Schemes Ordinance, for those employees who are eligible to participate in the MPF scheme. Contributions are made based on a percentage of the employees' basic salaries and are recognised in the consolidated statements of comprehensive income as they become payable in accordance with the rules of the MPF scheme. The assets of the MPF scheme are held separately from those of the Target Company in an independently administered fund. The Target Company's employer contributions vest fully with the employees when contributed into the MPF scheme.

q) Related parties:

a) A person, or a close member of that person's family, is related to the Target Group if that person:

i) has control or joint control over the Target Group;

ii) has significant influence over the Target Group; or

iii) is a member of the key management personnel of the Target Group or the Target Group's parent.

b) An entity is related to the Target Group if any of the following conditions applies:

i) the entity and the Target Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

iii) both entities are joint ventures of the same third party.

iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity.

v) the entity is a post-employment benefit plan for the benefit of employees of either the Target Group or an entity related to the Target Group.

vi) the entity is controlled or jointly controlled by a person identified in (a).

vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

3. Turnover

An analysis of the Target Group's turnover for the Relevant Periods is as follows:

	Year ended 31 December			Five months ended 31 May	
	2011	2012	2013	2013	2014
	HK$	*HK$*	*HK$*	*HK$*	*HK$*
				(unaudited)	
Medical consultancy fee income	219,859,207	246,197,458	276,094,909	108,377,454	123,267,043
Contract service fee income	6,684,620	6,095,896	6,417,296	2,667,300	2,158,713
Sales of medical supplies	11,172,052	12,264,910	10,995,509	4,891,077	4,432,135
	237,715,879	264,558,264	293,507,714	115,935,831	129,857,891

4. Segment information

The directors of the Target Company consider that business of the Target Group is organised in one operating segment-provision of medical and related services. Additional disclosure in relation to segment information is not presented as the directors of Target Company assess the performance of the only operating segment identified based on the consistent information as disclosed in the Financial Information.

The total net segment income is equivalent to total comprehensive income for the Relevant Periods as shown in the consolidated statements of comprehensive income and the total segment assets and segment liabilities are equivalent to total assets and total liabilities as shown in the consolidated statements of financial position.

i) Information about major customers

Revenue from major customers, each of whom contributed to 10% or more of the total revenue of the Target Group, is as follows:

	Year ended 31 December			Five months ended 31 May	
	2011	**2012**	**2013**	**2013**	**2014**
	HK$	*HK$*	*HK$*	*HK$*	*HK$*
				(unaudited)	
Customer A	58,013,566	62,646,466	70,447,328	27,696,265	31,770,931
Customer B	41,346,284	38,779,063	N/A[1]	N/A[1]	N/A[1]
Customer C	N/A[1]	N/A[1]	52,234,266	20,554,995	24,299,901

[1] *The corresponding revenue did not contribute over 10% of the total revenue of the Target Group.*

ii) Geographical segment information

The Target Group's operations, assets and all of the customers are located in the Hong Kong. Accordingly, no geographical analysis of revenue, non-current assets and customers is presented.

5. Other income and gains

	Year ended 31 December			Five months ended 31 May	
	2011	**2012**	**2013**	**2013**	**2014**
	HK$	*HK$*	*HK$*	*HK$*	*HK$*
				(unaudited)	
Dividend income from unlisted equity securities	–	50,000	–	–	50,000
Management fee income	1,496,286	1,194,465	36,000	–	–
Management and accounting service fee income	596,590	561,390	659,000	257,200	287,680
Bad debts recovery	2,106	2,689	560	420	930
Reversal of impairment losses on trade receivables	7,665	28,706	–	–	–
Exchange gain	6	–	77	51	12
Interest income	233	249	356	126	115
Miscellaneous	49,073	52,820	114,800	27,000	27,000
	2,151,959	1,890,319	810,793	284,797	365,737

6. Loss before taxation

Loss before taxation is arrived after charging:

	Year ended 31 December			Five months ended 31 May	
	2011	2012	2013	2013	2014
	HK$	*HK$*	*HK$*	*HK$*	*HK$*
				(unaudited)	
Auditors' remuneration	92,000	96,500	101,000	42,500	45,000
Contribution to Mandatory Provident Fund	1,023,062	1,070,599	1,175,726	491,709	470,813
Operating lease rental on land and buildings	5,652,924	5,690,184	6,708,234	2,531,050	3,040,120
Trade debts written off	19,904	48,042	30,923	6,502	110
Impairment losses on trade receivables	–	–	27,035	7,739	80,571
Property, plant and equipment written off	3,467	24,270	–	–	2,832

7. Income tax expense

a) No provision for Hong Kong profits tax has been made as the Target Group sustained a loss for tax purpose for the years ended 31 December 2011 and 2012 and the available tax losses brought forward from prior years exceed the estimated assessable profits for the year ended 31 December 2013 and the five months ended 31 May 2013 and 2014.

b) The income tax expense can be reconciled to the loss before taxation per statements of comprehensive income as follows:

	Year ended 31 December			Five months ended 31 May	
	2011	**2012**	**2013**	**2013**	**2014**
	HK$	*HK$*	*HK$*	*HK$* (unaudited)	*HK$*
Loss before taxation	(3,000)	(600)	(250)	–	–
Tax calculated at statutory income tax rate at 16.5%	(495)	(99)	(41)	–	–
Tax effect of non-taxable income	(38)	(8,291)	(48)	(21)	(8,268)
Tax effect of non-deductible expenses	495	99	41	–	–
Tax effect of unrecognised temporary differences	(168,754)	(7,564)	15,360	22,798	26,273
Tax effect of unrecognised tax losses	168,792	15,855	–	–	–
Tax effect of utilisation of tax losses previously not recognised	–	–	(15,312)	(22,777)	(18,005)
Income tax expense	–	–	–	–	–

c) Details of the unrecognised deferred tax assets at 31 December 2011, 2012, 2013 and 31 May 2014 are as follows:

	At 31 December			At 31 May
	2011	**2012**	**2013**	**2014**
	HK$	*HK$*	*HK$*	*HK$*
Unrelieved tax losses	712,664	728,520	713,208	695,203
Other temporary differences	7,097	2,361	6,822	20,116
Accelerated depreciation allowances	(227,175)	(230,003)	(219,104)	(206,125)
Unrecognised deferred tax assets	492,586	500,878	500,926	509,194

The above deferred tax assets have not been recognised due to the unpredictability of future profits streams. The tax losses do not expire under current tax legislation.

8. Earnings/(loss) per share

No earnings/(loss) per share information is presented as its inclusion, for the purpose of this report, is not considered meaningful.

9. Directors' emoluments and employees' emoluments

a) Details of directors' remuneration are set out as follows:

	Fees	Salaries and other benefits	Bonuses *(note)*	Contributions to retirement scheme	Total
	HK$	*HK$*	*HK$*	*HK$*	*HK$*
Year ended 31 December 2011					
Dr. Ballantie Alistair Nigel Stuart	–	2,777,883	5,233,821	6,000	8,017,704
Ms. Brooks Jane Anne	–	–	–	–	–
Dr. Otremba Francis Martin	–	2,758,259	5,230,243	12,000	8,000,502
Dr. Scriven Nicholas Edward	–	2,710,159	5,221,476	12,000	7,943,635
	–	8,246,301	15,685,540	30,000	23,961,841
Year ended 31 December 2012					
Dr. Ballantie Alistair Nigel Stuart	–	2,915,803	6,558,865	–	9,474,668
Ms. Brooks Jane Anne	–	–	–	–	–
Dr. Otremba Francis Martin	–	2,915,803	6,558,865	13,750	9,488,418
Dr. Scriven Nicholas Edward	–	2,831,731	6,544,349	13,750	9,389,830
	–	8,663,337	19,662,079	27,500	28,352,916

	Fees	Salaries and other benefits	Bonuses (note)	Contributions to retirement scheme	Total
	HK$	HK$	HK$	HK$	HK$
Year ended 31 December 2013					
Dr. Ballantie Alistair Nigel Stuart	–	3,269,580	8,098,155	–	11,367,735
Ms. Brooks Jane Anne	–	–	–	–	–
Dr. Otremba Francis Martin	–	3,332,826	8,108,178	15,000	11,456,004
Dr. Scriven Nicholas Edward	–	3,172,578	8,082,780	15,000	11,270,358
	–	9,774,984	24,289,113	30,000	34,094,097
Period ended 31 May 2014					
Dr. Ballantie Alistair Nigel Stuart	–	1,363,804	3,560,047	–	4,923,851
Ms. Brooks Jane Anne	–	–	–	–	–
Dr. Otremba Francis Martin	–	1,363,803	3,560,046	6,250	4,930,099
Dr. Scriven Nicholas Edward	–	1,363,803	3,560,046	6,250	4,930,099
	–	4,091,410	10,680,139	12,500	14,784,049
Period ended 31 May 2013 (Unaudited)					
Dr. Ballantie Alistair Nigel Stuart	–	1,358,364	3,066,925	–	4,425,289
Ms. Brooks Jane Anne	–	–	–	–	–
Dr. Otremba Francis Martin	–	1,358,363	3,066,924	6,250	4,431,537
Dr. Scriven Nicholas Edward	–	1,358,363	3,066,924	6,250	4,431,537
	–	4,075,090	9,200,773	12,500	13,288,363

There was no arrangement under which a director waived or agreed to waive any remuneration during the Relevant Periods.

