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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your 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 (the “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.

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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) PROPOSED ISSUE OF NEW SHARES UNDER SPECIFIC MANDATE**
(2) PROPOSED ISSUE OF CONVERTIBLE PREFERENCE SHARES
UNDER SPECIFIC MANDATE
(3) CONNECTED TRANSACTIONS
AND
(4) NOTICE OF SPECIAL GENERAL MEETING

Sole Arranger



**Independent Financial Adviser to the Independent Board Committee
and the Independent Shareholders**



A notice convening the special general meeting of the Company to be held at 9:00 a.m. on Monday, 22 December 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-4 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, and in such event, the instrument appointing a proxy shall be deemed to be revoked.

28 November 2014

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DEFINITIONS

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

“Audited EPS”	for any Relevant Financial Year in respect of the Company, the Company’s basic earnings per Share for such Relevant Financial Year as shown in the published audited financial statements of the Company for such Relevant Financial Year, excluding any revaluation gains or losses recognized in accordance with Hong Kong Financial Reporting Standards in connection with the Convertible Preference Shares and/or any other shares ranking <i>pari passu</i> in all respects with the Convertible Preference Shares, provided that the total number of Convertible Preference Shares and the Conversion Shares issuable upon conversion of the Convertible Preference Shares shall be excluded in the calculation of the Audited EPS
“Board”	the board of Directors
“Business Day”	any day (other than a Saturday, Sunday or public holiday) on which licensed banks in Hong Kong are generally open for business
“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
“connected person(s)”	has the meaning ascribed to it in the Listing Rules
“Conversion Date”	the Business Day immediately following the date of the surrender of the relevant certificate in respect of the Convertible Preference Shares and delivery of the conversion notice therefor accompanied by the relevant documents
“Conversion Price”	the initial conversion price of HK\$1.20 per Conversion Share (subject to adjustment in accordance with the terms of the Convertible Preference Shares)

DEFINITIONS

“Conversion Shares”	up to 374,999,999 new Shares falling to be allotted and issued upon exercise of the conversion rights attaching to the Convertible Preference Shares at the Conversion Price
“Convertible Preference Shareholder(s)”	holder(s) of Convertible Preference Shares from time to time
“Convertible Preference Share(s)”	perpetual non-voting redeemable convertible preference share(s) of HK\$0.01 each in the share capital of the Company to be subscribed by Fubon Life, Fubon Insurance and the Major Shareholder pursuant to the CPS Subscription Agreement
“CPS Subscription”	the proposed subscription for 212,121,212 Convertible Preference Shares by Fubon Life, 79,545,454 Convertible Preference Shares by Fubon Insurance and 83,333,333 Convertible Preference Shares by the Major Shareholder, pursuant to the CPS Subscription Agreement
“CPS Subscription Agreement”	the perpetual non-voting redeemable convertible preference shares subscription agreement dated 31 October 2014 and entered into between the Company, Fubon Life, Fubon Insurance and the Major Shareholder in relation to the CPS Subscription
“CPS Subscription Price” or “Notional Value”	the subscription price of HK\$1.20 per Convertible Preference Share
“Director(s)”	the director(s) of the Company
“Fubon Insurance”	Fubon Insurance Co., Ltd., a company incorporated in Taiwan with limited liability
“Fubon Life”	Fubon Life Insurance Co., Ltd., a company incorporated in Taiwan with limited liability
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

DEFINITIONS

“Independent Board Committee”	the independent board committee comprising all the independent non-executive Directors, i.e. Mr. Chan Kam Chiu, Mr. Ho Kwok Wah, George and Mr. Wai Kwok Hung, <i>SBS, JP</i> , who have no material interest in the Share Subscription Agreement, the CPS Subscription Agreement and the transactions contemplated thereunder, which has been established by the Board to advise the Independent Shareholders in respect thereof
“Independent Financial Adviser” or “AmCap”	Ample Capital Limited, a corporation licensed to carry out type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities as defined under the SFO, being the independent financial adviser appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in relation to the Share Subscription Agreement, the CPS Subscription Agreement and the transactions contemplated thereunder
“Independent Shareholders”	Shareholders other than the Major Shareholder and its associates
“Latest Practicable Date”	25 November 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
“Major Shareholder”	Broad Idea International Limited, a company incorporated in the British Virgin Islands with limited liability
“Memorandum and Bye-laws”	the memorandum of association and bye-laws of the Company as amended from time to time
“PRC”	the People’s Republic of China, excluding Hong Kong, Macau and Taiwan for the purpose of this circular
“Recognised Stock Exchange”	a stock exchange in a member country of the Organisation for Economic Co-operation and Development as may be agreed in writing between the Company, the Subscribers and the Major Shareholder

DEFINITIONS

“Relevant Financial Year”	the financial year immediately preceding the current financial year of the Company from time to time
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (as amended from time to time)
“SGM”	a special general meeting of the Company to be held at 9:00 a.m. on Monday, 22 December 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 Share Subscription Agreement, the CPS Subscription Agreement and the transactions contemplated thereunder, and the grant of the Specific Mandates
“Share Subscription”	the proposed subscription for 259,740,260 Shares by Fubon Life, 97,402,597 Shares by Fubon Insurance and 102,040,816 Shares by the Major Shareholder, pursuant to the Share Subscription Agreement
“Share Subscription Agreement”	the share subscription agreement dated 31 October 2014 and entered into between the Company, Fubon Life, Fubon Insurance and the Major Shareholder in relation to the Share Subscription
“Share Subscription Price”	the subscription price of HK\$0.98 per Subscription Share
“Shareholder(s)”	holder(s) of the Shares
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Specific Mandates”	specific mandates to be sought from the Independent Shareholders at the SGM to allot and issue the Subscription Shares, the Convertible Preference Shares and the Conversion Shares to Fubon Life, Fubon Insurance and the Major Shareholder pursuant to the Share Subscription Agreement and the CPS Subscription Agreement respectively
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

DEFINITIONS

“Subscribers”	Fubon Life and Fubon Insurance
“Subscription Shares”	new Shares to be subscribed by Fubon Life, Fubon Insurance and the Major Shareholder, respectively, pursuant to the Share Subscription Agreement
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.

LETTER FROM THE BOARD



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

28 November 2014

To the Shareholders

Dear Sir or Madam,

**(1) PROPOSED ISSUE OF NEW SHARES UNDER SPECIFIC MANDATE
(2) PROPOSED ISSUE OF CONVERTIBLE PREFERENCE SHARES
UNDER SPECIFIC MANDATE
AND
(3) CONNECTED TRANSACTIONS**

(1) INTRODUCTION

Reference is made to the announcement of the Company dated 31 October 2014 in which the Company announced that on 31 October 2014, the Company entered into the Share Subscription Agreement with Fubon Life, Fubon Insurance and the Major Shareholder pursuant to which (i) Fubon Life has conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue, 259,740,260 Subscription Shares for HK\$254,545,455 in cash; (ii) Fubon Insurance has conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue, 97,402,597 Subscription Shares for HK\$95,454,545 in cash; and (iii) the Major Shareholder has conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue, 102,040,816 Subscription Shares for HK\$100,000,000 in cash, each at the Share Subscription Price of HK\$0.98 per Subscription Share.

LETTER FROM THE BOARD

The Company also announced that, on the same day, the Company entered into the CPS Subscription Agreement with Fubon Life, Fubon Insurance and the Major Shareholder pursuant to which (i) Fubon Life has conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue, 212,121,212 Convertible Preference Shares for HK\$254,545,455 in cash; (ii) Fubon Insurance has conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue, 79,545,454 Convertible Preference Shares for HK\$95,454,545 in cash; and (iii) the Major Shareholder has conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue, 83,333,333 Convertible Preference Shares for HK\$100,000,000 in cash, each at the CPS Subscription Price of HK\$1.20 per Convertible Preference Share.

As at the Latest Practicable Date, the Major Shareholder was interested in 1,233,202,615 Shares, representing approximately 26.51% of the issued share capital of the Company. The Major Shareholder is therefore a connected person of the Company under the Listing Rules and the Share Subscription and the CPS Subscription constitute connected transactions of the Company under the Listing Rules and are subject to the announcement, reporting and independent shareholders' approval requirements thereunder.

Since the Major Shareholder is beneficially owned as to 50.1% by Dr. Cho Kwai Chee, an executive Director, and as to 49.9% by Dr. Choi Chee Ming, *GBS, JP*, a non-executive Director, who are also directors of the Major Shareholder, Dr. Cho Kwai Chee and Dr. Choi Chee Ming, *GBS, JP*, are considered to have a material interest in the Share Subscription and the CPS Subscription and have therefore abstained from voting on the relevant board resolutions of the Company relating to the Share Subscription and the CPS Subscription. Since Miss Choi Ka Yee, Crystal, an executive Director and the chairperson of the Board, is an associate of Dr. Choi Chee Ming, *GBS, JP*, she has also abstained from voting on the relevant board resolutions of the Company relating to the Share Subscription and the CPS Subscription, pursuant to the Memorandum and Bye-laws.

An Independent Board Committee comprising all of the independent non-executive Directors has been formed to advise the Independent Shareholders in respect of the Share Subscription Agreement, the CPS Subscription Agreement and the transactions contemplated thereunder. AmCap has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Share Subscription Agreement, the CPS Subscription Agreement and the transactions contemplated thereunder.

LETTER FROM THE BOARD

The purpose of this circular is to provide you with, among other things, (i) further details of the Share Subscription and the CPS Subscription; (ii) the recommendation of the Independent Board Committee to the Independent Shareholders in relation to the Share Subscription Agreement, the CPS Subscription Agreement and the transactions contemplated thereunder; (iii) the advice of the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Share Subscription Agreement, the CPS Subscription Agreement and the transactions contemplated thereunder; and (iv) the notice of the SGM.

(2) PROPOSED ISSUE OF NEW SHARES UNDER SPECIFIC MANDATE

On 31 October 2014, the Company entered into the Share Subscription Agreement with Fubon Life, Fubon Insurance and the Major Shareholder pursuant to which (i) Fubon Life has conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue, 259,740,260 Subscription Shares for HK\$254,545,455 in cash; (ii) Fubon Insurance has conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue, 97,402,597 Subscription Shares for HK\$95,454,545 in cash; and (iii) the Major Shareholder has conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue, 102,040,816 Subscription Shares for HK\$100,000,000 in cash, each at the Share Subscription Price of HK\$0.98 per Subscription Share.

The principal terms of the Share Subscription Agreement are as follows:

- Date:** 31 October 2014
- Parties:**
- (i) the Company;
 - (ii) Fubon Life;
 - (iii) Fubon Insurance; and
 - (iv) the Major Shareholder.

To the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, each of Fubon Life and Fubon Insurance and their respective ultimate beneficial owner(s) is/are third parties independent of and not connected with the Company and the connected persons of the Company.

As at the Latest Practicable Date, the Major Shareholder was interested in 1,233,202,615 Shares, representing approximately 26.51% of the issued share capital of the Company.

LETTER FROM THE BOARD

Number of Subscription Shares

Pursuant to the Share Subscription Agreement, the Subscribers have conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue, 357,142,857 Subscription Shares in aggregate for HK\$350,000,000 in cash. Further, the Major Shareholder has conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue, 102,040,816 Subscription Shares for HK\$100,000,000 in cash.

The 459,183,673 Subscription Shares represent: (i) approximately 9.87% of the existing issued share capital of the Company as at the Latest Practicable Date; (ii) approximately 8.99% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares; and (iii) approximately 8.37% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares and the Conversion Shares assuming full conversion of the Convertible Preference Shares and no adjustment to the initial Conversion Price. The aggregate nominal value of the Subscription Shares is approximately HK\$4,591,837.

