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## THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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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, solicitors, professional accountant or other professional adviser.

**If you have sold or transferred** all your shares in Hua Xia Healthcare Holdings Limited (the “**Company**”), you should at once hand this circular to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this circular, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any losses howsoever arising from or in reliance upon the whole or any part of the contents of this circular.

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**HUA XIA HEALTHCARE HOLDINGS LIMITED**

**華夏醫療集團有限公司\***

*(incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 8143)**

### **DISCLOSEABLE TRANSACTION IN RELATION TO THE PROPOSED ACQUISITION OF THE ENTIRE SHARE CAPITAL AND THE PROPOSED SUBSCRIPTION OF NEW SHARES IN A COMPANY**

**Financial adviser to the Company**



**INCU Corporate Finance Limited**

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A letter from the Board is set out on pages 7 to 21 of this circular.

*This circular will remain on the GEM website at [www.hkgem.com](http://www.hkgem.com) on the “Latest Company Announcement” page for at least 7 days from the date of its posting and the website of the Company at [www.huaxia-healthcare.com](http://www.huaxia-healthcare.com).*

\* for identification purpose

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## CHARACTERISTICS OF GEM

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**GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.**

**Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.**

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## DEFINITIONS

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

“Acquisition Agreement”	an acquisition agreement to be entered into between Fuzhou Zhuoxin and Aomeijia Shareholders in relation to the grant of an exclusive right for a term of 10 years by Aomeijia Shareholders to Fuzhou Zhuoxin to acquire, at the sole discretion of Fuzhou Zhuoxin, the entire or part of the equity interest in Aomeijia at a consideration equal to the then net asset value of Aomeijia when such right being exercised. A sum of RMB2 million will be paid to Aomeijia Shareholders for the grant of such exclusive right upon the execution of the Acquisition Agreement. Such RMB2 million can be used to set off against the total consideration of acquisition (equivalent to the then net asset value of Aomeijia) when such right is exercised in future
“Agreement”	the conditional sale and purchase agreement dated 12 June 2008 entered into among the Purchaser, the Vendor and the Target relating to the sale and purchase of the Sale Share and the subscription for and allotment and issue of the Subscription Shares
“Aomeijia”	Bengbu City Aomeijia Female Hospital Limited# (蚌埠市澳美佳女子醫院有限公司), a private company established in Bengbu, Anhui, the PRC on 3 June 2008. Aomeijia has obtained the relevant licence from the government authority in the PRC to operate the New Aomeijia Hospital
“Aomeijia Shareholders”	Mr. Weng Jianbing and Zhuo Liyong, both of them are Independent Third Parties
“Aomeijia Shareholders’ Undertaking”	an undertaking to be executed by the Aomeijia Shareholders in favour of Fuzhou Zhuoxin that they will vote in accordance with the instructions of Fuzhou Zhuoxin in all future shareholders’ meetings prior to the completion of the Acquisition Agreement
“Appointment Agreement”	an agreement to be entered into between the Aomeijia Shareholders, Aomeojia and Fuzhou Zhuoxin in relation to the appointment of all the directors, general manager and legal representative of Aomeijia in accordance with the instructions of Fuzhou Zhuoxin

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## DEFINITIONS

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“Assets”	all the necessary assets for running a hospital including but not limited to medical equipment and office equipment in the Old Aomeijia Hospital
“Asset Acquisition Agreement”	an agreement dated 13 June 2008 entered into between Aomeijia and Mr. Zhuo in relation to the acquisition of the Assets
“Assets Acquisition Framework Agreement”	an agreement dated 26 May 2008 entered into between the Aomeijia Shareholders and Mr. Zhuo in relation to the acquisition of the Assets by Aomeijia
“Board”	board of the Directors
“Bondway”	Bondway Limited, a company incorporated in Hong Kong with limited liability, which is wholly and beneficially owned by the Target
“Business Day”	a day (other than Saturday, Sunday or public holiday) on which licensed banks are generally open for business in Hong Kong throughout their normal business hours
“BVI”	the British Virgin Islands
“Company”	Hua Xia Healthcare Holdings Limited, a company incorporated in the Cayman Islands with limited liability and the issued Shares of which are listed on GEM with a designated stock code of 8143
“Completion”	completion of the Proposed Acquisition and the Proposed Subscription in accordance with the terms and conditions of the Agreement
“connected person(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Control Agreements”	the agreements to be entered into between the Vendor, Bondway and/or Fuzhou Zhuoxin on one side and the Aomeijia Shareholders and/or Aomeijia on the other side in accordance with the Framework Agreement including the Loan Agreement, the Share Charge, the Acquisition Agreement, the Management Agreement, the Aomeijia Shareholders’ Undertakings and the Appointment Agreement. All forms and substances of the Control Agreements shall be to the satisfaction of the Purchaser

