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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 licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Town Health International 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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This circular is for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for any securities of the Company.



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

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

(Stock Code: 3886)

(1) PROPOSED ISSUE OF NEW SHARES UNDER SPECIFIC MANDATE **(2) GRANT OF PUT OPTION BY MAJOR SHAREHOLDER –** **POSSIBLE CONNECTED TRANSACTION** **AND** **NOTICE OF SPECIAL GENERAL MEETING**

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



高銀融資有限公司
GOLDIN FINANCIAL LIMITED

A notice convening the special general meeting of the Company to be held at 9:00 a.m. on Monday, 23 February 2015 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-2 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.

3 February 2015

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DEFINITIONS

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

“acting in concert”	has the meaning as ascribed to it in the Takeovers Code
“Affiliates”	any person that directly or indirectly controls, is controlled by, or is under common control with the Investor, including, without limitation, any fund of which any person controlled by the Investor is the general partner
“associates”	has the meaning as ascribed to it in the Listing Rules
“Board”	the board of Directors
“Business Day”	a day (excluding Saturday, Sunday, public holiday 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 throughout their normal business hours
“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 issuance by the Company of, and the subscription by the Investor for, the Subscription Shares in accordance with the terms of the Investment Agreement
“Completion Date”	(i) a date falling within 30 days after fulfilment of the Conditions (except for those Conditions which are only capable of being fulfilled on the Completion Date) unless waived by the Investor in accordance with the Investment Agreement as agreed by the parties to the Investment Agreement; or (ii) if no such agreement is reached between the parties to the Investment Agreement, a date which is the 30th day after fulfilment of the Conditions (except for those Conditions which are only capable of being fulfilled on the Completion Date) unless waived by the Investor in accordance with the Investment Agreement, or if such date is not a Business Day, the Business Day immediately following such date; or (iii) such other date as the parties to the Investment Agreement may agree in writing

DEFINITIONS

“Conditions”	the conditions precedent to the Completion
“connected person(s)”	has the meaning as ascribed to it in the Listing Rules
“Convertible Preference Share(s)”	the perpetual non-voting redeemable convertible preference share(s) of HK\$0.01 each in the share capital of the Company
“Director(s)”	the director(s) of the Company
“Dr. Cho”	Dr. Cho Kwai Chee, an executive Director and the executive vice chairman of the Company, who owned 50.10% of the issued share capital of the Major Shareholder as at the Latest Practicable Date
“Dr. Choi”	Dr. Choi Chee Ming, <i>GBS, JP</i> , the non-executive Director and the vice-chairman of the Company, who owned 49.90% of the issued share capital of the Major Shareholder as at the Latest Practicable Date
“Group”	the Company and its subsidiaries
“Guarantors”	the guarantors under the Put Option Deed, namely, Dr. Cho and Dr. Choi
“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. Chan Kam Chiu, Mr. Ho Kwok Wah, George, Mr. Wai Kwok Hung, <i>SBS, JP</i> , and Mr. Wong Tat Tung to advise the Independent Shareholders in relation to the Investment Agreement, the Put Option Deed and the transactions contemplated thereunder (including the issue of the Subscription Shares to the Investor taking into account that part or all of which may be put back to the Major Shareholder upon exercise of the Put Option)

DEFINITIONS

“Independent Financial Adviser”	Goldin Financial Limited, a licensed corporation to carry on type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in relation to the Investment Agreement, the Put Option Deed and the transactions contemplated thereunder
“Independent Shareholders”	Shareholders other than the Major Shareholder and its associates
“Investment Agreement”	the investment agreement dated 5 January 2015 entered into between the Investor and the Company in relation to the subscription for the Subscription Shares by the Investor
“Investor”	中國人壽保險(集團)公司, in English for identification purposes only, China Life Insurance (Group) Company
“Latest Practicable Date”	30 January 2015, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Major Shareholder”	Broad Idea International Limited, a company incorporated in the British Virgin Islands with limited liability and is beneficially owned as to 50.10% by Dr. Cho, an executive Director, and as to 49.90% by Dr. Choi, the non-executive Director, who are also directors of the Major Shareholder
“Option Shares”	the maximum number of Shares held by the Investor and which Shares are acquired by the Investor through the subscription for new Shares from the Company pursuant to the Investment Agreement which when aggregated with the then existing shareholding of the Major Shareholder in the Company immediately before the exercise of the Put Option will result in the Major Shareholder’s shareholding interest in the Company being 29.90% of the total issued share capital of the Company with voting rights immediately after completion of the transfer of the Option Shares pursuant to the exercise of the Put Option

DEFINITIONS

“PRC”	the People’s Republic of China, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan for the purpose of this circular
“Pro Rata Share”	the proportion that the number of Shares held by the Investor and its Affiliate(s) bears to the aggregate number of issued Shares then in issue
“Put Option”	the option entitling the Investor to require the Major Shareholder to purchase from the Investor the Option Shares at the Put Option Sale Price
“Put Option Deed”	the put option deed dated 5 January 2015 entered into by the Major Shareholder and the Guarantors in favour of the Investor in relation to the grant of the Put Option
“Put Option Sale Price”	the price at which the Investor may sell the Option Shares to the Major Shareholder on the exercise of the Put Option, which is initially fixed at HK\$1.20 per Option Share subject to adjustment in accordance with the Put Option Deed
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (as amended from time to time)
“SGM”	the special general meeting of the Company to be held at 9:00 a.m. on Monday, 23 February 2015 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 Investment Agreement and the transactions contemplated thereunder, and the grant of the Specific Mandate
“Share(s)”	the ordinary share(s) of HK\$0.01 each in the share capital of the Company with voting rights
“Share Options”	options granted by the Company to subscribe for Shares under the share option scheme of the Company
“Shareholder(s)”	holder(s) of the Share(s)

DEFINITIONS

“Specific Mandate”	specific mandate to be sought from the Independent Shareholders at the SGM to allot and issue the Subscription Shares to the Investor pursuant to the Investment Agreement
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Price”	the subscription price of HK\$0.98 per Subscription Share
“Subscription Shares”	the new 1,785,098,644 Shares to be subscribed by the Investor pursuant to the terms of the Investment Agreement
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“Trading Day”	a day on which the Stock Exchange is open for dealing business in Hong Kong
“Volume Weighted Average Price”	means, in respect of a Share on any Trading Day, or series of Trading Days, the order book volume weighted average price of a Share appearing on or derived from Bloomberg (or any successor service) page “3886 HK Equity VWAP” (or any successor to or replacement of such page) or such other source as shall be determined to be appropriate by the Investor and the Major Shareholder in good faith on such Trading Day, or series of Trading Days, provided that on any Trading Day where such price is not available or cannot otherwise be determined as provided above, the Volume Weighted Average Price of a Share in respect of such Trading Day shall be the Volume Weighted Average Price, determined as provided above, on the immediately preceding Trading Day on which the same can be so determined
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“%”	per cent.

LETTER FROM THE BOARD



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

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

(Stock Code: 3886)

Executive Directors:

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

Non-executive Director:

Dr. Choi Chee Ming, GBS, JP (*Vice-Chairman*)

Independent non-executive Directors:

Mr. Chan Kam Chiu
Mr. Ho Kwok Wah, George
Mr. Wai Kwok Hung, SBS, JP
Mr. Wong Tat Tung

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

3 February 2015

To the Shareholders

Dear Sir or Madam,

(1) PROPOSED ISSUE OF NEW SHARES UNDER SPECIFIC MANDATE (2) GRANT OF PUT OPTION BY MAJOR SHAREHOLDER – POSSIBLE CONNECTED TRANSACTION

INTRODUCTION

Reference is made to the announcement of the Company dated 5 January 2015 in which the Company announced that on 5 January 2015, (i) the Company and the Investor entered into the Investment Agreement pursuant to which the Investor has conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue to the Investor, 1,785,098,644 Subscription Shares for HK\$1,749,396,671.12 in cash at the Subscription Price of HK\$0.98 per Subscription Share; and (ii) in consideration of the Investor entering into of the Investment Agreement, the Major Shareholder, Dr. Cho and Dr. Choi entered into the Put Option Deed in favour of the Investor pursuant to which the Major Shareholder has unconditionally and irrevocably granted the Put Option to the Investor.

LETTER FROM THE BOARD

As at the Latest Practicable Date, the Major Shareholder was interested in 1,335,243,431 Shares, representing approximately 24.38% of the total issued Shares, and 83,333,333 Convertible Preference Shares. The Major Shareholder is beneficially owned as to 50.10% by Dr. Cho, an executive Director, and as to 49.90% by Dr. Choi, the non-executive Director, and both of Dr. Cho and Dr. Choi are also directors of the Major Shareholder. The Major Shareholder is therefore a connected person of the Company under the Listing Rules. In view that all or part of the Subscription Shares to be issued to the Investor may be put back to the Major Shareholder upon exercise of the Put Option, the Investment Agreement, the Put Option Deed and the transactions contemplated thereunder as a whole may constitute a connected transaction for the Company which is subject to the announcement, reporting and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The purpose of this circular is to provide you with, among other things, (i) details of the Investment Agreement and the Put Option Deed; (ii) the advice of the Independent Financial Adviser regarding the Investment Agreement, the Put Option Deed and the transactions contemplated thereunder (including the grant of the Specific Mandate to allot and issue the Subscription Shares to the Investor pursuant to the Investment Agreement taking into account that part or all of which may be put back to the Major Shareholder upon exercise of the Put Option); (iii) the recommendation of the Independent Board Committee regarding the Investment Agreement, the Put Option Deed and the transactions contemplated thereunder (including the grant of the Specific Mandate to allot and issue the Subscription Shares to the Investor pursuant to the Investment Agreement taking into account that part or all of which may be put back to the Major Shareholder upon exercise of the Put Option); and (iv) a notice of the SGM.

PROPOSED ISSUE OF NEW SHARES UNDER SPECIFIC MANDATE

The principal terms of the Investment Agreement are set out as follows:

Date

5 January 2015

Parties

- (1) the Investor, as investor; and
- (2) the Company, as issuer.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Investor and its ultimate beneficial owner(s) are third parties independent of and not connected with the Company and the connected persons of the Company.

LETTER FROM THE BOARD

As confirmed by the Investor, as at the date of the Investment Agreement, the Investor and its subsidiaries were not interested in any Shares.

Subscription Shares

In accordance with the Investment Agreement, the Investor has conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue to the Investor, 1,785,098,644 Subscription Shares for HK\$1,749,396,671.12 in cash at the Subscription Price of HK\$0.98 per Subscription Share.

The 1,785,098,644 Subscription Shares to be allotted and issued to the Investor pursuant to the Investment Agreement represent:

- (1) approximately 32.60% of the total issued Shares as at the Latest Practicable Date;
- (2) approximately 24.59% of the total issued Shares as enlarged by the allotment and issue of the Subscription Shares; and
- (3) 23.00% of the total issued Shares as enlarged by (a) the allotment and issue of the Subscription Shares; (b) the Shares to be allotted and issued assuming full conversion of the Convertible Preference Shares at the initial conversion price without any adjustment thereto; and (c) the Shares to be allotted and issued upon exercise of all outstanding Share Options in full.

The aggregate nominal value of the Subscription Shares is HK\$17,850,986.44.

Immediately after Completion (assuming that there is no other change in the shareholding structure of the Company before the Completion), the Investor will become the single largest Shareholder.

Ranking of Subscription Shares

The Subscription Shares will rank *pari passu* in all respects with the other Shares in issue as at the Completion Date.

Subscription Price

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

- (1) a discount of approximately 19.67% to the closing price of HK\$1.22 per Share as quoted on the Stock Exchange on 2 January 2015, being the last Trading Day before the date of the Investment Agreement;

LETTER FROM THE BOARD

- (2) a discount of approximately 19.41% to the average closing price of approximately HK\$1.216 per Share for the last five consecutive Trading Days up to and including 2 January 2015, being the last Trading Day before the date of the Investment Agreement; and
- (3) a discount of approximately 39.88% to the closing price of HK\$1.63 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

The gross proceeds from the issue of the Subscription Shares pursuant to the Investment Agreement will be approximately HK\$1,749 million and the net proceeds from the issue of the Subscription Shares pursuant to the Investment Agreement, after deduction of all relevant costs and expenses of approximately HK\$3 million, is estimated to be approximately HK\$1,746 million. The net Subscription Price, after deduction of all relevant costs and expenses, is estimated to be approximately HK\$0.978 per Subscription Share.

Pursuant to the Investment Agreement, save as provided in the paragraph headed “Reserved matters at the Board meetings” below, the proceeds from the issue of the Subscription Shares shall be applied for the purpose of the Group’s investment, acquisition or development of medical and/or healthcare related businesses in the PRC or for such business or businesses related to the PRC.