Share Subscription Price

The Share Subscription Price of HK\$0.98 per Subscription Share represents:

- (i) a discount of approximately 18.33% to the closing price of HK\$1.20 per Share as quoted on the Stock Exchange on 30 October 2014, being the last trading day before the date of the Share Subscription Agreement;
- (ii) a discount of approximately 19.93% to the average closing price of approximately HK\$1.224 per Share for the last five consecutive trading days up to and including 30 October 2014, being the last trading day before the date of the Share Subscription Agreement;
- (iii) a discount of approximately 24.03% to the closing price of HK\$1.29 per Share as quoted on the Stock Exchange on 25 November 2014, being the Latest Practicable Date; and
- (iv) a discount of approximately 21.73% to the average closing price of approximately HK\$1.252 per Share for the last five consecutive trading days up to and including 25 November 2014, being the Latest Practicable Date.

The net Share Subscription Price, after deduction of all relevant costs and expenses of approximately HK\$10 million, is estimated to be approximately HK\$0.96 per Subscription Share.

LETTER FROM THE BOARD

The Share Subscription Price was arrived at after arm's length negotiations between the Company, the Subscribers and the Major Shareholder with reference to, amongst others, the recent share price performance and liquidity of the Shares. The Directors (including the independent non-executive Directors) consider that the Share Subscription Price and the terms of the Share Subscription Agreement are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

Ranking of the Subscription Shares

The Subscription Shares, when allotted, issued and fully paid, will rank *pari passu* in all respects among themselves and with the Shares in issue on the date of allotment and issue of the Subscription Shares.

Conditions of the Share Subscription

The Share Subscription is conditional upon:

- (1) the Company having obtained the approval from the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Subscription Shares; and
- (2) the Independent Shareholders having approved, by the passing of an ordinary resolution at the SGM, the proposed allotment and issue of the Subscription Shares by the Company.

The subscription by the Major Shareholder for its portion of the Subscription Shares is conditional upon each Subscriber's subscription for its own portion of the Subscription Shares. The Company shall have no obligation to allot or issue any of the Subscription Shares nor to perform any of its obligations at completion of the Share Subscription unless all of the relevant portions of the Subscription Shares are subscribed by the Subscribers at the Subscription Price at completion of the Share Subscription.

The Share Subscription Agreement and the CPS Subscription Agreement are not inter-conditional. In the event that the conditions precedent of the Share Subscription Agreement shall not have been fulfilled in full at or before 5:00 p.m. on 28 February 2015, the parties shall not be bound to proceed with completion of the Share Subscription and a party may terminate the Share Subscription Agreement by notice to the other parties.

LETTER FROM THE BOARD

Completion of the Share Subscription

Completion of the Share Subscription will take place on the third Business Day after the conditions precedent of the Share Subscription Agreement are fulfilled (or such later date as the Company, the Subscribers and the Major Shareholder may agree in writing).

If completion of the Share Subscription does not take place due to default of any of the Subscribers, the Major Shareholder shall not be entitled to complete the subscription for its relevant portion of the Subscription Shares, and if completion of the Share Subscription does not take place due to default of the Major Shareholder, the Subscribers can jointly elect as to whether to proceed with and complete the subscription for their relevant portions of the Subscription Shares.

Lock-up undertakings

Each of the Subscribers and the Major Shareholder has undertaken in favour of the Company that for the period from the date of the Share Subscription Agreement and ending on the date which is 365 days from the date of completion of the Share Subscription, it shall not, and shall procure that none of its subsidiaries, its holding company, the subsidiaries of its holding company, and their respective nominees and affiliates (whether individually or together and whether directly or indirectly) shall:

- (a) offer, lend, pledge, issue, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, or otherwise transfer or dispose of (either conditionally or unconditionally, or directly or indirectly, or otherwise) any Subscription Shares or any interests therein beneficially owned or held by it or any securities convertible into or exercisable or exchangeable for or substantially similar to any such shares or interests;
- (b) enter into any swap or similar agreement that transfers, in whole or in part, the economic risk of ownership of such shares, whether any such transaction described in (a) above or this paragraph (b) is to be settled by delivery of Shares or Subscription Shares or such other securities, in cash or otherwise; or
- (c) announce any intention to enter into or effect any such transaction described in (a) or (b) above,

unless with the prior written consent of the Company.

LETTER FROM THE BOARD

Specific Mandate to allot and issue the Subscription Shares

The Company will seek the Specific Mandate from the Independent Shareholders at the SGM for the allotment and issue of the Subscription Shares.

Application for listing

Application will be made by the Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Subscription Shares.

(3) PROPOSED ISSUE OF CONVERTIBLE PREFERENCE SHARES UNDER SPECIFIC MANDATE

On 31 October 2014, the Company entered into the CPS Subscription Agreement with Fubon Life, Fubon Insurance and the Major Shareholder pursuant to which (i) Fubon Life has conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue, 212,121,212 Convertible Preference Shares for HK\$254,545,455 in cash; (ii) Fubon Insurance has conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue, 79,545,454 Convertible Preference Shares for HK\$95,454,545 in cash; and (iii) the Major Shareholder has conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue, 83,333,333 Convertible Preference Shares for HK\$100,000,000 in cash, each at the CPS Subscription Price of HK\$1.20 per Convertible Preference Share.

The principal terms of the CPS Subscription Agreement are as follows:

- Date:** 31 October 2014
- Parties:**
- (i) the Company;
 - (ii) Fubon Life;
 - (iii) Fubon Insurance; and
 - (iv) the Major Shareholder.

LETTER FROM THE BOARD

The CPS Subscription

Pursuant to the CPS Subscription Agreement, the Subscribers have conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue, 291,666,666 Convertible Preference Shares in aggregate for HK\$350,000,000 in cash. Further, the Major Shareholder has conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue, 83,333,333 Convertible Preference Shares for HK\$100,000,000 in cash.

Assuming full conversion of the Convertible Preference Shares and no adjustment to the initial Conversion Price, 374,999,999 Conversion Shares will be allotted and issued to the Convertible Preference Shareholders. The 374,999,999 Conversion Shares to be allotted and issued represent: (i) approximately 8.06% of the existing issued share capital of the Company as at the Latest Practicable Date; (ii) approximately 7.46% of the issued share capital of the Company as enlarged by the allotment and issue of the Conversion Shares; and (iii) approximately 6.84% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares and the Conversion Shares.

Conditions of the CPS Subscription

The CPS Subscription is conditional upon:

- (1) the Company having obtained the approval from a Recognised Stock Exchange granting the listing of, and quotation for, the Convertible Preference Shares on such Recognised Stock Exchange;
- (2) the Company having obtained the approval from the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Conversion Shares; and
- (3) the Independent Shareholders having approved, by the passing of a special resolution at the SGM, the proposed creation, allotment and issue of the Convertible Preference Shares and the allotment and issue of the Conversion Shares by the Company.

The subscription by the Major Shareholder for its portion of the Convertible Preference Shares is conditional upon each Subscriber's subscription for its own portion of the Convertible Preference Shares. The Company shall have no obligation to allot or issue any of the Convertible Preference Shares nor to perform any of its obligations at completion of the CPS Subscription unless all of the relevant portions of the Convertible Preference Shares are subscribed by the Subscribers at the CPS Subscription Price at completion of the CPS Subscription.

LETTER FROM THE BOARD

The CPS Subscription Agreement and the Share Subscription Agreement are not inter-conditional. In the event that the conditions precedent of the CPS Subscription Agreement shall not have been fulfilled in full at or before 5:00 p.m. on 31 December 2015, the parties shall not be bound to proceed with completion of the CPS Subscription and a party may terminate the CPS Subscription Agreement by notice to the other parties.

Completion of the CPS Subscription

Completion of the CPS Subscription will take place on the third Business Day after the conditions precedent of the CPS Subscription Agreement are fulfilled (or such later date as the Company, the Subscribers and the Major Shareholder may agree in writing).

If completion of the CPS Subscription does not take place due to default of any of the Subscribers, the Major Shareholder shall not be entitled to complete the subscription for its relevant portion of the Convertible Preference Shares, and if completion of the CPS Subscription does not take place due to default of the Major Shareholder, the Subscribers can jointly elect as to whether to proceed with and complete the subscription for their relevant portions of the Convertible Preference Shares.

Principal terms of the Convertible Preference Shares

Issuer:	the Company
Subscribers:	(i) Fubon Life; (ii) Fubon Insurance; and (iii) the Major Shareholder
Aggregate Subscription Price:	HK\$350,000,000 (the Subscribers) HK\$100,000,000 (the Major Shareholder)

The net CPS Subscription Price, after deduction of all relevant costs and expenses of approximately HK\$10 million, is estimated to be approximately HK\$1.17 per Convertible Preference Share.

LETTER FROM THE BOARD

Liquidation Preference: Upon the occurrence of the liquidation of the Company (but not on conversion or redemption), the Company shall pay to the Convertible Preference Shareholders then outstanding, prior to and in preference of any payments to the Shareholders and all other holders of share capital of the Company an amount equal to the aggregate Notional Value of the Convertible Preference Shares, together with any accrued but unpaid dividend on such Notional Value of the Convertible Preference Shares. The Convertible Preference Shares shall not confer on the holders thereof any further or other right to participate in the assets of the Company.

Ranking: The Company shall not (unless such sanction has been given by the Convertible Preference Shareholders as would be required for a variation of the special rights attaching thereto or unless otherwise provided in the Memorandum and Bye-laws) create or issue any shares ranking as regards order in the participation in the profits of the Company or in the assets of the Company on a winding up or otherwise in priority to the Convertible Preference Shares, but the Company may create or issue, without obtaining the consent of the Convertible Preference Shareholders, shares ranking *pari passu* in all respects (including as to class) with the Convertible Preference Shares and the Shares.

Redemption Date: The Convertible Preference Shares are perpetual securities in respect of which there is no fixed redemption date and the Company shall only have the right to redeem them in accordance with the paragraph headed "Redemption" below.

LETTER FROM THE BOARD

Conversion Period:

The Convertible Preference Shares can be converted, at the option of the Convertible Preference Shareholder, at any time and from time to time commencing from 3:00 p.m. (Hong Kong time) on the Business Day immediately after the date of issue of the Convertible Preference Shares to and up to 4:00 p.m. (Hong Kong time) on the date of all Convertible Preference Shares being converted or redeemed in full provided that any conversion of the Convertible Preference Shares (i) would not result in the Conversion Shares being issued at a price below their nominal value as at the applicable Conversion Date; (ii) does not trigger a mandatory general offer obligation under Rule 26 of the Takeovers Code on the part of the Convertible Preference Shareholder which exercised the conversion right and its party(ies) acting in concert as defined under the Takeovers Code; and (iii) will not cause the Company unable to meet the minimum public float requirement under the Listing Rules.

Dividend:

The Convertible Preference Shareholders shall be entitled, at the discretion of the Board, to receive a fixed preferential dividend (the “**Preferred Dividend**”) payable semi-annually in cash equal to 6% of the Notional Value per Convertible Preference Share per annum for each Convertible Preference Share held by such holder subject to compliance with the Memorandum and Bye-laws and the applicable laws.

LETTER FROM THE BOARD

Conversion Price: HK\$1.20 per Conversion Share. The Conversion Price will be subject to adjustment for, amongst other things, consolidation or subdivision or reclassification of Shares, capitalisation of profits or reserves, capital distribution, rights issues of Shares or options over Shares at less than 80% of the average closing prices of the Shares for the five consecutive trading days ending on the trading day immediately preceding the date of the relevant event (the “**Current Market Price**”), rights issues of other securities, issues of Shares or grant of options, warrants or other rights to subscribe or purchase Shares at less than 80% of the Current Market Price, other issues at less than 80% of the Current Market Price, modification of the rights of conversion so that the consideration per Share is less than 80% of the Current Market Price, and other offers to Shareholders. The Conversion Price may not be reduced so that, on conversion of the Convertible Preference Shares, the Conversion Shares would fall to be issued at a discount to their nominal value or the Conversion Shares will be required to be issued under any other circumstances not permitted by applicable laws.

In the event that there is an adjustment event, the adjustment shall be reviewed by the auditors of the Company who shall confirm the accuracy of the calculations therein.

Conversion Shares: 374,999,999 Conversion Shares (subject to adjustment) will be allotted and issued pursuant to the Specific Mandate to be sought at the SGM assuming the conversion rights attaching to the Convertible Preference Shares are exercised in full at the initial Conversion Price.