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## DEFINITIONS

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“Director(s)”	director(s) of the Company
“Framework Agreement”	an agreement dated 31 May 2008 entered into between Bondway and the Aomeijia Shareholders, pursuant to which Bondway agreed to set up a wholly foreign owned enterprise in the PRC, namely Fuzhou Zhuoxin and to enter into the Control Agreements with the Aomeijia Shareholders and/or Aomeijia
“Fuzhou Zhuoxin”	Fuzhou Zhuoxin Enterprises Management Consultancy Limited# (福州卓信企業管理諮詢有限公司), a wholly foreign owned enterprise established in Fuzhou, Fujian, the PRC by Bondway on 5 June 2008
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	any person(s) or company(ies) and their respective ultimate beneficial owner(s), to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, are not connected persons of the Company and are third parties independent of the Company and its connected persons in accordance with the GEM Listing Rules
“Latest Practicable Date”	7 July 2008, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Loan Agreement”	a loan agreement to be entered into between Fuzhou Zhuoxin and the Aomeijia Shareholders in relation to the grant of loan of RMB700,000 by Fuzhou Zhuoxin to the Aomeijia Shareholders to be used as general working capital of Aomeijia and for acquisition of Assets for an initial term of 10 years

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## DEFINITIONS

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“Management Agreement”	an exclusive management agreement to be entered into between Fuzhou Zhuoxin and Aomeijia in relation to the provision of management consultancy services by Fuzhou Zhuoxin to the New Aomeijia Hospital for an initial term of 10 years
“Mr. Zhuo”	Mr. Zhuo Jianhua, the beneficial owner of the Old Aomeijia Hospital, an Independent Third Party
“New Aomeijia Hospital”	Bengbu City Aomeijia Female Hospital# (蚌埠市澳美佳女子醫院), a trade name of a privately-run hospital to be established by Aomeijia in Bengbu, Anhui, the PRC
“Old Aomeijia Hospital”	Bengbu Aomeijia Hospital# (蚌埠澳美佳女子醫院), a privately-run hospital established in Bengbu, Anhui, the PRC by Mr. Zhuo
“Old Tenancy Agreement”	tenancy agreement in respect of the hospital premises of the Old Aomeijia Hospital
“PRC”	The People’s Republic of China, which for the purpose of this circular, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Proposed Acquisition”	the proposed acquisition of the Sale Share pursuant to the Agreement
“Proposed Subscription”	the subscription of 3,499 new shares of US\$ 1.00 each in the share capital of the Target by the Purchaser pursuant to the Agreement
“Purchaser”	Famous Fast Limited, a company incorporated in the BVI and a wholly-owned subsidiary of the Company
“Refundable Payment”	the payment made by the Purchaser to the Vendor under paragraph (i) under the paragraph headed “Consideration” and the Subscription Price

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## DEFINITIONS

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“Reorganisation”	an reorganization including (1) the entering into and the completion of the Assets Acquisition Framework Agreement between the Aomeijia Shareholders and Mr. Zhuo in relation to acquisition of the Assets; (2) the establishment of the New Aomeijia Hospital with the duly paid registered capital of RMB2 million; (3) the entering into and the completion of the Framework Agreement between Bondway and Aomeijia Shareholders in relation to the entering into the Control Agreements; (4) the entering into and the completion of the of the Assets Acquisition Agreements between Mr. Zhuo and Aomeijia in relation to the acquisition of the Assets and Aomeijia shall apply for all relevant licence for the operation of the New Aomeijia Hospital; (5) the establishment of Fuzhou Zhuoxin with the duly paid registered capital of RMB3 million by Bondway; (6) the entering into and the completion of the Control Agreements; and (7) the entering into a tenancy agreement between Aomeijia and the landlord of premises being rented by the Old Aomeijia Hospital
“Sale Share”	1 share of US\$1.00, being the entire issued share capital of the Target as at the date of the Agreement which are legally and beneficially owned by the Vendor
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of HK\$0.05 each in the share capital of the Company
“Share Charge”	a share charge to be created by Aomeijia Shareholders in favour of Fuzhou Zhuoxin to secure the Acquisition Agreement for an initial term of ten years
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Price”	HK\$3,500,000, being the subscription price payable for the Subscription Shares pursuant to the Agreement