The Subscription Price was determined after arm’s length negotiations between the Company and the Investor with reference to, among others, the recent share price performance and liquidity of the Shares. The Directors (including the independent non-executive Directors) consider that the Subscription Price and the terms of the Investment Agreement are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

Conditions precedent

In accordance with the Investment Agreement, the Completion is conditional upon:

- (1) the current listing of the Shares on the Stock Exchange not having been withdrawn and the Shares continuing to be traded on the Stock Exchange at all times (except for suspensions of trading required under the Listing Rules and which, in each occasion, does not last for more than three consecutive Trading Days) from the date of the Investment Agreement to the Completion Date;
- (2) the listing of, and permission to deal in, all the Subscription Shares being granted by the Listing Committee of the Stock Exchange (“**Listing Approval**”) and the Listing Approval not having been revoked prior to the Completion Date;

LETTER FROM THE BOARD

- (3) the passing by the requisite majority required under the Listing Rules of the Shareholders at a general meeting (excluding any Shareholder who is required to abstain from voting by reason of applicable provisions in the Listing Rules) of a resolution for the approval of the Company's entering into of the Investment Agreement and such other resolutions reasonably considered necessary or desirable in the context of applicable laws and regulations by any of the parties to the Investment Agreement for the implementation of the transactions contemplated thereunder, on terms reasonably satisfactory to the Investor;
- (4) the entering into of the Put Option Deed by the relevant parties;
- (5) the Investor being satisfied that neither it nor the parties acting in concert with it would be required to make any general offer to acquire any Shares from other Shareholders as a result of the Completion and the transactions contemplated under the Investment Agreement and any other documents in connection with the Investment Agreement designated as transaction documents by the Company and the Investor ("**Transaction Documents**");
- (6)
 - (i) all approval, authorization, consent, license, permission, waiver, order or exemption, registration, filings, confirmations, clearances, rulings and decisions by any governments, courts, arbitral tribunals, governmental, regulatory or official authorities, departments or agencies of any governments, statutory or regulatory bodies, stock exchanges whether in Hong Kong or elsewhere including without limitation the Securities and Futures Commission and the Stock Exchange, or the bankers or creditors of the Company, or any other third party that are necessary or appropriate for or in connection with the transactions contemplated under the Transaction Documents having been obtained;
 - (ii) no notice, order, judgment, action or proceeding of any person having been served, issued, made or filed which restrains, prohibits or makes unlawful, or which seeks to restrain, prohibit or make unlawful, any transaction contemplated by the Transaction Documents or which is likely to materially and adversely affect the right of the Investor either to own the legal and beneficial title to the Subscription Shares, free from encumbrances, or to exercise its rights under the Transaction Documents;
 - (iii) the warranties, representations and/or undertakings given or made by the Company under the Investment Agreement remaining true and accurate in all material respects and not misleading in any material respect;
 - (iv) no event, circumstance, occurrence, fact, condition, change or effect that is materially adverse to the business, operations, financial condition, management, properties, assets or liabilities of any member of the Group;

LETTER FROM THE BOARD

or the ability of the Company to perform any of its obligations under the Investment Agreement or to consummate the transactions contemplated in the Investment Agreement has occurred or is likely to occur on or before the Completion Date; and

- (v) the Investor having received (a) a legal opinion, in form reasonably satisfactory to the Investor, issued by the legal counsel to the Company on Bermuda law and Hong Kong law acceptable to the Investor and addressed to the Investor stating, among other things, that the Investment Agreement and any documents contemplated thereunder have been duly executed by, and are binding and enforceable against, the Company and (b) a legal opinion, in form reasonably satisfactory to the Investor, issued by the legal counsel to the grantor under the Put Option Deed on British Virgin Islands law and Hong Kong law acceptable to the Investor and addressed to the Investor stating, among other things, that the Put Option Deed and any documents contemplated thereunder have been duly executed by, and are binding and enforceable against, such grantor.

The Investor may, in its sole discretion, waive one or more of the Conditions (except for Conditions (2) and (3) above) set at any time by notice in writing to the Company. If any of the Conditions has not been fulfilled or waived by the Investor on or before 5 June 2015 (or such other date as the Investor may notify in writing) then the Investment Agreement shall terminate immediately thereafter and be of no further effect and each party to the Investment Agreement shall not have any claim against or liability or obligation to the other party under the Investment Agreement save for any antecedent breach.

Completion

Completion will take place on the Completion Date.

Lock-up undertaking

Pursuant to the Investment Agreement, the Investor has undertaken to the Company not to dispose of or deal with or agree to dispose of or deal with or enter into any agreement or arrangement to dispose of or otherwise deal with the Subscription Shares for a period of one year from the Completion Date, provided that this undertaking shall not apply to any of the following: (i) any disposal made in connection with any general offer made by a third party pursuant to the Takeovers Code, or (ii) from and after such time as any third party makes or announces a general offer in accordance with the Takeovers Code to acquire a

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controlling interest in the Company; or (iii) disposal or transfer by private agreement between the Investor and a third party and/or through private placement by the Investor or its agent provided that the following conditions are fulfilled:

- (1) such third party purchaser shall agree to be bound by the lock-up undertaking as provided for in the Investment Agreement and a written deed of undertaking on substantially the same terms as contained in the Investment Agreement (save that the period is adjusted to the remaining period for which the lock-up undertaking applies) as duly executed by such third party purchaser shall be delivered to the Company upon such disposal or transfer;
- (2) the consideration per Share for such disposal or transfer to such third party purchaser shall not be less than a price which is equal to the then prevailing Put Option Sale Price per Share as determined in accordance with the Put Option Deed;
- (3) the Shares to be disposed of or transferred to such third party purchaser shall represent not less than 5% of the issued Shares then in issue; and
- (4) the Investor shall notify the Company in writing about such proposed disposal or transfer of Shares as soon as practicable and in any event within three Business Days after the entering into of any agreement or arrangement in relation to such disposal or transfer.

Notwithstanding anything to the contrary, the restriction set out in sub-paragraph (2) above shall not apply to any transfer of Shares by the Investor to any of its Affiliate(s).

Investor's right to nominate Director(s)

Pursuant to the Investment Agreement, from and after the Completion Date, the Investor shall have the right but not the obligation to nominate person(s) to be Director(s) in the following manner:

- (1) for so long as the Investor and/or its Affiliates own in aggregate 14% or more of the total issued Shares from time to time, four Directors, at least one of which shall be an independent non-executive Director, two of which shall be either executive and/or non-executive Director(s) (one of which shall be a vice chairman of the Company);
- (2) for so long as the Investor and/or its Affiliates own in aggregate 7% or more but less than 14% of the total issued Shares from time to time, two Directors; and
- (3) for so long as the Investor and/or its Affiliates own in aggregate 4% or more but less than 7% of the total issued Shares from time to time, one Director.

LETTER FROM THE BOARD

Subject to the requirements of the Listing Rules, the Investor may additionally have the right but not the obligation to nominate such person(s) which it is entitled to nominate as Director(s) to participate as member(s) of the committees of the Board established from time to time including but not limited to the remuneration and nomination committees of the Board.

The Investor may nominate person(s) as Director(s) for approval either at general meeting(s) of the Company or at board meeting(s) of the Company. Any nomination of person(s) as Director(s) by the Investor at general meeting or board meeting of the Company will be considered by the nomination committee of the Board in advance in order to assess the suitability, qualifications and experience of each proposed candidate, in particular, whether the candidate can meet the requirements for being director of a listed company under the Listing Rules.

If the Investor nominates person(s) as Director(s) for the approval at the Board meeting(s), under the bye-laws of the Company, any such Director(s) appointed by the Board shall hold office only until the next following annual general meeting of the Company and shall then be subject to the re-election and rotational requirements.

Upon Completion (assuming that there is no other change in the shareholding structure of the Company before the Completion) and for so long as the Investor and/or its Affiliates own in aggregate 14% or more of the total issued Shares from time to time, the Investor shall have the right to nominate four persons to be Directors, at least one of which shall be an independent non-executive Director, two of which shall be either executive and/or non-executive Director(s) (one of which shall be a vice chairman of the Company), subject to appointment by the Board and/or the Shareholders.

Anti-dilution of shareholding of the Investor in the Company

From and after Completion, and so long as the Investor and/or its Affiliates in aggregate constitute the holder of the largest amount of the issued share capital of the Company with voting rights from time to time, if the Company proposes to issue any Shares, options, warrants, debentures or other securities convertible into voting shares of any type or class of the Company (the “**Proposed Issue**”) to any person (“**Proposed Recipient**”), the Investor shall have the right to increase the aggregate percentage interest of the Investor and its Affiliates, whether directly or indirectly, in the total issued share capital of the Company with voting rights held by the Investor and/or its Affiliates to the percentage level it held immediately prior to the announcement of the Proposed Issue by requiring the Company to offer to the Investor the right to subscribe for a Pro Rata Share of such issuance for a per unit consideration, payable solely in cash, equal to the per unit consideration to be paid by the Proposed Recipient and otherwise on the same terms and conditions of the Proposed Issue as are offered to the Proposed Recipient. The intention of the parties to the Investment Agreement being that the Investor and its Affiliates shall be

LETTER FROM THE BOARD

entitled to maintain an aggregate shareholding as the holder of the largest amount of the issued share capital of the Company with voting rights subject to the Investor completing the subscription of its Pro Rata Share in full.

The operation of the above anti-dilution provision in the Investment Agreement shall be subject to compliance with the requirements of the Listing Rules by the Company and is conditional upon the completion of the Proposed Issue.

The Company will, subject to compliance with the Listing Rules, allot and issue new Shares by utilising special mandate(s) of the Company to the Investor for the operation of the anti-dilution clause in the Investment Agreement, in particular, the Investor will abstain from voting at the general meeting(s) of the Company to approve any specific mandate for the issue of new Shares if the Investor is considered having a material interest in such issue of new Shares in accordance with the requirements under the Listing Rules, even if it is not a connected person of the Company at the relevant time.

Given that the Company will not utilise general mandate to issue new Shares to the Investor in connection with its anti-dilution right under the Investment Agreement, the Directors consider that the Investor is entitled to vote on the resolution to approve the general mandate at the general meeting of the Company.

The above anti-dilution provision in the Investment Agreement shall not apply to (i) any issuance of Shares upon the conversion, exercise or exchange of options, warrants or convertible securities issued prior to the date of the Investment Agreement, being the options granted under the share option scheme of the Company and the Convertible Preference Shares and (ii) any offer or issue of Shares to shareholders of the Company on a pro-rata entitlement basis such as by way of a rights issue, bonus issue or open offer to shareholders of the Company.

The above anti-dilution provision in the Investment Agreement shall cease to apply once the Investor, together with its Affiliates, ceases to constitute the holder of the largest amount of the issued share capital of the Company with voting rights from time to time except where such cessation is a result of any non-compliance of the anti-dilution provision by the Company.

LETTER FROM THE BOARD

Reserved matters at the Board meetings

Subject to Completion, the following actions of the Company shall require the approval of not less than 75% affirmative votes of the Directors present at a board meeting of the Company held in accordance with its bye-laws:

- (1) any change of the Group's principal business activity from healthcare business investments and provision and management of healthcare and related services from and after the Completion;
- (2) any change of the use of proceeds from the issue of the Subscription Shares from and after the Completion; and
- (3) the issue of any Shares, options, warrants or securities convertible into Shares at a price or conversion price or exercise price which is lower than HK\$1.20 per Share (or such price as adjusted for any share subdivision, share combination or similar event affecting the nominal value of the Shares after the Completion) during the two-year period following the Completion Date.

Under the Investment Agreement, it is also agreed that from and after the Completion, for so long as the Investor and/or its Affiliates in aggregate own not less than 10% of the total issued Shares from time to time, any allotment and issue of Shares, options, warrants, debentures or other securities convertible into debentures or loan capital by the Company to companies or entities which are principally engaged in insurance-related business in the PRC ("Competitors") shall be subject to 75% affirmative votes of the Directors present at a board meeting of the Company held in accordance with its bye-laws. For the avoidance of doubt, this restriction shall not apply to any allotment and issue of Shares to Competitors which is pursuant to any pro rata entitlement of such Competitors as existing holders of the Shares (such as in the case of any rights issue, bonus issue or open offer of securities by the Company).

Further undertakings under the Investment Agreement

In accordance with the Investment Agreement:

- (1) the Investor has undertaken to the Company that it and parties acting in concert with it will not, from the date of the Investment Agreement up to the Completion Date, acquire any voting rights of the Company;

LETTER FROM THE BOARD

- (2) from and after the Completion, for so long as the Investor and/or its Affiliates in aggregate own not less than 10% of the total issued Shares from time to time, the Investor shall have the right but not the obligation to nominate a person to be appointed by the Company as senior management of the Company who shall be primarily responsible for facilitating the development of the Group's business in the PRC and financial matters of the Group's business in the PRC;
- (3) from and after the Completion, for so long as the Investor and/or its Affiliates in aggregate own not less than 10% of the total issued Shares from time to time, the Company shall consult with the Investor, and reasonably consider any input the Investor may have, before the Company intends to hire or dismiss any key personnel of the Company, including but not limited to the chief executive officer and chief financial officer of the Company. For the avoidance of doubt, this shall not apply to the resignation of any Director(s) or key personnel of the Company; and
- (4) from and after the Completion, for so long as the Investor and/or its Affiliates in aggregate own not less than 5% of the total issued Shares from time to time, the Company and the Investor agree to explore further cooperation opportunities in the medical, healthcare and insurance fields.