LETTER FROM THE BOARD

The number of Conversion Shares to be allotted and issued on each conversion shall be determined by dividing the aggregate Notional Value of the relevant Convertible Preference Shares by the Conversion Price applicable on the Conversion Date provided that no fraction of a Conversion Share arising on conversion shall be allotted and any fractional entitlement shall be paid in cash by a sum equal to such portion of the aggregate Notional Value of the Convertible Preference Shares as corresponds to any fraction of a Conversion Share not issued as a result.

The Conversion Shares, when allotted and issued, will rank *pari passu* in all respects with all Shares in issue at the time of allotment and issue of such Conversion Shares.

Transferability:

The Convertible Preference Shares will be freely transferable, subject to the requirements under the Listing Rules and/or imposed by the Recognised Stock Exchange and/or other applicable securities laws.

Redemption:

The Company (or its nominee at the option of the Company) shall have the right at its sole option (but is not obliged) to redeem any of the Convertible Preference Shares (in full or in part) at an amount equal to the Notional Value of such Convertible Preference Shares to be redeemed, and at the discretion of the Board, together with any accrued but unpaid Preferred Dividend on such Notional Value at any time on or after the first anniversary of the date on which the Convertible Preference Shares were allotted and issued by giving a redemption notice to the Convertible Preference Shareholders not less than five Business Days prior to the date on which the Company expects to redeem such Convertible Preference Shares. No such redemption right may be exercised by the Company unless the volume-weighted average closing price of the Shares for each of the 30 consecutive trading days ending on the trading day which is immediately preceding the date upon which the redemption notice is given, was higher than HK\$2.00.

LETTER FROM THE BOARD

For so long as the Audited EPS of the Company for the Relevant Financial Year is at least HK\$0.04, the Company (or its nominee at the option of the Company) shall have the right at its sole option (but is not obliged) to redeem any of the Convertible Preference Shares (in full or in part) at an amount equal to the Notional Value of such Convertible Preference Shares to be redeemed, and at the discretion of the Board, together with any accrued but unpaid Preferred Dividend on such Notional Value at any time during the period from the date of release of the audited financial statements of the Company for the Relevant Financial Year until the date of release of the audited financial statements of the Company for the financial year immediately following the Relevant Financial Year by giving a redemption notice to the Convertible Preference Shareholders not less than 30 days prior to the date on which the Company expects to redeem such Convertible Preference Shares but in any event prior to the date of release of the audited financial statements of the Company for the financial year immediately following the Relevant Financial Year.

Notwithstanding the aforesaid, a Convertible Preference Shareholder may elect to exercise its conversion right during the period between the date of delivery of the redemption notice and the redemption date and the relevant Conversion Date shall be before such redemption date. In such event, the redemption notice shall be deemed to be revoked.

Listing and trading:

The Convertible Preference Shares will be listed on a Recognised Stock Exchange and the Conversion Shares will be listed on the Stock Exchange.

LETTER FROM THE BOARD

Conversion Price

The Conversion Price of HK\$1.20 represents:

- a) no discount to the closing price of HK\$1.20 per Share as quoted on the Stock Exchange on 30 October 2014, being the last trading day before the date of the CPS Subscription Agreement;
- b) a discount of approximately 1.96% to the average closing price of approximately HK\$1.224 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including 30 October 2014, the last trading day before the date of the CPS Subscription Agreement;
- c) a discount of approximately 6.98% to the closing price of HK\$1.29 per Share as quoted on the Stock Exchange on 25 November 2014, being the Latest Practicable Date; and
- d) a discount of approximately 4.15% to the average closing price of approximately HK\$1.252 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including 25 November 2014, being the Latest Practicable Date.

The Conversion Price was arrived at after arm's length negotiations between the Company, the Subscribers and the Major Shareholder with reference to, amongst others, the recent share price performance and liquidity of the Shares. The Directors (including the independent non-executive Directors) consider that the Conversion Price and the terms of the CPS Subscription Agreement are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

The Conversion Shares

Based on the initial Conversion Price of HK\$1.20 and assuming no changes in the shareholding in the Company from the date of this circular to the completion of the CPS Subscription, the Company will allot and issue 374,999,999 Conversion Shares credited as fully paid upon full conversion of the Convertible Preference Shares. The Conversion Shares represent (i) approximately 8.06% of the existing issued share capital of the Company as at the Latest Practicable Date; (ii) approximately 7.34% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares (assuming no conversion of the Convertible Preference Shares); and (iii) approximately 6.84% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares and the Conversion Shares assuming full conversion of the Convertible Preference Shares.

LETTER FROM THE BOARD

Lock-up undertakings

Each of the Subscribers and the Major Shareholder has undertaken in favour of the Company that for the period from the date of the CPS Subscription Agreement and ending on the date which is 365 days from the date of completion of the CPS Subscription, it shall not, and shall procure that none of its subsidiaries, its holding company, the subsidiaries of its holding company, and their respective nominees and affiliates (whether individually or together and whether directly or indirectly) shall:

- (a) offer, lend, pledge, issue, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, or otherwise transfer or dispose of (either conditionally or unconditionally, or directly or indirectly, or otherwise) any Convertible Preference Shares (including the Conversion Shares issued upon conversion of the Convertible Preference Shares) or any interests therein beneficially owned or held by it or any securities convertible into or exercisable or exchangeable for or substantially similar to any such shares or interests;
- (b) enter into any swap or similar agreement that transfers, in whole or in part, the economic risk of ownership of such shares, whether any such transaction described in (a) above or this paragraph (b) is to be settled by delivery of Shares, Convertible Preference Shares, Conversion Shares or such other securities, in cash or otherwise; or
- (c) announce any intention to enter into or effect any such transaction described in (a) or (b),

unless with the prior written consent of the Company.

Specific Mandate to allot and issue the Convertible Preference Shares and the Conversion Shares

The Company will seek the Specific Mandate from the Independent Shareholders at the SGM for the allotment and issue of the Convertible Preference Shares and the Conversion Shares.

Increase in authorised share capital

In order to facilitate the allotment and issue of the Convertible Preference Shares, the Company will seek the approval from the Independent Shareholders at the SGM to increase the authorised share capital of the Company from HK\$300,000,000 to HK\$303,750,000 by the creation of 375,000,000 Convertible Preference Shares.

LETTER FROM THE BOARD

Application for listing

Application will be made by the Company to a Recognised Stock Exchange for the listing of, and quotation for, the Convertible Preference Shares. An application will be made by the Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares.

INFORMATION ON 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.

INFORMATION ON THE SUBSCRIBERS

Fubon Life is a company incorporated in Taiwan, which is wholly-owned and controlled by Fubon Financial Holding Co., Ltd. Its principal activities include investment, asset management and life insurance products.

Fubon Insurance is a company incorporated in Taiwan, which is wholly-owned and controlled by Fubon Financial Holding Co., Ltd. Its principal activities include investment, asset management and general insurance products.

INFORMATION ON THE MAJOR SHAREHOLDER

The Major Shareholder is a company incorporated in the British Virgin Islands with limited liability and its principal business is investment holding.

REASONS FOR THE SHARE SUBSCRIPTION AND THE CPS SUBSCRIPTION AND USE OF PROCEEDS

As the Group believes that the PRC healthcare market is in the process of opening up and offers numerous investment opportunities with good potential, the Group has been actively seeking investment opportunities in the PRC healthcare market including a potential acquisition of a rehabilitation hospital in the Zhejiang Province and the development of a dental chain. Being one of the leading medical groups in the Hong Kong healthcare industry, the Group has also been striving to develop medical centres in five specialties in Hong Kong, namely ophthalmology, orthopaedics, cosmetic dermatology, in-vitro fertilization subspecialty and general surgery. Further, as the Group develops and acquires more businesses, there is a growing need for the Group to develop a “one-stop, IT O2O platform” to integrate the Group’s growing variety of healthcare and well-being business segments. The Group will need to invest a large amount of funds and resources in such areas.

LETTER FROM THE BOARD

The Subscribers are reputable insurance companies with leading market positions in the insurance industry in Taiwan and have been actively expanding their investment footprints. As the Subscribers are optimistic in the prospects and development of the PRC healthcare market and the development potential of the Group, the Subscribers are willing to invest in the Company as financial investors through the Share Subscription and the CPS Subscription. The Subscribers will not be involved in the management or operation of the businesses of the Group.

To demonstrate the Major Shareholder's commitment to and confidence in the Group and the growth potential in the PRC healthcare market, the Major Shareholder is willing to increase its investment in the Group by investing an aggregate of HK\$200,000,000 to subscribe for more equity securities in the Company. In making their investment decision to invest a sizeable sum of HK\$700,000,000 in the Group at a high price-to-earnings ratio, the Subscribers had sought a strong commitment from the Major Shareholder to participate in the Share Subscription and the CPS Subscription. After arm's length negotiations between the parties, the Major Shareholder has conditionally agreed to subscribe for its portion of the Subscription Shares and the Convertible Preference Shares by entering into the Share Subscription Agreement and the CPS Subscription Agreement respectively. Accordingly, the Subscribers and the Major Shareholder were parties to the same Share Subscription Agreement and the CPS Subscription Agreement so as: (i) to evidence the Major Shareholder's commitment to the Subscribers to support the Share Subscription and the CPS Subscription; and (ii) to reflect the commercial arrangements between the Subscribers and the Major Shareholder. Furthermore, the Major Shareholder is subscribing for the Subscription Shares and the Convertible Preference Shares on the same terms as those of the Subscribers.

With the funding to be provided by the Subscribers and the Major Shareholder pursuant to the Share Subscription and the CPS Subscription, the Group would be able to keep up with its pace of development. In addition, the Directors consider that the Share Subscription and the CPS Subscription will provide prudent means to finance the Group's long term growth which will not only strengthen the Company's capital base but also enhance its financial position without increasing finance costs.

The net proceeds from the Share Subscription and the CPS Subscription of approximately HK\$880 million will be used as to (i) approximately HK\$650 million for acquisition, investment and development of hospitals and medical institutions in the PRC, and medical or healthcare related business in Hong Kong; (ii) approximately HK\$150 million for investment and development of several medical specialty centres in Hong Kong and one dental chain in the PRC; and (iii) approximately HK\$80 million for developing a "one-stop, IT O2O platform" to integrate the Group's growing variety of healthcare and well-being business segments.

In light of the above, the Board considers that the Share Subscription Agreement, the CPS Subscription Agreement and the transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

IMPLICATIONS UNDER THE LISTING RULES

The Major Shareholder was interested in 1,233,202,615 Shares, representing approximately 26.51% of the issued share capital of the Company as at the Latest Practicable Date. The Major Shareholder is therefore a connected person of the Company under the Listing Rules and the Share Subscription and the CPS Subscription constitute connected transactions of the Company under the Listing Rules and are subject to the announcement, reporting and independent shareholders' approval requirements thereunder. The Company will seek the Independent Shareholders' approval for the Share Subscription Agreement, the CPS Subscription Agreement and the transactions contemplated thereunder at the SGM.

Since the Major Shareholder is beneficially owned as to 50.1% by Dr. Cho Kwai Chee, an executive Director, and as to 49.9% by Dr. Choi Chee Ming, *GBS, JP*, a non-executive Director, who are also directors of the Major Shareholder, Dr. Cho Kwai Chee and Dr. Choi Chee Ming, *GBS, JP*, are considered to have a material interest in the Share Subscription and the CPS Subscription and have therefore abstained from voting on the relevant board resolutions of the Company relating to the Share Subscription and the CPS Subscription. Since Miss Choi Ka Yee, Crystal, an executive Director and the chairperson of the Board, is an associate of Dr. Choi Chee Ming, *GBS, JP*, she has also abstained from voting on the relevant board resolutions of the Company relating to the Share Subscription and the CPS Subscription, pursuant to the Memorandum and Bye-laws.

EQUITY FUND RAISING ACTIVITIES IN THE PAST TWELVE-MONTH PERIOD

The Company has not engaged in any equity fund raising activities during the 12 months immediately preceding the Latest Practicable Date.