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## DEFINITIONS

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“Subscription Shares”	the 3,499 new shares of US\$1.00 each in the share capital of the Target to be allotted and issued by the Target to the Purchaser, pursuant to the Agreement
“Target”	Smart Peak Limited, a company incorporated in BVI which is wholly and beneficially owned by the Vendor before the Completion
“Target Group”	the Target, Bondway and Fuzhou Zhuoxin
“Total Consideration”	the total consideration of HK\$49,000,000 payable by the Purchaser to the Vendor for the Sale Share and the Subscription Shares pursuant to the Agreement
“Vendor”	Mr. Lau Ming Wah, the sole beneficial shareholder of the Target prior to the Completion and the vendor to the Agreement
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“US\$”	United States dollar(s), the lawful currency of the United States of America
“%”	per cent.

# *The English transliteration of the Chinese names in this circular, where indicated, is included for information only, and should not be regarded as the official English names of such Chinese names.*

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## LETTER FROM THE BOARD

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### HUA XIA HEALTHCARE HOLDINGS LIMITED

華夏醫療集團有限公司\*

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 8143)

*Executive Directors:*

Mr. Yung Kwok Leong (*Chairman*)  
Dr. Jiang Tao (*Chief Executive Officer*)  
Mr. Zheng Gang  
Ms. Shum Ngai Pan  
Mr. Chen Jin Shan

*Registered office:*

Cricket Square  
Hutchins Drive  
P.O. Box 2681  
Grand Cayman KY1-1111  
Cayman Islands

*Non-executive Director:*

Dr. Wong Yu Man, James

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

Room 1902, 19/F  
Sing Pao Building  
No. 101 King's Road  
North Point, Hong Kong

*Independent non-executive Directors:*

Ms. Wong Ka Wai, Jeanne  
Mr. Hsu William Shiu Foo  
Prof. Yu Chai Mei

11 July 2008

*To the Shareholders*

Dear Sir or Madam,

### **DISCLOSEABLE TRANSACTION IN RELATION TO THE PROPOSED ACQUISITION OF THE ENTIRE SHARE CAPITAL AND THE PROPOSED SUBSCRIPTION OF NEW SHARES IN A COMPANY**

#### **INTRODUCTION**

On 13 June 2008, the Board announced that on 12 June 2008, the Purchaser entered into the Agreement with the Vendor and the Target pursuant to which the Purchaser agreed to acquire from the Vendor the Sale Share and to subscribe for the Subscription Shares, for the Total Consideration.

#### **THE AGREEMENT**

Date: 12 June 2008

Parties: (i) Purchaser: Famous Fast Limited, a wholly-owned subsidiary of the Company;

\* for identification purpose

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## LETTER FROM THE BOARD

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- (ii) Vendor: Mr. Lau Ming Wah, who currently owns 100% direct equity interests in the Target; and
- (iii) The Target.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Vendor is an Independent Third Party. Each of the Vendor, Mr. Zhuo and the Aomeijia Shareholders is a third party independent of the vendors of the previous discloseable transactions of the Company in the preceding 12 month period from the date of the Agreement.

### **Subjects of the transaction**

Pursuant to the Agreement,

- (i) the Purchaser agreed to acquire and the Vendor agreed to sell the Sale Share, being 1 share of US\$1.00 in the share capital of the Target, representing its entire issued share capital as at the date of the Agreement; and
- (ii) the Purchaser agreed to subscribe for and the Target agreed to allot and issue the Subscription Shares, being 3,499 new shares of US\$1.00 in the share capital of the Target.

### **Consideration**

The Total Consideration is HK\$49,000,000, of which HK\$45,500,000 is payable for the Sale Share and HK\$3,500,000 is payable for the Subscription Shares. The total consideration for the Sale Share shall be payable in cash in the following manner:

- (i) as to HK\$24,500,000 has been paid by the Purchaser in cleared funds as deposit within three (3) Business Days after signing of the Agreement; and
- (ii) as to HK\$21,000,000 to be paid by the Purchaser on Completion.

