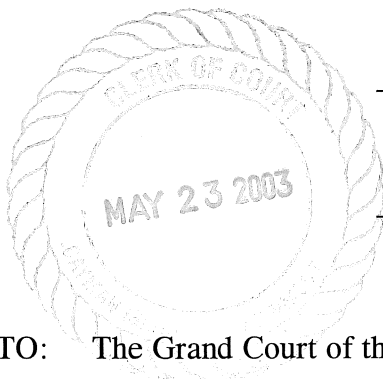


IN THE GRAND COURT OF THE CAYMAN ISLANDS

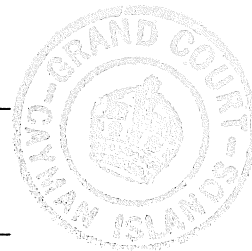
CAUSE No: 343 of 2003

IN THE MATTER OF TOWN HEALTH INTERNATIONAL HOLDINGS COMPANY LIMITED

AND IN THE MATTER OF THE COMPANIES LAW (2002 REVISION)



PETITION



TO: The Grand Court of the Cayman Islands

**THE PETITION of TOWN HEALTH INTERNATIONAL HOLDINGS COMPANY LIMITED c/o Maples and Calder, P.O. Box 309GT, Ugland House, George Town, Grand Cayman, Cayman Islands shows that:**

1. The object of this Petition is to seek an order of the Court pursuant to section 15 of the Companies Law (2002 Revision) (the "Companies Law") confirming a reduction of the capital of Town Health International Holdings Limited (the "Company").
2. The Company was incorporated on 24<sup>th</sup> August, 1999 as a company limited by shares.
3. The registered office is and has at all times since 24<sup>th</sup> August, 1999 been situate at Ugland House, P.O. Box 309GT, George Town, Grand Cayman. However, the principal place of business of the Company is at No 616 & 617, Level 6 Tower II, Grand Central Plaza, Shatin, Hong Kong.

4. The Company is an investment holding company. The subsidiaries of the Company are principally engaged in licensing and management and administration services for private medical and dental practices and integrated health care for the general public in Hong Kong.
5. The Company is not carrying on any trading activities.
6. The objects for which the Company was established are unrestricted and the Company has full power and authority to carry out any object not prohibited by any law as provided by section 7(4) of the Companies Law. The Company also has and is capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporate benefit as provided by section 27(2) of the Companies Law.
7. The Articles of Association of the Company provide, inter alia, as follows:

*“33.(c) Without prejudice to Article 11 hereof and subject to the provisions of the Statute, the Company may by Special Resolution reduce its share capital and any capital redemption reserve fund.”*
8. The Company currently has an authorised share capital of HK\$200,000,000, comprising 2,000,000,000 ordinary shares of par value HK\$0.10 each. Of these, 899,682,000 shares of the Company (the “Existing Shares”) have been issued, are fully paid and are listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).
9. The Directors are of the opinion that, by reducing the nominal value of the Existing Shares from HK\$0.10 to HK\$0.01 in the manner set out in the special resolution passed at the Extraordinary General Meeting of the Company held on 23<sup>rd</sup> May, 2003, as reproduced in paragraph 10 below, the Company will be given greater flexibility in pricing any new issue of shares for possible future capital fund-raising exercises as and when appropriate.

10. The reduction of capital was effected by a Special Resolution of the Company passed on 23<sup>rd</sup> May, 2003 as follows:

**“SPECIAL RESOLUTION**

**THAT**, subject to and conditional upon:

- (i) *confirmation of the Capital Reduction (as hereinafter defined) by the Grand Court of the Cayman Islands (the “Court”), the registration by the Registrar of Companies in the Cayman Islands of a copy of the order of the Court and a copy of the minute approved by the Court, both confirming the Capital Reduction and the compliance with any conditions as may be imposed by the Court in relation to the Capital Reduction; and*
  - (ii) *the listing sub-committee of the board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) with responsibility for the Growth Enterprise Market of the Stock Exchange (the “GEM Listing Committee”) granting the listing of, and permission to deal in, the new ordinary shares of HK\$0.01 each (“New Shares”) in the share capital of the Company arising upon the Capital Reduction becoming unconditional and effective:*
    - (a) *the issued share capital of the Company be reduced (the “Capital Reduction”) by cancelling paid-up capital to the extent of HK\$0.09 on each existing share of HK\$0.10 of the Company (“Shares”) in issue as at the effective date of the Capital Reduction (the “Effective Date”);*
    - (b) *the directors of the Company (the “Directors”) be and are hereby authorised to apply the credit arising from the Capital Reduction in an amount of not more than HK\$8,301,135 towards the elimination of the accumulated losses of the Company as at 31st March, 2002 and the remainder to a distributable reserve of the Company to be applied in such manner as the Directors consider appropriate; and*
    - (c) *the Directors be and are hereby authorised generally to do all acts and things, and to approve, sign and execute any other documents which in their opinion may be necessary, desirable or expedient to carry into effect or to give effect to the Capital Reduction.”*
11. Accordingly, the capital of the Company will be reorganised as follows: (i) the nominal value of each of the 899,682,000 Existing Shares in issue will be reduced

by HK\$0.09, from HK\$0.10 to HK\$0.01, whereby the Company's existing issued share capital of HK\$89,968,200 will be reduced by HK\$80,971,380 to HK\$8,996,820; (ii) the credit in the sum of HK\$80,971,380 arising from the capital reduction of the Company will first be applied towards the elimination of the accumulated losses of up to HK\$8,301,135 of the Company with the balance of such credit to be credited to a distributable reserve of the Company. Pursuant to other resolutions passed at the said Extraordinary General Meeting, upon the capital reduction of the Company becoming effective, all the authorised but unissued Existing Shares which shall include, without limitation, those unissued shares arising from the Capital Reduction, will be cancelled and forthwith upon such cancellation, the authorised share capital of the Company will immediately be restored to the original amount of HK\$200,000,000 by the creation of the requisite number of ordinary shares of HK\$0.01 each in the share capital of the Company (the "New Shares"). On the basis of 899,682,000 Existing Shares in issue, the authorised share capital of the Company will then be HK\$200,000,000 divided into 20,000,000,000 New Shares, of which 899,682,000 New Shares will be in issue and 19,100,318,000 New Shares will be unissued.

12. The accumulated losses of the Company as at 31<sup>st</sup> March, 2002, as shown in the audited accounts of the Company for the year ended 31<sup>st</sup> March, 2002, was HK\$8,301,135. The Directors believe that it is unlikely that the Company will generate sufficient profit in the immediate future to eliminate the losses and that it would be inappropriate for the Company to pay dividends whilst such deficit remains. The Directors anticipate that the annual results of the Company for the year ended 31<sup>st</sup> March, 2003 will be announced no later than 30<sup>th</sup> June, 2003.
13. The proposed capital reorganisation (of which the proposed reduction of share capital forms part) will not have any adverse impact on the financial position of the Company. The interests of the Company's creditors are not adversely affected by the proposed reduction of share capital. As a matter of prudence the Company intends to

seek directions from the Court for the purpose of notifying its creditors in respect of the hearing of this petition by way of advertisement as the Court shall think fit.

DATED this 23<sup>rd</sup> day of May, 2003

Maples and Calder  
Maples and Calder

NOTE: It is not intended to serve this Petition on anyone.

ENDORSEMENT

This Petition has been presented to the Grand Court of the Cayman Islands on the 23<sup>rd</sup> day of May, 2003 and will be heard at the Grand Court of the Cayman Islands on the 18<sup>th</sup> day of July 2003 at 10.00 o'clock in the \_\_\_\_\_ noon (or as soon thereafter as the Petition can be heard).

This Petition was presented by Maples and Calder, Ugland House, P.O. Box 309GT, George Town, Grand Cayman, attorneys at law for the petitioner. (CDM/301774-01)