CHANGES IN SHAREHOLDING STRUCTURE

The following table illustrates the shareholding structure of the Company (i) as at the Latest Practicable Date; (ii) immediately after completion of the Share Subscription (assuming there will not be any change in the issued share capital of the Company from the Latest Practicable Date to the completion of the Share Subscription save for the allotment and issue of the Subscription Shares); and (iii) immediately after completion of the Share Subscription and the CPS Subscription and full conversion of the Convertible Preference Shares at the initial Conversion Price (assuming there will not be any change in the issued share capital of the Company from the Latest Practicable Date to the completion of the Share Subscription and the CPS Subscription save for the allotment and issue of the Subscription Shares, the Convertible Preference Shares and the Conversion Shares).

	As at the Latest Practicable Date		Immediately after completion of the Share Subscription		Immediately after completion of the Share Subscription and the CPS Subscription and assuming full conversion of the Convertible Preference Shares at the initial Conversion Price	
	No. of Shares	%	No. of Shares	%	No. of Shares	%
Major Shareholder ¹	1,233,202,615	26.51	1,335,243,431	26.13	1,418,576,764	25.86
Public shareholders	3,417,985,935	73.49	3,417,985,935	66.88	3,417,985,935	62.31
Fubon Life	-	-	259,740,260	5.08	471,861,472	8.60
Fubon Insurance	-	-	97,402,597	1.91	176,948,051	3.23
Total	4,651,188,550	100.00	5,110,372,223	100.00	5,485,372,222	100.00

*Note*¹: The Major Shareholder is beneficially owned as to 50.1% by Dr. Cho Kwai Chee and as to 49.9% by Dr. Choi Chee Ming, *GBS, JP*, who are also directors of the Major Shareholder.

LETTER FROM THE BOARD

GENERAL

The Independent Board Committee, comprising all the independent non-executive Directors, has been formed to (i) advise the Independent Shareholders as to whether the terms of the Share Subscription Agreement and the CPS Subscription Agreement are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole; and (ii) advise the Independent Shareholders on how to vote in respect of the Share Subscription Agreement, the CPS Subscription Agreement and the transactions contemplated thereunder after taking into account the recommendation of AmCap.

The Board has appointed AmCap as the independent financial adviser to the Independent Board Committee and the Independent Shareholders to give advice in relation to the Share Subscription Agreement, the CPS Subscription Agreement and the transactions contemplated thereunder. The text of the letter from AmCap is set out on pages 28 to 54 of this circular.

SGM

The SGM is to be held at 9:00 a.m. on Monday, 22 December 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-4 of this circular, for the Independent Shareholders to consider and, if thought fit, pass the resolutions to approve (i) the Share Subscription Agreement, the CPS Subscription Agreement and the transactions contemplated thereunder; and (ii) the grant of the Specific Mandates.

In compliance with the Listing Rules, the resolutions will be voted on by way of poll at the SGM.

In accordance with the Listing Rules, the Major Shareholder and its associates (as defined in the Listing Rules) will be required to abstain from voting on the resolutions to approve (i) the Share Subscription Agreement, the CPS Subscription Agreement and the transactions contemplated thereunder; and (ii) the grant of the Specific Mandates, 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, and in such event, the instrument appointing a proxy shall be deemed to be revoked.

LETTER FROM THE BOARD

RECOMMENDATION

Having considered the above-mentioned benefits to the Group, the Directors (including the independent non-executive Directors) consider that the terms of Share Subscription Agreement and the CPS Subscription Agreement are on normal commercial terms and are fair and reasonable and the Share Subscription Agreement, the CPS Subscription Agreement and the transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole.

Accordingly, the Directors (including the independent non-executive Directors) recommend the Independent Shareholders to vote for the resolutions to approve (i) the Share Subscription Agreement, the CPS Subscription Agreement and the transactions contemplated thereunder; and (ii) the grant of the Specific Mandates.

The text of the letter from the Independent Board Committee is set out on page 27 of this circular.

ADDITIONAL INFORMATION

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

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

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



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)

28 November 2014

To the Independent Shareholders

Dear Sir or Madam,

**(1) PROPOSED ISSUE OF NEW SHARES UNDER SPECIFIC MANDATE
(2) PROPOSED ISSUE OF CONVERTIBLE PREFERENCE SHARES
UNDER SPECIFIC MANDATE
AND
(3) CONNECTED TRANSACTIONS**

This Independent Board Committee has been appointed to advise you on the terms of the Share Subscription Agreement and the CPS Subscription Agreement, details of which are set out in the letter from the Board contained in the circular to the Shareholders dated 28 November 2014 (the “**Circular**”) of which this letter forms part. Terms defined in the Circular shall have the same meanings when used in this letter unless the context otherwise requires.

Having considered the terms of the Share Subscription Agreement and the CPS Subscription Agreement and the advice of the Independent Financial Adviser in relation thereto as set out on pages 28 to 54 of the Circular, we are of the opinion that the terms of the Share Subscription Agreement and the CPS Subscription Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned, and the Share Subscription Agreement, the CPS Subscription Agreement and the transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole. We therefore recommend the Independent Shareholders to vote for the resolutions to be proposed at the SGM to approve (i) the Share Subscription Agreement, the CPS Subscription Agreement and the transactions contemplated thereunder; and (ii) the grant of the Specific Mandates.

Yours faithfully,
Independent Board Committee of
Town Health International Medical Group Limited

Chan Kam Chiu

Ho Kwok Wah, George
Independent non-executive Directors

Wai Kwok Hung, SBS, JP

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the full text of the letter of advice from the Independent Financial Adviser in respect of the Share Subscription Agreement and the CPS Subscription Agreement, and is prepared for the purpose of incorporation into this circular.

AmCap

Ample Capital Limited

豐盛融資有限公司

Ample Capital Limited
Unit A, 14th Floor
Two Chinachem Plaza
135 Des Voeux Road Central
Hong Kong

28 November 2014

*To the Independent Board Committee and
the Independent Shareholders of
Town Health International Medical Group Limited*

Dear Sirs,

**(1) PROPOSED ISSUE OF NEW SHARES UNDER SPECIFIC MANDATE
(2) PROPOSED ISSUE OF CONVERTIBLE PREFERENCE SHARES
UNDER SPECIFIC MANDATE
(3) CONNECTED TRANSACTIONS**

INTRODUCTION

We refer to our engagement by the Company to advise the Independent Board Committee and the Independent Shareholders in respect of the Share Subscription and the CPS Subscription, the particulars of which have been set out in a circular to the Shareholders dated 28 November 2014 (the “**Circular**”) and in which this letter is reproduced. Unless the context requires otherwise, terms used in this letter shall have the same meanings as given to them in the Circular.

Ample Capital Limited has been appointed as the independent financial adviser to the Independent Board Committee and the Independent Shareholders to (i) give our recommendation as to whether the terms of the Share Subscription Agreement and the CPS Subscription Agreement are fair and reasonable so far as the Independent Shareholders are concerned and on normal commercial terms; (ii) give our recommendation as to whether the Share Subscription Agreement, the CPS Subscription Agreement and the transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole; and (iii) advise the Independent Shareholders how to vote at the SGM. Details of the reasons for entering into the Share Subscription Agreement and the CPS Subscription Agreement are set out in the section headed “Letter from the Board” in the Circular (the “**Board Letter**”).

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

On 31 October 2014, the Company entered into the Share Subscription Agreement with Fubon Life, Fubon Insurance and the Major Shareholder pursuant to which (i) Fubon Life has conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue, 259,740,260 Subscription Shares for HK\$254,545,455 in cash; (ii) Fubon Insurance has conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue, 97,402,597 Subscription Shares for HK\$95,454,545 in cash; and (iii) the Major Shareholder has conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue, 102,040,816 Subscription Shares for HK\$100,000,000 in cash, each at a Share Subscription Price of HK\$0.98 per Subscription Share.

Furthermore, on 31 October 2014, the Company entered into the CPS Subscription Agreement with Fubon Life, Fubon Insurance and the Major Shareholder pursuant to which (i) Fubon Life has conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue, 212,121,212 Convertible Preference Shares for HK\$254,545,455 in cash; (ii) Fubon Insurance has conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue, 79,545,454 Convertible Preference Shares for HK\$95,454,545 in cash; and (iii) the Major Shareholder has conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue, 83,333,333 Convertible Preference Shares for HK\$100,000,000 in cash, each at the CPS Subscription Price of HK\$1.20 per Convertible Preference Share.

As at the Latest Practicable Date, the Major Shareholder was interested in 1,233,202,615 Shares, representing approximately 26.51% of the issued share capital of the Company. The Major Shareholder is therefore a connected person of the Company under the Listing Rules and the Share Subscription and the CPS Subscription constitute connected transactions of the Company under the Listing Rules and are subject to the announcement, reporting and independent shareholders' approval requirements thereunder.

Since the Major Shareholder is beneficially owned as to 50.1% by Dr. Cho Kwai Chee, an executive Director, and as to 49.9% by Dr. Choi Chee Ming, *GBP, JP*, a non-executive Director, who are also directors of the Major Shareholder, Dr. Cho Kwai Chee and Dr. Choi Chee Ming, *GBP, JP*, are considered to have a material interest in the Share Subscription and the CPS Subscription and have therefore abstained from voting on the relevant board resolutions of the Company relating to the Share Subscription and the CPS Subscription. Since Miss Choi Ka Yee, Crystal, an executive Director and the chairperson of the Board, is an associate of Dr. Choi Chee Ming, *GBS, JP*, she has also abstained from voting on the relevant board resolutions of the Company relating to the Share Subscription and the CPS Subscription, pursuant to the Memorandum and Bye-laws.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

BASIS OF ADVICE

In formulating our opinions and recommendations, we have relied on the information supplied to us by the Company, the opinions expressed by, and the representations of, the Directors and the management of the Company, including those set out in the Circular. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors. We consider that we have been provided with sufficient information on which to form a reasonable basis for our opinion. We have no reason to suspect that any relevant information has been withheld, nor are we aware of any fact or circumstance which would render the information provided and representations made to us untrue, inaccurate or misleading. We consider that we have performed all the necessary steps to enable us to reach an informed view and to justify our reliance on the information provided so as to provide a reasonable basis for our opinion. The Directors have confirmed that, to the best of their knowledge, they believe that no material fact or information has been omitted from the information supplied and that the representations made or opinions expressed have been arrived at after due and careful consideration and there are no other facts or representations, the omission of which would make any statement in the Circular, including this letter, misleading.

While we have taken reasonable steps to satisfy the requirements under the Listing Rules, we have not carried out any independent verification of the information, opinions or representations given or made by or on behalf of the Company, nor have we conducted an independent investigation into the business affairs or assets and liabilities of the Group or any of the other parties involved in the Share Subscription and the CPS Subscription.

In the event of inconsistency, the English text of this letter shall prevail over the Chinese translation of this letter.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

PRINCIPAL FACTORS CONSIDERED

In arriving at our opinion in the Share Subscription and the CPS Subscription, we have taken into consideration the following factors:

1. Background information on 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. Certain summary financial information of the Group as extracted from the Company's interim report for the six months ended 30 June 2014 (the "**Interim Report**"), is set out below.

	Six months ended 30 June	
	2014 HK\$'000 (unaudited)	2013 HK\$'000 (unaudited)
Revenue	191,887	164,694
Profit attributable to owners of the Company	45,157	18,993

	As at	
	30 June 2014 HK\$'000 (unaudited)	31 December 2013 HK\$'000 (audited)
Total assets	1,897,949	2,012,517
Total liabilities	399,902	519,040
Net assets attributable to owners of the Company	1,196,375	1,209,166
Net current asset	799,626	646,595
Bank balances and cash	277,477	201,249

During the six months ended 30 June 2014, the Company recorded unaudited consolidated revenue of approximately HK\$191,887,000, representing an approximately 16.51% increase over the unaudited consolidated revenue of approximately HK\$164,694,000 generated in the six months ended 30 June 2013. Furthermore, the Company recorded unaudited consolidated profit attributable to owners of the Company of approximately HK\$45,157,000 for the six months ended 30 June 2014 compared with an unaudited consolidated profit attributable to owners of the Company of approximately HK\$18,993,000 for the same period in 2013, representing an approximately 137.76% increase. The Interim

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Report attributes such increase to (1) an increase in the revenue for provision of healthcare and dental service business, (2) a reversal of tax provision on unrealised gain in securities trading, (3) a reversal of provision for impairment of certain loans receivable and (4) a fair value gain on held for trading investments. As at 30 June 2014, the Company had unaudited consolidated total assets, total liabilities and net assets attributable to owners of the Company of approximately HK\$1,897,949,000, HK\$399,902,000 and HK\$1,196,375,000, respectively. In addition, the Company had unaudited consolidated net current asset and bank balances and cash of approximately HK\$799,626,000 and HK\$277,477,000, respectively, as at 30 June 2014.