Note: Bonuses included discretionary bonuses and performance related bonuses.

b) Emoluments of the five highest paid individuals (including directors and other employees) paid by the Target Group during the Relevant Periods were as follows:

	Year ended 31 December			Five months ended 31 May	
	2011	**2012**	**2013**	**2013**	**2014**
	(Number of individuals)	*(Number of individuals)*	*(Number of individuals)*	*(Number of individuals)* (unaudited)	*(Number of individuals)*
Directors	3	3	3	3	3
Non-directors	2	2	2	2	2
5 highest paid individuals	5	5	5	5	5

	Year ended 31 December			Five months ended 31 May	
	2011	**2012**	**2013**	**2013**	**2014**
	HK$	*HK$*	*HK$*	*HK$* (unaudited)	*HK$*
Directors	23,961,841	28,352,916	34,094,097	13,288,363	14,784,049
Non-directors	5,803,009	5,563,329	6,042,032	2,447,197	2,701,793
	29,764,850	33,916,245	40,136,129	15,735,560	17,485,842

Details of the remuneration of the above non-directors, highest paid individuals during the Relevant Periods were as follows:

	Year ended 31 December			Five months ended 31 May	
	2011	**2012**	**2013**	**2013**	**2014**
	HK$	*HK$*	*HK$*	*HK$* (unaudited)	*HK$*
Salaries and other benefits	1,202,026	1,179,629	1,184,855	490,000	490,000
Bonuses	4,578,983	4,354,950	4,827,177	1,944,697	2,199,293
Contributions to retirement benefits scheme	22,000	28,750	30,000	12,500	12,500
	5,803,009	5,563,329	6,042,032	2,447,197	2,701,793

The emoluments of each of the above non-directors, highest paid individuals were within the following bands:

	Year ended 31 December			Five months ended 31 May	
	2011	2012	2013	2013	2014
	(Number of individuals)	*(Number of individuals)*	*(Number of individuals)*	*(Number of individuals)* (unaudited)	*(Number of individuals)*
Nil to HK$1,000,000	–	–	–	1	–
HK$1,000,001 to HK$2,000,000	–	–	–	1	2
HK$2,000,001 to HK$3,000,000	1	1	1	–	–
HK$3,000,001 to HK$4,000,000	1	1	1	–	–
	2	2	2	2	2

10. Property, plant and equipment

Target Group and Target Company

	Leasehold improvements *HK$*	Furniture and fixtures *HK$*	Office equipment *HK$*	Medical equipment *HK$*	Computer equipment *HK$*	Total *HK$*
Cost						
At 1 January, 2011	3,580,586	343,061	126,289	3,352,044	1,560,339	8,962,319
Additions	17,100	7,704	–	360,240	908,789	1,293,833
Written off/disposals	(2,495,886)	–	(4,200)	(345,000)	(499,446)	(3,344,532)
At 31 December 2011 and 1 January 2012	1,101,800	350,765	122,089	3,367,284	1,969,682	6,911,620
Additions	9,350	22,262	5,700	79,280	397,002	513,594
Written off/disposals	(5,150)	(7,705)	(51,469)	(1,449,161)	(430,554)	(1,944,039)
At 31 December 2012 and 1 January 2013	1,106,000	365,322	76,320	1,997,403	1,936,130	5,481,175
Additions	118,090	10,230	49,320	74,227	608,492	860,359
Written off/disposals	(118,780)	(19,410)	(37,780)	(274,003)	(526,603)	(976,576)
At 31 December 2013 and 1 January 2014	1,105,310	356,142	87,860	1,797,627	2,018,019	5,364,958
Additions	–	–	128,280	65,380	104,480	298,140
Written off/disposals	–	–	(14,980)	–	–	(14,980)
At 31 May 2014	1,105,310	356,142	201,160	1,863,007	2,122,499	5,648,118

	Leasehold improvements *HK$*	Furniture and fixtures *HK$*	Office equipment *HK$*	Medical equipment *HK$*	Computer equipment *HK$*	Total *HK$*
Accumulated depreciation						
At 1 January, 2011	2,445,305	132,442	64,124	1,781,274	842,409	5,265,554
Charge for the year	470,573	50,099	25,757	572,286	520,534	1,639,249
Amount written back	(2,495,886)	–	(4,200)	(341,533)	(499,446)	(3,341,065)
At 31 December 2011 and 1 January 2012	419,992	182,541	85,681	2,012,027	863,497	3,563,738
Charge for the year	253,842	51,257	20,750	510,574	495,712	1,332,135
Amount written back	(5,150)	(6,054)	(51,469)	(1,426,542)	(430,554)	(1,919,769)
At 31 December 2012 and 1 January 2013	668,684	227,744	54,962	1,096,059	928,655	2,976,104
Charge for the year	288,871	51,877	19,022	320,863	558,412	1,239,045
Amount written back	(118,780)	(19,410)	(37,780)	(274,003)	(526,603)	(976,576)
At 31 December 2013 and 1 January 2014	838,775	260,211	36,204	1,142,919	960,464	3,238,573
Charge for the period	119,835	21,374	10,408	139,731	226,500	517,848
Amount written back	–	–	(12,148)	–	–	(12,148)
At 31 May 2014	958,610	281,585	34,464	1,282,650	1,186,964	3,744,273
Net book value						
At 31 May 2014	146,700	74,557	166,696	580,357	935,535	1,903,845
At 31 December 2013	266,535	95,931	51,656	654,708	1,057,555	2,126,385
At 31 December 2012	437,316	137,578	21,358	901,344	1,007,475	2,505,071
At 31 December 2011	681,808	168,224	36,408	1,355,257	1,106,185	3,347,882

11. Interest in a subsidiary – target company

	At 31 December			At 31 May
	2011	2012	2013	2014
	HK$	*HK$*	*HK$*	*HK$*
Unlisted shares, at cost	10,000	10,000	10,000	10,000
Amount due from a subsidiary	167,429	167,429	167,429	167,429
	177,429	177,429	177,429	177,429

The amounts due from a subsidiary at 31 December 2011, 2012, 2013 and 31 May 2014 represented current account balances maintained by the Target Company with the subsidiary. All balances are unsecured, non-interest bearing and have no fixed repayment terms. The directors of the Target Company expect that the subsidiary should not repay the balances within twelve months from the end of each of the reporting period and the balance is therefore classified as non-current.

At 31 December 2011, 2012, 2013 and 31 May 2014, the Target Company has direct equity interest in the following subsidiary:

			Direct equity interest held				
		Issued and fully paid	At 31 December				
Name of subsidiary	Place of incorporation	ordinary share capital	2011	2012	2013	At 31 May 2014	Principal activity
West Atlantic Limited	Hong Kong	HK$10,000	100%	100%	100%	100%	Dormant

West Atlantic Limited was incorporated in Hong Kong on 19 October 2005 with limited liability under the Hong Kong Companies Ordinances. It was dormant during the Relevant Periods.

During the Relevant Periods, no audited financial statements for the subsidiary were prepared due to the dormant status of the subsidiary.

12. Available-for-sale financial assets

Target Group and Target Company

	At 31 December			At 31 May
	2011	**2012**	**2013**	**2014**
	HK$	*HK$*	*HK$*	*HK$*
Unlisted equity securities, at cost	250	250	250	250
School debenture, at cost	–	–	250,000	250,000
	250	250	250,250	250,250

School debenture is non-interest bearing and unsecured.

The unlisted equity securities and school debenture are stated at cost as the management considers that their fair values cannot be measured reliably as there are no quoted prices available.

13. Inventories

Target Group and Target Company

	At 31 December			At 31 May
	2011	**2012**	**2013**	**2014**
	HK$	*HK$*	*HK$*	*HK$*
Medical supplies stated at cost	6,236,566	5,695,788	5,487,332	5,107,822

14. Trade receivables

Target Group and Target Company

	At 31 December			At 31 May
	2011	**2012**	**2013**	**2014**
	HK$	*HK$*	*HK$*	*HK$*
Trade receivables	39,452,789	49,466,128	51,912,718	48,382,075
Less: allowance for doubtful debts *(see note 14(c))*	(43,016)	(14,310)	(41,345)	(121,916)
	39,409,773	49,451,818	51,871,373	48,260,159

a) At 31 December 2011, 2012, 2013 and 31 May 2014, the ageing analysis of trade receivables based on invoice date and net of impairment losses, are as follows:

	At 31 December			At 31 May
	2011	**2012**	**2013**	**2014**
	HK$	*HK$*	*HK$*	*HK$*
0 – 60 days	36,178,344	43,163,679	46,257,530	38,340,276
61 – 90 days	2,045,871	4,699,810	4,196,628	8,371,955
91 – 120 days	628,709	1,146,325	876,018	1,246,556
Over 120 days	556,849	442,004	541,197	301,372
	39,409,773	49,451,818	51,871,373	48,260,159

b) The ageing analysis of trade receivables that are neither individually nor collectively considered to be impaired are as follows:

	At 31 December			At 31 May
	2011	2012	2013	2014
	HK$	*HK$*	*HK$*	*HK$*
Neither past due nor impaired	38,852,924	49,009,814	51,330,176	47,958,787
Less than 1 month past due	460,259	337,515	383,074	23,226
1 to 3 months past due	96,590	104,489	158,123	278,146
	556,849	442,004	541,197	301,372
	39,409,773	49,451,818	51,871,373	48,260,159

The Target Group normally allows its customers a credit period of 120 days.

Receivables that were neither past due nor impaired relate to various hospitals, corporations, insurance companies and patients for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of reputable insurance companies, hospitals and patients. Based on past experience, the management is of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are considered fully recoverable. The Target Group and the Target Company does not hold any collateral over these balances.

c) Impairment of trade receivables:

Impairment losses in respect of trade receivables are recorded using an allowance account unless the management is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade receivables directly.