Termination of the Investment Agreement

In accordance with the Investment Agreement, if at any time prior to the Completion:

- (1) the Company commits or has committed any material breach of or omits or fails or has omitted or failed to observe any of its material obligations or undertakings expressed to be assumed by it under the Investment Agreement or the transactions contemplated in the Investment Agreement in any material aspect, which breach, omission or failure is not rectified by the Company within three Business Days from the date of receipt of a request from the Investor of rectification of such breach, omission or failure;
- (2) any of the warranties, representations and/or undertakings given or made by the Company under the Investment Agreement is not true and accurate or is misleading in any material respect;

LETTER FROM THE BOARD

- (3) an event, circumstance, occurrence, fact, condition, change or effect that is materially adverse to the business, operations, financial condition, management, properties, assets or liabilities of any member of the Group; or the ability of the Company to perform any of its obligations under the Investment Agreement or to consummate the transactions contemplated in the Investment Agreement has occurred;
- (4) the Shares cease to be listed and traded (except for suspensions of trading required under the Listing Rules and which, in each occasion, does not last for more than three consecutive Trading Days (or such other period as may be agreed by the parties to the Investment Agreement)) on the Stock Exchange;
- (5) the Stock Exchange indicates that the listing of the Shares on the Stock Exchange may be withdrawn following the Completion;
- (6) any of the approval, authorization, consent, license, permission, waiver, order or exemption, registration, filings, licences, confirmations, clearances, rulings or decisions by any governments, courts, arbitral tribunals, governmental, regulatory or official authorities, departments or agencies of any governments, statutory or regulatory bodies, stock exchanges whether in Hong Kong or elsewhere including without limitation the Securities and Futures Commission and the Stock Exchange, or the bankers or creditors of any member of the Group, or any other third party that are material for or in connection with the transactions contemplated under the Investment Agreement are not obtained, or if obtained, are revoked;
- (7) any notice, order, judgment, action or proceeding is served, issued or made which restrains, prohibits or makes unlawful any transaction contemplated in the Investment Agreement or which is likely to materially and adversely affect the right of the Investor to own the legal and beneficial title to the Subscription Shares, free from encumbrances;
- (8) the termination of the Put Option Deed for any reason; or
- (9) at the general meeting of the Company held pursuant to Condition (3) set out in the paragraph headed “Conditions Precedent” above, any of the relevant resolutions referred to therein were not passed by the requisite majority of the Shareholders as required under the Listing Rules,

then and in any such case, the Investor may terminate the Investment Agreement without further liability to the Company by giving notice in writing to the Company, which notice may be given at any time on or before 12:00 noon (Hong Kong time) on the Completion Date.

LETTER FROM THE BOARD

Specific Mandate to allot and issue the Subscription Shares

The Company will seek the Specific Mandate from the Independent Shareholders at the SGM to allot and issue the Subscription Shares.

Application for listing

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

GRANT OF THE PUT OPTION BY MAJOR SHAREHOLDER

In connection with the Investment Agreement, on 5 January 2015, the Major Shareholder, Dr. Cho and Dr. Choi entered into the Put Option Deed in favour of the Investor pursuant to which the Major Shareholder has unconditionally and irrevocably granted the Put Option to the Investor. The principal terms of the Put Option Deed are set out below:

Date

5 January 2015

Parties

- (1) the Major Shareholder, as grantor;
- (2) the Investor, as grantee;
- (3) Dr. Cho, as one of the Guarantors; and
- (4) Dr. Choi, as one of the Guarantors.

The Guarantors joined as the parties to the Put Option Deed to guarantee the obligations of the Major Shareholder under the Put Option Deed on a joint and several basis.

Put Option

In consideration of the Investor's entering into of the Investment Agreement, the Major Shareholder unconditionally and irrevocably granted to the Investor the Put Option entitling the Investor to require the Major Shareholder to purchase from the Investor the Option Shares at the Put Option Sale Price in accordance with the Put Option Deed.

LETTER FROM THE BOARD

The number of Option Shares is the maximum number of Shares held by the Investor and which Shares are acquired by the Investor through the subscription for new Shares from the Company pursuant to the Investment Agreement which when aggregated with the then shareholding of the Major Shareholder in the Company immediately before the exercise of the Put Option will result in the Major Shareholder's shareholding interest in the Company being 29.90% of the total issued share capital of the Company with voting rights immediately after completion of the transfer of the Option Shares pursuant to the exercise of the Put Option.

Exercise of the Put Option

The Put Option will only be exercisable if the Volume Weighted Average Price per Share for the 20 Trading Days immediately prior to the first anniversary of the Completion Date is lower than the applicable Put Option Sale Price per Share as determined in accordance with the Put Option Deed. The Put Option may be exercised once at anytime during the Put Option Period (as defined below). The Put Option may be exercised in respect of all or a part of the Option Shares.

Under the Put Option Deed, the exercise of the Put Option shall not result in the Major Shareholder or parties acting in concert with it becoming obliged under the Takeovers Code to make a general offer for shares in the Company.

Put Option Sale Price

The Put Option Sale Price is HK\$1.20 per Option Share (as adjusted for any share subdivision, share combination or similar event affecting the nominal value of the Shares after the date of the Put Option Deed and before the exercise of the Put Option and as reasonably determined by the Investor (which determination shall be conclusive and binding on the Major Shareholder, save for manifest error)).

Put Option Period

The exercise period of the Put Option ("**Put Option Period**") is the period of 15 Business Days beginning on the day which is the first anniversary of the Completion Date.

Lapse of the Put Option

The Put Option will automatically lapse if not exercised by the Investor in accordance with the Put Option Deed on or before expiry of the Put Option Period.

LETTER FROM THE BOARD

Other undertakings under the Put Option Deed

In accordance with the Put Option Deed:

- (1) the Major Shareholder has undertaken to the Investor not to dispose of any Shares it holds, from the date of the Put Option Deed until the end of 15 months from the Completion Date, without the prior written consent of the Investor provided that such consent shall not be unreasonably withheld by the Investor if the disposal is for the bona fide purpose of facilitating the exercise of the Put Option; and
- (2) the Major Shareholder has undertaken to the Investor that, from the date of the Put Option Deed until the end of 14 months from the Completion Date, it will not, and will procure that none of the parties acting in concert with it will, directly or indirectly, acquire any additional Shares, or any additional voting power or control to exercise any additional voting power in the Company, save with the prior written consent of the Investor provided that such consent shall not be required if the acquisition of additional Shares is pursuant to (a) any pro rata entitlement of the Major Shareholder as existing holder of the Shares (such as in the case of any rights issue, bonus issue or open offer of securities by the Company); (b) the conversion of the Convertible Preference Shares held by the Major Shareholder into Shares; and/or (c) the exercise of the Put Option.

The Put Option Sale Price was determined based on the recent share price performance and the liquidity of the Shares. The Put Option Sale Price and the terms of the Put Option Deed were arrived at after arm's length negotiations between the parties to the Put Option Deed.

LETTER FROM THE BOARD

EFFECTS ON SHAREHOLDING STRUCTURE OF THE COMPANY

For illustration purpose only, to the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, the existing shareholding structure in respect of the Shares and the effects on the shareholding structure in respect of the Shares (i) immediately after Completion (assuming that there is no other change in the shareholding structure of the Company before the Completion); and (ii) immediately after Completion and the exercise of the Put Option by the Investor (assuming that the Put Option is exercised in full) are set out as below:

	As at the Latest Practicable Date		(i) Immediately after Completion		(ii) Immediately after Completion and the exercise of the Put Option by the Investor (assuming that the Put Option is exercised in full)	
	Approximate shareholding		Approximate shareholding		Approximate shareholding	
	No. of Shares	(%)	No. of Shares	(%)	No. of Shares	(%)
Major Shareholder (Note 1)	1,335,243,431	24.38	1,335,243,431	18.39	2,170,978,737	29.90
Bonjour Group Limited (Note 2)	365,327,586	6.67	365,327,586	5.03	365,327,586	5.03
Promised Return Limited (Note 2)	10,176,000	0.19	10,176,000	0.14	10,176,000	0.14
Fubon Life Insurance Co., Ltd. ("Fubon Life") and Fubon Insurance Co., Ltd. ("Fubon Insurance") (Note 1)	357,142,857	6.52	357,142,857	4.92	357,142,857	4.92
The Investor and its subsidiaries (Note 3)	–	–	1,785,098,644	24.59	949,363,338	13.08
Mr. Chan Wing Lok, Brian ("Mr. Chan") (Note 4)	2,760,000	0.06	2,760,000	0.04	2,760,000	0.04
Public Shareholders	<u>3,405,049,935</u>	<u>62.18</u>	<u>3,405,049,935</u>	<u>46.89</u>	<u>3,405,049,935</u>	<u>46.89</u>
Total	<u>5,475,699,809</u>	<u>100.00</u>	<u>7,260,798,453</u>	<u>100.00</u>	<u>7,260,798,453</u>	<u>100.00</u>

Notes:

- The Major Shareholder, Fubon Life and Fubon Insurance were allotted and issued 83,333,333, 212,121,212 and 79,545,454 Convertible Preference Shares respectively pursuant to a subscription agreement in relation to the Convertible Preference Shares dated 31 October 2014 entered into amongst the Company, Fubon Life, Fubon Insurance and the Major Shareholder ("CPS Subscription Agreement"). The Convertible Preference Shares held by the Major Shareholder are convertible into 83,333,333 Shares at the initial conversion price of HK\$1.20 per Share (subject to adjustment in accordance with the terms of the Convertible Preference Shares). The Convertible Preference Shares held by Fubon Life and Fubon Insurance, in aggregate, are convertible into 291,666,666 Shares at the initial conversion price of HK\$1.20 per Share (subject to adjustment in accordance with the terms of the Convertible Preference Shares). The table above does not take into account the Shares to be allotted and issued to the Major Shareholder, Fubon Life and Fubon Insurance upon conversion of the Convertible Preference Shares held by them separately in full or in part.
- Bonjour Group Limited is beneficially owned as to 100% by Bonjour Holdings Limited (a company listed on the Stock Exchange (Stock Code: 653)), which is indirectly and beneficially owned as to 61.10% by Dr. Ip Chun Heng, Wilson ("Dr. Ip"), who is an executive Director. Promised Return Limited is wholly-owned by Deco City Limited, which is owned as to 50% by Dr. Ip and 50% by his spouse, Chung Pui Wan. Dr. Ip is also a director of Bonjour Group Limited, Bonjour Holdings Limited, Promised Return Limited and Deco City Limited.
- Pursuant to the Investment Agreement, the Investor has undertaken to the Company that it and parties acting in concert with it will not, from the date of the Investment Agreement up to the Completion Date, acquire any voting rights of the Company.
- Mr. Chan is an executive Director.

LETTER FROM THE BOARD

For illustration purpose only, to the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, the existing shareholding structure in respect of the Shares and the effects on the shareholding structure in respect of the Shares (i) immediately after Completion (assuming that there is no other change in the shareholding structure of the Company before the Completion); (ii) immediately after Completion and conversion of the Convertible Preference Shares (assuming full conversion of the Convertible Preference Shares at the initial conversion price without any adjustment thereto); (iii) immediately after Completion and conversion of the Convertible Preference Shares (assuming full conversion of the Convertible Preference Shares at the initial conversion price without any adjustment thereto) and exercise of all outstanding Share Options (assuming all such outstanding Share Options are exercised in full); and (iv) immediately after Completion, conversion of the Convertible Preference Shares (assuming full conversion of the Convertible Preference Shares at the initial conversion price without any adjustment thereto), exercise of all outstanding Share Options (assuming all such outstanding Share Options are exercised in full) and exercise of the Put Option by the Investor (assuming that the Put Option is exercised in full) are set out as below:

	As at the Latest Practicable Date		(i) Immediately after Completion		(ii) Immediately after Completion and conversion of the Convertible Preference Shares (assuming full conversion of the Convertible Preference Shares at the initial conversion price without any adjustment thereto)		(iii) Immediately after Completion and conversion of the Convertible Preference Shares (assuming full conversion of the Convertible Preference Shares at the initial conversion price without any adjustment thereto) and exercise of all outstanding Share Options (assuming all such outstanding Share Options are exercised in full)		(iv) Immediately after Completion, conversion of the Convertible Preference Shares (assuming full conversion of the Convertible Preference Shares at the initial conversion price without any adjustment thereto), exercise of all outstanding Share Options (assuming all such outstanding Share Options are exercised in full) and exercise of the Put Option by the Investor (assuming that the Put Option is exercised in full)	
	<i>Approximate shareholding</i>		<i>Approximate shareholding</i>		<i>Approximate shareholding</i>		<i>Approximate shareholding</i>		<i>Approximate shareholding</i>	
	<i>No. of Shares</i>	<i>(%)</i>	<i>No. of Shares</i>	<i>(%)</i>	<i>No. of Shares</i>	<i>(%)</i>	<i>No. of Shares</i>	<i>(%)</i>	<i>No. of Shares</i>	<i>(%)</i>
Major Shareholder (Note 1)	1,335,243,431	24.38	1,335,243,431	18.39	1,418,576,764	18.58	1,418,576,764	18.28	2,320,628,237	29.90
Bonjour Group Limited (Note 2)	365,327,586	6.67	365,327,586	5.03	365,327,586	4.78	365,327,586	4.71	365,327,586	4.71
Promised Return Limited (Note 2)	10,176,000	0.19	10,176,000	0.14	10,176,000	0.13	10,176,000	0.13	10,176,000	0.13
Fubon Life and Fubon Insurance (Note 1)	357,142,857	6.52	357,142,857	4.92	648,809,523	8.50	648,809,523	8.36	648,809,523	8.36
The Investor and its subsidiaries (Note 3)	-	-	1,785,098,644	24.59	1,785,098,644	23.38	1,785,098,644	23.00	883,047,171	11.38
Mr. Lee Chik Yuet (Note 4)	-	-	-	-	-	-	5,000,000	0.06	5,000,000	0.06
Mr. Cho Kwai Yee (Note 5)	-	-	-	-	-	-	40,500,000	0.52	40,500,000	0.52
Mr. Chan (Note 6)	2,760,000	0.06	2,760,000	0.04	2,760,000	0.04	2,760,000	0.04	2,760,000	0.04
Public Shareholders	3,405,049,935	62.18	3,405,049,935	46.89	3,405,049,935	44.59	3,485,049,935	44.90	3,485,049,935	44.90
Total	5,475,699,809	100.00	7,260,798,453	100.00	7,635,798,452	100.00	7,761,298,452	100.00	7,761,298,452	100.00

LETTER FROM THE BOARD

Notes:

1. The Major Shareholder, Fubon Life and Fubon Insurance were allotted and issued 83,333,333, 212,121,212 and 79,545,454 Convertible Preference Shares respectively pursuant to the CPS Subscription Agreement. The Convertible Preference Shares held by the Major Shareholder are convertible into 83,333,333 Shares at the initial conversion price of HK\$1.20 per Share (subject to adjustment in accordance with the terms of the Convertible Preference Shares). The Convertible Preference Shares held by Fubon Life and Fubon Insurance, in aggregate, are convertible into 291,666,666 Shares at the initial conversion price of HK\$1.20 per Share (subject to adjustment in accordance with the terms of the Convertible Preference Shares).
2. Bonjour Group Limited is beneficially owned as to 100% by Bonjour Holdings Limited (a company listed on the Stock Exchange (Stock Code: 653)), which is indirectly and beneficially owned as to 61.10% by Dr. Ip, who is an executive Director. Promised Return Limited is wholly-owned by Deco City Limited, which is owned as to 50% by Dr. Ip and 50% by his spouse, Chung Pui Wan. Dr. Ip is also a director of Bonjour Group Limited, Bonjour Holdings Limited, Promised Return Limited and Deco City Limited.
3. Pursuant to the Investment Agreement, the Investor has undertaken to the Company that it and parties acting in concert with it will not, from the date of the Investment Agreement up to the Completion Date, acquire any voting rights of the Company.
4. Mr. Lee Chik Yuet is an executive Director.
5. Mr. Cho Kwai Yee is the brother of Dr. Cho, an executive Director and the executive vice chairman of the Company.
6. Mr. Chan is an executive Director.

