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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 (“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) MAJOR AND CONNECTED TRANSACTION:
DISPOSAL OF THE TARGET;
(2) CONNECTED TRANSACTION:
RECEIPT OF THE PROMISSORY NOTE
AND
(3) NOTICE OF SPECIAL GENERAL MEETING**

Independent Financial Adviser to the Independent Board Committee



Gram Capital Limited
嘉林資本有限公司

A notice convening the special general meeting of the Company to be held at 9 a.m. on Friday, 17 March 2017 at 1st Floor, Town Health Technology Centre, 10-12 Yuen Shun Circuit, Siu Lek Yuen, Shatin, New Territories, Hong Kong is set out on pages SGM-1 to SGM-3 of this circular. Whether or not you are able to attend the meeting, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon as soon as possible and in any event not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof to the office of the Company’s branch share registrar and transfer office in Hong Kong, Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong. Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting or any adjournment thereof should you so wish, and in such event, the instrument appointing a proxy shall be deemed to be revoked.

23 February 2017

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DEFINITIONS

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

“Announcement”	the announcement of the Company dated 30 December 2016 in relation to the Disposal and the Receipt of the Promissory Note
“associates”	has the meaning as ascribed to it in the Listing Rules
“Balance of Consideration”	HK\$330,000,000, being the balance of the Consideration not to be settled in cash by the Purchaser at Completion
“Board”	the board of Directors
“Bonjour BVI”	Bonjour Group Limited, a company incorporated in the BVI with limited liability and a wholly-owned subsidiary of Bonjour Holdings
“Bonjour Holdings”	Bonjour Holdings Limited, a company incorporated in the Cayman Islands with limited liability and the ordinary shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 653)
“Bonjour Holdings Group”	Bonjour Holdings and its subsidiaries
“Broad Idea”	Broad Idea International Limited, a company incorporated in the BVI with limited liability and beneficially owned as to 50.10% by Dr. Cho and as to 49.90% by Dr. Choi, who are also directors thereof
“Business Day”	a day (excluding Saturday and any day on which a tropical cyclone warning no.8 or above is hoisted or remains hoisted between 9:00 a.m. and 12:00 noon and is not lowered at or before 12:00 noon or on which a “black” rainstorm warning is hoisted or remains in effect between 9:00 a.m. and 12:00 noon and is not discontinued at or before 12:00 noon) on which licensed banks in Hong Kong are generally open for business
“BVI”	the British Virgin Islands

DEFINITIONS

“Company”	Town Health International Medical Group Limited, a company incorporated in the Cayman Islands and continued in Bermuda with limited liability and the ordinary shares of which are listed on the Main Board of the Stock Exchange
“Completion”	completion of the Disposal and the Receipt of the Promissory Note
“Completion Date”	the fifth Business Day after the last outstanding Condition shall have been fulfilled or waived (or such other date agreed by the Purchaser and the Vendor in writing) on which Completion is to take place
“Conditions”	the conditions precedent which Completion is subject to as set out in the paragraph headed “Conditions precedent” under the section headed “Letter from the Board – The SP Agreement” in this circular
“connected person(s)”	has the meaning as ascribed to it in the Listing Rules
“Consideration”	the sum of HK\$430,000,000, being the consideration for the sale and purchase of the Sale Shares
“Director(s)”	the director(s) of the Company
“Disposal”	the disposal of the Sale Shares by the Vendor pursuant to the SP Agreement
“Dr. Cho”	Dr. Cho Kwai Chee, an executive Director and the executive deputy chairman of the Company
“Dr. Choi”	Dr. Choi Chee Ming, <i>GBS, JP</i> , a non-executive Director and a deputy chairman of the Company
“Dr. Ip”	Dr. Ip Chun Heng, Wilson, an executive Director in the last twelve months and a director of the Vendor and each member of the Target Group, being the guarantor under the SP Agreement

DEFINITIONS

“Gram Capital” or “Independent Financial Adviser”	Gram Capital Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the SP Agreement and the transactions contemplated thereunder (including the Disposal and the Receipt of the Promissory Note)
“Group”	the Company and its subsidiaries, including the Target Group prior to Completion and excluding the Target Group upon Completion
“Guarantee”	the deed of guarantee to be executed by Dr. Ip in favour of the Vendor at Completion for securing the repayment of the Promissory Note by the Purchaser
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent board committee comprising all the independent non-executive Directors, i.e. Mr. Ho Kwok Wah, George, <i>MH</i> , Mr. Wong Tat Tung, <i>MH, JP</i> , Mr. Yu Xuezhong, Ms. Li Mingqin and Mr. Wang John Hong-chiun, who have no material interest in the SP Agreement and the transactions contemplated thereunder (including the Disposal and the Receipt of the Promissory Note), which has been established by the Board to advise the Independent Shareholders in relation to the SP Agreement and the transactions contemplated thereunder (including the Disposal and the Receipt of the Promissory Note)
“Independent Shareholder(s)”	Shareholder(s) other than those who are required by the Listing Rules to abstain from voting on the resolution approving the SP Agreement and the transactions contemplated thereunder (including the Disposal and the Receipt of the Promissory Note)
“Independent Third Party”	a third party independent of the Company and connected persons of the Company
“Latest Practicable Date”	20 February 2017, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained herein

DEFINITIONS

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	30 June 2017 (or such later date as the Purchaser and the Vendor may agree in writing)
“Macau”	the Macau Special Administrative Region of the PRC
“Oasis Beauty” or “Vendor”	Oasis Beauty Limited, a company incorporated in the BVI with limited liability and an indirect wholly-owned subsidiary of the Company, the legal and beneficial owner of the Sale Shares immediately prior to Completion
“PRC”	the People’s Republic of China, excluding Hong Kong, Macau and Taiwan for the purpose of this circular
“Profit Castle” or “Purchaser”	Profit Castle Holdings Limited, a company incorporated in the BVI with limited liability and owned as to 50% by Dr. Ip and 50% by Dr. Ip’s spouse
“Promissory Note”	the promissory note in the principal amount of HK\$330,000,000, being the Balance of Consideration, to be issued by the Purchaser to the Vendor at Completion
“Purchaser’s Warranties”	the representations, warranties and undertakings given by the Purchaser and Dr. Ip under the SP Agreement
“Receipt of the Promissory Note”	the receipt of the Promissory Note by the Vendor for settlement of the Balance of Consideration
“Sale Shares”	1,000 shares of US\$1 each in the share capital of the Target, representing 100% of the issued share capital of the Target as at Completion, legally and beneficially owned by Oasis Beauty immediately prior to Completion
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (as amended from time to time)

DEFINITIONS

“SGM”	the special general meeting of the Company convened to be held at 9 a.m. on Friday, 17 March 2017 at 1st Floor, Town Health Technology Centre, 10-12 Yuen Shun Circuit, Siu Lek Yuen, Shatin, New Territories, Hong Kong for the Independent Shareholders to consider and, if thought fit, approve the SP Agreement and the transactions contemplated thereunder (including the Disposal and the Receipt of the Promissory Note)
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Share Mortgage”	the share mortgage to be executed by the Purchaser in favour of the Vendor over the Sale Shares at Completion for securing the repayment of the Promissory Note
“Shareholder(s)”	holder(s) of the Share(s)
“SP Agreement”	the agreement for sale and purchase dated 30 December 2016 entered into between the Vendor, the Purchaser and Dr. Ip in respect of the Disposal and the Receipt of the Promissory Note
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target”	Bonjour Beauty International Limited, a company incorporated in the BVI with limited liability
“Target Group”	the Target and its subsidiaries
“Vendor’s Warranties”	the representations, warranties and undertakings given by the Vendor under the SP Agreement
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“US\$”	United States dollars, the lawful currency of the United States of America
“%”	per cent.