The movement in the allowance for doubtful debts during the year is as follows:

	At 31 December		
	2011	**2012**	**2013**
	HK$	*HK$*	*HK$*
At 1 January	50,681	43,016	14,310
Reversal of impairment losses	(7,665)	(28,706)	–
Impairment losses recognised	–	–	27,035
At 31 December	43,016	14,310	41,345

	At 31 May 2014
	HK$
At 1 January	41,345
Reversal of impairment losses	–
Impairment losses recognised	80,571
At 31 May	121,916

At 31 December 2011, 2012, 2013 and 31 May 2014, the Target Group's trade receivables of HK$50,517, HK$19,454, HK$82,813 and HK$219,078 respectively, were individually determined to be impaired. The individually impaired receivables related to long outstanding debtors and the management assessed that only a portion of those receivables is expected to be recovered. Consequently, specific allowances for doubtful debts of HK$43,016, HK$14,310, HK$41,315 and HK$121,916 at 31 December 2011, 2012, 2013 and 31 May 2014 were recognised respectively.

15. Other receivables, deposits and prepayments

Target Group and Target Company

	At 31 December			At 31 May
	2011	**2012**	**2013**	**2014**
	HK$	*HK$*	*HK$*	*HK$*
Other receivables	1,571,685	636,313	574,747	423,554
Deposits	2,300,233	3,532,185	3,644,635	3,682,385
	3,871,918	4,168,498	4,219,382	4,105,939
Prepayments	355,860	437,414	384,057	563,956
	4,227,778	4,605,912	4,603,439	4,669,895

At 31 December 2011, 2012, 2013 and 31 May 2014, the amount of deposits is expected to be recovered or recognised as expenses after more than one year was HK$2,218,223, HK$2,140,929, HK$1,799,151 and HK$1,953,062 respectively.

16. Cash and bank balances

Cash at bank earns interest at floating rates based on daily bank deposit rates.

17. Amounts due to related companies

All balances represent trade advances which are unsecured, non-interest bearing and repayable on demand.

18. Amounts due to shareholders

All balances represent trade advances which are unsecured, non-interest bearing and repayable on demand.

19. Trade payables and accrued expenses

Target Group and Target Company

	At 31 December			At 31 May
	2011	**2012**	**2013**	**2014**
	HK$	*HK$*	*HK$*	*HK$*
Trade payables	9,830,504	10,962,271	11,062,857	10,398,535
Accrued expenses	22,047,840	27,271,486	26,747,454	26,929,310
	31,878,344	38,233,757	37,810,311	37,327,845

At 31 December 2011, 2012, 2013 and 31 May 2014, the ageing analysis of trade payables based on invoice date are as follows:

	At 31 December			At 31 May
	2011	**2012**	**2013**	**2014**
	HK$	*HK$*	*HK$*	*HK$*
0 – 60 days	8,492,373	9,762,084	10,111,416	8,870,607
61 – 90 days	1,054,945	689,396	674,467	1,276,939
Over 90 days	283,186	510,791	276,974	250,989
	9,830,504	10,962,271	11,062,857	10,398,535

20. Share capital

Target Company

	At 31 December		
	2011	**2012**	**2013**
	HK$	*HK$*	*HK$*
Authorised:			
1,000 ordinary shares of HK$1 each	1,000	1,000	1,000
Issued and fully paid:			
1,000 ordinary shares of HK$1 each	1,000	1,000	1,000

	At 31 May 2014
	HK$
Issued and fully paid:	
1,000 ordinary shares with no par value	1,000

On 3 March 2014, the new Hong Kong Companies Ordinance Chapter 622 (new CO) came into effect. The new CO abolishes the concept of nominal (par) value, share premium and authorised share capital for all shares of Hong Kong incorporated companies. Any amount received for issuing equity shares of a company should be recorded as share capital. There is no impact on the number of shares in issue or the relative entitlement of any of the shareholders as a result of this transition.

21. Financial instruments by category

	Target Group			*Target Company*		
	Loans and receivables	**Available-for-sale financial assets**	**Total**	**Loans and receivables**	**Available-for-sale financial assets**	**Total**
	HK$	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*
Assets per statement of financial position						
At 31 December 2011						
Available-for-sale financial assets	–	250	250	–	250	250
Amount due from a subsidiary	–	–	–	167,429	–	167,429
Trade receivables	39,409,773	–	39,409,773	39,409,773	–	39,409,773
Other receivables and deposits	3,871,918	–	3,871,918	3,871,918	–	3,871,918
Cash and bank balances	9,594,692	–	9,594,692	9,511,521	–	9,511,521
	52,876,383	250	52,876,633	52,960,641	250	52,960,891
At 31 December 2012						
Available-for-sale financial assets	–	250	250	–	250	250
Amount due from a subsidiary	–	–	–	167,429	–	167,429
Trade receivables	49,451,818	–	49,451,818	49,451,818	–	49,451,818
Other receivables and deposits	4,168,498	–	4,168,498	4,168,498	–	4,168,498
Cash and bank balances	9,403,209	–	9,403,209	9,320,638	–	9,320,638
	63,023,525	250	63,023,775	63,108,383	250	63,108,633

	Target Group			*Target Company*		
	Loans and receivables	**Available-for-sale financial assets**	**Total**	**Loans and receivables**	**Available-for-sale financial assets**	**Total**
	HK$	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*
Assets per statement of financial position						
At 31 December 2013						
Available-for-sale financial assets	–	250,250	250,250	–	250,250	250,250
Amount due from a subsidiary	–	–	–	167,429	–	167,429
Trade receivables	51,871,373	–	51,871,373	51,871,373	–	51,871,373
Other receivables and deposits	4,219,382	–	4,219,382	4,219,382	–	4,219,382
Cash and bank balances	9,354,600	–	9,354,600	9,272,279	–	9,272,279
	65,445,355	250,250	65,695,605	65,530,463	250,250	65,780,713
At 31 May 2014						
Available-for-sale financial assets	–	250,250	250,250	–	250,250	250,250
Amount due from a subsidiary	–	–	–	167,429	–	167,429
Trade receivables	48,260,159	–	48,260,159	48,260,159	–	48,260,159
Other receivables and deposits	4,105,939	–	4,105,939	4,105,939	–	4,105,939
Cash and bank balances	19,615,221	–	19,615,221	19,532,900	–	19,532,900
	71,981,319	250,250	72,231,569	72,066,427	250,250	72,316,677

	Target Group **Liabilities at amortised cost** *HK$*	*Target Company* **Liabilities at amortised cost** *HK$*
Liabilities per statement of financial position		
At 31 December 2011		
Amounts due to related companies	4,649,893	4,649,893
Amounts due to shareholders	8,629,560	8,629,560
Trade payables and accrued expenses	31,878,344	31,878,344
	45,157,797	45,157,797
At 31 December 2012		
Amounts due to related companies	6,648,133	6,648,133
Amounts due to shareholders	12,281,620	12,281,620
Trade payables and accrued expenses	38,233,757	38,233,757
	57,163,510	57,163,510
At 31 December 2013		
Amounts due to related companies	7,626,922	7,626,922
Amounts due to shareholders	14,110,200	14,110,200
Trade payables and accrued expenses	37,810,311	37,810,311
	59,547,433	59,547,433
At 31 May 2014		
Amounts due to related companies	10,286,768	10,286,768
Amounts due to shareholders	18,888,513	18,888,513
Trade payables and accrued expenses	37,327,845	37,327,845
	66,503,126	66,503,126

22. Financial risk management and fair values

Exposure to credit risk, interest rate risk, foreign exchange risk and liquidity risk arises in the normal course of the Target Group's business. The management reviews and agrees policies for managing each of these risks and they are summarised below.

a) Financial risk factors:

i) Credit risk

The management of Target Group will review the recoverable amount of the outstanding balance of each debtor regularly to ensure that adequate impairment losses are recognised for irrecoverable amounts. At 31 December 2011, 2012, 2013 and 31 May 2014, the trade receivables from the five largest customers represented 53%, 47%, 49% and 52% of the total trade receivables respectively, while the largest customer represented 27%, 24%, 27% and 16% of the total trade receivables respectively. Given the credit worthiness and reputation of the major customers, the management believes the risk arising from concentration is manageable and not significant.

The credit risk on liquid funds is limited because the counterparties are reputable banks.

ii) Interest rate risk

The Target Group's interest-bearing financial assets only comprise short-term bank balances. The Target Group has no interest-bearing financial liabilities. Therefore, the Target Group's income and operating cash flows are substantially independent of changes in interest rates.

iii) Foreign exchange risk

The Target Group has no significant foreign exchange risk due to limited foreign currency transactions.

iv) Liquidity risk

Liquidity risk is the risk that funds will not be available to meet liabilities as they fall due, and it results from amount and maturity mismatches of assets and liabilities.

The Target Group's policy is to regularly monitor current and expected requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term. Management believes that there is no significant liquidity risk as the Target Group has sufficient cash to fund their operations.