LETTER FROM THE BOARD

EQUITY FUND RAISING ACTIVITIES IN THE PAST TWELVE-MONTH PERIOD

Save for the equity fund raising activities mentioned below, the Company had not conducted any other equity fund raising activities in the past 12 months immediately preceding the Latest Practicable Date.

Date of announcement	Fund raising activity	Intended use of net proceeds	Actual use of net proceeds as at the Latest Practicable Date
31 October 2014	subscription for 459,183,673 new Shares and 374,999,999 Convertible Preference Shares under specific mandates granted to the Directors at a special general meeting of the Company held on 22 December 2014	(i) approximately HK\$650 million for acquisition, investment and development of hospitals and medical institutions in the PRC, and medical or healthcare related business in Hong Kong (ii) approximately HK\$150 million for investment and development of several medical specialty centres in Hong Kong and one dental chain in the PRC; and (iii) approximately HK\$80 million for developing a “one-stop, IT O2O platform” to integrate the Group’s growing variety of healthcare and well-being business segments	The net proceeds remained unused as at the Latest Practicable Date

LETTER FROM THE BOARD

INFORMATION ON THE GROUP, THE INVESTOR AND THE MAJOR SHAREHOLDER

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

The Investor and its subsidiaries constitute the largest state-owned financial and insurance group in the PRC. Its business includes life insurance, property & casualty insurance, pension plans (corporate annuity), asset management, alternative investment, overseas operations and e-commerce. It has been listed for 12 consecutive years on Fortune Global 500 list and in 2014, it ranked 98. For the year 2013, its total asset reached RMB2.4 trillion and is one of the largest institutional investors in the PRC's capital market.

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

REASONS FOR AND BENEFITS OF THE TRANSACTIONS AND USE OF PROCEEDS

The Group has been aggressively exploring investment and development opportunities in the PRC healthcare market. Since the Company changed to its current name in March 2014, the Group has undergone a number of major acquisitions which greatly expand its business scope and scale. At the same time, the Group is actively seeking investors who could bring in not just funding but also network and opportunities for the Group to further its development. In December 2014, the Company completed the placement of new Shares and Convertible Preference Shares to Fubon Life, Fubon Insurance and the Major Shareholder, which increases its shareholder base and brings in approximately HK\$880 million new funding for the Group to develop its healthcare or related businesses.

The Group believes that the PRC healthcare market is at the transition of major reform. Abundant new investment and development opportunities are opened up to private investors. The Group believes that with its long history of established healthcare operation in Hong Kong, the Group is equipped with expertise, healthcare management system and professional management team that it could leverage on and venture into the PRC medical and healthcare market aggressively. The Group's long-term strategy is to establish its PRC development headquarters in Beijing. With the Investor as the Company's largest shareholder after Completion, the Group could forge a strong strategic partnership relationship with the largest state-owned financial and insurance group in the PRC which puts the Group in an advantageous position in developing its medical and healthcare business in the PRC. Upon Completion, the placement of the Subscription Shares will bring in approximately HK\$1,746 million net proceeds for the Group to aggressively acquire mainland hospitals and invest in developing related healthcare businesses. Further, the network and reputation of the Investor group could provide the Group with strong support in participating in the acquisition and/or reforms of mainland public hospitals to realise profits. Also, the Group could develop together with the Investor group in offering medical and healthcare related insurance products and other insurance related services like healthcheck or laboratory testing services in the PRC.

LETTER FROM THE BOARD

The commercial medical insurance market in the PRC has not been well developed, and the Group believes that it has much room for growing. The Group could work with the Investor group in exploring and developing the medical insurance market in the PRC. In addition, with the establishment of a solid PRC healthcare infrastructure, the Group could strive to develop medical tourism business through establishing a cross-border healthcare platform, so that more and more PRC customers could enjoy quality medical services in Hong Kong.

The Company currently expects to apply the estimated net proceeds of approximately HK\$1,746 million from the issue of the Subscription Shares in the following manner:

- (i) as to approximately HK\$1,500 million for (1) developing a dental chain in the PRC and investing in or acquiring dental clinics and/or hospitals in the PRC; (2) developing or acquiring medical clinics in the PRC; (3) developing hospitals, investing in or acquiring public or private hospitals in the PRC; and (4) developing or acquiring rehabilitation hospitals and where appropriate in conjunction with nursing and/or aged care homes in the PRC;
- (ii) as to approximately HK\$150 million for developing or acquiring business in provision of healthcheck, laboratory testing and medical diagnostic services in the PRC; and
- (iii) as to approximately HK\$96 million for developing managed care business in the PRC and cross-border healthcare platform for medical tourism business.

With the support of the Investor group as mentioned above, the Group believes it could greatly move into the PRC healthcare market in a big stride.

In light of the above, the Directors (including the independent non-executive Directors) consider that the Investment Agreement, the Put Option Deed and the transactions contemplated thereunder as a whole are in the interests of the Company and the Shareholders as a whole.

IMPLICATIONS UNDER THE LISTING RULES

As at the Latest Practicable Date, the Major Shareholder was interested in 1,335,243,431 Shares, representing approximately 24.38% of the total issued Shares, and 83,333,333 Convertible Preference Shares. The Major Shareholder is beneficially owned as to 50.10% by Dr. Cho, an executive Director, and as to 49.90% by Dr. Choi, the non-executive Director, who are also directors of the Major Shareholder. The Major Shareholder is therefore a connected person of the Company under the Listing Rules. In view that all or part of the Subscription Shares to be issued to the Investor may be put back to the Major Shareholder upon exercise of the Put Option, the Investment Agreement, the Put Option Deed and the transactions contemplated thereunder as a whole may constitute a connected transaction for the Company which is subject to the announcement, reporting and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

LETTER FROM THE BOARD

The Independent Board Committee has been established to advise the Independent Shareholders in respect of the terms of the Investment Agreement, the Put Option Deed and the transactions contemplated thereunder (including the issue of the Subscription Shares to the Investor taking into account that part or all of which may be put back to the Major Shareholder upon exercise of the Put Option) after taking into account the advice of the Independent Financial Adviser.

The Independent Financial Adviser has been appointed to advise the Independent Board Committee and the Independent Shareholders on the fairness and reasonableness of the terms and conditions of the Investment Agreement and the Put Option Deed and the manner of voting by the Independent Shareholders on the relevant resolution in the same regard. The letter from the Independent Financial Adviser is set out on pages 31 to 52 of this circular.

APPROVAL OF THE BOARD

Since the Major Shareholder is beneficially owned as to 50.10% by Dr. Cho, an executive Director, and as to 49.90% by Dr. Choi, a non-executive Director, who are also directors of the Major Shareholder, Dr. Cho and Dr. Choi, are considered to have a material interest in the Investment Agreement, the Put Option Deed and the transactions contemplated thereunder and have therefore abstained from voting on the relevant board resolutions of the Company relating to the Investment Agreement, the Put Option Deed and the transactions contemplated thereunder. Since Miss Choi Ka Yee, Crystal, an executive Director and the chairperson of the Board, is an associate of Dr. Choi, she has also abstained from voting on the relevant board resolutions of the Company relating to the Investment Agreement, the Put Option Deed and the transactions contemplated thereunder, pursuant to the memorandum of continuance and the bye-laws of the Company.

THE SGM

The SGM will be held at 9:00 a.m. on Monday, 23 February 2015 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 Investment Agreement and the transactions contemplated thereunder, and the grant of the Specific Mandate to allot and issue the Subscription Shares pursuant to the Investment Agreement.

In accordance with the Listing Rules, the Major Shareholder and its associates who are Shareholders will be required to abstain from voting on the resolution at the SGM approving the Investment Agreement and the transactions contemplated thereunder, and the grant of the Specific Mandate.

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

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

Having considered the above-mentioned benefits to the Group and the advice of the Independent Financial Adviser, the Directors (including the independent non-executive Directors) consider that the terms of the Investment Agreement and the Put Option Deed are on normal commercial terms and the Investment Agreement, the Put Option Deed and the transactions contemplated thereunder as a whole are fair and reasonable so far as the Independent Shareholders are concerned, and are in the interests of the Company and the Shareholders as a whole.

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 Investment Agreement and the transactions contemplated thereunder, and the grant of the Specific Mandate.

Your attention is drawn to the letter from the Independent Board Committee set out on page 30 of this circular and the letter from the Independent Financial Adviser set out on pages 31 to 52 of this circular, which contains, among other matters, its advice to the Independent Board Committee and the Independent Shareholders in connection with the Investment Agreement, the Put Option Deed and the transactions contemplated thereunder (including the issue of the Subscription Shares to the Investor taking into account that part or all of which may be put back to the Major Shareholder upon exercise of the Put Option) 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 appendix to this circular.

Yours faithfully

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)

3 February 2015

To the Independent Shareholders

Dear Sir or Madam,

(1) PROPOSED ISSUE OF NEW SHARES UNDER SPECIFIC MANDATE **(2) GRANT OF PUT OPTION BY MAJOR SHAREHOLDER –** **POSSIBLE CONNECTED TRANSACTION**

This Independent Board Committee has been established to advise you on the terms of the Investment Agreement, the Put Option Deed and the transactions contemplated thereunder (including the issue of the Subscription Shares to the Investor taking into account that part or all of which may be put back to the Major Shareholder upon exercise of the Put Option), details of which are set out in the circular of the Company to the Shareholders dated 3 February 2015 (“**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 Investment Agreement and the Put Option Deed, and the advice of the Independent Financial Adviser in relation thereto as set out on pages 31 to 52 of the Circular, we are of the opinion that the terms of the Investment Agreement and the Put Option Deed are on normal commercial terms and the Investment Agreement, the Put Option Deed, and the transactions contemplated thereunder as a whole are fair and reasonable so far as the Independent Shareholders are concerned, and are in the interests of the Company and the Shareholders as a whole. We therefore recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the SGM to approve the Investment Agreement and the transactions contemplated thereunder, and the grant of the Specific Mandate.

Yours faithfully,

Independent Board Committee of
Town Health International Medical Group Limited

Chan Kam Chiu Ho Kwok Wah, George Wai Kwok Hung, SBS, JP Wong Tat Tung
Independent non-executive Directors

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the full text of the letter from the Independent Financial Adviser setting out the advice to the Independent Board Committee and Independent Shareholders in respect of the Investment Agreement, the Put Option Deed and the transactions contemplated thereunder including the grant of the Specific Mandate to allot and issue the Subscription Shares to the Investor pursuant to the Investment Agreement taking into account that part or all of which may be put back to the Major Shareholder upon the exercise of the Put Option, prepared for the purpose of incorporation in this circular.



高銀融資有限公司
GOLDIN FINANCIAL LIMITED

Goldin Financial Limited
23rd Floor
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8 Finance Street
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Hong Kong

3 February 2015

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

Dear Sirs,

**(1) PROPOSED ISSUE OF NEW SHARES
UNDER SPECIFIC MANDATE; AND
(2) GRANT OF PUT OPTION BY MAJOR SHAREHOLDER –
POSSIBLE CONNECTED TRANSACTION**

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Investment Agreement, the Put Option Deed and the transactions contemplated thereunder, including the grant of the Specific Mandate to allot and issue the Subscription Shares to the Investor pursuant to the Investment Agreement taking into account that part or all of which may be put back to the Major Shareholder upon the exercise of the Put Option, details of which are set out in the letter from the Board (the “Letter from the Board”) contained in the circular of the Company dated 3 February 2015 (the “Circular”), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

On 5 January 2015, the Company and the Investor entered into the Investment Agreement pursuant to which the Investor has conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue to the Investor, 1,785,098,644 Subscription Shares for HK\$1,749,396,671.12 in cash at the Subscription Price of HK\$0.98 per Subscription Share.

In consideration of the Investor's entering into of the Investment Agreement, on 5 January 2015, the Major Shareholder, Dr. Cho and Dr. Choi entered into the Put Option Deed in favour of the Investor pursuant to which the Major Shareholder has unconditionally and irrevocably granted the Put Option to the Investor entitling the Investor to require the Major Shareholder to purchase from the Investor the Option Shares at the initial Put Option Sale Price of HK\$1.20 per Option Share (subject to adjustment). The Put Option will only be exercisable if the Volume Weighted Average Price per Share for the 20 Trading Days immediately prior to the first anniversary of the Completion Date is lower than HK\$1.20 per Option Share (subject to adjustment).