The total consideration for the Subscription Shares is HK\$3,500,000 (being the Subscription Price) which has been paid in cash within three (3) Business Days after signing of the Agreement in accordance with the Agreement. Pursuant to the Agreement, the Subscription Price should only be used as paid up registered capital of Fuzhou Zhuoxin.

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## LETTER FROM THE BOARD

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The Refundable Payment (i.e. the aggregate of the payments made under item (i) above and the Subscription Price) will be refunded to the Purchaser by the Vendor if the Agreement is terminated in accordance with its terms, in particular, for non satisfaction of conditions set out under the paragraph headed “Conditions Precedent” below. If the termination of the Agreement is due to default of the Vendor, the Refundable Payment shall be refunded with interest of 1% per month to be accrued thereon from the date of receipt of the Refundable Payment by the Vendor until full refund of the Refundable Payment together with the accrued interest by the Vendor to the Purchaser.

Further announcement will be made by the Company in the event that the Agreement is terminated.

The Total Consideration, including the payment terms, was determined after arm’s length negotiation between the Purchaser and the Vendor after having considered: (i) the Guaranteed Profit (as defined below) given by the Vendor, details of which are set out in the paragraph headed “Profit guarantee” below; (ii) reasons for the Proposed Acquisition and the Proposed Subscription as elaborated further under the paragraph headed “Reasons for the Proposed Acquisition and the Proposed Subscription” below; (iii) the P/E ratios of a number of local listed companies engaging in business similar to the Target Group ranging from about 6.54 times to 27.19 times; and (iv) the future prospect of the business of the Target Group including the Guaranteed Profit (as defined below). The Total Consideration represents a price earning multiple of 9.8 times of the Guaranteed Profit (as defined below) which is within the industrial range.

The Group intends to finance the Total Consideration by internal resources of the Group.

### **Profit guarantee**

In the Agreement, the Vendor guaranteed and warranted to the Purchaser that the audited consolidated net profit after taxation and extraordinary or exceptional items and minority interests of the Target Group for the year ending 31 December 2009 (the “**Net Profit**”) shall not be less than HK\$5,000,000 (the “**Guaranteed Profit**”). The Guaranteed Profit has been determined according to (i) the estimated operation scale of the New Aomeijia Hospital; (ii) the estimated demand for its healthcare services to be provided by the New Aomeijia Hospital in Bengbu; and (iii) the historical operation statistics of the Old Aomeijia Hospital. In the event that the Guaranteed Profit is not achieved, the Vendor should pay the Purchaser on a dollar for dollar basis for an amount equivalent to the difference between the Net Profit and the Guaranteed Profit. The Net Profit is to be calculated in accordance to the Hong Kong Financial Reporting Standards.

If the Target Group records a net loss in its audited consolidated accounts for the year ending 31 December 2009 (“**Net Loss**”), the compensation amount under the Guaranteed Profit will be the aggregation of the amount of Net Loss (expressed in positive figure) and the amount of the Guaranteed Profit.

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## LETTER FROM THE BOARD

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Further announcement will be made by the Company in the event that the Guaranteed Profit cannot be fulfilled.

### **Conditions precedent**

The Completion is subject to, among other things, the following conditions having been fulfilled or waived (as the case may be):

- (a) all necessary consents and approvals required to be obtained on the part of the Vendor and the Target in respect of the sale and purchase of the Sale Share and the Subscription Shares as well as the matters contemplated thereunder having been obtained;
- (b) all necessary consents and approvals required to be obtained on the part of the Purchaser in respect of the sale and purchase of the Sale Share and the Subscription Shares as well as the matters contemplated thereunder having been obtained;
- (c) the warranties in respect of the operation of the Target Group given by the Vendor under the Agreement remaining true and accurate in all respects;
- (d) the obtaining of a PRC legal opinion (in the form and the substance satisfactory to the Purchaser) in relation to the validity and legality of the incorporation of Fuzhou Zhuoxin and Aomeijia, and their operations as going concern entities and the transactions contemplated under the Agreement;
- (e) the Purchaser being satisfied with the results of the due diligence review to be conducted on the assets, liabilities, operations and affairs of the Target Group;
- (f) the entering into of a tenancy agreement between Aomeijia and the landlord of premises being rented by the Old Aomeijia Hospital;
- (g) the completion of the Reorganisation;
- (h) the Control Agreements become unconditional or the completion of the Control Agreements if applicable; and
- (i) the completion of Asset Acquisition Agreement.