English translation of names in Chinese or another language in this circular which are marked with “” are for identification purpose only.*

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 Deputy Chairman*)
Dr. Hui Ka Wah, Ronnie, JP (*Chief Executive Officer*)
Mr. Lee Chik Yuet
Mr. Wong Seung Ming (*Chief Financial Officer*)

Non-executive Directors:

Dr. Choi Chee Ming, GBS, JP (*Deputy Chairman*)
Ms. Fang Haiyan (*Deputy Chairperson*)
Mr. Tsai Ming-hsing (*Deputy Chairman*)
Mr. Chen Jinhao

Independent non-executive Directors:

Mr. Ho Kwok Wah, George, MH
Mr. Wong Tat Tung, MH, JP
Mr. Yu Xuezhong
Ms. Li Mingqin
Mr. Wang John Hong-chiun

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

23 February 2017

To the Shareholders

Dear Sir or Madam,

**MAJOR AND CONNECTED TRANSACTION:
DISPOSAL OF THE TARGET
AND
CONNECTED TRANSACTION:
RECEIPT OF THE PROMISSORY NOTE**

INTRODUCTION

Reference is made to the Announcement in which the Company announced that after trading hours on 30 December 2016, (i) the Vendor, an indirect wholly-owned subsidiary of the Company, (ii) the Purchaser, a company which is owned as to 50% by Dr. Ip, a connected person of the Company, and (iii) Dr. Ip entered into the SP Agreement pursuant to which the Vendor has

LETTER FROM THE BOARD

conditionally agreed to sell, and the Purchaser has conditionally agreed to acquire, the Sale Shares (representing 100% of the issued share capital of the Target) at the Consideration of HK\$430,000,000, which shall be settled (i) as to HK\$100,000,000 by the Purchaser in cash; and (ii) as to HK\$330,000,000, being the Balance of Consideration, by the Purchaser's delivery of the Promissory Note issued by the Purchaser to the Vendor, at Completion. Dr. Ip joined as a party to the SP Agreement as guarantor to guarantee the performance of the obligations of the Purchaser under the SP Agreement.

The purpose of this circular is to provide you with, among other things, (i) details of the SP Agreement and the transactions contemplated thereunder; (ii) the recommendation of the Independent Board Committee regarding the SP Agreement and the transactions contemplated thereunder (including the Disposal and the Receipt of the Promissory Note); (iii) the advice of Gram Capital regarding the SP Agreement and the transactions contemplated thereunder (including the Disposal and the Receipt of the Promissory Note); (iv) other information as required under the Listing Rules; and (v) a notice of the SGM.

THE SP AGREEMENT

The major terms of the SP Agreement are set out as follows:

Date

30 December 2016

Parties

- (1) Oasis Beauty, an indirect wholly-owned subsidiary of the Company, as vendor;
- (2) Profit Castle, a company incorporated in the BVI with limited liability and principally engaged in investment holding, as purchaser; and
- (3) Dr. Ip as guarantor.

Each of (i) Dr. Ip, being an executive Director in the last twelve months and a director of the Vendor and each member of the Target Group, and (ii) the Purchaser, being a company owned as to 50% by Dr. Ip, is a connected person of the Company under the Listing Rules.

Assets to be disposed of

The Vendor has conditionally agreed to sell, and the Purchaser has conditionally agreed to acquire, the Sale Shares at the Consideration of HK\$430,000,000. The Sale Shares represent 100% of the issued share capital of the Target.

LETTER FROM THE BOARD

Consideration

The Consideration of HK\$430,000,000 shall be settled (i) as to HK\$100,000,000 by the Purchaser in cash; and (ii) as to HK\$330,000,000, being the Balance of Consideration, by the Purchaser's delivery of the Promissory Note issued by the Purchaser to the Vendor, at Completion.

Considering that (i) there was ample cash for the Group as at the date of the SP Agreement and as at the Latest Practicable Date and the Group could enjoy the interest to be charged under the Promissory Note; and (ii) the credit risk of the Receipt of the Promissory Note is containable after taking into account the Share Mortgage, the Guarantee and the profile of Dr. Ip, the Company considered the Receipt of the Promissory Note as part of the Consideration is fair and reasonable and in the interests of the Company and its shareholders.

Principal terms of the Promissory Note

The principal terms of the Promissory Note are summarised as follows:

Issuer	:	The Purchaser
Principal amount	:	HK\$330,000,000, being the Balance of Consideration
Issue date	:	Completion Date
Maturity date	:	The day falling on the third anniversary of the first issue date of the Promissory Note (“ Maturity Date ”)
Interest	:	6% per annum

The interest rate was determined after arm's length negotiations between the Vendor and the Purchaser with reference to the prevailing market interest rates and with regard to the nature of the transaction. The Directors consider that the interest rate is fair and reasonable.

Transferability	:	The Promissory Note shall be freely transferrable or assignable by the Vendor to any party upon service of due written notice on the Purchaser. The Purchaser may not assign or transfer any of its rights, interest, benefits or obligations under the Promissory Note without the prior written consent of the Vendor.
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Early repayment : The Purchaser may in its sole discretion, with not less than five business days' prior written notice, elect to repay all or any part of the amount outstanding under the Promissory Note (which shall be in amount(s) not less than HK\$1,000,000 unless the outstanding amount is less than HK\$1,000,000) together with interest accrued thereon at any time prior to the Maturity Date.

Security : (i) At Completion, the Purchaser shall execute the Share Mortgage in favour of the Vendor over the Sale Shares for securing the repayment of the Promissory Note to the effect that the Sale Shares be mortgaged to the Vendor and that the Sale Shares and all the benefits thereof shall be a continuing security for the Promissory Note.

The security created by the Share Mortgage shall not be considered satisfied or discharged by any intermediate payment or satisfaction of part of the Purchaser's obligations under the Promissory Note, but shall be a continuing security and shall extend to cover any sum which shall at any time constitute the balance due from the Purchaser to the Vendor under the Promissory Note.

(ii) In addition to the Share Mortgage, at Completion, Dr. Ip shall execute the Guarantee in favour of the Vendor to guarantee the repayment of the Promissory Note by the Purchaser.

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Pursuant to the Guarantee, among others,

- (a) Dr. Ip guarantees, as principal debtor and not merely as surety and as a continuing obligation, the due and punctual payment by the Purchaser to the Vendor of all moneys, obligations and liabilities under the Promissory Note (“**Secured Indebtedness**”) and the due and punctual performance and observance by the Purchaser of all other obligations of the Purchaser contained in the Promissory Note, and if the Purchaser fails to pay any amount of the Secured Indebtedness when due, Dr. Ip shall pay such amount to the Vendor forthwith upon receiving the Vendor’s first written demand;
- (b) the Guarantee shall be a continuing guarantee and shall remain in full force and effect until the Secured Indebtedness has been paid in full and the Guarantee shall be in addition to, and independent of, any charge, guarantee or other security or right or remedy then or at any time thereafter held by or available to the Vendor; and
- (c) Dr. Ip undertakes, as a separate, additional and continuing obligation, to indemnify the Vendor against all losses, liabilities, damages, costs and expenses whatsoever arising out of any failure by the Purchaser to make due and punctual payment of the Secured Indebtedness or in the due and punctual performance and observance of all other obligations under the Promissory Note.

LETTER FROM THE BOARD

Basis of the Consideration

The Consideration was determined after arm's length negotiations between the Vendor and the Purchaser with reference to the historical performance and the future prospects of the Target Group. In view of the recent deteriorating financial performance of the Target Group and the expected continuous keen market competition in the near future, in arriving at the Consideration, small amount of premium was added to the unaudited consolidated net assets of the Group which are subject to the Disposal of approximately HK\$412,000,000 as at 31 October 2016, mainly comprising the net liabilities of the Target Group of approximately HK\$20,000,000 and the remaining goodwill and intangible assets (net of deferred tax) of approximately HK\$171,000,000 and HK\$261,000,000 respectively initially recognised on Group level at the time of the Group's acquisition of the Target. Taking into account of the above and the expected gain on Disposal as set out in the paragraph headed "Financial impact of the Disposal" below, the Directors consider that the Consideration is fair and reasonable and in the interests of the Shareholders and the Company as a whole.

Conditions precedent

Completion is subject to the fulfilment or (if applicable) waiver of the following conditions:

- (i) the approval of the sale and purchase of the Sale Shares, the Receipt of the Promissory Note and the transactions contemplated under the SP Agreement by the Independent Shareholders present at the SGM by poll, in accordance with the applicable requirements of the Listing Rules and other applicable laws and regulations;
- (ii) all necessary waivers, consents, approvals or other documents as may be required to be obtained on the part of the Vendor under applicable laws and regulations, including but not limited to the Listing Rules, in respect of the SP Agreement and the transactions contemplated thereunder having been obtained;
- (iii) the Purchaser being satisfied that, from the date of the SP Agreement and at any time before the Completion, that the Vendor's Warranties remain true, accurate and not misleading and that no events have occurred that would result in any breach of any of the Vendor's Warranties or other provisions of the SP Agreement by the Vendor; and
- (iv) the Vendor being satisfied that, from the date of the SP Agreement and at any time before the Completion, that the Purchaser's Warranties remain true, accurate and not misleading and that no events have occurred that would result in any breach of any of the Purchaser's Warranties or other provisions of the SP Agreement by the Purchaser and/or Dr. Ip.