2. Reasons for the Share Subscription and the CPS Subscription and use of proceeds

It is stated in the Board Letter that as the Group believes that the PRC healthcare market is in the process of opening up and offers numerous investment opportunities with good potential, the Group has been actively seeking investment opportunities in the PRC healthcare market including a potential acquisition of a rehabilitation hospital in the Zhejiang Province and the development of a dental chain. Being one of the leading medical groups in the Hong Kong healthcare industry, the Group has also been striving to develop medical centres in five specialties in Hong Kong, namely ophthalmology, orthopaedics, cosmetic dermatology, in-vitro fertilization subspecialty and general surgery. Further, as the Group develops and acquires more businesses, there is a growing need for the Group to develop a “one-stop, IT O2O platform” to integrate the Group’s growing variety of healthcare and well-being business segments. The Group will need to invest large amount of funds and resources in such areas.

The Subscribers are reputable insurance companies with leading market positions in the insurance industry in Taiwan and have been actively expanding their investment footprints. As the Subscribers are optimistic in the prospects and development of the PRC healthcare market and the development potential of the Group, the Subscribers are willing to invest in the Company as financial investors through the Share Subscription and the CPS Subscription. The Subscribers will not be involved in the management or operation of the businesses of the Group.

To demonstrate the Major Shareholder’s commitment to and confidence in the Group and the growth potential in the PRC healthcare market, the Major Shareholder is willing to increase its investment in the Group by investing an aggregate of HK\$200,000,000 to subscribe for more equity securities in the Company. In making their investment decision to invest a sizeable sum of HK\$700,000,000 in the Group at a high price-to-earnings ratio, the Subscribers had sought a strong commitment from the Major Shareholder to participate in the Share Subscription and the CPS Subscription. After arm’s length negotiations between

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

the parties, the Major Shareholder has conditionally agreed to subscribe for its portion of the Subscription Shares and the Convertible Preference Shares by entering into the Share Subscription Agreement and the CPS Subscription Agreement respectively. Accordingly, the Subscribers and the Major Shareholder were parties to the same Share Subscription Agreement and the CPS Subscription Agreement so as: (i) to evidence the Major Shareholder's commitment to the Subscribers to support the Share Subscription and the CPS Subscription; and (ii) to reflect the commercial arrangements between the Subscribers and the Major Shareholder. Furthermore, the Major Shareholder is subscribing for the Subscription Shares and the Convertible Preference Shares on the same terms as those of the Subscribers.

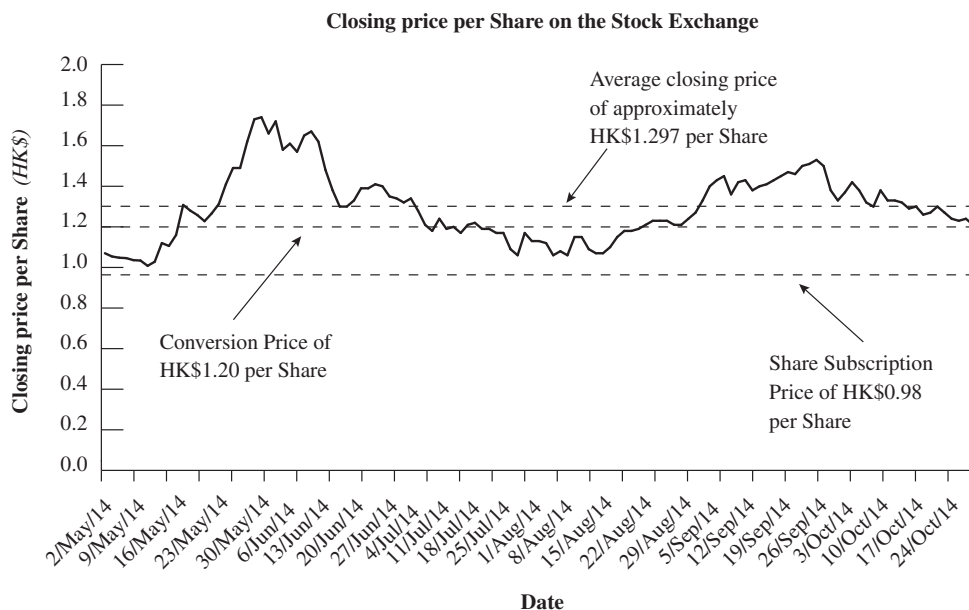
With regards to the Major Shareholder being under the same agreement with the Subscribers for each of the Share Subscription Agreement and the CPS Subscription Agreement, we understand from the Group's management that the Major Shareholder is a party to the Share Subscription and the CPS Subscription so as to demonstrate to the Subscribers its commitment in the Group. Given with the relatively high price-to-earnings ratio ("P/E") of the Company (the implication of which is discussed in section 4.3 of this letter), the Subscribers have requested that the principal terms of the Share Subscription and the CPS Subscription (i.e. the Subscription Price and the Conversion Price), available to the Major Shareholder must be no more favourable than those available to the Subscribers. In the end, it was mutually agreed by the various parties that the same terms are offered to both the Subscribers and the Major Shareholder. Since the Subscribers and the Major Shareholder are subscribing for the Subscription Shares and the Convertible Preference Shares on the same terms as each other, we are of the view that it is natural for the Major Shareholder and the Subscribers to enter into the Share Subscription Agreement and the CPS Subscription Agreement together in their capacities as subscribers. For the purpose of discussion only and on the assumption that the Major Shareholder and the Subscribers had entered into separate agreements for the Share Subscription and the CPS Subscription, we believe that the Subscribers would have an option to terminate the completion of their respective portions of the Share Subscription and the CPS Subscription in the event of non-completion by the Major Shareholder of its relevant portion of the Share Subscription and the CPS Subscription given that the Subscribers' investment had required the commitment of the Major Shareholder. Under such circumstances, the effective end result is similar as if the Major Shareholder and the Subscribers have entered into the same agreement as it is currently since the respective portions of the Share Subscription and the CPS Subscription by the Major Shareholder and the Subscribers are expected to complete or not complete together. In view of the above, we consider the aforementioned arrangements under the Share Subscription Agreement and the CPS Subscription Agreement is fair and reasonable.

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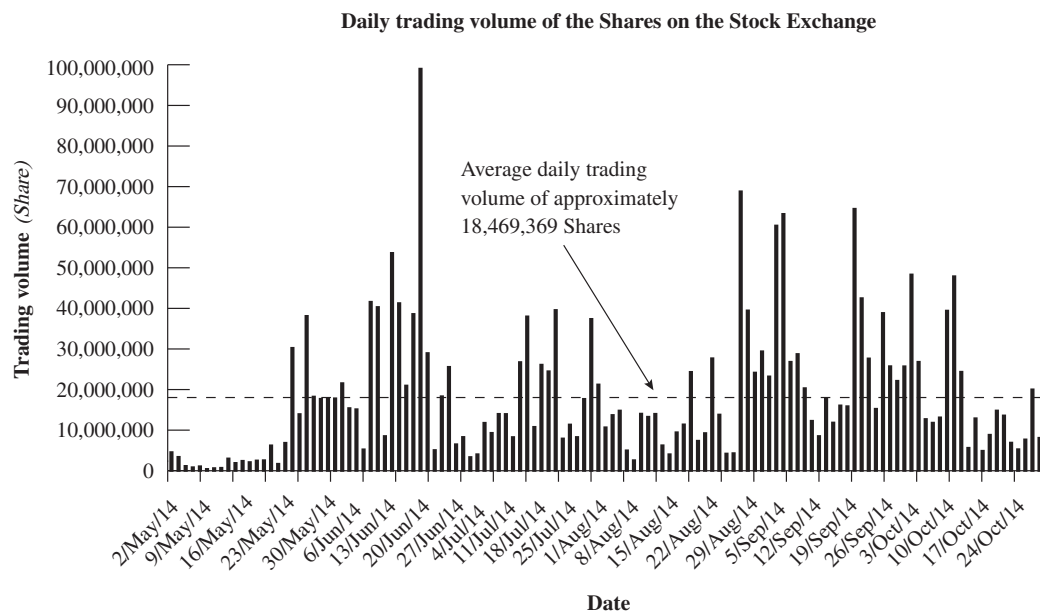
The net proceeds from the Share Subscription and the CPS Subscription of approximately HK\$880 million will be used as to (i) approximately HK\$650 million for acquisition, investment and development of hospitals and medical institutions in the PRC, and medical or healthcare related business in Hong Kong; (ii) approximately HK\$150 million for investment and development of several medical specialty centres in Hong Kong and one dental chain in the PRC; and (iii) approximately HK\$80 million for developing a “one-stop, IT O2O platform” to integrate the Group’s growing variety of healthcare and well-being business segments.

3. Historical closing prices and trading volume of the Shares

Set out below are two charts setting out (i) the closing price of the Shares on the Stock Exchange; and (ii) daily trading volume of the Shares on the Stock Exchange, during the 6-month period ended 30 October 2014 (the “**Review Period**”), being the last trading day before the date of the Share Subscription Agreement and the CPS Subscription Agreement (the “**Last Trading Day**”).



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Source: <http://www.hkex.com.hk/>

As illustrated above, the Shares closed on the Stock Exchange within a range of a low of HK\$1.008 per Share on 13 May 2014 and a high of HK\$1.740 per Share on 5 June 2014 during the Review Period. The average closing price per Share was approximately HK\$1.297 during the Review Period. The Share Subscription Price of HK\$0.98 per Subscription Share represents an approximately 24.44% discount to the aforementioned average closing price while the CPS Subscription Price of HK\$1.20 per Convertible Preference Share represents an approximately 7.48% discount to the aforementioned average closing price.

Also illustrated above is the daily trading volume of the Shares on the Stock Exchange. The average daily trading volume during the Review Period was approximately 18,469,369 Shares, representing approximately 0.40% of the Company's issued share capital of 4,651,188,550 Shares as at the Latest Practicable Date. The trading volume of the Shares on the Stock Exchange appeared to be relatively thin during the Review Period.

4. The Share Subscription Agreement and the CPS Subscription Agreement

4.1 Terms of the Share Subscription Agreement

Date: 31 October 2014

Parties: (i) the Company;
(ii) Fubon Life;
(iii) Fubon Insurance; and
(iv) the Major Shareholder.

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To the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, each of Fubon Life and Fubon Insurance and their respective ultimate beneficial owner(s) is/are third parties independent of and not connected with the Company and the connected persons of the Company.

As at the Latest Practicable Date, the Major Shareholder was interested in 1,233,202,615 Shares, representing approximately 26.51% of the issued share capital of the Company.

Pursuant to the Share Subscription Agreement, the Subscribers have conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue, 357,142,857 Subscription Shares in aggregate for HK\$350,000,000 in cash. Further, the Major Shareholder has conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue, 102,040,816 Subscription Shares for HK\$100,000,000 in cash.

The 459,183,673 Subscription Shares represent: (i) approximately 9.87% of the existing issued share capital of the Company as at the Latest Practicable Date; (ii) approximately 8.99% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares; and (iii) approximately 8.37% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares and the Conversion Shares assuming full conversion of the Convertible Preference Shares and no adjustment to the initial Conversion Price. The aggregate nominal value of the Subscription Shares is approximately HK\$4,591,837.