Only conditions (a), (c) and (e) are waivable by the Purchaser under the Agreement. Currently, the Purchaser has no intention to waive any of such conditions. As at the Latest Practicable Date, conditions f above has been satisfied.

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## LETTER FROM THE BOARD

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The Agreement further provides that should the satisfaction of all of the above conditions, if not waived by the Purchaser, not occur on or before 90 days from the date of Agreement, that is 10 September 2008, or such later date as the Purchaser and the Vendor may agree in writing, the Agreement shall terminate and neither party shall have any liability to the other except for antecedent breaches of the Agreement and the obligation to return the Refundable Payment.

### **Completion**

The Completion shall take place at 4:00 p.m. within three Business Days after all the conditions of the Agreement having been fulfilled or waived or such later date as may be agreed between the Vendor and the Purchaser.

In the event that the Completion does not take place, the Vendor shall refund the Refundable Payment to the Purchaser pursuant to the Agreement. If the non-completion is due to default of the Vendor, the Refundable Payment shall be refunded with interest of 1% per month to be accrued thereon from the date of receipt of the Refundable Payment by the Vendor until full refund of the Refundable Payment together with the accrued interest by the Vendor to the Purchaser.

### **INFORMATION ON THE TARGET GROUP**

#### **Background**

The Target is an investment holding company. The Target Group, upon Completion, will be principally engaged in the provision of healthcare management and consultancy services to the New Aomeijia Hospital by virtue of the Control Agreements. Aomeijia will be principally engaged in operation of the New Aomeijia Hospital upon completion of the Reorganisation. The management and operation of the New Aomeijia Hospital will be provided and controlled by the Target Group pursuant to the Control Agreements. Please refer to the paragraph headed "Group structure" for the structure of the Target Group after completion of the Reorganisation.

#### **The Framework Agreements**

Prior to the entering into of the Agreement, the Aomeijia Shareholders have entered into an Assets Acquisition Framework Agreement dated 26 May 2008 with Mr. Zhuo in relation to the acquisition of the Assets from Mr. Zhuo. Pursuant to which Mr. Zhuo entered into a formal Asset Acquisition Agreement on 13 June 2008 with Aomeijia in relation to the acquisition of the Assets by Aomeijia for an aggregate consideration of RMB2,650,000. The Asset Acquisition Agreement has yet to be completed as at the Latest Practicable Date. Aomeijia and the landlord of Old Aomeijia Hospital premises entered into a tenancy agreement with the same terms and conditions as the Old Tenancy Agreement on 6 June 2008. Mr. Zhou also undertook that he will not operate any other hospital(s) bearing the name of "Aomeijia 澳美佳" and will not pursue any legal action against Aomeijia in the event that Aomeijia establishing a new hospital bearing the name "Aomeijia 澳美佳".

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## LETTER FROM THE BOARD

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The Assets include all the necessary assets for running a hospital including but not limited to medical equipment and office equipment in the Old Aomeijia Hospital, but excluding any liabilities, contingent liabilities and any devaluation of value of such Assets.

Prior to the entering into of the Agreement, Bondway and the Aomeijia Shareholders entered into a Framework Agreement on 31 May 2008, pursuant to which Bondway agreed to set up a wholly foreign owned enterprise in the PRC, namely Fuzhou Zhuoxin, and will enter into the Control Agreements, including the Loan Agreement, the Share Charge, the Acquisition Agreement, the Management Agreement, the Aomeijia Shareholders' Undertakings and the Appointment Agreement with the Aomeijia Shareholders and/or Aomeijia.

### **The Control Agreements**

The Control Agreements to be entered into are narrowly tailored to achieve the Company's business purpose, i.e. to beneficially acquire the entire equity interest in Aomeijia and to minimize potential conflict with relevant PRC laws and regulations.

In summary, the Control Agreements provide the Group with:

- i. the right to receive the entire economic benefits of Aomeijia;
- ii. the right to acquire all the shares of Aomeijia, as and when permitted by the PRC laws, for a justifiable consideration; and
- iii. a pledge over the entire equity interest in Aomeijia.