LETTER FROM THE BOARD

Conditions (i) and (ii) are not capable of being waived by any parties to the SP Agreement. The Purchaser may waive Condition (iii) and the Vendor may waive Condition (iv). As at the Latest Practicable Date, the Vendor had no intention to waive Condition (iv) and as advised by the Purchaser, the Purchaser had no intention to waive Condition (iii).

If any of the Conditions shall not have been fulfilled or (if applicable) waived at or before 5:00 p.m. on the Long Stop Date, all rights and obligations of the parties under the SP Agreement shall cease and terminate, save and except clauses in relation to confidentiality, costs and expenses, miscellaneous, notices, and governing law and jurisdiction which provisions shall remain in full force and effect, and no party to the SP Agreement shall have any claim against the others save for claim (if any) in respect of any antecedent breach thereof.

Completion

Completion shall take place on the Completion Date.

Immediately after Completion, the Target will cease to be a subsidiary of the Company and the Group will cease to have any interest in the Target Group.

Following Completion, the licence agreements entered into between the Group and the Bonjour Holdings Group, further details of which are set out in the annual report of the Company for the year ended 31 December 2015, shall cease to be continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

INFORMATION ABOUT THE TARGET GROUP

The Target is a company incorporated in the BVI with limited liability whose principal business activity is investment holding. As at the Latest Practicable Date, the Target has 8 subsidiaries. The Target Group is principally engaged in the operation of 16 beauty and health salons under the brands of “About Beauty”, “Dr. Protalk” and “Top Comfort” in Hong Kong, Macau and Shanghai, and provision of beauty and health-care related consultancy services in Hong Kong and Macau.

As at 31 October 2016, the unaudited consolidated total assets and net liabilities of the Target Group amounted to approximately HK\$254,592,000 and HK\$20,201,000 respectively.

LETTER FROM THE BOARD

The unaudited consolidated financial information of the Target Group for the two years ended 31 December 2014 and 31 December 2015 are as follows:

	Year ended 31 December 2014	Year ended 31 December 2015
	<i>Approximately</i>	<i>Approximately</i>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net profit before taxation	43,027	23,505
Net profit after taxation	35,027	21,621

INFORMATION ABOUT THE GROUP

The Group is principally engaged in healthcare business in Hong Kong, which comprises managed care, medical and dental clinics operation and provision of beauty and cosmetic medical services. The other major business segment of the Group is PRC healthcare business, which includes provision of hospital and clinic management services. The Group is also involved in investment business including direct investment in the healthcare sector and investment in securities and properties.

REASONS FOR AND BENEFITS OF THE DISPOSAL AND RECEIPT OF THE PROMISSORY NOTE

Recently, the Group has been reconsidering the development strategy of whether to develop medical dermatology business on its own. After deliberation, the Group decided that it would be more efficient and effective to develop cosmetic beauty services business through investing and collaborating with other strategic partners with substantial business scales and operational efficiency. Having considered the aforesaid change in business strategy, the Company considered the Disposal strategically preferred.

As disclosed in the annual report of the Company for the year ended 31 December 2015, the Company's business segments included provision of healthcare and dental services, managed care business, beauty and cosmetic medicine business, and investments in securities and properties and treasury management.

LETTER FROM THE BOARD

The Target Group's business represents the Company's entire beauty and cosmetic medicine business segment (as disclosed in its annual report for the year ended 31 December 2015). Following completion of the Disposal, as disclosed above, the Company will continue to explore investment and/or collaboration opportunities to carry on beauty and cosmetic medicine business. As to the other business of the Company, as at the Latest Practicable Date, (i) the Company intended to further enhance service network of the healthcare and dental services, especially on specialty medical services; (ii) the Company intended to further enhance the competitiveness of the managed care business so as to capture bigger market share; (iii) following completion of the Group's acquisition of interest in 南陽祥瑞醫院管理諮詢有限公司 (Nanyang Xiangrui Hospital Management Advisory Co. Ltd.*) in September 2016, the Company was developing the PRC hospital management services, and the Company would reform the hospitals in the PRC under management by introducing Hong Kong style medical system and services to improve the hospital services in the PRC, and to develop community healthcare services for the hospitals; (iv) the Company was also contemplating the development of PRC clinic management services and the Company was exploring opportunities to open clinics and health management centres in the PRC in cooperation with other strategic partners; and (v) for its business of investments in securities and properties and treasury management, the Company intended to continue to carry out prudent capital management and maintain a prudent approach for future development.

Out of the net proceeds from the Disposal of approximately HK\$427,000,000, it is currently intended by the Directors to apply (i) HK\$97,000,000 (net of estimated expenses of approximately HK\$3,000,000 to be incurred for the Disposal), which will be payable in cash by the Purchaser to the Vendor at Completion, as to approximately 20% for general working capital and approximately 80% for potential acquisition and investment of the Company, including investment in the PRC and Hong Kong healthcare markets; and (ii) the balance of the net proceeds, which will be received by the Vendor from the Purchaser upon maturity of the Promissory Note (i.e. the third anniversary of the Completion Date), for potential acquisition and investment of the Company, including investment in the PRC and Hong Kong healthcare markets, subject to the then development strategies and conditions of the Company and prevailing market conditions. As at the Latest Practicable Date, (i) the Company had not identified any potential acquisition targets and the Company had not entered into any discussion, negotiation, agreement, arrangement, understanding or undertaking (whether formal or informal, express or implied) on any acquisition of new business or assets; and (ii) the Company had no plan to dispose of any of its remaining business.

In light of the above, the Directors are of the view that the terms of the SP Agreement are on normal commercial terms and the Disposal and the Receipt of the Promissory Note (as one of the terms of the Disposal) are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

FINANCIAL IMPACT OF THE DISPOSAL

It is expected that the Group will record an unaudited accounting gain of approximately HK\$15,000,000 as a result of the Disposal, being the difference between (A) the Consideration of HK\$430,000,000 and (B) the aggregate of (i) the unaudited consolidated net assets of the Group which are subject to the Disposal of approximately HK\$412,000,000 as at 31 October 2016, mainly comprising the net liabilities of the Target Group of approximately HK\$20,000,000 and the remaining goodwill and intangible assets (net of deferred tax) of approximately HK\$171,000,000 and HK\$261,000,000 respectively initially recognised on Group level at the time of the Group's acquisition of the Target and (ii) the estimated expenses of approximately HK\$3,000,000 to be incurred for the Disposal. The actual gain or loss in connection with the Disposal will be assessed after Completion and is subject to audit.

As a result of the Disposal, it is expected that the total assets of the Group would decrease by approximately HK\$261,000,000, being the difference between the estimated net proceeds of HK\$427,000,000 to be received by the Company from the Disposal and the total assets of the Group which are subject to the Disposal of approximately HK\$688,000,000 as at 31 October 2016, and that the total liabilities of the Group would decrease by approximately HK\$276,000,000, being the total liabilities of the Group which are subject to the Disposal as at 31 October 2016. Upon Completion, the Target will cease to be a subsidiary of the Company and the assets and liabilities of the Target Group will be deconsolidated from the Group's future financial statements. Following the Disposal, the financial results of the Target Group will cease to be consolidated with that of the Group and the earnings of the Group will decrease.

IMPLICATIONS UNDER THE LISTING RULES

As the relevant percentage ratios under the Listing Rules in respect of the Disposal are more than 25% but less than 75%, the Disposal constitutes a major transaction for the Company under the Listing Rules and is subject to notification, announcement and Shareholders' approval requirements of Chapter 14 of the Listing Rules.

As the relevant percentage ratios under the Listing Rules in respect of the Receipt of the Promissory Note are more than 5% but less than 25%, the Receipt of the Promissory Note constitutes a discloseable transaction for the Company under the Listing Rules and is subject to notification and announcement requirements of Chapter 14 of the Listing Rules.

As the Purchaser is owned as to 50% by Dr. Ip, being an executive Director in the last twelve months and a director of the Vendor and each member of the Target Group, each of Dr. Ip and the Purchaser is a connected person of the Company under the Listing Rules. Accordingly, each of the Disposal and the Receipt of the Promissory Note constitutes a connected transaction for the Company under the Listing Rules and is subject to announcement and Independent Shareholders' approval requirements of Chapter 14A of the Listing Rules.

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Dr. Ip has abstained from voting on the relevant Board resolutions for approving the Disposal and the Receipt of the Promissory Note since he has a material interest in the Disposal and the Receipt of the Promissory Note. Save as disclosed above, none of the other Directors has a material interest in the SP Agreement and the transactions contemplated thereunder (including the Disposal and the Receipt of the Promissory Note).