The Share Subscription Price of HK\$0.98 per Subscription Share represents:

- (i) a discount of approximately 18.33% to the closing price of HK\$1.20 per Share as quoted on the Stock Exchange on 30 October 2014, being the Last Trading Day;
- (ii) a discount of approximately 19.93% to the average closing price of approximately HK\$1.224 per Share for the last five consecutive trading days up to and including 30 October 2014, being the Last Trading Day;
- (iii) a discount of approximately 24.03% to the closing price of HK\$1.29 per Share as quoted on the Stock Exchange on 25 November 2014, being the Latest Practicable Date; and
- (iv) a discount of approximately 21.73% to the average closing price of approximately HK\$1.252 per Share for the last five consecutive trading days up to and including 25 November 2014, being the Latest Practicable Date.

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The net Share Subscription Price, after deduction of all relevant costs and expenses of approximately HK\$10 million, is estimated to be approximately HK\$0.96 per Subscription Share.

The Share Subscription Price was arrived at after arm's length negotiations between the Company, the Subscribers and the Major Shareholder with reference to, amongst others, the recent share price performance and liquidity of the Shares. The Directors (including the independent non-executive Directors) consider that the Share Subscription Price and the terms of the Share Subscription Agreement are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

4.2 Terms of the CPS Subscription Agreement

Date: 31 October 2014

Parties: (i) the Company;
(ii) Fubon Life;
(iii) Fubon Insurance; and
(iv) the Major Shareholder.

Pursuant to the CPS Subscription Agreement, the Subscribers have conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue, 291,666,666 Convertible Preference Shares in aggregate for HK\$350,000,000 in cash. Further, the Major Shareholder has conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue, 83,333,333 Convertible Preference Shares for HK\$100,000,000 in cash.

Assuming full conversion of the Convertible Preference Shares and no adjustment to the initial Conversion Price, 374,999,999 Conversion Shares will be allotted and issued to the Convertible Preference Shareholders. The 374,999,999 Conversion Shares to be allotted and issued represent: (i) approximately 8.06% of the existing issued share capital of the Company as at the Latest Practicable Date; (ii) approximately 7.46% of the issued share capital of the Company as enlarged by the allotment and issue of the Conversion Shares; and (iii) approximately 6.84% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares and the Conversion Shares.

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Selected principal terms of the Convertible Preference Shares as extracted from the Board Letter is set out below:

Issuer:	The Company
Subscribers:	(i) Fubon Life; (ii) Fubon Insurance; and (iii) the Major Shareholder
Aggregate Subscription Price:	HK\$350,000,000 (the Subscribers) HK\$100,000,000 (the Major Shareholder)

The net CPS Subscription Price, after deduction of all relevant costs and expenses of approximately HK\$10 million, is estimated to be approximately HK\$1.17 per Convertible Preference Share.

Dividend:	The Convertible Preference Shareholders shall be entitled, at the discretion of the Board, to receive the Preferred Dividend payable semi-annually in cash equal to 6% of the Notional Value per Convertible Preference Share per annum for each Convertible Preference Share held by such holder subject to compliance with the Memorandum and Bye-laws and the applicable laws.
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Conversion Price: HK\$1.20 per Conversion Share. The Conversion Price will be subject to adjustment for, amongst other things, consolidation or subdivision or reclassification of Shares, capitalization of profits or reserves, capital distribution, rights issues of Shares or options over Shares at less than 80% of the Current Market Price, rights issues of other securities, issues of Shares or grant of options, warrants or other rights to subscribe or purchase Shares at less than 80% of the Current Market Price, other issues at less than 80% of the Current Market Price, modification of the rights of conversion so that the consideration per Share is less than 80% of the Current Market Price, and other offers to Shareholders. The Conversion Price may not be reduced so that, on conversion of the Convertible Preference Shares, the Conversion Shares would fall to be issued at a discount to their nominal value or the Conversion Shares will be required to be issued under any other circumstances not permitted by applicable laws.

In the event that there is an adjustment event, the adjustment shall be reviewed by the auditors of the Company who shall confirm the accuracy of the calculations therein.

Redemption: The Company (or its nominee at the option of the Company) shall have the right at its sole option (but is not obliged) to redeem any of the Convertible Preference Shares (in full or in part) at an amount equal to the Notional Value of such Convertible Preference Shares to be redeemed, and at the discretion of the Board, together with any accrued but unpaid Preferred Dividend on such Notional Value at any time on or after the first anniversary of the date on which the Convertible Preference Shares were allotted and issued by giving a redemption notice to the Convertible Preference Shareholders not less than five Business Days prior to the date on which the Company expects to redeem such Convertible Preference Shares. No such redemption right may be exercised by the Company unless the volume-weighted average closing price of the Shares for each of the 30 consecutive trading days ending on the trading day which is immediately preceding the date upon which the redemption notice is given, was higher than HK\$2.00.

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For so long as the Audited EPS of the Company for the Relevant Financial Year is at least HK\$0.04, the Company (or its nominee at the option of the Company) shall have the right at its sole option (but is not obliged) to redeem any of the Convertible Preference Shares (in full or in part) at an amount equal to the Notional Value of such Convertible Preference Shares to be redeemed, and at the discretion of the Board, together with any accrued but unpaid Preferred Dividend on such Notional Value at any time during the period from the date of release of the audited financial statements of the Company for the Relevant Financial Year until the date of release of the audited financial statements of the Company for the financial year immediately following the Relevant Financial Year by giving a redemption notice to the Convertible Preference Shareholders not less than 30 days prior to the date on which the Company expects to redeem such Convertible Preference Shares but in any event prior to the date of release of the audited financial statements of the Company for the financial year immediately following the Relevant Financial Year.

Notwithstanding the aforesaid, a Convertible Preference Shareholder may elect to exercise its conversion right during the period between the date of delivery of the redemption notice and the redemption date and the relevant Conversion Date shall be before such redemption date. In such event, the redemption notice shall be deemed to be revoked.

The Conversion Price of HK\$1.20 represents:

- (a) no discount to the closing price of HK\$1.20 per Share as quoted on the Stock Exchange on 30 October 2014, being the Last Trading Day;
- (b) a discount of approximately 1.96% to the average closing price of approximately HK\$1.224 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including 30 October 2014, being the Last Trading Day;

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- (c) a discount of approximately 6.98% to the closing price of HK\$1.29 per Share as quoted on the Stock Exchange on 25 November 2014, being the Latest Practicable Date; and
- (d) a discount of approximately 4.15% to the average closing price of approximately HK\$1.252 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including 25 November 2014, being the Latest Practicable Date.

The Conversion Price was arrived at after arm's length negotiations between the Company, the Subscribers and the Major Shareholder with reference to, amongst others, the recent share price performance and liquidity of the Shares. The Directors (including the independent non-executive Directors) consider that the Conversion Price and the terms of the CPS Subscription Agreement are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

4.3 Comparison of industry comparable and past transaction of a company in similar industry

In assessing the fairness and reasonableness of the subscription price, we have conducted a comparative analysis on another listed company on the Stock Exchange (the "**Industry Comparable**") which is principally engaged in similar business as the Company, i.e. having over 50% of its revenue generated from the provision of healthcare and related services as per the segment information in its latest published annual report. The Industry Comparable represents an exhaustive list of all comparable company meeting the aforementioned criteria as identified by us based on our best information, knowledge and belief. For our analysis, we have adopted the P/E and price-to-book ratio ("**P/B**"). We consider that P/E and P/B are two commonly used benchmarks for comparing different companies and that they are appropriate for the purpose of our analysis.

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Details of the Industry Comparable are summarised in the following table:

Name of company (stock code)	Principal business	Market capitalization/ valuation ¹ <i>HK\$'000</i>	Net profit attributable to owners ² <i>HK\$'000</i>	Net Asset Value ("NAV") ³ <i>HK\$'000</i>	P/E <i>times</i>	P/B <i>times</i>
Phoenix Healthcare Group Co. Ltd (1515) ⁴	Provision of general hospital services and hospital management services; supply pharmaceuticals, medical devices and medical consumables to hospitals and clients	12,339,692	114,290	2,158,472	107.97	5.72
The Company (3886) – Share Subscription Price	Principally engaged in (i) healthcare business investments; (ii) provision and management of healthcare related services; and (iii) properties and securities investments and trading	4,536,605	49,633	1,196,375	91.40	3.79
The Company (3886) – Conversion Price	Same as above	5,555,026	49,633	1,196,375	111.92	4.64

Source: <http://www.hkexnews.hk/>

Notes:

1. Market capitalization of the Industry Comparable was calculated based on closing price per share multiplied by the issued share capital as at the Last Trading Day. Valuation of the Company is based on, as the case may be, the Conversion Price or the Share Subscription Price multiplied by the issued share capital of the Company as at the Last Trading Day.
2. Net profit attributable to owners was extracted from the latest annual report of the issuer.
3. NAV is expressed as equity attributable to owners of the relevant company as extracted from the latest annual/interim report of the issuer.
4. The financial figures of the Industry Comparable is expressed in RMB and for illustrative purpose only, the exchange rate of RMB1 = HK\$1.27 has been adopted.

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As illustrated in the analysis above the Industry Comparable has a P/E of approximately 107.97 times. The implied P/E of the Company of approximately 91.40 times based on the Share Subscription Price is therefore below the P/E of the aforementioned Industry Comparable. In addition, the implied P/E of the Company of approximately 111.92 times based on the Conversion Price is above the P/E of the aforementioned Industry Comparable.

In addition, we also note that the P/B of the Industry Comparable is approximately 5.72 times. The implied P/B of the Company of approximately 3.79 times based on the Share Subscription Price is below the figure of the Industry Comparable. Furthermore, the implied P/B of the Company of approximately 4.64 times based on the Conversion Price is also below the figure of the Industry Comparable.

Since the healthcare industry is generally not considered to be a high growth sector, the P/E of close to 100 times and P/B in excess of 3 times seem to indicate that the Company and the Industry Comparable are valued/trading at prices which are much higher than what some would normally expect. In that connection and based on the assumptions that (i) the relevant company's future profits will remain stable; (ii) the relevant company's dividend payout ratio is 100% (with real-life figure likely less than that); and (iii) the investor will hold onto the investment disregarding any potential capital gain, a P/E of 100 times implies that an investor will need to hold the investment for 100 years to recuperate its cost of investment in the relevant company which seems to be an overly long period of time. Also, due to the relative lack of suitable industry comparables which limits the meaningfulness of the analysis, such information is set out for the information of the Independent Shareholders and we have placed more reliance on other factors in arriving at our conclusion regarding the Share Subscription and the CPS Subscription.

In view of the limitation of the analysis of the Industry Comparable as discussed above, we have also made reference to the disposal of Quality HealthCare Asia Limited's (stock code: 593, now known as SkyOcean International Holdings Limited) (the "**Transaction Comparable**") previous principal business in healthcare related services which constituted a very substantial disposal as detailed in its circular dated 2 November 2010. Since the financial information of the Disposal Group (as defined in the Transaction Comparable's circular dated 2 November 2010) showed a net liabilities position, we have conducted the analysis below using only P/E. The Transaction Comparable represents the sole transaction of a subject company with business that is similar to that of the Group as identified by us based on our best information, knowledge and belief.

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Name of company (stock code)	Principal business	Consideration/ valuation ¹ HK\$'000	Net profit attributable to owners ² HK\$'000	P/E times
The Disposal Group (as defined in the Transaction Comparable's circular dated 2 November 2010)	Health administration company and also includes the provision of medical services, nursing agency services, physiotherapy, LASIK, ophthalmic, dental care, third party administration, and other healthcare related services	1,541,000	61,892	24.90
The Company (3886) – Share Subscription Price	Principally engaged in (i) healthcare business investments; (ii) provision and management of healthcare related services; and (iii) properties and securities investments and trading	4,536,605	49,633	91.40
The Company (3886) – Conversion Price	Same as above	5,555,026	49,633	111.92

Source: <http://www.hkexnews.hk>

Notes:

1. Consideration of the Transaction Comparable is based on the aggregate consideration of the relevant transaction. Valuation of the Company is based on, as the case may be, the Conversion Price or the Share Subscription Price multiplied by the issued share capital of the Company as at the Last Trading Day.
2. For the Disposal Group (as defined in the Transaction Comparable's circular dated 2 November 2010), net profit attributable to owners was extracted from the relevant circular.