As at the Latest Practicable Date, the Major Shareholder was interested in 1,335,243,431 Shares, representing approximately 24.38% of the total issued Shares, and 83,333,333 Convertible Preference Shares. The Major Shareholder is beneficially owned as to 50.10% by Dr. Cho, an executive Director, and as to 49.90% by Dr. Choi, the non-executive Director, and both of Dr. Cho and Dr. Choi are also directors of the Major Shareholder. The Major Shareholder is therefore a connected person of the Company under the Listing Rules. In view that all or part of the Subscription Shares to be issued to the Investor may be put back to the Major Shareholder upon the exercise of the Put Option, the Investment Agreement, the Put Option Deed and the transactions contemplated thereunder as a whole may constitute a connected transaction for the Company which is subject to the announcement, reporting and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee comprising four independent non-executive Directors namely, Mr. Chan Kam Chiu, Mr. Ho Kwok Wah, George, Mr. Wai Kwok Hung, *SBS, JP* and Mr. Wong Tat Tung, has been formed to advise the Independent Shareholders as to whether the terms of the Investment Agreement, the Put Option Deed and the transactions contemplated thereunder including the grant of the Specific Mandate to allot and issue the Subscription Shares to the Investor pursuant to the Investment Agreement taking into account that part or all of which may be put back to the Major Shareholder upon the exercise of the Put Option, are fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole and to advise the Independent Shareholders on how to vote taking into account the advice of the Independent Financial Adviser.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We, Goldin Financial Limited, have been appointed by the Company as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Investment Agreement, the Put Option Deed and the transactions contemplated thereunder including the grant of the Specific Mandate to allot and issue the Subscription Shares pursuant to the Investment Agreement, and to make recommendations as to, among others, whether the terms of the Investment Agreement, the Put Option Deed and the transactions contemplated thereunder are fair and reasonable and as to voting in respect of the resolution at the SGM. Our appointment has been approved by the Independent Board Committee.

BASIS OF OUR ADVICE

In arriving at our opinions and recommendations, we have reviewed, *inter alia*, the announcement of the Company dated 5 January 2015 (the “Announcement”), the Circular, the Investment Agreement, the Put Option Deed, the annual report of the Company for the year ended 31 December 2013 (the “Annual Report 2013”) and the interim report of the Company for the six months ended 30 June 2014 (the “Interim Report 2014”). We have also reviewed certain information provided by the management of the Company in relation to the operations, financial conditions and prospects of the Group. We have also (i) considered such other information, analyses and market data which we deemed relevant; and (ii) conducted verbal discussions with the management of the Company regarding the financials, businesses and future outlook of the Group. We have assumed that such information and statements, and any representation made to which we have relied upon in formulating our opinions, are true, accurate and complete in all material respects as of the date hereof and the Shareholders will be notified of any material changes as soon as possible.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in the Circular have been arrived at after due and careful consideration and there are no other facts not contained in the Circular, the omission of which would make any statement in the Circular misleading. We consider that we have been provided with, and that we have reviewed, all currently available information and documents under recent circumstances to enable us to reach an informed view regarding the terms of and the reasons for the transactions contemplated under the Investment Agreement and the Put Option Deed, and to justify reliance on the accuracy of the information contained in the Circular so as to provide a reasonable basis of our opinion. We have no reason to suspect that any material facts or information have/has been withheld by the Directors or management of the Company or are/is misleading, untrue or inaccurate. We have not, however, for the purpose of this exercise, conducted any independent detailed investigation or audit into the businesses, affairs or future prospects of the Company. Our opinion was necessarily based on financial, economic, market and other conditions in effect, and the information made available to us at the Latest Practicable Date.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

PRINCIPAL FACTORS AND REASONS CONSIDERED

In giving our recommendations to the Independent Board Committee and the Independent Shareholders in respect of the Investment Agreement, the Put Option Deed and the transactions contemplated thereunder including the grant of the Specific Mandate to allot and issue the Subscription Shares pursuant to the Investment Agreement, we have taken into account the following principal factors and reasons:

1. Business and financial information of the Group

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

Set out below is audited financial information of the Group for the two years ended 31 December 2012 and 2013 as extracted from the Annual Report 2013 and unaudited financial information of the Group for the six months ended 30 June 2013 and 2014 as extracted from the Interim Report 2014:

Table 1: Financial highlights of the Group

	For the year ended 31 December		For the six months ended 30 June	
	2012	2013	2013	2014
	(audited)	(audited)	(unaudited)	(unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue	<u>341,768</u>	<u>354,553</u>	<u>164,694</u>	<u>191,887</u>
Profit(loss) for the year/period	<u>(430,664)</u>	<u>79,318</u>	<u>22,001</u>	<u>64,634</u>
	As at 31 December		As at 30 June	
	2012	2013	2013	2014
	(audited)	(audited)	(unaudited)	(unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Non-current assets	1,031,686	849,945	712,024	
Current assets	640,862	1,162,572	1,185,925	
Current liabilities	(333,593)	(515,977)	(386,299)	
Net current assets	307,269	646,595	799,626	
Net assets	1,337,349	1,493,477	1,498,047	

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

For the year ended 31 December 2013, the Group recorded revenue of approximately HK\$354.55 million, representing an increase of approximately 3.74% compared to approximately HK\$341.77 million recorded in the previous year, which is primarily contributable by the growth of segment revenue of approximately 2.36% in healthcare and medical services business and approximately 66.74% in the properties investments respectively. The Group recorded a profit after taxation of approximately HK\$79.32 million, as compared to a loss after taxation of approximately HK\$430.66 million in the previous year, which was mainly attributable to, among other matters, (i) share of profits of associates during the year of approximately HK\$159.93 million as compared to share of loss of approximately HK\$9.47 million in the previous year; (ii) the gain on disposal of associates completed during the year of approximately HK\$27.84 million as compared to that of approximately HK\$3.46 million in the previous year; (iii) an increase in the profits for provision of healthcare and dental services business, for the year ended 31 December 2013, rising from approximately HK\$11.54 million in the previous year to approximately HK\$21.04 million; and (iv) the absence of substantial loss in relation to loss on fair value changes on held for trading investments for the year ended 31 December 2013 as in the previous year.

As at 31 December 2013, the audited net current assets and net assets of the Group amounted to approximately HK\$646.60 million and approximately HK\$1,493.48 million, respectively, increased by approximately 110.43% and approximately 11.67% from approximately HK\$307.27 million and approximately HK\$1,337.35 million as at 31 December 2012, respectively.

For the six months ended 30 June 2014, the Group recorded revenue of approximately HK\$191.89 million, representing an increase of approximately 16.51% compared to approximately HK\$164.69 million recorded in the previous corresponding period, which is mainly attributable to the steady growth of the Group's healthcare and dental service business, with an increase of approximately 19.21% as compared to the previous corresponding period. Profit for the period increased to approximately HK\$64.63 million, which is almost 3 times the profit for the previous corresponding period of approximately HK\$22.00 million, which was mainly attributable to (i) an increase in the revenue for provision of healthcare and dental service business; (ii) a reversal of tax provision on unrealised gain in securities trading; (iii) a reversal of provision for impairment of certain loans receivable; and (iv) a fair value gain on held for trading investments.

As at 30 June 2014, the unaudited net current assets and net assets of the Group amounted to approximately HK\$799.63 million and approximately HK\$1,498.05 million, respectively, increased by approximately 23.67% and approximately 0.30% from approximately HK\$646.60 million and approximately HK\$1,493.48 million as at 31 December 2013, respectively.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

2. Reasons for and benefits of the transactions contemplated under the Investment Agreement and the Put Option Deed

As stated in the Letter from the Board, the Group has been aggressively exploring investment and development opportunities in the PRC healthcare market. Since the Company changed to its current name in March 2014, the Group has undergone a number of major acquisitions which greatly expand its business scope and scale. At the same time, the Group is actively seeking investors who could bring in not just funding but also network and opportunities for the Group to further its development. In December 2014, the Company completed the placement of new Shares and Convertible Preference Shares to Fubon Life, Fubon Insurance and the Major Shareholder, which has increased its shareholder base and brought in approximately HK\$880 million new funding for the Group to develop its healthcare or related businesses.

The Directors consider that it is in the interests of the Company to raise capital from the equity market in order to maintain the cash flow position of the Group and to enhance the capital and shareholders' base of the Company for long-term development and further strengthen its financial position. The gross proceeds from the issue of the Subscription Shares pursuant to the Investment Agreement will be approximately HK\$1,749 million and the net proceeds from the issue of the Subscription Shares pursuant to the Investment Agreement, after deduction of all relevant costs and expenses, is estimated to be approximately HK\$1,746 million. Pursuant to the Investment Agreement, save as otherwise provided therein, the proceeds from the issue of the Subscription Shares shall be applied for the purpose of the Group's investment, acquisition or development of medical and/or healthcare related businesses in the PRC or for such business or businesses related to the PRC.

The Group has been enjoying the steady growth in its healthcare and dental services business in both Hong Kong and the PRC, as demonstrated in the paragraphs under the section headed "1. Business and financial information of the Group" above. According to the Interim Report 2014, in view of the expanding Chinese healthcare sector, it has been the intention of the Group to tap into the PRC healthcare market through creating synergy with its Hong Kong's existing healthcare operation. To introduce the high quality standard in Hong Kong's healthcare services to the PRC market, the Group aims to collaborate with strategic partners from various sectors such as global insurance companies, major corporates and healthcare service providers within the region to initiate medical scheme operations in major cities in the PRC and introduce practical concepts of managed care into the healthcare market in order to provide a new form of managed care services, as well as cooperate with major hospitals to launch medical scheme operations and refer premium patients to Hong Kong for higher quality services.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As stated in the Letter from the Board, the Investor and its subsidiaries constitute the largest state-owned financial and insurance group in the PRC. Its business includes life insurance, property & casualty insurance, pension plans (corporate annuity), asset management, alternative investment, overseas operations and e-commerce. It has been listed for 12 consecutive years on Fortune Global 500 list and in 2014, it ranked 98. For the year 2013, its total asset reached RMB2.4 trillion and is one of the largest institutional investors in the PRC's capital market. We have reviewed the statistics released by China Insurance Regulatory Commission and noted that China life Insurance Company Limited, being one of the subsidiaries of the Investor, accounted for approximately 30.42% of the market share and ranked the first in the PRC life insurance sector in 2013. Upon Completion, the Investor will become the Company's largest Shareholder, reaching its interests in the Company to approximately 24.59% and the Company will become an associated company of the Investor. The Investor would be incentivised to initiate and expand the PRC healthcare and medical related business of the Group by leveraging on its corporate network and expertise in order to obtain the economic benefits to be derived from the Group's business. With the Investor as the Company's largest Shareholder, the Company's existing medical and healthcare platforms could be integrated with those in the PRC market through the collaboration with major corporates and hospitals in the PRC under the strong support of the extensive corporate base and relationship of the Investor including but not limited to participating in the reforms of mainland public hospitals and developing with the Investor group in offering other insurance related services such as healthcheck or laboratory testing services in the PRC. The Company can also look to the Investor for greater degree of involvement as co-investor or joint venture partner or for greater involvement as project financier to potential upcoming projects such as acquisition of hospitals and setting up of PRC development headquarters in Beijing. More cooperation opportunities between the parties, in particular for the Investor as incentivised by the fact that it becomes the largest shareholder of the Company with increasing economic benefits to be derived from the Group's business, may arise upon Completion. Considering the Investor as the largest state-owned financial and insurance group in the PRC and with the Group's long history of established healthcare operation in Hong Kong, the Investment Agreement represents a valuable opportunity for the Group to secure the Investor as a strategic partner to explore the possibility of venturing into the medical and/or healthcare related business which enables the Group to capture the potential growth in the healthcare industry in the PRC.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Pursuant to the Investment Agreement, the Investor shall have the right to increase its aggregate percentage interest of the Investor and its Affiliates in the total issued share capital of the Company with voting rights to maintain an aggregate shareholding as the holder of the largest amount of issued share capital of the Company with voting rights if the Company proposes to carry out the Proposed Issue, further details of which are set out in the paragraphs under the section headed “3. Principal terms of the Investment Agreement and the Put Option Deed” below. In the absence of the anti-dilution provision, the Proposed Issue would dilute the Investor’s shareholding, and may eventually lead to a potential change in the shareholding structure of the Company, resulting in the Company no longer being able to enjoy the abovementioned benefits from the strategic relationship with the Investor as its largest Shareholder. Having considered that (i) relationship building is one of the crucial factors to develop and succeed in the medical and/or healthcare related business in the PRC; (ii) the involvement of the Investor as the Company’s largest Shareholder would greatly assist the Company in exploring business opportunities in the PRC and therefore the Investor plays a significant role in the future development of the Group’s healthcare and insurance related business in the PRC, the anti-dilution provision in the Investment Agreement could serve as a remedy for the Company to retain the Investor as the largest Shareholder when carrying out the Proposed Issue. Moreover, the operation of the anti-dilution provision shall be subject to compliance with the requirements of the Listing Rules by the Company, any allotment and issue of new Shares to the Investor due to the operation of the anti-dilution provision which would constitute a connected transaction for the Company shall be subject to, among others, the then independent Shareholders’ approval. In addition, as advised by the Company, the Company would undertake not to issue new Shares to the Investor by utilising the general mandate(s) for so long as the Investor is entitled to the anti-dilution right under the Investment Agreement. Considering that even the Investor may not be a connected person of the Company at the time when the anti-dilution right happens and that the issue of new Shares may not constitute a connected transaction, the Company will only allot and issue new Shares under specific mandate of the Company to the Investor which is subject to the approval of the then independent Shareholders, we are of the view that the anti-dilution provision in the Investment Agreement, which can be carried out only when the then independent Shareholders’ approval is obtained in this regard, is sufficient to safeguard the Shareholders’ interests and is fair and reasonable.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Pursuant to the Investment Agreement, certain actions of the Company shall require the approval of not less than 75% affirmative votes of the Directors present at a Board meeting of the Company. Upon enquiry with the management of the Company and having reviewed the reserved matters at the Board meetings, we noted that those reserved matters are arrived at after arm's length negotiations between the Company and the Investor with a view to assuring the direction of the business development of the Company. The reserved matters relating to the Group's principal business and the use of proceeds from the issue of the Subscription Shares from and after the Completion are included for the purpose of ensuring that the healthcare business investments and provision and management of healthcare and related services would remain as the principal businesses of the Group, in particular, financial resources including the proceeds from the issue of the Subscription Shares would be allocated to the healthcare related businesses. The reserved matters also cover the aspects of both the share price performance through setting a prescribed price to the issue price, exercise price and the conversion price when the Company issues securities, limiting the adverse impact on the share price movement due to such issue, as well as maintaining the exclusive strategic relationship within the PRC insurance field with the Investor from hindering the participation of the Competitors who are from the same industry of the Investor in the capacity of a strategic investor by restricting the issue of securities. Taking into account that (i) the reserved matters are arrived at after arm's length negotiations between the Company and the Investor; (ii) the material nature of the reserved matters with a view to assuring the direction of the business development of the Company; and (iii) the terms of reserved matters form part of the Investment Agreement which is in the interests of the Company and the Shareholders as discussed above, we are of the view that a higher threshold for the Board approval set for the reserved matters at the Board meetings are commercially justifiable.