The following table details the remaining contractual maturities at the balance sheet date of the Target Group's and the Target Company's financial liabilities, which are based on contractual undiscounted cash flows and the earliest date the Target Group and the Target Company can be required to pay:

	Target Group and Target Company		
	Carrying amount	**Total contractual undiscounted cash flows**	**Within 1 year or on demand**
	HK$	*HK$*	*HK$*
At 31 December 2011			
Amounts due to related companies	4,649,893	(4,649,893)	(4,649,893)
Amounts due to shareholders	8,629,560	(8,629,560)	(8,629,560)
Trade payables and accrued expenses	31,878,344	(31,878,344)	(31,878,344)
	45,157,797	(45,157,797)	(45,157,797)
At 31 December 2012			
Amounts due to related companies	6,648,133	(6,648,133)	(6,648,133)
Amounts due to shareholders	12,281,620	(12,281,620)	(12,281,620)
Trade payables and accrued expenses	38,233,757	(38,233,757)	(38,233,757)
	57,163,510	(57,163,510)	(57,163,510)

	Target Group and Target Company		
	Carrying amount	Total contractual undiscounted cash flows	Within 1 year or on demand
	HK$	*HK$*	*HK$*
At 31 December 2013			
Amounts due to related companies	7,626,922	(7,626,922)	(7,626,922)
Amounts due to shareholders	14,110,200	(14,110,200)	(14,110,200)
Trade payables and accrued expenses	37,810,311	(37,810,311)	(37,810,311)
	59,547,433	(59,547,433)	(59,547,433)
At 31 May 2014			
Amounts due to related companies	10,286,768	(10,286,768)	(10,286,768)
Amounts due to shareholders	18,888,513	(18,888,513)	(18,888,513)
Trade payables and accrued expenses	37,327,845	(37,327,845)	(37,327,845)
	66,503,126	(66,503,126)	(66,503,126)

b) Capital risk management:

The Target Group's objectives when managing capital are:

- to safeguard the Target Group's ability to continue as a going concern, so that it continues to provide returns for shareholders;
- to support the Target Group's stability and growth; and
- to provide capital for the purpose of strengthening the Target Group's risk management capability.

The Target Group actively and regularly reviews and manages its capital structure to ensure optimal capital structure and shareholder returns, taking into consideration the future capital requirements of the Target Group and capital efficiency, prevailing and projected profitability, projected operating cash flows, projected capital expenditures and projected strategic investment opportunities.

The Target Group monitors capital by reviewing the level of capital that is at the disposal of the Target Group. Capital comprises all components of equity.

c) Fair values:

At 31 December 2011, 2012, 2013 and 31 May 2014, all of the financial assets and liabilities except for available-for-sale financial assets are carried at amounts not materially different from their fair values because of the immediate or short-term maturities of these assets and liabilities. Available-for-sale financial assets are carried at cost less any accumulated impairment losses because these unlisted investments do not have a quoted market price and whose fair value cannot be reliably measured.

23. Material related party transactions

a) During the Relevant Periods, the Target Company entered into the following material related party transactions in the normal course of business:

	Year ended 31 December			Five months ended 31 May	
	2011	**2012**	**2013**	**2013**	**2014**
	HK$	*HK$*	*HK$*	*HK$*	*HK$*
				(unaudited)	
Management and accounting service fee earned from related companies	499,490	516,790	513,800	200,000	200,000
Net (purchase)/sales of medical supplies (from)/ to related parties	(39,170)	163,136	59,716	27,648	31,028
Management fee paid and payable to a related party	(770,706)	–	–	–	–
Management fee paid and payable to related companies	(7,607,669)	(10,735,325)	(13,491,039)	(5,018,942)	(5,952,020)
Rent paid and payable to a related company	(1,254,420)	(1,291,680)	(1,291,680)	(538,200)	(554,760)

The above-mentioned transactions were entered into on a basis which was determined between the management of Target Group and Target Company and the relevant related companies.

b) Compensation of key management personnel

The Target Group's key management personnel represent the directors of the Target Company, the details of directors emoluments are fully disclosed in note 9(a) above.

c) Details of the balances with a subsidiary, related companies and shareholders are fully disclosed in notes 11, 17 and 18 respectively on the financial information.

d) The Target Company's subsidiary did not enter into any related party transactions during the years ended 31 December 2011, 2012, 2013 and the five months ended 31 May 2014.

24. Critical accounting estimates and judgements

The Target Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

a) Useful lives of property, plant and equipment

The Target Group determines the estimated useful lives of its property, plant and equipment based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. The Target Group will revise the depreciation charges where useful lives are different from previously estimated, or it will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold.

b) Impairment of trade receivables

The ageing analysis of trade debtors is reviewed on a regular basis to ensure that the trade debtor balances are collectible and follow up actions are promptly carried out if the agreed credit periods have been exceeded. However, from time to time, the Target Group may experience delays in collection. Where recoverability of trade debtor balances are called into doubts, specific provisions for bad and doubtful debts are made based on credit status of the customers, the ageing analysis of the trade receivables balances and written off history. Certain receivables may be initially identified as collectable, yet subsequently become uncollectible and result in a subsequent write-off of the related receivable to the consolidated statement of comprehensive income. Changes in the collectability of trade receivables for which provisions are not made may affect the Target Group's results of operations.

25. Commitments and contingency

a) Operating lease commitments

i) The Target Company leases a number of properties under operating leases. The leases typically run for an initial period of two to five years, with an option to renew the lease when all terms are renegotiated. None of the leases includes contingent rentals.

At 31 December 2011, 2012, 2013 and 31 May 2014, the Target Company had total future minimum lease payments under non-cancellable operating leases as follows:

	At 31 December			At 31 May
	2011	**2012**	**2013**	**2014**
	HK$	*HK$*	*HK$*	*HK$*
Within one year	5,690,184	3,400,934	6,287,784	7,195,605
In the second to fifth years, inclusive	3,882,929	1,340,595	6,085,511	6,310,690
	9,573,113	4,741,529	12,373,295	13,506,295

ii) The Target Company's subsidiary did not enter into any leases during the years ended 31 December 2011, 2012, 2013 and the five months ended 31 May 2014.

b) Contingency

There was no material contingency liability at 31 December 2011, 2012, 2013 and 31 May 2014.

26. Possible impact of amendments and new standards issued but not yet effective for the Relevant Periods

Up to the date of issue of this Financial Information, the HKICPA has issued a number of amendments and new standards which are not yet effective for the Relevant Periods and which have not been adopted in the presentation of this Financial Information. These include the following which may be relevant to the Target Group.

Amendments to HKFRSs	Annual improvements to HKFRSs 2010 – 2012 Cycle[3]
Amendments to HKFRSs	Annual improvements to HKFRSs 2011 – 2013 Cycle[1]
Amendments to HKFRS 9 and HKFRS 7	Mandatory effective date of HKFRS 9 and transition disclosures[2]
Amendments to HKFRS 11	Accounting for acquisitions of interests in joint operations[5]
Amendments to HKAS 16 and HKAS 38	Clarification of acceptable methods of depreciation and amortisation[5]
Amendments to HKAS 19	Defined benefit plans: Employee contributions[1]
HKFRS 9	Financial instruments[2]
HKFRS 14	Regulatory deferral accounts[4]
HKFRS 15	Revenue from contracts with customers[6]

1 *Effective for annual periods beginning on or after 1 July 2014.*

2 *Available for application – the mandatory effective date will be determined when the outstanding phases of HKFRS 9 are finalised.*

3 *Effective for annual periods beginning on or after 1 July 2014, with limited exceptions.*

4 *Effective for first annual HKFRS financial statements beginning on or after 1 January 2016.*

5 *Effective for annual periods beginning on or after 1 January 2016.*

6 *Effective for annual periods beginning on or after 1 January 2017.*

The Target Group is in the process of making an assessment of what the impact of these new and amended standards is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Financial Information.

27. Subsequent events

On 12 June 2014, the Target Company entered into the agreement with the Company. Pursuant to the agreement, it has been conditionally agreed that the Company will acquire 94.3% of the issued share capital of the Target Company at a cash consideration of HK$409,288,404.

C. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Target Company and its subsidiary in respect of any period subsequent to 31 May 2014.

Yours faithfully,

Li, Tang, Chen & Co.
Certified Public Accountants (Practising)
Hong Kong

(2) MANAGEMENT DISCUSSION AND ANALYSIS ON THE TARGET GROUP FOR EACH OF THE YEARS ENDED 31 DECEMBER 2011, 2012 AND 2013 AND FOR THE FIVE MONTHS ENDED 31 MAY 2014

Set out below is the management discussion and analysis of the Target Group:

(i) Financial and business performance

The Target Group is principally engaged in provision of primary and specialty healthcare services including hospital admission, as well as the full gamut of insurance-based or employer-sponsored health scheme expenditure management, logistics and related services.

For the years ended 31 December 2011, 2012 and 2013 and the five months ended 31 May 2014, the Target Group's provision of primary and specialty healthcare services achieved a steady growth which was mainly due to the increase in health consciousness, increase in quality of services and brand recognition. The Target Group recorded revenue of approximately HK$237,716,000, HK$264,558,000, HK$293,508,000 and HK$129,858,000 for the years ended 31 December 2011, 2012 and 2013 and the five months ended 31 May 2014, respectively. The revenue of the Target Group for the years ended 31 December 2011, 2012 and 2013 and the five months ended 31 May 2014 had increased by approximately 9.4%, 11.3%, 10.9% and 12.0%, respectively, when compared with the corresponding year/period.

The unaudited Normalised Operating Profits of the Target for the years ended 31 December 2011, 2012 and 2013 and the five months ended 31 May 2014 amounted to approximately HK$22,462,000, HK$28,781,000, HK$36,169,000 and HK$15,957,000, respectively.

(ii) Liquidity, financial resources and capital structure

For the year ended 31 December 2011

The Target Group generally financed its operations through its internal resources generated from its operating activities.

As at 31 December 2011, the Target Group held cash and bank balances of approximately HK$9,595,000 and had no bank borrowings.