THE SGM

The SGM will be held at 9 a.m. on Friday, 17 March 2017 at 1st Floor, Town Health Technology Centre, 10-12 Yuen Shun Circuit, Siu Lek Yuen, Shatin, New Territories, Hong Kong for the Independent Shareholders to consider and, if thought fit, approve the SP Agreement and the transactions contemplated thereunder (including the Disposal and the Receipt of the Promissory Note).

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

As Dr. Ip has a material interest in the transactions contemplated under the SP Agreement (including the Disposal and the Receipt of the Promissory Note), Dr. Ip and his associates will be required to abstain from voting at the SGM in respect of the resolution relating to the SP Agreement and the transactions contemplated thereunder (including the Disposal and the Receipt of the Promissory Note). As at the Latest Practicable Date, Dr. Ip and his spouse in aggregate, held (i) approximately 41.45% of the issued share capital of Bonjour Holdings, and (ii) 100% of the issued share capital of Deco City Limited. Given that (i) Bonjour BVI, a wholly-owned subsidiary of Bonjour Holdings, holds 365,327,586 Shares, which represents approximately 4.71% of the total issued Shares as at the Latest Practicable Date; and (ii) Promised Return Limited, a wholly-owned subsidiary of Deco City Limited, holds 10,176,000 Shares, which represents approximately 0.13% of the total issued Shares as at the Latest Practicable Date, Bonjour BVI and Promised Return Limited are associates of Dr. Ip and they will be required to abstain from voting at the SGM in respect of the resolution relating to the SP Agreement and the transactions contemplated thereunder (including the Disposal and the Receipt of the Promissory Note).

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, save as disclosed above, no Shareholder has a material interest in the SP Agreement and the transactions contemplated thereunder (including the Disposal and the Receipt of the Promissory Note) and no Shareholder will be required to abstain from voting at the SGM in respect of the resolution relating to the SP Agreement and the transactions contemplated thereunder (including the Disposal and the Receipt of the Promissory Note).

LETTER FROM THE BOARD

A form of proxy for use at the SGM is enclosed with this circular. Whether or not you are able to attend the SGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return it to the branch share registrar and transfer office of the Company in Hong Kong, Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong 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. 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 case, the form of proxy previously submitted shall be deemed to be revoked.

RECOMMENDATION

The Independent Board Committee, having taken into account the advice of Gram Capital, considers that (i) the terms of the SP Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; and (ii) although the Disposal and the Receipt of the Promissory Note are not conducted in the ordinary and usual course of business of the Company, the Disposal and the Receipt of the Promissory Note are in the interests of the Company and the Shareholders as a whole. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the resolution to be proposed at the SGM to approve the SP Agreement and the transactions contemplated thereunder (including the Disposal and the Receipt of the Promissory Note).

The Directors (including the independent non-executive Directors) consider that the terms of the SP Agreement are on normal commercial terms and are fair and reasonable, and the Disposal and the Receipt of the Promissory Note 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 in favour of the resolution to be proposed at the SGM to approve the SP Agreement and the transactions contemplated thereunder (including the Disposal and the Receipt of the Promissory Note).

Your attention is drawn to the letter from the Independent Board Committee set out on page 19 of this circular and the letter from Gram Capital set out on pages 20 to 32 of this circular, which contains, among other matters, its advice to the Independent Board Committee and the Independent Shareholders in connection with the SP Agreement and the transactions contemplated thereunder (including the Disposal and the Receipt of the Promissory Note) and the principal factors considered by it in arriving at its recommendation.

LETTER FROM THE BOARD

GENERAL INFORMATION

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

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

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)

23 February 2017

To the Independent Shareholders

Dear Sir or Madam,

**MAJOR AND CONNECTED TRANSACTION:
DISPOSAL OF THE TARGET
AND
CONNECTED TRANSACTION:
RECEIPT OF THE PROMISSORY NOTE**

This Independent Board Committee has been appointed to advise you on the terms of the SP Agreement and the transactions contemplated thereunder (including the Disposal and the Receipt of the Promissory Note), details of which are set out in the circular of the Company to the Shareholders dated 23 February 2017 (“**Circular**”), to 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 SP Agreement, and the advice of Gram Capital in relation thereto as set out on pages 20 to 32 of the Circular, we are of the opinion that (i) the terms of the SP Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; and (ii) although the Disposal and the Receipt of the Promissory Note are not conducted in the ordinary and usual course of business of the Company, the Disposal and the Receipt of the Promissory Note are in the interests of the Company and the Shareholders as a whole. We therefore recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the SGM to approve the SP Agreement and the transactions contemplated thereunder (including the Disposal and the Receipt of the Promissory Note).

Yours faithfully,

Independent Board Committee of

Town Health International Medical Group Limited

Mr. Ho
Kwok Wah,
George, MH

Mr. Wong
Tat Tung, MH, JP

Mr. Yu
Xuezhong

Ms. Li
Mingqin

Mr. Wang
John Hong-chiun

Independent non-executive Directors

LETTER FROM GRAM CAPITAL

Set out below is the text of a letter received from Gram Capital, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Disposal and the Receipt of the Promissory Note for the purpose of inclusion in this circular.



Room 1209, 12/F.
Nan Fung Tower
88 Connaught Road Central/
173 Des Voeux Road Central
Hong Kong

23 February 2017

*To: The independent board committee and the independent shareholders
of Town Health International Medical Group Limited*

Dear Sirs,

**(1) MAJOR AND CONNECTED TRANSACTION
REGARDING DISPOSAL OF THE TARGET;
AND
(2) CONNECTED TRANSACTION REGARDING RECEIPT OF
THE PROMISSORY NOTE**

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Disposal and the Receipt of the Promissory Note, details of which are set out in the letter from the Board (the “**Board Letter**”) contained in the circular dated 23 February 2017 issued by the Company to the Shareholders (the “**Circular**”), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

On 30 December 2016 (the “**Agreement Date**”) (after trading hours), (i) the Vendor, an indirect wholly-owned subsidiary of the Company; (ii) the Purchaser, a company which is owned as to 50% by Dr. Ip, a connected person of the Company; and (iii) Dr. Ip entered into the SP Agreement pursuant to which the Vendor has conditionally agreed to sell, and the Purchaser has conditionally agreed to acquire, the Sale Shares (representing 100% of the issued share capital of the Target) at the Consideration of HK\$430,000,000, which shall be settled (i) as to HK\$100,000,000 by the Purchaser in cash; and (ii) as to HK\$330,000,000, being the Balance of Consideration, by the Purchaser’s delivery of the Promissory Note issued by the Purchaser to the Vendor, at Completion. Dr. Ip joined as a party to the SP Agreement as guarantor to guarantee the performance of the obligations of the Purchaser under the SP Agreement.

LETTER FROM GRAM CAPITAL

With reference to the Board Letter, the Disposal constitutes a major transaction for the Company and the Receipt of the Promissory Note constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules. In addition, each of the Disposal and the Receipt of the Promissory Note constitutes a connected transaction for the Company under the Listing Rules and is subject to announcement and Independent Shareholders' approval requirements of Chapter 14A of the Listing Rules. As Dr. Ip has a material interest in the transactions contemplated under the SP Agreement, Dr. Ip and his associates will be required to abstain from voting at the SGM in respect of the resolution relating to the SP Agreement and the transactions contemplated thereunder (including the Disposal and the Receipt of the Promissory Note).

The Independent Board Committee comprising Mr. Ho Kwok Wah, George, *MH*, Mr. Wong Tat Tung, *MH, JP*, Mr. Yu Xuezhong, Ms. Li Mingqin and Mr. Wang John Hong-chiun (all being independent non-executive Directors) has been established to advise the Independent Shareholders on (i) whether the terms of the SP Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; (ii) whether the Disposal and the Receipt of the Promissory Note are in the interests of the Company and the Shareholders as a whole; and (iii) how the Independent Shareholders should vote in respect of the resolution to approve the SP Agreement and the transactions contemplated thereunder at the SGM. We, Gram Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

INDEPENDENCE

As at the Latest Practicable Date, we were not aware of any relationships or interests between Gram Capital and the Company during the past two years immediately preceding the Latest Practicable Date, or any other parties that could be reasonably regarded as hindrance to Gram Capital's independence to act as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders.

Besides, apart from the advisory fee and expenses payable to us in connection with our appointment as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, no arrangement exists whereby we shall receive any other fees or benefits from the Company.