In assessing the future outlook and prospects of the healthcare industry in the PRC, we have conducted researches from public domains. An aging population and increasing health consciousness are major factors boosting the growth of healthcare market. According to National Bureau of Statistics of China, the PRC had a total population of approximately 1.33 billion in 2009 and increased slightly to approximately 1.36 billion in 2013 representing a compound annual growth rate ("CAGR") of approximately 0.55%. The proportion of 0-14 year-old population shrank from approximately 18.54% in 2009 to approximately 16.42% in 2013 due to change in birth control where the proportion of 65 year-old and above population grew from approximately 8.50% in 2009 to approximately 9.68% in 2013, showing an increase in the aging population. Furthermore, the rapid development of the PRC economy and rising income leading to an improved living standard are largely responsible for the increase in health consciousness across the PRC. The disposable income in urban household per capita has been rising rapidly, from RMB17,175 in 2009 to RMB26,955 in 2013, with a CAGR of approximately 11.93%. According to the 12th Five-Year Plan as released from the State Council of the PRC, the government has been aiming at improving basic public services including social insurance and healthcare services. With the supportive measures and policies from the government, and pairing up with the abovementioned aging population and increasing health consciousness in the PRC, it is expected that the national demand for healthcare and medical related services would increase.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The net proceeds from the issue of the Subscription Shares pursuant to the Investment Agreement, after deduction of all relevant costs and expenses, is estimated to be approximately HK\$1,746 million. According to the Interim Report 2014, the cash and cash equivalent of the Group as at 30 June 2014 were approximately HK\$277.48 million. The current assets of the Group as at 30 June 2014 were approximately HK\$1,185.93 million and the current liabilities were approximately HK\$386.30 million, resulting in net current assets of approximately HK\$799.63 million. While having noted the solid financial position of the Group as analysed above, the issue of the Subscription Shares will allow the Group to have immediate access to the net proceeds thereof, thereby providing the financial flexibility to allow the Group to make timely commitment in other suitable investment opportunities that may arise, which is in our view beneficial to the Group and the Shareholders as a whole. As stated in the Letter from the Board, out of the total estimated net proceeds of approximately HK\$1,746 million from the issue of the Subscription Shares, (i) approximately HK\$1,500 million would be expected to be used by the Company for developing a dental chain in the PRC and investing in or acquiring dental clinics and/or hospitals in the PRC; developing or acquiring medical clinics in the PRC; developing hospitals, investing in or acquiring public or private hospitals in the PRC; and developing or acquiring rehabilitation hospitals and where appropriate in conjunction with nursing and/or aged care homes in the PRC; (ii) approximately HK\$150 million for developing or acquiring business in the provision of healthcheck, laboratory testing and medical diagnostic services in the PRC; and (iii) approximately HK\$96 million for developing managed care business in the PRC and cross-border healthcare platform for medical tourism business. As such, the intended use of the net proceeds from the issue of the Subscription Shares would be in line with the business strategy of the Company. According to the Directors, no such investment opportunities had been identified as at the Latest Practicable Date. Nevertheless, we consider that the issue of the Subscription Shares would enhance the capital base of the Company at the outset and allow the Company to make timely commitment in any investment opportunity which could create value for the Shareholders.

We have discussed with the management of the Company in respect of other possible financing alternatives other than the issue of the Subscription Shares, such as pre-emptive issues (rights issue or open offer) and debt financing. Regarding pre-emptive issues, the Board considered that it is the intention of the Company to introduce a strategic investor to the Company who could bring not only funding but also network and opportunities for the Group while pre-emptive issue would be a pure fundraising exercise. In view of the huge fundraising size of approximately HK\$1,746 million, it would also be difficult for the Company to identify potential underwriter or placing agent without offering deep discount to the issue price to increase the attractiveness of such issues under the recent volatile market conditions which may bring adverse impact to the share price performance. In addition, they would incur underwriting commission and generally high documentation preparation costs and professional fees and commonly take more than two months for completion, and hence did not consider pre-emptive issues to be desirable alternatives to the issue of the Subscription Shares. For debt financing, bank borrowings and issuance of bonds will inevitably increase the financing cost of the Group, as well as increase the gearing ratio of the Group which may bring negative effect on the financial

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

position of the Group. We concur with the Directors that equity financing is a more prudent way when considering fundraising. Based on the above, together with the benefits of the Investor becoming the largest Shareholder and strategic partner to the Group, we concur with the view of the management of the Company that the issue of the Subscription Shares is appropriate and beneficial to the Company.

As advised by the Company, upon the request of the Investor, the Major Shareholder, Dr. Cho and Dr. Choi have agreed to enter into the Put Option Deed to facilitate the Investor to obtain approval from its investment committee to proceed with the transactions contemplated under the Investment Agreement. In consideration of the Investor's entering into of the Investment Agreement, the Major Shareholder unconditionally and irrevocably granted to the Investor the Put Option entitling the Investor to require the Major Shareholder to purchase from the Investor the Put Option Shares at the Put Option Sale Price in accordance with the Put Option Deed. It is one of the conditions precedent to the Completion that the Put Option Deed be entered into by the Investor and the Major Shareholder. If the Put Option Deed is not entered into by the relevant parties, the Investment Agreement will not become unconditional and the subscription of the Subscription Shares by the Investor will not proceed. Having considered that (i) the possible benefits of the Investment Agreement; and (ii) the Put Option Deed and the exercise of the Put Option would not bring any material impacts to the financial conditions of the Group, we are of the view that the Put Option Deed is in the interest of the Company and the Shareholders as a whole.

Having taken into consideration that (i) the optimistic prospect of the healthcare market in the PRC; (ii) the Investment Agreement represents a valuable opportunity for the Company to secure the Investor as a strategic partner to explore the possibility of venturing into the medical and/or healthcare related business which enables the Group to capture the potential growth in the healthcare industry in the PRC; (iii) the issue of the Subscription Shares would enhance the capital base of the Company and provide more financial resources to the Group; (iv) the issue of the Subscription Shares is an appropriate means to raise fund for the Company; and (v) the entering into of the Put Option Deed by the relevant parties is one of the conditions precedent to the Completion, we are of the view that the Investment Agreement, the Put Option Deed and the transactions contemplated thereunder as a whole are in the interests of the Company and the Shareholders as a whole.

3. Principal terms of the Investment Agreement and the Put Option Deed

3.1 Principal terms of the Investment Agreement

Pursuant to the Investment Agreement, the Investor has conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue to the Investor, 1,785,098,644 Subscription Shares for HK\$1,749,396,671.12 in cash at the Subscription Price of HK\$0.98 per Subscription Share.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The 1,785,098,644 Subscription Shares to be allotted and issued to the Investor pursuant to the Investment Agreement represent (1) approximately 32.60% of the total issued Shares as at the Latest Practicable Date; (2) approximately 24.59% of the total issued Shares as enlarged by the allotment and issue of the Subscription Shares; and (3) 23.00% of the total issued Shares as enlarged by (a) the allotment and issue of the Subscription Shares; (b) the Shares to be allotted and issued assuming full conversion of the Convertible Preference Shares at the initial conversion price without any adjustment thereto; and (c) the Shares to be allotted and issued upon exercise of all outstanding Share Options in full.

The aggregate nominal value of the Subscription Shares is HK\$17,850,986.44.

Immediately after Completion (assuming that there is no other change in the shareholding structure of the Company before the Completion), the Investor will become the single largest Shareholder.

Subscription Price

The Subscription Price was determined after arm's length negotiations between the Company and the Investor with reference to, among others, the recent share price performance and liquidity of the Shares.

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

- (1) a discount of approximately 19.67% to the closing price of HK\$1.22 per Share as quoted on the Stock Exchange on 2 January 2015, being the last Trading Day before the date of the Investment Agreement; and
- (2) a discount of approximately 19.41% to the average closing price of approximately HK\$1.216 per Share for the last five consecutive Trading Days up to and including 2 January 2015, being the last Trading Day before the date of the Investment Agreement; and
- (3) a discount of approximately 39.88% to the closing price of HK\$1.63 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

Other principal terms of the Investment Agreement are set out in the Letter from the Board.

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3.1.1 Share price performance

Chart 1 below shows the daily closing price of the Shares versus the Subscription Price for the period commencing from 6 January 2014 (being the first Trading Day of the 12-month period prior to the Announcement as it is a commonly used tenure for analysis purpose) up to the Latest Practicable Date (the “Review Period”).

Chart 1: Daily closing Share price performance against the Subscription Price during the Review Period



Source: The official website of the Stock Exchange (www.hkex.com.hk)

Note: Trading in the Shares was suspended on 31 October 2014 and 5 January 2015.

On 13 March 2014, the Company issued a profit alert announcement informing Shareholders that the Group is expected to record a profit for the year ended 31 December 2013. On 25 March 2014, the Company published the annual results for the year ended 31 December 2013, showing profit for the year ended 31 December 2013 amounted to approximately HK\$79.32 million, compared to a loss of approximately HK\$430.66 million in the previous year. On 6 August 2014, the Company further issued a profit alert announcement informing Shareholders that the unaudited consolidated profit of the Group for the six months ended 30 June 2014 is expected to increase from approximately HK\$22.00 million to not less than HK\$60.00 million. On 25 August 2014, the Company published the Interim Report 2014 which showed the profit for the six months ended 30 June 2014 increased to approximately HK\$64.63 million, which is almost 3 times the profit for the previous corresponding period.

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As shown in Chart 1, the closing Share price during the Review Period has been on an increasing trend in general. During the Review Period, the closing Share price was traded within a range from the lowest price at HK\$0.42 to the highest price of HK\$1.74 with an average closing Share price of approximately HK\$1.16. The Subscription Price of HK\$0.98 represents a discount of approximately 15.52% to the aforementioned average closing Share price, a discount of approximately 43.68% to the aforementioned highest closing Share price and a premium of approximately 133.33% over the aforementioned lowest closing Share price during the Review Period.

3.1.2 Historical trading volume of the Shares

Table 2 below shows the monthly statistics on the trading volume of the Shares during the Review Period.

Table 2: Historical trading volume of the Shares

Month	Total trading volume (No. of Shares)	No. of Trading Days	Average daily trading volume (No. of Shares)	No. of outstanding Shares ¹ (No. of Shares)	Percentage of average daily trading volume to no. of outstanding Shares (Approximate %)
2014					
January	41,942,840	21	1,997,278	916,937,710	0.22
February	260,615,460	19	13,716,603	916,937,710	1.50
March	146,367,665	21	6,969,889	916,937,710	0.76
April	97,051,582	20	4,852,579	916,937,710	0.53
May	122,844,962	20	6,142,248	916,937,710	0.67
June	549,301,515	20	27,465,076	4,584,688,550	0.60
July	358,072,250	22	16,276,011	4,616,188,550	0.35
August	330,355,479	21	15,731,213	4,616,188,550	0.34
September	595,375,423	21	28,351,211	4,616,188,550	0.61
October ²	334,252,101	20	16,712,605	4,629,188,550	0.36
November	174,303,870	19	9,173,888	4,651,188,550	0.20
December	110,360,248	21	5,255,250	5,110,372,223	0.10
2015					
January ²					
(Up to the Latest Practicable Date)	309,439,650	20	15,471,983	5,475,699,809	0.28

Source: The official website of the Stock Exchange (www.hkex.com.hk)

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Notes:

1. Based on the number of outstanding Shares as at the end of each of the respective months and that as at the Latest Practicable Date for January 2015;
2. Trading in the Shares was suspended on 31 October 2014 and 5 January 2015.

As illustrated in Table 2, the average daily trading volume of the Shares during the Review Period was generally thin. Save for the peak of relatively high volume activities in February, which accounted for approximately 1.50% of the total number of Shares in issue as at the end of the month, the average daily trading volume of the Shares ranged from 0.10% to 0.76% of the total number of Shares in issue as at the end of the corresponding month during the Review Period.