For the year ended 31 December 2012

The Target Group generally financed its operations through its internal resources generated from its operating activities.

As at 31 December 2012, the Target Group held cash and bank balances of approximately HK$9,403,000 and had no bank borrowings.

For the year ended 31 December 2013

The Target Group generally financed its operations through its internal resources generated from its operating activities.

As at 31 December 2013, the Target Group held cash and bank balances of approximately HK$9,355,000 and had no bank borrowings.

For the five months ended 31 May 2014

The Target Group generally financed its operations through its internal resources generated from its operating activities.

As at 31 May 2014, the Target Group held cash and bank balances of approximately HK$19,615,000 and had no bank borrowings.

(iii) Financial ratio

For the year ended 31 December 2011

The gearing ratio of the Target Group (defined as total liabilities to total assets) was approximately 82.7%.

Current ratio (defined as total current assets divided by total current liabilities) was 1.14 times.

Quick ratio (defined as total current assets less inventories divided by total current liabilities) was 1.02 times.

For the year ended 31 December 2012

The gearing ratio of the Target Group (defined as total liabilities to total assets) was approximately 84.8%.

Current ratio (defined as total current assets divided by total current liabilities) was 1.14 times.

Quick ratio (defined as total current assets less inventories divided by total current liabilities) was 1.04 times.

For the year ended 31 December 2013

The gearing ratio of the Target Group (defined as total liabilities to total assets) was approximately 85.3%.

Current ratio (defined as total current assets divided by total current liabilities) was 1.13 times.

Quick ratio (defined as total current assets less inventories divided by total current liabilities) was 1.05 times.

For the five months ended 31 May 2014

The gearing ratio of the Target Group (defined as total liabilities to total assets) was approximately 86.4%.

Current ratio (defined as total current assets divided by total current liabilities) was 1.13 times.

Quick ratio (defined as total current assets less inventories divided by total current liabilities) was 1.05 times.

(iv) Material investments, acquisitions or disposals

There was no material acquisitions and disposals of subsidiaries and associated companies of the Target and no significant investments held for the years ended 31 December 2011, 2012 and 2013 and the five months ended 31 May 2014.

(v) Employee and remuneration policy

For the year ended 31 December 2011

As at 31 December 2011, there were 116 staff employed by the Target Group and the total staff costs for the year ended 31 December 2011 amounted to approximately HK$53,532,000. The Target Group remunerates its employees mainly based on industry practices and their respective educational background, experience, performance and seniority. Discretionary bonus will be provided by reference to the Target Group's performance as well as individual's performance. In addition, each employee of the Target Group enjoys mandatory provident fund, medical allowance and other fringe benefits.

For the year ended 31 December 2012

As at 31 December 2012, there were 126 staff employed by the Target Group and the total staff costs for the year ended 31 December 2012 amounted to approximately HK$57,093,000. The Target Group remunerates its employees mainly based on industry practices and their respective educational background, experience, performance and seniority. Discretionary bonus will be provided by reference to the Target Group's performance as well as individual's performance. In addition, each employee of the Target Group enjoys mandatory provident fund, medical allowance and other fringe benefits.

For the year ended 31 December 2013

As at 31 December 2013, there were 130 staff employed by the Target Group and the total staff costs for the year ended 31 December 2013 amounted to approximately HK$64,934,000. The Target Group remunerates its employees mainly based on industry practices and their respective educational background, experience, performance and seniority. Discretionary bonus will be provided by reference to the Target Group's performance as well as individual's performance. In addition, each employee of the Target Group enjoys mandatory provident fund, medical allowance and other fringe benefits.

For the five months ended 31 May 2014

As at 31 May 2014, there were 128 staff employed by the Target Group and the total staff costs for the five months ended 31 May 2014 amounted to approximately HK$28,056,000. The Target Group remunerates its employees mainly based on industry practices and their respective educational background, experience, performance and seniority. Discretionary bonus will be provided by reference to the Target Group's performance as well as individual's performance. In addition, each employee of the Target Group enjoys mandatory provident fund, medical allowance and other fringe benefits.

(vi) Charge on assets

As at 31 December 2011, 2012 and 2013 and 31 May 2014, none of the assets of the Target Group were charged or pledged as security for any banking facilities.

(vii) Future plans for material investments or capital assets

The Target Group had no plans for material investments or capital assets for the twelve months ending 31 May 2015.

(viii) Foreign exchange exposure

Most of the trading transactions, assets and liabilities of the Target Group for the years ended 31 December 2011, 2012 and 2013 and the five months ended 31 May 2014 were denominated in Hong Kong dollars. It is the Target Group's policy for its operating entities to operate in their corresponding local currencies to minimise currency risks. The Target Group had an insignificant exchange risk exposure for the years ended 31 December 2011, 2012 and 2013 and the five months ended 31 May 2014 since the principal businesses were conducted and recorded in Hong Kong dollars.

(ix) Contingent liabilities

As at 31 December 2011, 2012 and 2013 and 31 May 2014, the Target Group had no material contingent liabilities.

1. INTRODUCTION TO THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

The following is an unaudited pro forma statement of assets and liabilities of the Enlarged Group (the "Unaudited Pro Forma Consolidated Statement of Assets and Liabilities") which has been prepared in accordance with paragraph 4.29 of the Listing Rules for the purpose of illustrating the effect of the proposed acquisition of 94.3% equity interest in the Target as if the Acquisition had been completed on 31 December 2013.

The Unaudited Pro Forma Consolidated Statement of Assets and Liabilities is prepared based on (i) the audited consolidated statement of financial position of the Group as at 31 December 2013 which has been extracted from the Company's annual report for the year ended 31 December 2013 dated on 25 March 2014; and (ii) the audited consolidated statement of financial position of the Target Group as at 31 May 2014 as extracted from the accountants' report issued by Li, Tang, Chen & Co. as set out in Appendix II to this circular, after making pro forma adjustments relating to the Acquisition that are (i) directly attributable; and (ii) factually supportable as if the Acquisition had been undertaken as at 31 December 2013.

The Unaudited Pro Forma Consolidated Statement of Assets and Liabilities has been prepared by the directors of the Company based on a number of assumptions, estimates and uncertainties for illustrative purposes only and because of its nature, it may not give a true picture of the financial position of the Enlarged Group. Accordingly, the Unaudited Pro Forma Consolidated Statement of Assets and Liabilities does not purport to describe the financial position of the Enlarged Group that would have been attained had the Acquisition been completed as at 31 December 2013, nor purport to predict the future financial position of the Enlarged Group.

(A) THE UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES

	The Group as at 31 December 2013 (Audited)	The Target Group as at 31 May 2014 (Audited)	Pro forma adjustments		Pro forma adjusted total for the Enlarged Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	Note 1	*Note 2*	*Note 3*	*Note 4*	
Non-current assets					
Investment properties	448,405	–	–	–	448,405
Property, plant and equipment	171,916	1,904	–	–	173,820
Loans receivable	39,428	–	–	–	39,428
Investment costs	–	–	409,288	(409,288)	–
Goodwill	15,121	–	–	155,827	170,948
Other intangible assets	–	–	–	308,890	308,890
Interests in associates	116,658	–	–	–	116,658
Available-for-sale investments	58,417	250	–	–	58,667
	849,945	2,154	409,288	55,429	1,316,816
Current assets					
Inventories	11,552	5,108	–	–	16,660
Trade and other receivables	45,400	52,930	–	–	98,330
Held for trading investments	660,920	–	–	–	660,920
Loans receivable	96,240	–	–	–	96,240
Amounts due from associates	10,228	–	–	–	10,228
Amount due from an investee	1,000	–	–	–	1,000
Amount due from a non-controlling interest	100	–	–	–	100
Tax recoverable	1,089	–	–	–	1,089
Pledged bank deposits	17,794	–	–	–	17,794
Bank balances and cash	201,249	19,615	(409,288)	–	(188,424)
	1,045,572	77,653	(409,288)	–	713,937
Assets classified as held for sale	117,000	–	–	–	117,000
	1,162,572	77,653	(409,288)	–	830,937

	The Group as at 31 December 2013 (Audited)	The Target Group as at 31 May 2014 (Audited)	Pro forma adjustments		Pro forma adjusted total for the Enlarged Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	Note 1	*Note 2*	*Note 3*	*Note 4*	
Current liabilities					
Trade and other payables	57,775	39,773	–	–	97,548
Amount due to an associate	12	–	–	–	12
Amount due to an investee	557	–	–	–	557
Amounts due to non-controlling interests	11,834	–	–	–	11,834
Amounts due to related parties	14	10,287	–	–	10,301
Amounts due to shareholders	–	18,888	–	–	18,888
Bank borrowing	363,772	–	–	–	363,772
Tax payable	82,013	–	–	–	82,013
	515,977	68,948	–	–	584,925
Net current assets	646,595	8,705	(409,288)	–	246,012
Total assets less current liabilities	1,496,540	10,859	–	55,429	1,562,828
Non-current liability					
Deferred tax liabilities	3,063	–	–	50,967	54,030
	1,493,477	10,859	–	4,462	1,508,798

Notes to the Unaudited Pro Forma Consolidated Statement of Assets and Liabilities:

1. The figures are extracted from the consolidated statement of financial position of the Group as at 31 December 2013, as set out in the published annual report of the Company for the year ended 31 December 2013.

2. The figures are extracted from the audited consolidated statement of financial position of the Target Group as at 31 May 2014 as set out in Appendix II to the circular.

3. The adjustment represents the consideration payable for the Acquisition. The cash shortfall shown in this pro forma financial information will be covered by cash proceeds from disposal of held for trading investments.