LETTER FROM GRAM CAPITAL

BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and the information and representations as provided to us by the Directors. We have assumed that all information and representations that have been provided by the Directors, for which they are solely and wholly responsible, are true and accurate at the time when they were made and continue to be so as at the Latest Practicable Date. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its advisers and/or the Directors, which have been provided to us. Our opinion is based on the Directors' representation and confirmation that there are no undisclosed private agreements/arrangements or implied understanding with anyone concerning the Disposal and the Receipt of the Promissory Note. We consider that we have taken sufficient and necessary steps (including (i) reviewing the consolidated financial information on the Group for the six months ended 30 June 2016 and the two years ended 31 December 2015; (ii) reviewing the unaudited consolidated financial information of the Target Group for the two years ended 31 December 2015; (iii) reviewing the principal terms of the SP Agreement and the Promissory Note; and (iv) performing market comparable analyses on the Consideration and the Interest Rate (as defined below) respectively) on which to form a reasonable basis and an informed view for our opinion in compliance with Rule 13.80 of the Listing Rules.

The Directors have collectively and individually accepted full responsibility for the accuracy of the information contained in the Circular and have confirmed, having made all reasonable enquiries, which to the best of their knowledge and belief, that the information contained in the 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 in the Circular or the Circular misleading. We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Circular, save and except for this letter of advice.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent in-depth investigation into the business and affairs of the Company, Profit Castle, Dr. Ip or their respective subsidiaries or associates (as the case may be), nor have we considered the taxation implication on the Group or the Shareholders as a result of the Disposal and the Receipt of the Promissory Note. Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date. Shareholders should note that subsequent developments (including any material change in market and economic conditions) may affect and/or change our opinion and we have no obligation to update this opinion to take into account events occurring after the Latest Practicable Date or to update, revise or reaffirm our opinion. In addition, nothing contained in this letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company.

LETTER FROM GRAM CAPITAL

Lastly, where information in this letter has been extracted from published or otherwise publicly available sources, it is the responsibility of Gram Capital to ensure that such information has been correctly extracted from the relevant sources while we are not obligated to conduct any independent in-depth investigation into the accuracy and completeness of those information.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the Disposal and the Receipt of the Promissory Note, we have taken into consideration the following principal factors and reasons:

Background of and reasons for the Disposal and Receipt of the Promissory Note

Business overview of the Group

With reference to the Board Letter, the Group is principally engaged in healthcare business in Hong Kong, which comprises managed care, medical and dental clinics operation and provision of beauty and cosmetic medical services. The other major business segment of the Group is PRC healthcare business, which includes provision of hospital and clinic management services. The Group is also involved in investment business including direct investment in the healthcare sector and investment in securities and properties.

Set out below is a summary of the consolidated financial information on the Group for the six months ended 30 June 2016 and the two years ended 31 December 2015 as extracted from the Company's interim report for the six months ended 30 June 2016 (the "2016 Interim Report") and annual report for the year ended 31 December 2015 (the "2015 Annual Report"):

	For the six months ended 30 June 2016 <i>HK\$'000</i> <i>(unaudited)</i>	For the year ended 31 December 2015 <i>HK\$'000</i> <i>(audited)</i>	For the year ended 31 December 2014 <i>HK\$'000</i> <i>(audited)</i>	Change from FY2014 to FY2015 %
Revenue	587,512	1,122,933	494,579	127.05
– Provision of healthcare and dental services	226,965	447,868	387,522	15.57
– Managed care business	216,701	363,702	87,874	313.89
– Beauty and cosmetic medicine business	119,394	294,024	–	N/A
– Property rental income	9,043	17,339	19,183	(9.61)
– Others	15,409	–	–	N/A
Profit for the period/year	56,455	260,866	80,889	222.50

LETTER FROM GRAM CAPITAL

As illustrated by the above table, the Group recorded a significant increase of approximately 222.50% in profit for the year ended 31 December 2015 (“FY2015”) as compared to the year ended 31 December 2014 (“FY2014”). With reference to the 2015 Annual Report, the increase in profit was mainly attributable to (i) profit generated following the Group’s acquisition of Dr. Vio & Partners Limited and the Target; (ii) share of profit of Huayao Medical Group Limited which had become a joint venture of the Company since March 2015 (and was disposed of by the Company in November 2016); (iii) the increase in gain from the Group’s strategic investment and disposal of associates; and (iv) the increase in interest income generated from the effective treasury management of the Group.

With reference to the 2016 Interim Report and as confirmed by the Directors, with volatile global market and economic slowdown in the first half of 2016, the Group has adopted prudent business strategies and continued to improve its operational efficiency. For FY2015, the Group maintained a healthy financial profile with abundant cash position in order to capture possible development opportunities in the healthcare market. Despite the challenging economic environment, the Group continued to focus on developing its core healthcare network business, and facilitate steady growth of a healthcare platform across Hong Kong and the PRC.

Information on the Target Group

With reference to the Board Letter, the Target is a company incorporated in the BVI with limited liability whose principal business activity is investment holding. As at the Latest Practicable Date, the Target had eight subsidiaries. The Target Group is principally engaged in the operation of 16 beauty and health salons under the brands of “About Beauty”, “Dr. Protalk” and “Top Comfort” in Hong Kong, Macau and Shanghai, and provision of beauty and health-care related consultancy services in Hong Kong and Macau.

As at 31 October 2016, the unaudited consolidated total assets and net liabilities of the Target Group amounted to approximately HK\$254,592,000 and HK\$20,201,000 respectively.

Set out below is the unaudited consolidated financial information of the Target Group for the two years ended 31 December 2015:

	For the year ended 31 December 2015 HK\$’000	For the year ended 31 December 2014 HK\$’000	Year on year change %
Net profit before taxation	23,505	43,027	(45.37)
Net profit after taxation	21,621	35,027	(38.27)

LETTER FROM GRAM CAPITAL

As depicted from the above table, the profitability of the Target Group deteriorated significantly in FY2015 as compared to FY2014. In addition, we noted from the unaudited consolidated management account of the Target Group that the Target Group recorded net loss for the ten months ended 31 October 2016. As advised by the Directors, the aforesaid deterioration in profitability is mainly caused by decrease in sales as a result of keen market competition.

Information on Dr. Ip

With reference to the 2015 Annual Report, in June 1991, Dr. Ip co-founded the business of Bonjour Holdings Limited (Stock Code: 653) (“**Bonjour**”) and its subsidiaries. To the best knowledge and belief of the Company, as at the Latest Practicable Date, Dr. Ip, together with the companies/securities account jointly owned by Dr. Ip and his spouse, held (i) 1,361,772,000 shares of Bonjour, representing approximately 39.90% of the total issued share capital of Bonjour; and (ii) 10,176,000 Shares, representing approximately 0.13% of the total issued share capital of the Company. Based on the closing prices as at the Latest Practicable Date, the market capitalisation of Bonjour and the Company were approximately HK\$1,314 million and HK\$9,624 million respectively.

Reasons for the Disposal and Receipt of the Promissory Note

With reference to the Board Letter, the Group has been recently reconsidering the development strategy of whether to develop medical dermatology business on its own. After deliberation, the Group decided that it would be more efficient and effective to develop cosmetic beauty services business through investing and collaborating with other strategic partners with substantial business scales and operational efficiency. Having considered the aforesaid change in business strategy, the Company considered the Disposal strategically preferred. The Target Group’s business represents the Company’s entire beauty and cosmetic medicine business segment. Following completion of the Disposal, the Company will continue to explore investment and/or collaboration opportunities to carry on beauty and cosmetic medicine business.

As aforementioned, the profitability of the Target Group deteriorated significantly in FY2015 as compared to FY2014 and the Target Group recorded net loss for the ten months ended 31 October 2016.

The proceeds arising from the Disposal will be utilised by the Group for general working capital, and potential acquisition and investment of the Company, including investment in the PRC and Hong Kong healthcare markets.

Detailed reasons for the Disposal and Receipt of the Promissory Note and the use of proceeds arising from the Disposal is set out under the section headed “Reasons for and benefits of the Disposal and Receipt of the Promissory Note” of the Board Letter.

LETTER FROM GRAM CAPITAL

Upon our enquiry, we were advised by the Directors that there was ample cash for the Group as at the Latest Practicable Date. Accordingly, it is in the interests of the Company to receive the Promissory Note as part of the Consideration so as to enjoy the interest to be charged under the Promissory Note.

With reference to the Board Letter, it is expected that the Group will record an unaudited accounting gain of approximately HK\$15,000,000 as a result of the Disposal. The actual gain or loss in connection with the Disposal will be assessed after Completion and is subject to audit.