3.1.3 Comparison with other share subscriptions under specific mandates

In order to assess the fairness and reasonableness of the Subscription Price, we have reviewed the relevant new share placing and share subscription exercises under specific mandates by listed companies in Hong Kong (the “Share Subscription Comparables”) as announced during the last three months immediately preceding 2 January 2015, being the last Trading Day before the date of the Investment Agreement. We believe the abovementioned period adopted represent a reasonable and meaningful period to reflect the recent market condition and sentiment for conducting such fund raising activity. We have, to our best effort, identified and made references to, so far as we are aware, 31 Share Subscription Comparables which are exhaustive and the subscribers/placees of which consist of connected persons(s) and/or independent third parties, both of which we consider appropriate as price is determined after arm’s length negotiations between the relevant parties. Independent Shareholders should note that the Share Subscription Comparables are not identical to the Company in terms of principal business, operations and financial position. Nevertheless, we consider that the Share Subscription Comparables could provide a general reference for the recent common market practice of listed companies in Hong Kong in placing and share subscription exercises under specific mandates and similar market conditions. Details of the Share Subscription Comparables are set out in Table 3 below.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Table 3: A summary of Share Subscription Comparables

Date of announcement	Company name	Stock code	Premium over/ discount to the closing price on the last Trading Day or the date of announcement (Approximate %)	No. of shares to be issued under the share subscription over the issued share capital as at the date of announcement (Approximate %)
02/01/2015	China Resources Land Limited	1109	(8.58)	12.00
31/12/2014	CSR Corporation Limited	1766	13.30	115.96 ¹
30/12/2014	China Tycoon Beverage Holdings Limited	209	5.56	13.84
29/12/2014	Zebra Strategic Holdings Limited	8260	(10.00)	40.00
24/12/2014	Gemdale Properties and Investment Corporation Limited	535	20.93	31.89
24/12/2014	Gemdale Properties and Investment Corporation Limited	535	20.93	6.93
21/12/2014	Haitong Securities Co., Ltd.	6837	(16.02)	20.00
18/12/2014	China Star Cultural Media Group Limited	8172	(71.40)	300.00
18/12/2014	United Photovoltaics Group Limited	686	12.36	4.59
17/12/2014	Sau San Tong Holdings Limited	8200	(11.73)	25.42
8/12/2014	China Resources Land Limited	1109	(7.00) ²	12.00
27/11/2014	Hsin Chong Construction Group Ltd.	404	6.38	51.50
21/11/2014	National Agricultural Holdings Limited	1236	13.20	13.20
20/11/2014	Louis XIII Holdings Limited	577	(23.50)	115.70
17/11/2014	AGTech Holdings Limited	8279	29.82	3.81
14/11/2014	Rui Kang Pharmaceutical Group Investments Limited	8037	(9.22)	25.64
10/11/2014	China Bio-Med Regeneration Technology Limited	8158	(9.09)	50.37
7/11/2014	Crown International Corporation Limited	727	(24.73)	20.37
4/11/2014	Rising Development Holdings Limited	1004	(83.08)	5.95
3/11/2014	COFCO Land Holdings Limited	207	N/A ³	65.66
3/11/2014	Longfor Properties Company Limited	960	(6.26)	6.7
2/11/2014	FDG Electric Vehicles Limited	729	N/A ³	5.76
31/10/2014	Town Health International Medical Group Limited	3886	(18.33)	9.92
31/10/2014	Yashili International Holdings Ltd.	1230	16.72	33.33
28/10/2014	Oriental Unicorn Agricultural Group Limited	8120	80.41	6.38
28/10/2014	China State Construction International Holdings Limited	3311	2.85	3.01

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Date of announcement	Company name	Stock code	Premium over/ discount to the closing price on the last Trading Day or the date of announcement (Approximate %)	No. of shares to be issued under the share subscription over the issued share capital as at the date of announcement (Approximate %)
24/10/2014	Sage International Group Limited	8082	(59.18)	39.41
24/10/2014	King Stone Energy Group Limited	663	2.45	10.95
23/10/2014	TSC Group Holdings Limited	206	27.8	1.21
21/10/2014	Enterprise Development Holdings Limited	1808	(10.71)	19.88
10/10/2014	Changfeng Axle (China) Company Limited	1039	(29.03)	76.33
	Mean		(5.01)	
	Maximum		80.41	
	Minimum		(83.08)	
	The Company		(19.67)	32.60

Source: The official website of the Stock Exchange (www.hkex.com.hk)

Notes:

1. The information was not disclosed in the announcement of this Share Subscription Comparable and the figure was computed solely based on the number of H shares, i.e. by dividing the number of H shares to be issued under the share subscription by the total number of H shares in issue as at the date of the announcement;
2. Computed based on the average closing price of the shares for the 10 Trading Days immediately preceding the date of announcement rather the closing share price on the last Trading Day/date of agreement;
3. Figure unavailable as the corresponding subscription/placing price has yet to be fixed as at the Latest Practicable Date.

As shown in Table 3, the subscription prices of the Share Subscription Comparables as at their respective last Trading Days prior to the dates of agreement range from a discount of approximately 83.08% to a premium of approximately 80.41%, with an average of a discount of approximately 5.01%. The discount of approximately 19.67% represented by the Subscription Price over the closing price of the Shares on the last Trading Day before the date of the Investment Agreement therefore falls within the range of the subscription prices of the Share Subscription Comparables.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Despite that the Subscription Price of HK\$0.98 represents a discount of approximately 19.67% to the closing Share price on the last Trading Day before the date of the Investment Agreement and a discount of approximately 15.52% to the average closing Share price during the Review Period, taking into account that (i) the trading volume of the Shares was generally thin during the Review Period; (ii) the discount to the closing Share price on the last Trading Day as represented by the Subscription Price falls within the range of the subscription prices of the Share Subscription Comparables; and (iii) the reasons for, and the benefits of, entering into the Investment Agreement as described in the section headed “2. Reasons for and benefits of the transactions contemplated under the Investment Agreement and the Put Option Deed”, we are of the view that the Subscription Price is fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

3.2. Principal terms of the Put Option Deed

In connection with the Investment Agreement, on 5 January 2015, the Major Shareholder, Dr. Cho and Dr. Choi entered into the Put Option Deed in favour of the Investor pursuant to which the Major Shareholder unconditionally and irrevocably granted to the Investor the Put Option entitling the Investor to require the Major Shareholder to purchase from the Investor the Option Shares at the Put Option Sale Price in accordance with the Put Option Deed.

The number of Option Shares is the maximum number of Shares held by the Investor and which Shares are acquired by the Investor through the subscription for new Shares from the Company pursuant to the Investment Agreement which when aggregated with the then shareholding of the Major Shareholder in the Company immediately before the exercise of the Put Option will result in the Major Shareholder's shareholding interest in the Company being 29.90% of the total issued share capital of the Company with voting rights immediately after completion of the transfer of the Option Shares pursuant to the exercise of the Put Option.

Exercise of the Put Option

The Put Option will only be exercisable if the Volume Weighted Average Price per Share for the 20 Trading Days immediately prior to the first anniversary of the Completion Date is lower than the applicable Put Option Sale Price per Share as determined in accordance with the Put Option Deed. The Put Option may be exercised once at anytime during the Put Option Period. The Put Option may be exercised in respect of all or a part of the Option Shares.

Under the Put Option Deed, the exercise of the Put Option shall not result in the Major Shareholder or parties acting in concert with it becoming obliged under the Takeovers Code to make a general offer for shares in the Company.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Put Option Sale Price

The Put Option Sale Price is HK\$1.20 per Option Share (as adjusted for any share subdivision, share combination or similar event affecting the nominal value of the Shares after the date of the Put Option Deed and before the exercise of the Put Option and as reasonably determined by the Investor (which determination shall be conclusive and binding on the Major Shareholder, save for manifest error)).

Put Option Period

The Put Option Period means the period of 15 Business Days beginning on the day which is the first anniversary of the Completion Date.

3.2.1 Assessment of the fairness and reasonableness

The Put Option Sale Price of HK\$1.20 per Option Share represents a slight discount of approximately 1.63% to the closing price of HK\$1.22 per Share as quoted on the Stock Exchange on 2 January 2015, being the last Trading Day before the date of the Investment Agreement. When assessing the principal terms of the Put Option Deed, we noted that the Put Option Sale Price and the terms of the Put Option Deed were arrived at after arm's length negotiations between the parties to the Put Option Deed. As advised by the Company, upon the request of the Investor, the Major Shareholder, Dr. Cho and Dr. Choi have agreed to enter into the Put Option Deed to facilitate the Investor to obtain approval from its investment committee to proceed with the transactions contemplated under the Investment Agreement. Considering that (i) the Put Option is granted to the Investor to facilitate the entering into of the Investment Agreement, which is in the interests of the Company and the Shareholders as a whole, as discussed in the section headed "2. Reasons for and benefits of the transaction contemplated under the Investment Agreement and the Put Option Deed"; (ii) the Investor can only put back part or all of the Subscription Shares to the Major Shareholder only when the Volume Weighted Average Price per Share for the 20 Trading Days immediately prior to the first anniversary of the Completion Date is lower than the applicable Put Option Sale Price, which approximates to the closing price on the last Trading Day before the date of the Investment Agreement, demonstrating the confidence of the Major Shareholder in the future prospect of the Group in consideration of entering into the Investment Agreement by the Investor, we are of the view that the terms of the Put Option Deed are commercially justifiable and the Put Option Deed is in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

4. Potential dilution to the shareholding of the existing Shareholders

Your attention is drawn to the section headed “Effects on shareholding structure of the Company” set out in the Letter from the Board. We noted that the shareholding of the existing public Shareholders would reduce from approximately 62.18% as at the Latest Practicable Date to approximately (i) 46.89% immediately after Completion; and (ii) 46.89% immediately after Completion and the exercise of the Put Option by the Investor (assuming that the Put Option is exercised in full).

In addition, we further noted that the shareholding of the existing public Shareholders would reduce from approximately 62.18% as at the Latest Practicable Date to approximately (i) 44.59% immediately after Completion and conversion of the Convertible Preference Shares (assuming full conversion of the Convertible Preference Shares at the initial conversion price without any adjustment thereto); (ii) 44.90% immediately after Completion and conversion of the Convertible Preference Shares (assuming full conversion of the Convertible Preference Shares at the initial conversion price without any adjustment thereto) and exercise of all outstanding Share Options (assuming all such outstanding Share Options are exercised in full); and (iii) 44.90% immediately after Completion, conversion of the Convertible Preference Shares (assuming full conversion of the Convertible Preference Shares at the initial conversion price without any adjustment thereto), exercise of all outstanding Share Options (assuming all such outstanding Share Options are exercised in full) and exercise of the Put Option by the Investor (assuming that the Put Option is exercised in full).

Taking into account (i) the reasons for, and the benefits of, the transactions contemplated under the Investment Agreement and the Put Option Deed as described in the section headed “2. Reasons for and benefits of the transactions contemplated under the Investment Agreement and the Put Option Deed”; (ii) the terms of both the Investment Agreement and the Put Option Deed are fair and reasonable so far as the Independent Shareholders are concerned; and (iii) the positive financial impacts of the Investment Agreement on the Group’s liquidity, gearing position and net asset value as discussed below, we consider that the possible dilution effect on the shareholding interest of the existing public Shareholders is justifiable.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

5. Financial impacts of the transactions contemplated under the Investment Agreement and the Put Option Deed

When assessing the financial impacts of the transactions contemplated under the Investment Agreement and the Put Option Deed, we have taken into account the following four main aspects:

5.1 Net asset value

According to the Interim Report 2014, the net assets of the Group was approximately HK\$1,498.05 million. Upon Completion, the net assets of the Group would increase by the net proceeds from the issue of the Subscription Shares of approximately HK\$1,746 million. As such, the entering into of the Investment Agreement is expected to have a positive impact on the financial position of the Group.

5.2 Liquidity

It is expected that the liquidity position of the Group will enhance by the net proceeds from the issue of the Subscription Shares of approximately HK\$1,746 million upon Completion. As such, the entering into of the Investment Agreement is expected to have a positive impact on the current ratio of the Group.

5.3 Cash flow

According to the Interim Report 2014, the cash and cash equivalents was approximately HK\$277.48 million as at 30 June 2014. Upon Completion, the cash level of the Group would increase by the net proceeds from the issue of the Subscription Shares of approximately HK\$1,746 million. As such, the entering of the Investment Agreement is expected to have a positive impact on the cash flow position of the Group.

5.4 Gearing ratio

Upon Completion, the total borrowings of the Group would remain unchanged and the total equity would be enlarged by the allotment and issue of the Subscription Shares. Accordingly, it is expected that the gearing position of the Group would improve.

In respect of the Put Option Deed, it is expected that there would be no material financial impacts on the Group.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

RECOMMENDATIONS

Having considered the abovementioned principal factors and reasons, we are of the view that the terms of the Investment Agreement and the Put Option Deed are normal commercial terms and the Investment Agreement, the Put Option Deed and the transactions contemplated thereunder as a whole are fair and reasonable so far as the Independent Shareholders are concerned, and are in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the SGM to approve the Investment Agreement and the transactions contemplated thereunder, and the grant of the Specific Mandate.

Yours faithfully,
For and on behalf of
Goldin Financial Limited
Billy Tang
Director

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. SHARE CAPITAL

The authorised and issued share capital of the Company as at the Latest Practicable Date were, and immediately after the issue of the Subscription Shares will be (assuming that save for the issue of the Subscription Shares, no new Shares will be issued from the Latest Practicable Date to the Completion) as follows:

	Number of Shares and Convertible Preference Shares	Share Capital (HK\$)
<i>Authorised</i>		
Shares and Convertible Preference Shares as at the Latest Practicable Date (Note 1)	30,000,000,000 Shares and 375,000,000 Convertible Preference Shares	303,750,000.00
<i>Issued and fully paid or credited as fully paid</i>		
Shares and Convertible Preference Shares in issue as at the Latest Practicable Date (Note 2)	5,475,699,809 Shares and 374,999,999 Convertible Preference Shares	58,506,998.08
Shares and Convertible Preference Shares in issue at Completion	7,260,798,453 Shares and 374,999,999 Convertible Preference Shares	76,357,984.52

Note:

- The authorised share capital of the Company was increased from HK\$300,000,000.00 comprising 30,000,000,000 Shares to HK\$303,750,000.00 comprising 30,000,000,000 Shares and 375,000,000 Convertible Preference Shares pursuant to a special resolution passed by the Shareholders at a special general meeting held on 22 December 2014.