4. The adjustment reflects the elimination of investment costs, and recognition of goodwill of HK$155,827,000, other intangible assets of HK$308,890,000 and the related deferred tax liabilities of HK$50,967,000 arising from the Acquisition. For the purpose of preparing the Unaudited Pro Forma Consolidated Statement of Assets and Liabilities of the Enlarged Group, the pro forma fair values of the identifiable assets and liabilities (other than goodwill and other intangible assets) of the Target Group as at 31 December 2013 are assumed to be the same as their carrying amounts as at 31 May 2014 as if the Acquisition had been completed as at 31 December 2013. The recognition of pro forma goodwill, pro forma fair value of other intangible assets and non-controlling interests arising on the Acquisition as if the Acquisition had been completed as at 31 December 2013 is as follows:

	HK$'000
Carrying amount of consolidated net assets of the Target Group (as shown in the audited consolidated statement of financial position as at 31 May 2014 of the Target Group as set out in Appendix II to the circular)	10,859
Pro forma fair value of other intangible assets *(note a)*	308,890
Deferred tax liabilities *(note a)*	(50,967)
Pro forma fair value of identifiable assets and liabilities of the Target Group	268,782
Pro forma goodwill arising on the Acquisition:	
Consideration	409,288
Plus: Non-controlling interests *(note b)*	15,321
Less: Pro forma fair value of identifiable net assets acquired	(268,782)
	155,827

(a) The pro forma fair values of other intangible assets as at 31 December 2013, comprising trade name and customer relationship, are estimated based on valuation report issued by Ascent Partners Valuation Service Limited as at 31 May 2014 using Relief from Royalty Method and Excess Earnings Method, respectively, based on expected revenue and expected gross profits provided by the management of the Target. Deferred tax liabilities are recognised using Hong Kong Profits Tax rate of 16.5% accordingly.

(b) The non-controlling interests of the Target Group of HK$15,321,000 is calculated based on their proportionate share of 5.7% in the pro forma fair value of the identifiable net assets of Target Group as at 31 December 2013 of HK$268,782,000 as set out above.

(c) The provisional fair values of the identifiable assets and liabilities (including other intangible assets) of the Target Group will be re-assessed at the actual completion date of the Acquisition, the provisional amounts of goodwill, intangible assets and non-controlling interests to be recognised in connection with the Acquisition at the actual completion date are therefore subject to changes from the pro forma amounts shown above.

(d) For the purpose of the preparation of the unaudited pro forma financial information, no impairment is identified by the Directors on the pro forma amounts of goodwill and other intangible assets as at the assumed date of completion of the Acquisition, including other intangible assets with definite useful life and indefinite useful life, in accordance with HKAS 36 "Impairment of Assets". The Directors confirmed that they will assess impairment of the goodwill and other intangible assets in subsequent reporting periods, based on the discounted cash flow forecast of the cash-generating unit, in accordance with the requirement of HKAS 36.

(e) For the purpose of the preparation of the unaudited pro forma financial information, the transaction cost of the Acquisition is assumed to be minimal.

2. INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION

The following is the text of a report, prepared for the sole purpose of inclusion in this circular, received from the reporting accountant of Town Health International Medical Group Limited, Deloitte Touche Tohmatsu, Certified Public Accountants in respect of the unaudited pro forma financial information.

Deloitte.
德勤

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35/F One Pacific Place
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Hong Kong

INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION

TO THE DIRECTORS OF TOWN HEALTH INTERNATIONAL MEDICAL GROUP LIMITED

We have completed our assurance engagement to report on the compilation of pro forma financial information of Town Health International Medical Group Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The pro forma financial information consists of the pro forma statement of assets and liabilities as at 31 December 2013 and related notes as set out on pages III-1 to III-4 of the circular issued by the Company dated 21 August 2014 (the "Circular"). The applicable criteria on the basis of which the Directors have compiled the pro forma financial information are described on pages III-1 to III-4 of the Circular.

The pro forma financial information has been compiled by the Directors to illustrate the impact of the transaction relating to the proposed acquisition of 94.3% of the issued share capital of Dr. Vio & Partners Limited (the "Target") (the "Acquisition") on the Group's financial position as at 31 December 2013 as if the Acquisition had taken place as at 31 December 2013. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's financial statements for the year ended 31 December 2013, on which an audit report has been published.

Directors' Responsibilities For The Pro Forma Financial Information

The Directors are responsible for compiling the pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Reporting Accountant's Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements ("HKSAE") 3420 Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus issued by the HKICPA. This standard requires that the reporting accountant comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the pro forma financial information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma financial information.

The purpose of pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken as at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction as at 31 December 2013 would have been as presented.

A reasonable assurance engagement to report on whether the pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgement, having regard to the reporting accountant's understanding of the nature of the Group, the event or transaction in respect of which the pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

(a) the pro forma financial information has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
21 August 2014

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

(i) Interests of Directors

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executives of the Company in the Shares, underlying Shares and debentures of the Company or 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 contained in the Listing Rules were as follows:

Long position in the Shares and underlying Shares

Name of Director	Capacity	Number of Shares held	Number of underlying Shares held	Approximate percentage of the total issued share capital of the Company
Cho Kwai Chee	Interest in controlled corporation	1,233,202,615 *(Note 2)*	–	26.90% *(Note 1)*
Chan Wing Lok, Brian	Beneficial owner	2,760,000	–	0.06% *(Note 1)*
Lee Chik Yuet	Beneficial owner	–	5,000,000	0.11% *(Note 1)*
Choi Chee Ming	Interest in controlled corporation	1,233,202,615 *(Note 2)*	–	26.90% *(Note 1)*

Notes:

1. This is based on the total issued Shares of 4,584,688,550 as shown in the relevant notices filed by the Directors.

2. Such Shares were held by Broad Idea International Limited ("**Broad Idea**") which is owned as to 50.1% by Cho Kwai Chee and as to 49.9% by Choi Chee Ming. Accordingly, Cho Kwai Chee and Choi Chee Ming are both deemed to be interested in the 1,233,202,615 Shares held by Broad Idea under Part XV of the SFO. Cho Kwai Chee and Choi Chee Ming are also directors of Broad Idea.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executives of the Company had or was deemed to have any interests and short positions in the Shares, underlying Shares and 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 contained in the Listing Rules.

(ii) Interests of substantial Shareholders

As at the Latest Practicable Date, so far as was known to the Directors, the following parties, other than the Directors or chief executives of the Company, had interests or short positions in the Shares and 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.

Name	Capacity	Number of Shares held	Number of underlying Shares held	Approximate percentage of the total issued share capital of the Company
Broad Idea	Beneficial owner	1,233,202,615 *(Note 2)*	–	26.90% *(Note 1)*

Notes:

1. This is based on the total issued Shares of 4,584,688,550 as shown in the relevant notice filed by the substantial Shareholder.

2. Broad Idea is beneficially owned as to 50.1% by Cho Kwai Chee and as to 49.9% by Choi Chee Ming. They are also directors of Broad Idea.

Save as disclosed above, the Directors were not aware of any party who, as at the Latest Practicable Date, had interests or short positions in the Shares and 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.

3. MATERIAL CONTRACTS

The following contracts (not being contracts in the ordinary course of business of the Enlarged Group) have been entered into by members of the Enlarged Group within two years immediately preceding the Latest Practicable Date which are or may be material:

(a) the deed of release dated 28 August 2012 executed by Broad Giant Limited (a wholly-owned subsidiary of the Company) in favour of Mr. Pang Wai Shing Samson ("**Mr. Pang**") pursuant to which the second mortgage dated 13 April 2012 executed by Mr. Pang and Precise Power Limited in favour of Broad Giant Limited, in relation to the charge of Mr. Pang's property located in Hong Kong to Broad Giant Limited as security for the liabilities and obligations of Precise Power Limited under (i) the subscription agreement dated 28 March 2012 entered into among Precise Power Limited as issuer, Broad Giant Limited and Mr. Chau Kai Man as subscribers, and Mr. Pang and Ms. Cheung Tsz Lam as guarantors and (ii) the loan agreement dated 13 April 2012 entered into between Broad Giant Limited as lender and Precise Power Limited as borrower, was released, further details of the second mortgage are set out in the announcement of the Company dated 28 March 2012;

(b) the agreement dated 7 September 2012 entered into between Town Health Asset Management Limited ("**TH Asset**") (a then non-wholly-owned subsidiary of the Company) and Chemosino International Limited, pursuant to which TH Asset conditionally agreed to acquire and Chemosino International Limited conditionally agreed to sell 100 ordinary shares of US$1.00 each, representing the entire issued share capital of Million Worldwide Investment Limited, at the consideration of HK$195 million, further details of which are set out in the announcement of the Company dated 9 September 2012;

(c) the agreement dated 29 October 2012 entered into between Town Health's Life Limited (a wholly-owned subsidiary of the Company) and Pacific Strong Limited, pursuant to which Town Health's Life Limited sold, and Pacific Strong Limited acquired, 9,250 ordinary shares of HK$1.00 each of Green Health Company Limited, representing its entire issued share capital, and all the debts owed by Green Health Company Limited to Town Health's Life Limited as at 30 November 2012, the date of completion of the aforesaid transaction, at a consideration to be determined in accordance with the said agreement, which would be not less than HK$700,000 and not more than HK$1,100,000;