Having considered the above, we concur with the Directors that the Disposal and the Receipt of the Promissory Note are in the interests of the Company and the Shareholders as a whole.

Principal terms of the SP Agreement

On 30 December 2016 (after trading hours), (i) the Vendor, an indirect wholly-owned subsidiary of the Company; (ii) the Purchaser, a company which is owned as to 50% by Dr. Ip, a connected person of the Company; and (iii) Dr. Ip entered into the SP Agreement pursuant to which the Vendor has conditionally agreed to sell, and the Purchaser has conditionally agreed to acquire, the Sale Shares (representing 100% of the issued share capital of the Target) at the Consideration of HK\$430,000,000, which shall be settled (i) as to HK\$100,000,000 by the Purchaser in cash; and (ii) as to HK\$330,000,000, being the Balance of Consideration, by the Purchaser's delivery of the Promissory Note issued by the Purchaser to the Vendor, at Completion. Dr. Ip joined as a party to the SP Agreement as guarantor to guarantee the performance of the obligations of the Purchaser under the SP Agreement.

The Consideration

With reference to the Board Letter, the Consideration of HK\$430,000,000 was determined after arm's length negotiations between the Vendor and the Purchaser with reference to the historical performance and the future prospects of the Target Group. Considering that (i) there was ample cash for the Group as at the date of the SP Agreement and as at the Latest Practicable Date and the Group could enjoy the interest to be charged under the Promissory Note; and (ii) the credit risk of the Receipt of the Promissory Note is containable after taking into account the Share Mortgage, the Guarantee and the profile of Dr. Ip, the Company considered the Receipt of the Promissory Note as part of the Consideration is fair and reasonable and in the interests of the Company and its shareholders.

Commonly adopted price multiples analysis include the price to book ratio (“**PBR**”) and the price to earnings ratio (“**PER**”). Given that the Target Group recorded net liabilities as at 31 October 2016, we consider the PBR analysis to be inapplicable. For this reason, we have performed a PER analysis for the purpose of further assessing the fairness and reasonableness of the Consideration.

LETTER FROM GRAM CAPITAL

We have researched for Hong Kong listed companies which are engaged in similar line of business as the Target Group, being the operation of beauty and health salons and provision of beauty and health-care related consultancy services and generated over 70% of their revenue from such business during their latest financial year. Up to the date of the SP Agreement and to the best of our knowledge, we found 7 Hong Kong listed companies which met the said criteria (the “**Market Comparables**”) and they are exhaustive so far as we are aware of. Shareholders should note that the business, operations and prospects of the Target Group are not exactly the same as the Market Comparables.

Set out below are the PERs of the Market Comparables based on their respective closing prices as at 30 December 2016 (being the Agreement Date) and their latest published financial information:

Company name (Stock code)	Principal business	Year-end date	PER (Note 1)
Natural Beauty Bio-Technology Limited (157)	Manufacture and selling of skin care, beauty and aroma therapeutic products and provision of skin treatments, beauty and spa services and skin care consulting and beauty training.	31 December 2015	11.71
Modern Beauty Salon Holdings Limited (919)	Provision of beauty and wellness services and sales of skincare and wellness products.	31 March 2016	25.53
Water Oasis Group Limited (1161)	Distribution of skincare products in Hong Kong, Macau, Taiwan, Singapore and the PRC and the operation of beauty salons, spa and medical beauty centres in Hong Kong and the PRC.	30 September 2016	14.98
Perfect Shape Beauty Technology Limited (1830)	Provision of slimming and beauty services and the sales of slimming and beauty products.	31 March 2016	4.97
Union Medical Healthcare Limited (2138)	Provision of medical, quasi-medical and traditional beauty services, the sale of skincare and beauty products and investment holding.	31 March 2016	18.47

LETTER FROM GRAM CAPITAL

Company name (Stock code)	Principal business	Year-end date	PER <i>(Note 1)</i>
SkyNet Group Limited (8176)	High-tech robotics and light machinery engineering; provision of in-flight WLAN and WIFI engineering and services; and developing, distributing and marketing of personal care treatments, products and services.	31 December 2015	N/A <i>(Note 3)</i>
Medicskin Holdings Limited (8307)	Provision of medical skin care services.	31 March 2016	179.59
Maximum			179.59
Minimum			4.97
Average			42.54
Average (excluding outlier)			15.13
The Disposal <i>(Note 2)</i>			19.89

Notes:

1. The PERs of the Market Comparables are calculated based on their respective latest published annual results.
2. The implied PER of the Disposal was calculated based on the Consideration over the unaudited consolidated net profit after taxation for the year ended 31 December 2015 of the Target Group.
3. The relevant PER is indeterminable as the subject company incurred loss during the latest financial year according to its latest published annual results.

We noticed from the above table that the PERs of the Market Comparables ranged from approximately 4.97 times to 179.59 times or approximately 4.97 times to 25.53 times excluding the outlier (being Medicskin Holdings Ltd. (Stock code: 8307)), with an average of approximately 42.54 times or approximately 15.13 times excluding the outlier. Given that the implied PER of the Disposal is approximately 19.89 times, the implied PER of the Disposal is within the said PER ranges and higher than the average PER of the Market Comparables (excluding the outlier).

LETTER FROM GRAM CAPITAL

Given that (i) the implied PER of the Disposal is within the PERs range of and higher than the average PER of the Market Comparables (excluding the outlier); and (ii) it is expected that the Group will record an unaudited accounting gain of approximately HK\$15,000,000 as a result of the Disposal (subject to audit), we are of the view that the Consideration is fair and reasonable so far as the Independent Shareholders are concerned.

The Promissory Note

With reference to the Board Letter, the principal amount of the Promissory Note is HK\$330,000,000 with a maturity date falling on the third anniversary of the first issue date of the Promissory Note. The interest rate of the Promissory Note is 6% per annum (the “**Interest Rate**”).

In respect of the security of the Promissory Note (the “**Security Provision**”):

- (i) At Completion, the Purchaser shall execute the Share Mortgage in favour of the Vendor over the Sale Shares for securing the repayment of the Promissory Note to the effect that the Sale Shares be mortgaged to the Vendor and that the Sale Shares and all the benefits thereof shall be a continuing security for the Promissory Note.

The security created by the Share Mortgage shall not be considered satisfied or discharged by any intermediate payment or satisfaction of part of the Purchaser’s obligations under the Promissory Note, but shall be a continuing security and shall extend to cover any sum which shall at any time constitute the balance due from the Purchaser to the Vendor under the Promissory Note.

- (ii) In addition to the Share Mortgage, at Completion, Dr. Ip shall execute the Guarantee in favour of the Vendor to guarantee the repayment of the Promissory Note by the Purchaser.

LETTER FROM GRAM CAPITAL

As part of our analysis, we have identified disposal transactions which involve receipt of the promissory note as part/whole of the consideration which were announced by companies listed on the Stock Exchange from 1 July 2016 up to 30 December 2016 (the “**Selection Period**”), being the Agreement Date (the “**Interest Rate Comparables**”). To the best of our knowledge and as far as we are aware of, we found 5 transactions which met the said criteria and they are exhaustive. We consider that the sampling period of approximately six months is adequate and appropriate to demonstrate the prevailing market practices prior to the 30 December 2016 (being the Agreement Date) and provide sufficient samples for comparison. Shareholders should note that the business, operations and prospects of the Company are not the same as the Interest Rate Comparables. Nevertheless, the Interest Rate Comparables can demonstrate the market practices during the Selection Period.

Company name (Stock code)	Date of announcement	Maturity (Years)	Interest rate per annum %	Security
Freeman FinTech Corporation Limited (279) (formerly known as Freeman Financial Corporation Limited)	15 August 2016	0.25/0.5/1/1.5 (Note 1)	Nil/5 (Note 1)	Information not available
China Singyes Solar Technologies Holdings Limited (750)	4 September 2016	1/2 (Note 2)	Information not available	Information not available
Deson Development International Holdings Limited (262)	30 September 2016	1/2/3 (Note 3)	5.75/6.10 (Note 3)	Information not available
The Company	4 November 2016	3	5	Yes
New Times Energy Corporation Limited (166)	30 December 2016	1.5	Nil	Information not available
Maximum		3.00	6.10	
Minimum		0.25	Nil	
The Promissory Note	30 December 2016	3	6	Yes

Notes:

1. The transaction involved four promissory notes with maturity from three months to 18 calendar months and interest rate of nil or 5%.
2. The transaction involved two promissory notes with maturity of one year and two years respectively.
3. The transaction involved three promissory notes with maturity from one year to three years and interest rate of 5.75% or 6.10%.