2. The issued share capital of the Company was HK\$9,169,377.10 comprising 916,937,710 Shares as at 31 December 2013, being the date on which the latest published audited consolidated accounts of the Group was made up, and had been increased to HK\$58,506,998.08 comprising 5,475,699,809 Shares and 374,999,999 Convertible Preference Shares as at the Latest Practicable Date pursuant to (i) the issue of 3,667,750,840 bonus Shares on 18 June 2014 pursuant to the bonus issue of 4 bonus Shares for every 1 existing Share held on 4 June 2014 (details of which are set out in the circular of the Company dated 16 April 2014); (ii) the issue of 459,183,673 new Shares on 29 December 2014 pursuant to the Share Subscription Agreement (as defined below) and the issue of 374,999,999 new Convertible Preference Shares on 29 December 2014 pursuant to the CPS Subscription Agreement (details of which are set out in the circular of the Company dated 28 November 2014); (iii) the issue of 365,327,586 consideration Shares on 1 January 2015 to settle the consideration of HK\$423,780,000 in respect of the acquisition of the entire equity interest in Bonjour Beauty International Limited (details of which are set out in the circular of the Company dated 19 November 2014); and (iv) the issue and allotment of new Shares upon exercise of the Share Options.

3. DISCLOSURE OF INTERESTS

(i) Interests of Directors

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executives of the Company in the Shares, underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules were as follows:

Long position in the Shares and underlying Shares

Name of Director	Capacity	Number of Shares held	Number of underlying Shares held	Approximate percentage of the total issued share capital of the Company (Note 1)
Dr. Cho	Interest in controlled corporation	1,335,243,431 (Note 2)	985,384,806 (Note 3)	42.38%
Chan Wing Lok, Brian	Beneficial owner	2,760,000	–	0.05%
Lee Chik Yuet	Beneficial owner	–	5,000,000	0.09%
Dr. Choi	Interest in controlled corporation	1,335,243,431 (Note 2)	985,384,806 (Note 3)	42.38%
Dr. Ip	Interest in controlled corporations	375,503,586 (Note 4)	–	6.85%

Note:

1. The total number of issued Shares as at the Latest Practicable Date (that was, 5,475,699,809 Shares) have been used for the calculation of the approximate percentage.
2. Such Shares were held by the Major Shareholder which is beneficially owned as to 50.10% by Dr. Cho and as to 49.90% by Dr. Choi, who are also directors of the Major Shareholder. Accordingly, Dr. Cho and Dr. Choi are both deemed to be interested in the 1,335,243,431 Shares held by the Major Shareholder under Part XV of the SFO.
3. Such underlying Shares were held by the Major Shareholder which is beneficially owned as to 50.10% by Dr. Cho and as to 49.90% by Dr. Choi, who are also directors of the Major Shareholder. Accordingly, Dr. Cho and Dr. Choi are both deemed to be interested in the 985,384,806 underlying Shares held by the Major Shareholder under Part XV of the SFO. Out of the 985,384,806 underlying Shares, (i) 83,333,333 underlying Shares represent the Shares that may be allotted and issued to the Major Shareholder upon full conversion of the Convertible Preference Shares held by the Major Shareholder at the initial conversion price without any adjustment thereto; and (ii) 902,051,473 underlying Shares represent the maximum number of Option Shares that may be sold by the Investor to the Major Shareholder pursuant to the exercise of the Put Option to be granted to the Investor under the Put Option Deed.
4. Such Shares were held as to (i) 365,327,586 Shares directly by Bonjour Group Limited, a wholly-owned subsidiary of Bonjour Holdings Limited, which is in turn owned as to 54.01% by Promised Return Limited; and (ii) 10,176,000 Shares directly by Promised Return Limited. Promised Return Limited is wholly-owned by Deco City Limited, which is owned as to 50% by Dr. Ip and 50% by his spouse, Chung Pui Wan. Accordingly, Dr. Ip is deemed to be interested in the aggregate of 375,503,586 Shares held by Bonjour Group Limited and Promised Return Limited under Part XV of the SFO. Dr. Ip is also a director of Bonjour Group Limited, Bonjour Holdings Limited, Promised Return Limited and Deco City Limited.

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 and underlying Shares

Name	Capacity	Number of Shares held	Number of underlying Shares held	Approximate percentage of the total issued share capital of the Company (Note 1)
Major Shareholder (Note 2)	Beneficial owner	1,335,243,431	985,384,806 (Note 3)	42.38%
Bonjour Group Limited (Note 4)	Beneficial owner	365,327,586 (Note 5)	–	6.67%
Bonjour Holdings Limited (Note 4)	Interest in controlled corporation	365,327,586 (Note 5)	–	6.67%
Fubon Financial Holding Co., Ltd. ("Fubon Financial")	Interest in controlled corporation	357,142,857 (Note 6)	291,666,666 (Note 6)	11.84%
Fubon Life	Beneficial owner	259,740,260	212,121,212	8.61%
The Investor	Beneficial owner	1,785,098,644	–	32.60%

Note:

1. The total number of issued Shares as at the Latest Practicable Date (that was, 5,475,699,809 Shares) have been used for the calculation of the approximate percentage.
2. The Major Shareholder is beneficially owned as to 50.10% by Dr. Cho and as to 49.90% by Dr. Choi, who are also directors of the Major Shareholder.
3. Out of the 985,384,806 underlying Shares, (i) 83,333,333 underlying Shares represent the Shares that may be allotted and issued to the Major Shareholder upon full conversion of the Convertible Preference Shares held by the Major Shareholder at the initial conversion price without any adjustment thereto; and (ii) 902,051,473 underlying Shares represent the maximum number of Option Shares that may be sold by the Investor to the Major Shareholder pursuant to the exercise of the Put Option to be granted to the Investor under the Put Option Deed.

4. Dr. Ip, who is an executive Director, is a director of Bonjour Group Limited and Bonjour Holdings Limited.
5. Bonjour Group Limited, a wholly-owned subsidiary of Bonjour Holdings Limited, was the beneficial owner of the 365,327,586 Shares. Accordingly, Bonjour Holdings Limited is deemed to be interested in these Shares under Part XV of the SFO.
6. Such Shares and underlying Shares were held as to (i) 259,740,260 Shares and 212,121,212 underlying Shares by Fubon Life; and (ii) 97,402,597 Shares and 79,545,454 underlying Shares by 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 357,142,857 Shares and 291,666,666 underlying Shares held by Fubon Life and Fubon Insurance under Part XV of the SFO.

Short position in the Shares and underlying Shares

Name	Capacity	Number of Shares	Number of underlying Shares	Approximate percentage of the total issued share capital of the Company
The Investor	Beneficial owner	–	835,735,306	15.26% (Note)

Note:

The total number of issued Shares as at the Latest Practicable Date (that was, 5,475,699,809 Shares) have been used for the calculation of the approximate percentage.

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.

4. DIRECTORS' SERVICE CONTRACTS

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

5. 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
Goldin Financial Limited	a licensed corporation to carry on type 6 (advising on corporate finance) regulated activity under the SFO

The Independent Financial Adviser 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, the Independent Financial Adviser 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 2013, being the date to which the latest published audited consolidated financial statements of the Group were made up.

6. LITIGATION

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

7. 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.

8. DIRECTORS' INTERESTS IN CONTRACTS OR ARRANGEMENTS

As at the Latest Practicable Date, certain Directors were materially interested in the following contracts or arrangements which were subsisting as at the Latest Practicable Date:

- (1) On 31 October 2014, the Company, Fubon Life, Fubon Insurance and the Major Shareholder entered into the following agreements:
 - (a) a share subscription agreement (“**Share Subscription Agreement**”) in relation to the subscription for 259,740,260 Shares by Fubon Life, 97,402,597 Shares by Fubon Insurance and 102,040,816 Shares by the Major Shareholder at an aggregate consideration of HK\$450,000,000; and
 - (b) the CPS Subscription Agreement in relation to the subscription for 212,121,212 Convertible Preference Shares by Fubon Life, 79,545,454 Convertible Preference Shares by Fubon Insurance and 83,333,333 Convertible Preference Shares by the Major Shareholder in an aggregate consideration of HK\$450,000,000.

The Major Shareholder is beneficially owned as to 50.10% by Dr. Cho and as to 49.90% by Dr. Choi, who are also directors of the Major Shareholder. Further details of the Share Subscription Agreement and the CPS Subscription Agreement are set out in the announcements of the Company dated 31 October 2014 and 22 December 2014, and the circular of the Company dated 28 November 2014.

- (2) On 20 August 2014, Bonjour Group Limited, as vendor, and the Company, as purchaser, entered into an agreement (“**SP Agreement**”) for the sale and purchase of 1,000 shares in the share capital of Bonjour Beauty International Limited (“**Bonjour Beauty**”), a company incorporated in the British Virgin Islands with limited liability, representing 100% of its issued share capital as at the completion of the SP Agreement at the consideration of HK\$423,780,000. Bonjour Group Limited is a wholly-owned subsidiary of Bonjour Holdings Limited, which is in turn indirectly and beneficially owned as to 61.10% by Dr. Ip, who is an executive Director and a director of Bonjour Group Limited and Bonjour Holdings Limited.

- (3) On 1 January 2015, certain subsidiaries of Bonjour Holdings Limited as licensors, and certain subsidiaries of Bonjour Beauty, as licensees, entered into (i) a licence agreement (“**Existing HK Licence Agreement**”) in relation to the grant by the licensor to the licensee of the exclusive right to use, enjoy and occupy five premises in Hong Kong; (ii) a licence agreement (“**New HK Licence Agreement**”) in relation to the grant by the licensor to the licensee of the exclusive right to use, enjoy and occupy one premises in Hong Kong; and (iii) a licence agreement (“**Macau Licence Agreement**”, together with the Existing HK Licence Agreement and the New HK Licence Agreement above referred to as the “**Licence Agreements**”) in relation to the grant by the licensor to the licensee of the exclusive right to use, enjoy and occupy one premises in Macau. The annual caps, being the aggregate amount of the licence fees payable by the Group under the Licence Agreements in each of the three years ending 31 December 2017 are HK\$30,000,000, HK\$30,800,000 and HK\$25,600,000 respectively. Bonjour Holdings Limited is indirectly and beneficially owned as to 61.10% by Dr. Ip, who is an executive Director and a director of Bonjour Holdings Limited. Further details of the Licence Agreements are set out in the circular of the Company dated 3 February 2015.

Save for the Share Subscription Agreement, the CPS Subscription Agreement, the SP Agreement, the Licence Agreements, the Investment Agreement and the Put Option Deed, 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 2013, being the date to which the latest published audited consolidated financial statements of the Group were made up.

9. MATERIAL ADVERSE CHANGE

The Directors confirm that, as at the Latest Practicable Date, they were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2013, being the date to which the latest published audited consolidated financial statements of the Group were made up.

10. 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.

11. DOCUMENTS AVAILABLE FOR INSPECTION

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

- (a) the memorandum of continuance and bye-laws of the Company;
- (b) the letter from the Independent Board Committee, the text of which is set out on page 30 of this circular;
- (c) the letter from the Independent Financial Adviser, the text of which is set out on pages 31 to 52 of this circular;
- (d) the written consent referred to in the section headed "Expert and Consent" in this appendix;
- (e) the Investment Agreement;
- (f) the Put Option Deed;
- (g) the Share Subscription Agreement;
- (h) the CPS Subscription Agreement;
- (i) the SP Agreement;
- (j) the Licence Agreements; and
- (k) 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 9:00 a.m. on Monday, 23 February 2015 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 investment agreement dated 5 January 2015 (“**Investment Agreement**”) entered into between the Company and 中國人壽保險(集團)公司 (in English for identification purposes only, China Life Insurance (Group) Company) (“**Investor**”), in respect of the proposed subscription for 1,785,098,644 new ordinary shares of HK\$0.01 each in the share capital of the Company (“**Subscription Shares**”) by the Investor at a subscription price of HK\$0.98 per Subscription Share (a copy of the Investment Agreement marked “A” and signed by the chairman of the Meeting for identification purpose has been tabled at the Meeting) be and is hereby approved, confirmed and ratified in light of the Put Option Deed (as defined and described in the circular of the Company dated 3 February 2015, a copy of which is marked “B” and signed by the chairman of the Meeting for identification purpose has been tabled at the Meeting) and the transactions contemplated thereunder be and are hereby approved;
- (b) subject to completion of the Investment Agreement, the allotment and issue of the Subscription Shares by the Company in accordance with the terms and conditions of the Investment Agreement be and are hereby approved; and
- (c) any one director of the Company (“**Director**”) be and is authorised to do all such acts and things, to sign and execute such documents or agreements or deeds on behalf of the Company and to do such other things and to take all such actions as he/she considers necessary, appropriate, desirable and expedient for the purposes of giving effect to or in connection with the Investment Agreement and the transactions contemplated thereunder, and to agree to such variation, amendments or waiver or matters relating thereto (including any variation, amendments or waiver of such

NOTICE OF SGM

documents or any terms thereof, which are not fundamentally different from those as provided in the Investment 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, 3 February 2015

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 notorially 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).
3. Completion and return of an instrument appointing a proxy should not preclude a member of the Company from attending and voting in person at the Meeting and/or any adjournment thereof and in such event, the instrument appointing a proxy shall be deemed to be revoked.
4. As required under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, the above resolution will be decided by way of poll.

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