(d) the agreement dated 5 November 2012 entered into between Fair Jade Group Limited (a wholly-owned subsidiary of the Company) and Cannon Sea Investment Limited, pursuant to which Fair Jade Group Limited acquired and Cannon Sea Investment Limited sold 100 ordinary shares of US$1.00 each of Extrad Assets Limited, representing 50% of its issued share capital, and together with all rights and benefits attaching thereto at the consideration of HK$37,500,000, further details of which are set out in the announcement of the Company dated 5 November 2012;

(e) the shareholders' agreement dated 10 December 2012 entered into between Town Health (BVI) Limited (a wholly-owned subsidiary of the Company) and Chemosino International Limited in relation to their participation and respective shareholdings in TH Asset, further details of which are set out in the circular of the Company dated 28 September 2012;

(f) the provisional agreement for sale and purchase dated 18 January 2013 entered into between Superb Yield Limited (a non wholly-owned subsidiary of the Company) and Starphoneix Investments Limited, pursuant to which Superb Yield Limited agreed to sell and Starphoneix Investments Limited agreed to purchase the premises located at Shop no. 21 on Ground Floor, Grandway Garden, No. 16 Mei Tin Road, and Nos. 15 & 35 Tsuen Nam Road, Shatin, New Territories, at the total consideration of HK$66,800,000, further details of which are set out in the announcement of the Company dated 18 January 2013;

(g) the agreement dated 4 February 2013 entered into between TH Asset (a non wholly-owned subsidiary of the Company) and Plenty Cash Investment Limited, pursuant to which TH Asset agreed to acquire and Plenty Cash Investment Limited agreed to sell two ordinary shares of US$1.00 each of Dragon Oriental Investment Limited, representing its entire issued share capital, and together with all rights and benefits attaching thereto at the consideration of HK$43,000,000, further details of which are set out in the announcement of the Company dated 4 February 2013;

(h) the provisional agreement for sale and purchase dated 15 February 2013 entered into between Ko Shi Wai (Holdings) Company Limited as the vendor and Wealthy Train Limited (a non wholly-owned subsidiary of the Company) as the purchaser in respect of the sale and purchase of the premises of Shop 2 & 3A on G/F of Dang Fat Mansion, 10/16 & 20 Tai Ho Road, 8/12 Dang Fat Street & 7/11 On Wing Street, Tsuen Wan, New Territories ("**Property**") at the consideration of HK$155 million, details of which are set out in the announcement of the Company dated 15 February 2013;

(i) the agreement dated 28 February 2013 entered into between TH Asset (a non wholly-owned subsidiary of the Company) and Power Design Holdings Limited, pursuant to which TH Asset agreed to sell, and Power Design Holdings Limited agreed to purchase, 100 shares of RBI Conglomerate (Holdings) Limited of US$1.00 each, representing 50% of its issued share capital, at the consideration of HK$72,500,000, further details of which are set out in the announcement of the Company dated 28 February 2013;

(j) the agreement dated 28 February 2013 entered into between Shine Legend Limited (a non wholly-owned subsidiary of the Company) and Mr. Yuen Shu Ming, Mr. Fung Man Lam, Mr. Siu Kin Chung and Mr. Mak Hon Shing (collectively, "**TJFL Vendors**"), pursuant to which Shine Legend Limited agreed to purchase, and the TJFL Vendors agreed to sell, 2,000,000 shares of Trans Joy Finance Limited of HK$1.00 each, representing its entire issued share capital, at the consideration of HK$1,890,000;

(k) the formal agreement for sale and purchase dated 5 March 2013 entered into between Ko Shi Wai (Holdings) Company Limited as the vendor and Wealthy Train Limited (a non wholly-owned subsidiary of the Company) as the purchaser in respect of the sale and purchase of the Property;

(l) the subscription agreement dated 26 March 2013 entered into between the Company and Convoy Financial Services Holdings Limited in relation to the subscription of 19,000,000 ordinary shares of HK$0.10 each in the share capital of Convoy Financial Services Holdings Limited at the aggregate subscription price of HK$43,700,000, details of which are set out in the announcement of the Company dated 26 March 2013;

(m) the sale and purchase agreement dated 16 April 2013 ("**Luck Key SPA**") entered into between Town Health (BVI) Limited (a wholly-owned subsidiary of the Company), China Gogreen Assets Investment Limited (currently known as Jun Yang Solar Power Investments Limited) ("**China Gogreen**") and Dr. Fung Yiu Tong, Bennet as the intended vendors, Absolutely Talent Technology Limited as the purchaser, and Computech Holdings Limited (currently known as China Mobile Games and Cultural Investment Limited) as the purchaser's guarantor, in relation to the sale and purchase of the entire issued share capital of Luck Key Investment Limited ("**Luck Key**") and the assignment of the entire sum owing by Luck Key and its subsidiaries to China Gogreen as at the completion of the transactions contemplated under the Luck Key SPA at an aggregate consideration of HK$85,000,000, details of which are set out in the announcement of the Company dated 16 April 2013;

(n) the sale and purchase agreement dated 14 May 2013 entered into between Million Worldwide Investment Limited (a non wholly-owned subsidiary of the Company) as the vendor and Rosy Lane Investments Limited as the purchaser, in relation to the sale and purchase of the entire issued share capital of Achieved Success Company Limited at an aggregate consideration of HK$35,000,000, details of which are set out in the announcement of the Company dated 14 May 2013;

(o) the sale and purchase agreement dated 15 May 2013 entered into between TH Asset (a non wholly-owned subsidiary of the Company) as the vendor and Lucky Famous Limited as the purchaser, in relation to the sale and purchase of the entire issued share capital of Dragon Oriental Investment Limited at the consideration of HK$42,000,000, details of which are set out in the announcement of the Company dated 15 May 2013;

(p) the equity transfer agreement dated 1 July 2013 entered into between Hong Kong Town Health Project Investments Limited (a wholly-owned subsidiary of the Company) as the purchaser and 深圳市平安創新資本投資有限公司 (unofficial English translation being Shenzhen City Ping An Chuang Xin Capital Investment Co., Ltd.) as the vendor, in relation to the sale and purchase of 40% equity interest of 廣州宜康醫療管理有限公司 (unofficial English translation being Guangzhou Yikang Medical Management Co., Ltd.) ("**Yikang**") at the aggregate consideration of RMB99.92 million ("**Yikang Acquisition**"), details of which are set out in the announcement of the Company dated 1 July 2013;

(q) the joint venture contract dated 1 July 2013 entered into between Hong Kong Town Health Project Investments Limited (a wholly-owned subsidiary of the Company), 廣東港康醫院管理有限公司 (Guangdong Townsfolk Hospital Management Co., Ltd.) and 廣州中大控股有限公司 (unofficial English translation being Guangzhou Zhongda Holdings Co., Ltd.) which set out, among other matters, the manner in which the business and affairs of Yikang shall be managed and controlled after completion of the Yikang Acquisition, details of which are set out in the announcement of the Company dated 1 July 2013;

(r) the addendum to the Luck Key SPA dated 19 July 2013 entered into between the parties to the Luck Key SPA in relation to the postponement of the long stop date of the disposal of Luck Key from 31 July 2013 to 30 September 2013, details of which are set out in the announcement of the Company dated 19 July 2013;

(s) the provisional agreement for sale and purchase dated 21 August 2013 entered into between Pherson Limited (a non wholly-owned subsidiary of the Company) as the vendor and Silver Ascot Development Limited as the purchaser in relation to the sale and purchase of the premises located at Shop C on the Ground Floor, Carprio Mansion, No.1 Lai Chi Kok Road, Kowloon at the consideration of HK$54,000,000, details of which are set out in the announcement of the Company dated 21 August 2013;

(t) the sale and purchase agreement dated 27 August 2013 entered into among Town Health Healthcare Services Limited (a wholly-owned subsidiary of the Company) as the purchaser, Rainbow Bright Enterprises Limited as the vendor and Mr. Yuen Siu Wah as the warrantor in relation to the acquisition of 70% interest in Ever Full Harvest Limited at the consideration of HK$21,000,000, details of which are set out in the announcement of the Company dated 27 August 2013;

(u) the provisional agreement for sale and purchase dated 14 September 2013 entered into between Perfect Elite Investments Limited (a non wholly-owned subsidiary of the Company) as the vendor and Happy Vision Investments Limited as the purchaser in relation to the disposal of the office and ancillary areas on 6th Floor, Silver Fortune Plaza, No.1 Wellington Street, Hong Kong at the consideration of HK$72,000,000, details of which are set out in the announcement of the Company dated 14 September 2013;

(v) the agreement dated 12 December 2013 ("**Formal Agreement**") entered into between the Company and 河南金城技工學校 (unofficial English translation being Henan Jincheng Technical School ("**HJTS**")) in relation to the establishment of a fertility specialty hospital which will be engaged in the business of in vitro fertilization and eugenics with other third parties;

(w) the sale and purchase agreement dated 18 February 2014 entered into among Million Worldwide Investment Limited (a non wholly-owned subsidiary of the Company) as the vendor, the Company as the vendor's guarantor, and Active Earn Limited as the purchaser in relation to the disposal of the entire issued share capital of Wealthy Train Limited at the consideration of HK$3,321,615.75, details of which are set out in the announcement of the Company dated 18 February 2014;

(x) the loan assignment agreement dated 18 February 2014 entered into among Million Worldwide Investment Limited (a non wholly-owned subsidiary of the Company) as the vendor, the Company as the vendor's guarantor, and Bonjour Cosmetic Wholesale Center Limited as the purchaser in relation to the disposal of the entire shareholder's loan owing by Wealthy Train Limited to Million Worldwide Investment Limited at the consideration of HK$160,578,384.25, details of which are set out in the announcement of the Company dated 18 February 2014;