LETTER FROM GRAM CAPITAL

We noted from the above table that the Interest Rate Comparables had annual interest rate ranging from nil to 6.10% (the “**Interest Market Range**”). The Promissory Note bears the Interest Rate of 6% per annum, which is within the Interest Market Range.

Among the Interest Rate Comparables, we noted that the Company had received a promissory note with interest rate of 5% per annum under the disposal transaction as announced by the Company on 4 November 2016. The Interest Rate is higher than such interest rate.

For our further assessment, we have obtained the following information from the Company:

- (i) the borrowing rates for the Group’s banking facilities were below 4% as at 30 December 2016, being the Agreement Date;
- (ii) in 2016, the Group provided loans to independent third parties at lending rates ranged from 7.8% to 12% per annum, all of which are unsecured; and
- (iii) the annual interest rates of the Group’s bank deposits were below 1% per annum as at 30 December 2016, being the Agreement Date.

Having considered the above, we concur with the Directors’ view that the Interest Rate is fair and reasonable so far as the Independent Shareholders are concerned.

Having considered the Security Provision, we are of the view that the Group’s credit risk associated with the Receipt of the Promissory Note can be contained to a certain extent.

Taking into account the principal terms of the SP Agreement above, we consider that the terms of the SP Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

Possible financial effects of the Disposal

Upon Completion, the Company will cease to hold any equity interest of the Target Group and each member of the Target Group will cease to be a subsidiary of the Company. The results, assets and liabilities of the Target Group will no longer be consolidated into the consolidated financial statements of the Group.

LETTER FROM GRAM CAPITAL

With reference to the Board Letter, it is expected that the Group will record an unaudited accounting gain of approximately HK\$15,000,000 as a result of the Disposal, calculated with reference to (i) the Consideration of HK\$430 million; (ii) the unaudited consolidated net assets of the Group which are subject to the Disposal of approximately HK\$412 million as at 31 October 2016, mainly comprising of the net liabilities of the Target Group of approximately HK\$20 million and the remaining goodwill and intangible assets (net of deferred tax) of approximately HK\$171 million and HK\$261 million respectively initially recognised on Group level at the time of the Group's acquisition of the Target; and (iii) the estimated expenses of approximately HK\$3 million to be incurred for the Disposal. The actual gain or loss in connection with the Disposal will be assessed after Completion and is subject to audit.

It should be noted that the aforementioned analysis is for illustrative purposes only and does not purport to represent how the financial position of the Group will be upon Completion.

RECOMMENDATION

Having taken into consideration the factors and reasons as stated above, we are of the opinion that (i) the terms of the SP Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; and (ii) although the Disposal and the Receipt of the Promissory Note are not conducted in the ordinary and usual course of business of the Company, the Disposal and the Receipt of the Promissory Note are in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the resolution to be proposed at the SGM to approve the SP Agreement and the transactions contemplated thereunder (including the Disposal and the Receipt of the Promissory Note), and we recommend the Independent Shareholders to vote in favour of the resolution in this regard.

Yours faithfully,
For and on behalf of
Gram Capital Limited
Graham Lam
Managing Director

Note: Mr. Graham Lam is a licensed person registered with the Securities and Futures Commission and a responsible officer of Gram Capital Limited to carry out Type 6 (advising on corporate finance) regulated activity under the SFO. He has over 20 years of experience in investment banking industry.

1. STATEMENT OF INDEBTEDNESS

As at the close of business on 31 December 2016, being the latest practicable date for the purpose of this indebtedness statement, the Group had secured bank borrowings of approximately HK\$20,835,000 which were secured by the Group's property, plant and equipment. No guarantee was given regarding the bank borrowings.

As at the close of business on 31 December 2016, the Group did not have any significant contingent liabilities.

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities and normal trade and other payables in the ordinary course of business, the Group did not have, as of 31 December 2016, any other loan capital issued or agreed to be issued, bank overdrafts, loans, debt securities issued and outstanding, and authorised or otherwise created but unissued and term loans or other borrowings, indebtedness in the nature of borrowings, liabilities under acceptance (other than normal trade bills) or acceptance credits, debentures, mortgages, charges, finance lease or hire purchase commitments, guarantees or material contingent liabilities.

2. WORKING CAPITAL

After due and careful consideration, the Directors are of the opinion that, after taking into account the financial resources presently available to the Group, including the present internal resources, presently available banking facilities granted to the Group and the estimated net proceeds from the Disposal, the working capital available to the Group is sufficient for the Group's requirement for at least twelve months from the date of this circular.

3. MATERIAL ADVERSE CHANGE

Save that the consolidated profit of the Group for the year ended 31 December 2016 is expected to decrease substantially as compared with the consolidated profit of the Group for the year ended 31 December 2015, mainly attributable to the decrease in gain on fair value changes on held for trading investments and disposal of associates, further details of which are set out in the announcement of the Company dated 6 January 2017, as at the Latest Practicable Date, the Directors confirm that there has been no material adverse change in the financial or trading position or outlook of the Group since 31 December 2015 (being the date to which the latest published audited financial statements of the Group were made up).

4. FINANCIAL AND TRADING PROSPECTS

The Group is principally engaged in healthcare business in Hong Kong, which comprises managed care, medical and dental clinics operation and provision of beauty and cosmetic medical services. The other major business segment of the Group is PRC healthcare business, which includes provision of hospital and clinic management services. The Group is also involved in investment business including direct investment in the healthcare sector and investment in securities and properties.

In Hong Kong, the Group will continue to strengthen its leading healthcare network and integrate its upstream and downstream business. Meanwhile, the Group has also been seeking for further business cooperation and acquisition targets to consolidate and expand its business scale.

For the PRC market, the demand for healthcare services will continue to increase due to the economic growth and the aging population in the PRC. The Group will seize the opportunities to further capture the market and strengthen the management of its existing business in the PRC in order to bring its core value of professional healthcare management into the PRC market.

With the rapid development of its healthcare business and its shifting focus to the PRC markets, the Group will further optimise its management structure in Mainland China. At present, the Group's business mainly spans across Guangzhou, Shanghai, Hangzhou and Nanyang in China. To better implement its business strategies in the PRC markets, the Group has set up a headquarters in Beijing which will provide business development, operations, financial and supply chain managements, for the Group's business in the PRC.

To ensure the Group has adequate capital for long-term development and strategic planning, the Group will continue to maintain a healthy financial profile and strong cash position for funding future potential acquisitions and collaborations, so as to enlarge the Group's market share and maintain its market leading position.

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

Name of Director	Capacity	Number of Shares held	Approximate percentage of the total issued share capital of the Company (Note 1)
Dr. Cho	Interest in controlled corporation	1,418,576,764 (Note 2)	18.28%
Dr. Choi	Interest in controlled corporation	1,418,576,764 (Note 2)	18.28%

Notes:

1. The total number of issued Shares as at the Latest Practicable Date (that was, 7,761,298,452 Shares) had been used for the calculation of the approximate percentage.
2. Such Shares were held by Broad Idea which is beneficially owned as to 50.1% by Dr. Cho and as to 49.9% by Dr. Choi, who are also directors of Broad Idea. Accordingly, Dr. Cho and Dr. Choi are both deemed to be interested in the 1,418,576,764 Shares held by Broad Idea under Part XV of the SFO.

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.

Long position in the Shares

Name	Capacity	Number of Shares held	Approximate percentage of the total issued share capital of the Company (Note 1)
Broad Idea (Note 2)	Beneficial owner	1,418,576,764	18.28%
中國人壽保險(集團)公司 (China Life Insurance (Group) Company*)	Beneficial owner	1,785,098,644	23.00%
Fubon Financial Holding Co., Ltd. ("Fubon Financial")	Interest in controlled corporation	648,809,523 (Note 3)	8.35%
Fubon Life Insurance Co., Ltd. ("Fubon Life")	Beneficial owner	471,861,472	6.07%
Jun Yang Financial Holdings Limited ("Jun Yang")	Interest in controlled corporation	543,540,000 (Note 4)	7.00%
Classictime Investments Limited ("Classictime")	Beneficial owner	543,540,000	7.00%

Notes:

- The total number of issued Shares as at the Latest Practicable Date (that was, 7,761,298,452 Shares) had been used for the calculation of the approximate percentage.
- Broad Idea is beneficially owned as to 50.1% by Dr. Cho and as to 49.9% by Dr. Choi, who are also directors of Broad Idea.
- Such Shares were held as to (i) 471,861,472 Shares by Fubon Life; and (ii) 176,948,051 Shares by Fubon Insurance Co., Ltd. ("Fubon Insurance"). Each of Fubon Life and Fubon Insurance is a wholly-owned subsidiary of Fubon Financial. Accordingly, Fubon Financial is deemed to be interested in the aggregate of 648,809,523 Shares held by Fubon Life and Fubon Insurance under Part XV of the SFO.
- Such Shares were held by Classictime, which is a wholly-owned subsidiary of Jun Yang. Accordingly, Jun Yang is deemed to be interested in the 543,540,000 Shares held by Classictime under Part XV of the SFO.