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As illustrated in the analysis above, the transaction price of the Transaction Comparable represents an implied P/E of approximately 24.90 times. The implied P/E of the Company of approximately 91.40 times and 111.92 times based on the Share Subscription Price and Conversion Price respectively are above that of the Transaction Comparable by a significant amount. Attention of the Independent Shareholders is drawn to the fact that the Transaction Comparable's circular was dated 2 November 2010 which is roughly 4 years prior to the Latest Practicable Date. As such, this analysis on the Transaction Comparable may not provide up-to-date information but we have nonetheless included this analysis for the Independent Shareholders' reference due to the relative lack of suitable industry comparables.

4.4 Comparison of other share subscriptions under specific mandates

Set out below is an analysis on 16 subscriptions for new shares under specific mandates by other listed issuers in Hong Kong (the "Share Subscription Comparable(s)") as announced during the 3-month period ended 30 October 2014, being the Last Trading Day. The Share Subscription Comparables represent an exhaustive list of comparable transactions meeting the aforementioned criteria as identified by us based on our best information, knowledge and belief.

Name of company (Stock code)	Date of announcement	(Discount)/premium of subscription price to the closing price per share on the respective last trading day/date of subscription agreement %
Oriental Unicorn Agricultural Group Limited (8120)	28-Oct-2014	80.41
Sage International Group Limited (8082)	24-Oct-2014	(59.18)
Enterprise Development Holdings Limited (1808)	21-Oct-2014	(10.71)
Chun Wo Development Holdings Limited (711)	20-Oct-2014	(54.16) ¹
Changfeng Axle (China) Company Limited (1039)	10-Oct-2014	(29.03)

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Name of company (Stock code)	Date of announcement	(Discount)/premium of subscription price to the closing price per share on the respective last trading day/date of subscription agreement %
China Mobile Games and Cultural Investment Limited (8081)	10-Oct-2014	(5.58)
Guocang Group Limited (559)	7-Oct-2014	(86.99)
Perception Digital Holdings Limited (1822)	15-Sep-2014	(50.00)
Hopefluent Group Holdings Limited (733)	12-Sep-2014	14.07 ²
China Financial International Investments Limited (721)	4-Sep-2014	(66.67)
Jun Yang Solar Power Investments Limited (397)	25-Aug-2014	(12.67)
Semiconductor Manufacturing International Corporation (981)	22-Aug-2014	(17.81)
Tanrich Financial Holdings Limited (812)	15-Aug-2014	(51.72)
Ko Yo Chemical (Group) Limited (827)	14-Aug-2014	(41.80)
National Agricultural Holdings Limited (1236)	14-Aug-2014	3.81 ³
China Culiangwang Beverages Holdings Limited (formerly known as China Green (Holdings) Limited) (904)	13-Aug-2014	(43.18)
	<i>Maximum:</i>	<i>80.41</i>
	<i>Minimum:</i>	<i>(86.99)</i>
	<i>Average:</i>	<i>(26.95)</i>
The Company (3886)	31-Oct-2014	(18.33)

Source: <http://www.hkexnews.hk>

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Notes:

1. The information was not disclosed in the announcement of this Share Subscription Comparable and the discount was calculated based on closing price minus subscription price divided by the closing price on the last trading day.
2. The information was not disclosed in the announcement of this Share Subscription Comparable and the premium was calculated based on the closing price of HK\$2.63 per share on the last trading day and the subscription price of HK\$3.00 per share.
3. The placing price of this Share Subscription Comparable was determined on 26 September 2014 and the premium of approximately 3.81% based on the closing price per share as quoted on the Stock Exchange on the date of the price determination agreement.

As illustrated above, the variance of the subscription price of the Share Subscription Comparables to the closing price per share on the last trading day range from a discount of approximately 86.99% to a premium of approximately 80.41% with the average being a discount of approximately 26.95%. As such, the discount of the Subscription Price to the closing price per Share on the Last Trading Day of approximately 18.33% falls within the range of the Share Subscription Comparables and is above the average figure thereof.

4.5 Comparison of other issues of convertible preference shares

Set out below is an analysis on 3 issues of convertible preference shares by other listed issuers in Hong Kong (the “**CPS Comparable(s)**”) as announced during the 6-month period ended 30 October 2014, being the Last Trading Day. We have adopted a different period from that of the Share Subscription Comparables due to the relatively lack of suitable transactions and we have accordingly lengthened the period so as to obtain a more meaningful number of samples. The CPS Comparables represent an exhaustive list of comparable transactions meeting the aforementioned criteria as identified by us based on our best information, knowledge and belief.

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Name of company (Stock code)	Date of announcement	Premium of subscription price/conversion price to the closing price per share on the respective last trading day %	Dividend
Gemini Investments (Holdings) Limited (174)	26-Oct-2014	84.05	Y ¹
Luxey International (Holdings) Limited (8041)	6-Oct-2014	5.96	Y ²
China Public Procurement Limited (1094)	19-May-2014	19.40	Y ³
	<i>Maximum:</i>	<i>84.05</i>	
	<i>Minimum:</i>	<i>5.96</i>	
	<i>Average:</i>	<i>36.47</i>	
The Company (3886)	31-Oct-2014	0.00	Y⁴

Source: <http://www.hkexnews.hk/>

Notes:

1. The dividend is to be distributed with reference to the yield-to-maturity rate of the 10-year Government Bonds issued by the Hong Kong Government.
2. Holders of the convertible preference shares have the same entitlement to dividend as holders of the number of shares into which such convertible preference shares may be converted upon exercise of conversion rights attached thereto.
3. Holders of the preferred shares shall be entitled to dividend to the same extent as holders of the ordinary shares and shall rank pari passu with the ordinary shares in dividend as declared by this CPS Comparable.
4. The Convertible Preference Shareholders are entitled, at the discretion of the Board, to receive a fixed preferential dividend payable semi-annually in cash equal to 6% of the Notional Value per Convertible Preference Share of HK\$1.20 per annum for each Convertible Preference Share.

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As illustrated above, the premium of the subscription price/conversion price to the closing price per share on the last trading day range from a low of approximately 5.96% to a high of approximately 84.05%, with the mean thereof being approximately 36.47%. The nil premium of the Conversion Price is therefore below the low end of the premium as represented by the CPS Comparables. In connection with the above, we note that:

- (i) the exceptionally high P/E of the Company as discussed in section 4.3 of this letter supports the hypothesis that the current market price of the Shares appears to be overvalued therefore justifying a relatively lower Conversion Price;
- (ii) the comparison with the Company's industry peer as discussed in section 4.3 of this letter suggests that the Conversion Price is set at a reasonable level;
- (iii) the relatively low liquidity of the Shares as discussed in section 3 of this letter may have an implication on setting a relatively lower Conversion Price; and
- (iv) the payment of the Preferred Dividend under the Convertible Preference Shares is at the discretion of the Board so it is reasonable to set the Conversion Price at the closing price per Share on the Last Trading Day so as to allow some degree of possible upside for the holders of the Convertible Preference Shares.

In relation to the dividend arrangement under the Convertible Preference Shares, the Convertible Preference Shareholders shall be entitled, at the discretion of the Board, to receive the Preferred Dividend payable semi-annually in cash equal to 6% of the Notional Value per Convertible Preference Share per annum for each Convertible Preference Share held by such holder. As illustrated in the notes to our analysis above, we note that the CPS Comparables have adopted different mechanisms in relation to dividend payment for their respective convertible preference shares issue which may not be directly comparable to that of the Convertible Preference Shares. For Gemini Investments (Holdings) Limited (stock code: 174) ("**Gemini Investments**"), the rate of dividend is determined with reference to the yield-to-maturity of 10-year Government Bond issued by the Hong Kong Government. As

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per the website of the Government Bond Programme of the Hong Kong Government (<http://www.hkgb.gov.hk>), the yield-to-maturity of 10-year Government Bond was approximately 2.006% as at the Latest Practicable Date. Given that the Preferred Dividend is also similar in concept as cost of capital to the Group, we have also made reference to the best lending rate of The Hongkong and Shanghai Banking Corporation Limited which was 5.00% as at the Latest Practicable Date.

In our discussion with the Group's management, we understand that it has taken into account the following factors in the determination of the Preferred Dividend: (i) the Convertible Preference Shares are perpetual securities in respect of which there is no fixed redemption date so whether the Subscribers can recuperate the cost of investment in the Convertible Preference Shares is uncertain; (ii) the Convertible Preference Shares can only be redeemed by the Company at its sole option (but is not obliged) under the 2 scenarios as described in the section headed "Principal terms of the Convertible Preference Shares" in the Board Letter which the Subscribers have no control over; and (iii) payment of the Preferred Dividend is non-cumulative (i.e. Preferred Dividend not paid in a particular period will not be accumulated to future periods) and it is only paid at the discretion of the Board so whether the Subscribers can indeed receive such income is also uncertain. In view of the above, it was mutually agreed that the Preferred Dividend shall be set at 6% per annum which appears to be higher than the other benchmarks as discussed above.

4.6 Conclusion with regards to the Share Subscription Agreement and the CPS Subscription Agreement

In arriving at our conclusion regarding the Share Subscription Agreement and the CP Subscription Agreement, we have taken into account that the healthcare industry is generally not considered to be a high growth sector and the P/E of close to 100 times and P/B in excess of 3 times seem to indicate that the Company and the Industry Comparable appear to be overvalued as discussed in section 4.3 of this letter. We note from the section headed "Reasons for the Share Subscription and the CPS Subscription and use of proceeds" in the Board Letter that the Subscribers are reputable insurance companies with leading market position in the insurance industry in Taiwan. Given the nature of the respective businesses of the Subscribers and the Group, we believe the introduction of such large reputable insurance companies as important investors in the Company may create synergies amongst the parties concerned. For instance, the Subscribers can potentially introduce healthcare services of the Group to its existing insurance customers or create medical insurance

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

products backed by the Group's healthcare services. Such synergies may potentially bring substantial positive impacts to the Group. In view of this together with the introduction of large and reputable investors which would in turn improve the Group's own reputation bringing in additional benefits for the Group, we consider that it is reasonable to set the Subscription Price and the CPS Subscription Price at their respective levels.

Having considered the factors discussed above, we consider that the terms of the Share Subscription Agreement and the CPS Subscription Agreement (including the Share Subscription Price, the Conversion Price and the Preferred Dividend) are, on balance, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

5. Other financing alternatives

We understand that there are other alternatives for raising funds such as bank borrowings, debt financing or pro-rata equity fund raising exercises that the Company may consider. Our findings in relation to such alternatives are set out below.

With regards to debt financing such as bank borrowings or issue of debt securities, we note that debt financing would inevitably incur recurring interest expenses over the entire term of such debt financing. The Convertible Preference Shares are only subject to the Preferred Dividend which is paid at the discretion of the Board. Furthermore, the principal amount of any debt financing would eventually require repayment upon maturity which would create financial burden on the part of the Group. The Share Subscription on the other hand would not create financial burden on the Group in the form of repayment of principal while the Convertible Preference Shares are perpetual securities with no fixed redemption date and, subject to fulfillment of the prescribed conditions, are redeemable by the Company at its sole option (but is not obliged) so the financial burden from redemption of the Convertible Preference Shares can be managed by the Company at its sole discretion.

For other pro-rata equity fund raising exercises such as rights issue or open offer, the timing of completion would likely be longer than that of the Share Subscription and the CPS Subscription since rights issue or open offer would involve a period under which the rights issue or open offer are open for acceptance by the Shareholders and in the case of a rights issue, a period for trading of the nil-paid rights. Shareholders' reception to the rights issue and open offer is also uncertain, which may potentially create difficulties in the negotiation of an underwriting agreement on terms favourable to the Group.

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Having considered the above, we are of the view that the Share Subscription and the CPS Subscription are appropriate means of fund raising for the Company amongst the other financing alternatives.