(y) the placing agreement dated 27 February 2014 entered into among the Company as the issuer, and Astrum Capital Management Limited and GEO Securities Limited as the placing agents in relation to the issue of 7% per annum notes ("**Notes**") in an aggregate principal amount of up to HK$500,000,000 maturing on the seventh anniversary of the date of the first issue of the Notes at the placing price equal to 100% of the principal amount of the Notes, details of which are set out in the announcement of the Company dated 27 February 2014;

(z) the supplemental agreement to the Formal Agreement dated 14 March 2014 entered into between the Company and HJTS in relation to the formation of a joint venture company in Henan Province of the PRC by Yikang (a non wholly-owned subsidiary of the Company) and HJTS, details of which are set out in the announcement of the Company dated 14 March 2014;

(aa) the investment framework agreement dated 2 June 2014 entered into between Town Health Corporate Advisory and Investments Limited (a wholly-owned subsidiary of the Company) and Mr. Zhou Ling in relation to the proposed provision of certain services by Mr. Zhou Ling regarding the possible acquisition of 51% of the issued share capital and related equity interests of a company (which is to be incorporated in the British Virgin Islands under the re-organisation being undergone by 杭州仁濟醫院投資管理有限公司 (unofficial English translation being Hangzhou Renji Hospital Investment Management Company Limited), 杭州聖康醫院有限公司 (unofficial English translation being Hangzhou Shengkang Hospital Company Limited) and 杭州數科醫療門診部 (unofficial English translation being Hangzhou Shuke Clinics)), by Town Health Corporate Advisory and Investments Limited;

(bb) the cooperation agreement dated 7 July 2014 entered into between the Company and 貴州產業投資（集團）有限責任公司 (unofficial English translation being Guizhou Industry Investment (Group) Co., Ltd.) pursuant to which (i) the Company proposed to acquire, by itself or by a company designated by it, 31% equity interests in 貴州產業投資基金管理有限公司 (unofficial English translation being Guizhou Industry Investment Fund Management Co., Ltd.) by making capital contribution of RMB15.5 million; and (ii) the Company and 貴州產業投資（集團）有限責任公司 agreed to jointly assist 貴州產業投資基金管理有限公司 to establish an investment fund in the PRC with target scale of RMB5 billion, further details of which are set out in the announcement of the Company dated 7 July 2014; and

(cc) the Agreement.

4. 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).

5. EXPERTS AND CONSENTS

The following are the qualifications of the experts who have been named in this circular or have given opinions, letters or advice contained in this circular:

Name	Qualification
Li, Tang, Chen & Co.	Certified Public Accountants, being the reporting accountant for the financial information of the Target Group
Deloitte Touche Tohmatsu	Certified Public Accountants, being the reporting accountant for the unaudited pro forma financial information of the Enlarged Group

Each of Li, Tang, Chen & Co. and Deloitte Touche Tohmatsu has given and has not withdrawn its written consent to the issue of this circular with the inclusion therein of its letter and/or reference to its name, in the form and context in which they appear.

As at the Latest Practicable Date, each of Li, Tang, Chen & Co. and Deloitte Touche Tohmatsu was not beneficially interested in the share capital of any member of the Group nor had any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group, nor did it have any interest, either directly or indirectly, in the assets which have been acquired or disposed of by or leased to any member of the Group since 31 December 2013, being the date to which the latest published audited consolidated financial statements of the Group were made up.

6. LITIGATION

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

7. DIRECTORS' COMPETING INTERESTS

To the best knowledge of the Directors, as at the Latest Practicable Date, none of the Directors or their respective close associates had any interests in a business, which competes or is likely to compete either directly or indirectly with the business of the Group which would be required to be disclosed under Rule 8.10 of the Listing Rules, if the Directors were controlling Shareholders.

8. DIRECTORS' INTERESTS IN CONTRACTS OR ARRANGEMENTS

None of the Directors was materially interested in any contract or arrangement subsisting as at the Latest Practicable Date which is significant in relation to the business of the Enlarged Group, nor had any Director had any direct or indirect interests in any assets which have been acquired or disposed of by or leased to, or are proposed to be acquired or disposed of by or leased to, any member of the Enlarged Group since 31 December 2013, being the date to which the latest published audited consolidated financial statements of the Group were made up.

9. GENERAL

(a) The registered office of the Company is at Canon's Court, 22 Victoria Street, Hamilton HM 12, Bermuda.

(b) The head office and principal place of business of the Company in Hong Kong is at 6th Floor, Town Health Technology Centre, 10-12 Yuen Shun Circuit, Siu Lek Yuen, Shatin, New Territories, Hong Kong.

(c) The company secretary of the Company is Mr. Wong Seung Ming, who 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.

(d) The Company's branch share registrar and transfer office in Hong Kong is Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.

(e) The English text of this circular shall prevail over the Chinese text.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours (Saturdays and public holidays excepted) from 10:00 a.m. to 1:00 p.m. and from 2:00 p.m. to 5:00 p.m. at the office of Messrs. Leung & Lau at Unit 7208-10, 72nd Floor, The Center, 99 Queen's Road C., Central, Hong Kong from the date of this circular up to and including the date of the SGM:

(a) the memorandum of association and the bye-laws of the Company;

(b) the annual reports of the Company for the years ended 31 December 2012 and 2013;

(c) the accountants' report on the Target Group issued by Li, Tang, Chen & Co. as set out in Appendix II to this circular;

(d) the unaudited pro forma financial information of the Enlarged Group issued by Deloitte Touche Tohmatsu as set out in Appendix III to this circular;

(e) the written consents referred to in the section headed "Experts and Consents" in this appendix; and

(f) the material contracts referred to in the section headed "Material Contracts" in this appendix.

Town Health International Medical Group Limited
康健國際醫療集團有限公司

(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 the special general meeting of Town Health International Medical Group Limited ("**Company**") will be held at 9:00 a.m. on Thursday, 25 September 2014 at 1st Floor, Town Health Technology Centre, 10-12 Yuen Shun Circuit, Siu Lek Yuen, Shatin, New Territories, Hong Kong to consider and, if thought fit, pass the following resolution as an ordinary resolution:

ORDINARY RESOLUTION

"**THAT**:

(a) the agreement for sale and purchase dated 12 June 2014 entered into between Dr. BALLANTINE Alistair Nigel Stuart, Dr. OTREMBA Francis Martin, Dr. SCRIVEN Nicholas Edward, Bioventure Holdings Limited and Healthy Treasure Trading Limited as vendors and the Company as purchaser in respect of the Acquisition (as defined in the circular of the Company dated 21 August 2014 ("**Circular**"), a copy of which is marked "A" and signed by the chairman of the meeting for identification purpose has been tabled at the meeting) ("**Agreement**") (a copy of the Agreement is marked "B" and signed by the chairman of the meeting for identification purpose has been tabled at the meeting) be and is hereby approved, confirmed and ratified and the transactions contemplated thereunder be and are hereby approved; and

(b) any one of the directors ("**Directors**") of the Company be and is authorised to do all such acts and things, to sign and execute such documents or agreements or deeds on behalf of the Company and to do such other things and to take all such actions as he/she considers necessary, appropriate, desirable and expedient for the purposes of giving effect to or in connection with the Agreement and all transactions contemplated thereunder, and to agree to such variation, amendments or waiver or matters relating thereto (including any variation, amendments or waiver of such documents or any terms thereof, which are not fundamentally different from those as provided in the Agreement) as are, in the opinion of such Director, in the interests of the Company and its shareholders as a whole."

By order of the Board
Town Health International Medical Group Limited
Lee Chik Yuet
Executive Director

Hong Kong, 21 August 2014

Registered office:
Canon's Court
22 Victoria Street
Hamilton HM 12
Bermuda

Head office and principal place of business in Hong Kong:
6th Floor, Town Health Technology Centre
10-12 Yuen Shun Circuit
Siu Lek Yuen, Shatin
New Territories, Hong Kong

Notes:

(1) A member of the Company entitled to attend and vote at the special general meeting convened by the above notice is entitled to appoint one or more proxy to attend and, subject to the provisions of the bye-laws of the Company, to vote on his/her behalf. A proxy need not be a shareholder of the Company but must be present in person at the special general meeting to represent the shareholder. 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) To be valid, the form of proxy, together with the power of attorney or other authority (if any) under which it is signed (or a notarially certified copy thereof), must be deposited at the office of the Company's branch share registrar and transfer office in Hong Kong, Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than 48 hours before the time appointed for holding the meeting or any adjourned meeting (as the case may be). Completion and return of the form of proxy will not preclude a member of the Company from attending and voting in person at the meeting and/or any adjournment thereof, should he/she so wish.

(3) Completion and return of an instrument appointing a proxy should not preclude a member of the Company from attending and voting in person at the meeting and/or any adjournment thereof and in such event, the instrument appointing a proxy shall be deemed to be revoked.

(4) As required under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, the above resolution will be decided by way of poll.

As at the date of this notice, the executive Directors are Miss Choi Ka Yee, Crystal (Chairperson), Dr. Cho Kwai Chee (Executive Vice Chairman), Dr. Hui Ka Wah, Ronnie, JP (Chief Executive Officer), Mr. Lee Chik Yuet, Dr. Chan Wing Lok, Brian and Mr. Wong Seung Ming (Chief Financial Officer); the non-executive Director is Dr. Choi Chee Ming, GBS, JP (Vice-Chairman) and the independent non-executive Directors are Mr. Chan Kam Chiu, Mr. Ho Kwok Wah, George and Mr. Wai Kwok Hung, SBS, JP.