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, save that each of the non-executive Directors (except Dr. Choi Chee Ming, *GBS, JP*) and each of the independent non-executive Directors has entered into a re-appointment letter with the Company for a term of two years commenced from 1 January 2017 which can be terminated by the relevant Director giving the Company at least one month's notice in writing or by the Company at any time by notice in writing for cause, none of the Directors or any proposed Director had any existing or proposed service contract with any member of the Group which was not 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
Gram Capital Limited	A licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO

Gram Capital 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, Gram Capital was not beneficially interested in the share capital of any member of the Group nor had any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group, nor did it have any interest, either directly or indirectly, in the assets which have been acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group, since 31 December 2015, 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 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 (within the meaning of the Listing Rules).

7. DIRECTORS' INTERESTS IN CONTRACTS OR ARRANGEMENTS

None of the Directors was materially interested in any contract or arrangement subsisting as at the Latest Practicable Date which is significant in relation to the business of the Group, nor had any Director had any direct or indirect interests in any assets which have been acquired or disposed of by or leased to, or are proposed to be acquired or disposed of by or leased to, any member of the Group since 31 December 2015, being the date to which the latest published audited consolidated financial statements of the Group were made up.

8. MATERIAL CONTRACTS

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

- (a) the sale and purchase agreement dated 17 March 2015 entered into between Wise Lead Holdings Limited ("**Wise Lead**") (an indirect wholly-owned subsidiary of the Company) as purchaser, Tianle Group Limited as vendor and Mr. Zou Lin as guarantor in respect of the acquisition of 49 shares, representing 49% of the issued share capital of Huayao Medical Group Limited by Wise Lead from Tianle Group Limited at a consideration of RMB151,280,000 (equivalent to approximately HK\$187,587,200) (subject to adjustments), further details of which are set out in the announcement of the Company dated 17 March 2015;

- (b) the sale and purchase agreement dated 20 March 2015 entered into between Town Health (BVI) Limited (“**Town Health BVI**”) (a wholly-owned subsidiary of the Company) as vendor and an individual who is an Independent Third Party as purchaser in respect of the disposal of 675 shares, representing 60% of the issued share capital of Asset Management International Limited by Town Health BVI to the said individual at a consideration of HK\$432,726,413, further details of which are set out in the announcement of the Company dated 20 March 2015;
- (c) the investment and cooperation agreement dated 4 December 2015 entered into between the Company, 南陽祥瑞醫院管理諮詢有限公司 (Nanyang Xiangrui Hospital Management Advisory Co. Ltd.*) (“**Nanyang Xiangrui**”) and Mr. Zhao Junxiang in respect of the investment by the Group in Nanyang Xiangrui by way of acquisition of the equity interests and/or capital injection in Nanyang Xiangrui, which shall result in the Group holding not less than 51% and up to 65% equity interests in Nanyang Xiangrui upon completion of the investment, at a maximum consideration of RMB1,207,142,857 (equivalent to approximately HK\$1,484,785,714), completion of which took place on 29 September 2016 with final amount of consideration being RMB548,866,125 (equivalent to approximately HK\$642,173,366) and resulting in the Group holding 60% equity interests in Nanyang Xiangrui, further details of which are set out in the announcements of the Company dated 4 December 2015 and 29 September 2016 respectively;
- (d) the sale and purchase agreement dated 4 November 2016 entered into between Town Health BVI as vendor and an individual who is an Independent Third Party as purchaser in respect of the disposal of 1 share, representing the entire issued share capital of Wise Lead by Town Health BVI to the purchaser, and the sum of HK\$213,859,593 owing by Wise Lead to Town Health BVI, at a total consideration of HK\$230,000,000 to be settled by the purchaser’s delivery of a secured promissory note in the principal amount of HK\$230,000,000 at completion, which took place immediately after the execution of the sale and purchase agreement, further details of which are set out in the announcement of the Company dated 4 November 2016;
- (e) the supplemental loan agreement dated 23 December 2016 entered into between Bonjour Beauty Limited (a subsidiary of the Target) as lender and Bonjour BVI as borrower in respect of extension of the maturity date of loans in an aggregate principal amount of HK\$138,000,000 extended by Bonjour Beauty Limited to Bonjour BVI under a loan agreement dated 1 January 2015 for one further year from the original maturity date of the loan at the renewed interest rate of 5% per annum, further details of which are set out in the announcement of the Company dated 23 December 2016; and
- (f) the SP Agreement.

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 at the office of Messrs. Leung & Lau at Units 7208-10, 72nd Floor, The Center, 99 Queen's Road C., Central, Hong Kong 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. from the date of this circular up to and including the date of the SGM:

- (a) the memorandum of continuance and the bye-laws of the Company;
- (b) the annual reports of the Company for each of the two years ended 31 December 2014 and 2015;
- (c) the letter from the Independent Board Committee, the text of which is set out on page 19 of this circular;
- (d) the letter from Gram Capital, the text of which is set out on pages 20 to 32 of this circular;
- (e) the written consent referred to in the section headed "Expert and consent" in this appendix;
- (f) the contracts referred to in the paragraph headed "Material contracts" in this appendix; and
- (g) this circular.

NOTICE OF 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 (“**Meeting**”) of Town Health International Medical Group Limited (“**Company**”) will be held at 9 a.m. on Friday, 17 March 2017 at 1st Floor, Town Health Technology Centre, 10-12 Yuen Shun Circuit, Siu Lek Yuen, Shatin, New Territories, Hong Kong to consider and, if thought fit, pass the following resolution as an ordinary resolution:

ORDINARY RESOLUTION

“THAT:

- (a) the agreement for sale and purchase (“**SP Agreement**”) dated 30 December 2016 entered into between the Vendor (as defined in the circular of the Company dated 23 February 2017 (“**Circular**”), a copy of which is marked “A” and signed by the chairman of the Meeting for identification purpose has been tabled at the Meeting) as vendor, the Purchaser (as defined in the Circular) as purchaser and Dr. Ip (as defined in the Circular) as guarantor in respect of the Disposal (as defined in the Circular) and the Receipt of the Promissory Note (as defined in the Circular) (a copy of the SP 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 (including the Disposal and the Receipt of the Promissory Note) be and are hereby approved; and

NOTICE OF SGM

- (b) any one director of the Company (“**Director**”) be and is hereby authorised to do all such acts and things, to sign and execute such documents or agreements or deeds on behalf of the Company 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 SP Agreement and the transactions contemplated thereunder (including the Disposal and the Receipt of the Promissory Note), 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 SP 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, 23 February 2017

Registered office:

Canon’s Court
22 Victoria Street
Hamilton HM 12
Bermuda

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

6th Floor
Town Health Technology Centre
10-12 Yuen Shun Circuit
Siu Lek Yuen, Shatin
New Territories, Hong Kong

Notes:

1. A member of the Company entitled to attend and vote at the 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).

NOTICE OF SGM

3. Completion and return of the form of proxy should 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 and in such event, the instrument appointing a proxy shall be deemed to be revoked.
4. As required under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, the above resolution will be decided by way of poll.

As at the date of this notice, the executive Directors are Miss Choi Ka Yee, Crystal (Chairperson), Dr. Cho Kwai Chee (Executive Deputy Chairman), Dr. Hui Ka Wah, Ronnie, JP (Chief Executive Officer), Mr. Lee Chik Yuet and Mr. Wong Seung Ming (Chief Financial Officer); the non-executive Directors are Dr. Choi Chee Ming, GBS, JP (Deputy Chairman), Ms. Fang Haiyan (Deputy Chairperson), Mr. Tsai Ming-hsing (Deputy Chairman) and Mr. Chen Jinhao; and the independent non-executive Directors are Mr. Ho Kwok Wah, George, MH, Mr. Wong Tat Tung, MH, JP, Mr. Yu Xuezhong, Ms. Li Mingqin and Mr. Wang John Hong-chiun.