6. Dilution impact on shareholding of existing Shareholders

Your attention is drawn to the section headed “Changes in shareholding structure” in the Board Letter. As stated therein, the public Shareholders hold approximately 73.49% interest in the Company as at the Latest Practicable Date. As a result of the allotment and issue of the Subscription Shares, the shareholding of the public Shareholders will decrease to approximately 66.88%, representing a decrease of approximately 8.99%. Furthermore, assuming full conversion of the Convertible Preference Shares at the initial Conversion Price, the shareholding of the public Shareholders will further decrease to approximately 62.31%, representing a further reduction of approximately 6.83%.

Having considered the reasons for the Share Subscription and the CPS Subscription as discussed in section 2 of this letter, we are of the view that the dilution on the Shareholders is acceptable.

7. Financial impacts

7.1 Net assets

As per the Interim Report, the Group had unaudited net assets attributable to owners of approximately HK\$1,196,375,000 as at 30 June 2014.

The issue of the Subscription Shares will result in (i) an increase in equity; and (ii) an increase in cash, a current asset. It is expected that the issue of the Subscription Shares will have an immediate positive impact on the Group’s net asset value.

Furthermore, the issue of the Convertible Preference Shares will result in (i) an increase in equity; and (ii) an increase in cash, a current asset. It is expected that the issue of the Convertible Preference Shares will also have an immediate positive impact on the Group’s net asset value.

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7.2 Liquidity

The Interim Report states that the Group had unaudited current assets and unaudited current liabilities of approximately HK\$1,185,925,000 and HK\$386,299,000 respectively as at 30 June 2014, translating into a current ratio (current assets/current liabilities) of approximately 3.07 times.

As discussed above, the issues of the Subscription Shares and the Convertible Preference Shares will have the immediate effect of increasing equity and cash, a current asset. Since the issues of the Subscription Shares and the Convertible Preference Shares are not expected to have an effect on the Group's current liabilities, the aforementioned issues are expected to improve the Group's liquidity.

7.3 Gearing

According to the Interim Report, the Group had unaudited total debts of approximately HK\$305,484,000 (comprising (i) amount due to an associate of approximately HK\$12,000; (ii) amount due to non-controlling interests of approximately HK\$12,000,000; (iii) amount due to a related party of approximately HK\$5,000; (iv) bank borrowings of approximately HK\$283,467,000; and (v) other borrowings of approximately HK\$10,000,000) as at 30 June 2014. In addition, it also had unaudited total equity of approximately HK\$1,498,047,000 as at 30 June 2014. Accordingly, the Group had a debt-to-equity ratio (total debts/total equity) of approximately 0.20.

Since the issues of the Subscription Shares and the Convertible Preference Shares are expected to increase the Company's equity with no effect on its debts, the aforementioned issues are expected to improve the Group's gearing.

7.4 Earnings

According to the Interim Report, the Group recorded unaudited profit attributable to owners of approximately HK\$45,157,000 during the six months ended 30 June 2014.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The issues of the Subscription Shares and the Convertible Preference Shares are not expected to have any immediate effect on the Group's earnings. We note that the net proceeds from the Share Subscription and the CPS Subscription of approximately HK\$880 million will be used as to (i) approximately HK\$650 million for acquisition, investment and development of hospitals and medical institutions in the PRC and medical or healthcare related business in Hong Kong; (ii) approximately HK\$150 million for investment and development of several medical specialty centres in Hong Kong and one dental chain in the PRC; and (iii) approximately HK\$80 million for developing a "one-stop, IT O2O platform" to integrate the Group's growing variety of healthcare and well-being business segments. Should the Group be able to successfully implement the aforementioned expansion plans in the future, the Group's profitability would hopefully see an improvement.

CONCLUSION

Having considered the above principal factors, we are of the opinion that the terms of the Share Subscription Agreement and the CPS Subscription Agreement are fair and reasonable so far as the Independent Shareholders are concerned, and the Share Subscription Agreement, the CPS Subscription Agreement and the transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole. In addition, we consider that the Share Subscription Agreement and the CPS Subscription Agreement are on normal commercial terms and in the ordinary and usual course of business of the Group since the fund raising exercise is proposed in order to support the business expansion of the Group. Accordingly, we would recommend (i) the Independent Board Committee to advise the Independent Shareholders; and (ii) the Independent Shareholders, to vote in favour of the resolutions to approve (i) the Share Subscription Agreement, the CPS Subscription Agreement and the transactions contemplated thereunder; and (ii) the grant of the Specific Mandates, at the SGM.

Yours faithfully,
For and on behalf of
Ample Capital Limited
H. W. Tang
President

Yours faithfully,
For and on behalf of
Ample Capital Limited
Kevin So
Vice President

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	1,335,243,431 <i>(Note 2)</i>	83,333,333 <i>(Note 2)</i>	30.50% <i>(Note 1)</i>
Chan Wing Lok, Brian	Beneficial owner	2,760,000	–	0.06% <i>(Note 1)</i>
Lee Chik Yuet	Beneficial owner	–	5,000,000	0.11% <i>(Note 1)</i>
Choi Chee Ming	Interest in controlled corporation	1,335,243,431 <i>(Note 2)</i>	83,333,333 <i>(Note 2)</i>	30.50% <i>(Note 1)</i>

Notes:

1. The total number of issued Shares as at the Latest Practicable Date (that was, 4,651,188,550 Shares) had been used for the calculation of the approximate percentage.
2. Such Shares were held by the Major Shareholder. The Major Shareholder is beneficially owned as to 50.1% by Dr. Cho Kwai Chee and as to 49.9% by Dr. Choi Chee Ming, *GBS, JP*, who are also directors of the Major Shareholder. Accordingly, Dr. Cho Kwai Chee and Dr. Choi Chee Ming, *GBS, JP*, are both deemed to be interested in the Shares held by the Major Shareholder under Part XV of the SFO. Out of the 1,335,243,431 Shares held by the Major Shareholder, 102,040,816 Shares were Subscription Shares proposed to be allotted and issued to the Major Shareholder pursuant to the Share Subscription Agreement.

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
Major Shareholder	Beneficial owner	1,335,243,431 <i>(Note 2)</i>	83,333,333 <i>(Note 2)</i>	30.50% <i>(Note 1)</i>
Bonjour Group Limited	Beneficial owner	365,327,586	–	7.85% <i>(Note 1)</i>
Fubon Life	Beneficial owner	259,740,260	212,121,212	10.14% <i>(Note 1)</i>
Fubon Financial Holding Co., Ltd.	Interest in controlled corporation	357,142,857 <i>(Note 3)</i>	291,666,666 <i>(Note 3)</i>	13.95% <i>(Note 1)</i>

Notes:

1. The total number of issued Shares as at the Latest Practicable Date (that was, 4,651,188,550 Shares) had been used for the calculation of the approximate percentage.
2. The Major Shareholder is beneficially owned as to 50.1% by Dr. Cho Kwai Chee and as to 49.9% by Dr. Choi Chee Ming, *GBS, JP*, who are also directors of the Major Shareholder. Out of the 1,335,243,431 Shares held by the Major Shareholder, 102,040,816 Shares were Subscription Shares proposed to be allotted and issued to the Major Shareholder pursuant to the Share Subscription Agreement.
3. Fubon Financial Holding Co., Ltd. is the holding company of Fubon Life and Fubon Insurance. Out of the 357,142,857 Shares and 291,666,666 underlying Shares held by Fubon Financial Holding Co., Ltd., 259,740,260 Shares and 212,121,212 underlying Shares are held by Fubon Life and 97,402,597 Shares and 79,545,454 underlying Shares are held by Fubon Insurance.

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. DIRECTORS' SERVICE CONTRACTS

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

4. EXPERT AND CONSENT

The following is the qualification of the expert who has been named in this circular or has given opinions, letters or advice contained in this circular:

Name	Qualification
AmCap	AmCap is a corporation licensed to carry out type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities as defined under the SFO

AmCap 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, AmCap 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, or are proposed to be 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.

5. LITIGATION

As at the Latest Practicable Date, no member of the 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 Group.

6. DIRECTORS' COMPETING INTERESTS

To the best knowledge of the Directors, as at the Latest Practicable Date, none of the Directors or any proposed Director nor 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, as if each of them was a controlling Shareholder.

7. DIRECTORS' INTERESTS IN CONTRACTS OR ARRANGEMENTS

Save for the Share Subscription Agreement and the CPS Subscription Agreement, 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 Group, nor had any Director or any proposed 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 Group since 31 December 2013, being the date to which the latest published audited consolidated financial statements of the Group were made up.

8. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any 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 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. Michael Li & Co. at 19th Floor, Prosperity Tower, No. 39 Queen's Road Central, Central, Hong Kong from the date of this circular up to and including the date of the SGM:

- (a) the letter from the Independent Board Committee, the text of which is set out on page 27 of this circular;
- (b) the letter from the Independent Financial Adviser, the text of which is set out on pages 28 to 54 of this circular;
- (c) the written consent referred to in the section headed "Expert and Consent" in this appendix;
- (d) the Share Subscription Agreement;
- (e) the CPS Subscription Agreement; and
- (f) this circular.

NOTICE OF THE SGM



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 (the “**Meeting**”) of Town Health International Medical Group Limited (the “**Company**”) will be held at 9:00 a.m. on Monday, 22 December 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 (1) as a special resolution and the following resolution (2) as an ordinary resolution:

(1) **SPECIAL RESOLUTION**

“**THAT:**

- (a) the authorised share capital of the Company be and is hereby increased from HK\$300,000,000 to HK\$303,750,000 by the creation of 375,000,000 perpetual non-voting redeemable convertible preference shares of HK\$0.01 each (the “**Convertible Preference Shares**”), having the rights and restrictions as set out in Schedule 2 to the CPS Subscription Agreement (as defined below), such that following such increase, the authorised share capital of the Company will be HK\$303,750,000 divided into 30,000,000,000 ordinary shares of HK\$0.01 each (“**Shares**”) and 375,000,000 Convertible Preference Shares;
- (b) the perpetual non-voting redeemable convertible preference shares subscription agreement dated 31 October 2014 (the “**CPS Subscription Agreement**”) entered into between the Company, Fubon Life Insurance Co., Ltd. (“**Fubon Life**”), Fubon Insurance Co., Ltd. (“**Fubon Insurance**”) and Broad Idea International Limited (the “**Major Shareholder**”) in respect of the proposed subscription for 212,121,212 Convertible Preference Shares by Fubon Life, 79,545,454 Convertible Preference Shares by Fubon Insurance and 83,333,333 Convertible Preference Shares by the Major Shareholder (a copy of the CPS Subscription Agreement is marked “A” 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;

NOTICE OF THE SGM

- (c) subject to completion of the CPS Subscription Agreement, the allotment and issue of the Convertible Preference Shares and up to 374,999,999 new Shares upon exercise of the conversion rights attaching to the Convertible Preference Shares (the “**Conversion Shares**”) in full at the initial conversion price of HK\$1.20 per Conversion Share (subject to adjustment in accordance with the terms of the Convertible Preference Shares) by the Company in accordance with the terms and conditions of the CPS Subscription Agreement be and are hereby approved; and
- (d) any one director of the Company (“**Director**”) 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 foregoing resolutions (including the CPS Subscription Agreement and the 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 CPS Subscription Agreement) as are, in the opinion of such Director, in the interests of the Company and its shareholders as a whole.”

(2) ORDINARY RESOLUTION

“**THAT:**

- (a) the share subscription agreement dated 31 October 2014 (the “**Share Subscription Agreement**”) entered into between the Company, Fubon Life, Fubon Insurance and the Major Shareholder in respect of the proposed subscription for 259,740,260 Shares by Fubon Life, 97,402,597 Shares by Fubon Insurance and 102,040,816 Shares by the Major Shareholder (a copy of the Share Subscription 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;
- (b) subject to completion of the Share Subscription Agreement, the allotment and issue of the new Shares to be subscribed by Fubon Life, Fubon Insurance and the Major Shareholder, respectively (the “**Subscription Shares**”), by the Company in accordance with the terms and conditions of the Share Subscription Agreement be and are hereby approved; and

NOTICE OF THE SGM

- (c) any one Director 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 Share Subscription Agreement and the 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 Share Subscription 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, 28 November 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

NOTICE OF THE SGM

Notes:

- (1) A member of the Company entitled to attend and vote at the 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 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, Wanchai, 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 resolutions 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.