The design of the Control Agreements is to speed up the process for the Group to acquire Aomeijia. Through the Control Agreements, the control and economic benefits from the business of Aomeijia flow to Fuzhou Zhuoxin, a wholly-owned subsidiary of the Company upon Completion. Having consulted with its PRC legal adviser to the Group and the auditors advising the Purchaser, the Company has been advised and understand that in view of the Control Agreements taken as a whole, the Group will able to consolidate 100% of the financial results of the Aomeijia into those of the Group by way of accounting Aomeijia as its wholly owned subsidiary and that the economic benefits of the businesses of Aomeijia will flow to the Group upon Completion. As at the Latest Practicable Date, the PRC legal adviser to the Company also advised that Aomeijia has obtained all necessary approvals in relation to their establishment and operations, and that the Control Agreements upon execution, are legally enforceable and in compliance with the relevant PRC laws and regulations.

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## LETTER FROM THE BOARD

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Set out below are the major terms of the Control Agreements:

### *The Loan Agreement*

Fuzhou Zhuoxin tentatively will grant an interest-free loan of RMB700,000 for an initial term of ten years to the Aomeijia Shareholders through the Loan Agreement which shall stipulate that the loan will only be used as general working capital of Aomeijia and for acquisition of Assets. Pursuant to the Loan Agreement, the loan is repayable by the end of the term of the Loan Agreement. The initial term of the Loan Agreement is ten years which is extendable at the option of Fuzhou Zhuoxin at no cost.

### *The Acquisition Agreement*

Aomeijia Shareholders and Fuzhou Zhuoxin shall also enter into the Acquisition Agreement, pursuant to which Aomeijia Shareholders shall grant Fuzhou Zhuoxin an exclusive right for an initial term of 10 years to acquire, at the sole discretion of Fuzhou Zhuoxin, the entire or part of the equity interest in Aomeijia. A sum of RMB2 million will be paid to Aomeijia Shareholders as the consideration for the grant of such exclusive right upon the execution of the Acquisition Agreement. In compliance with the laws in the PRC, parties to the Acquisition Agreement agree that the consideration for the purchase of the entire equity interest (the “**Equity Consideration**”) in Aomeijia will be based on the then net asset value of Aomeijia at the time such exclusive right is exercised. Pursuant to the Acquisition Agreement, such RMB2 million payable to the Aomeijia Shareholders at the date of Acquisition Agreement can be used to set off against the Equity Consideration. If at the time of exercising the exclusive right, the then net asset value of Aomeijia exceeds RMB 2 million, the Aomeijia Shareholders shall invest any amount of the Equity Consideration exceeding RMB 2 million to Aomeijia as capital reserve fund. Such arrangement will ensure that if any additional consideration payable for the acquisition of the entire equity interest of Aomeijia when exercising the exclusive right be retained in Aomeijia in form of capital reserve fund. As Aomeijia will be accounted as a wholly owned subsidiary of the Company upon Completion, the consolidated assets of the Target will not be changed upon the exercise of the exclusive right. In this case, the Company is not required to pay additional consideration for the Proposed Acquisition and the Proposed Subscription. Fuzhou Zhuoxin will only exercise the acquisition right in full under the Acquisition Agreement, if and when the acquisition of the entire equity interest of a hospital in the PRC is permitted by the PRC law.



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## LETTER FROM THE BOARD

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Pursuant to the Acquisition Agreement, the exclusive right to acquire equity interest in Aomeijia by Fuzhou Zhuoxin expires after an initial term of ten years which is extendable at the option of Fuzhou Zhuoxin at no cost so as to allow Fuzhou Zhuoxin to exercise its acquisition right in full under the Acquisition Agreement, if and when the acquisition of the entire equity interest of a hospital in the PRC is permitted by the PRC law. The Company will comply with GEM Listing Rules when exercise the exclusive right to acquire the entire equity interest of Aomeijia in future.

### *The Share Charge*

To secure the Aomeijia Shareholders' obligations under the Acquisition Agreement, the Aomeijia Shareholders will create the Share Charge in favour of Fuzhou Zhuoxin for an initial term of ten years, (extendable at the option of Fuzhou Zhuoxin, for a term in line with the Acquisition Agreement when extended) or until the completion or termination of the Acquisition Agreement whichever is earlier. In accordance with the Share Charge, the Aomeijia Shareholders shall charge the entire equity interest held by them to Fuzhou Zhuoxin and procure Aomeijia to register the Share Charge in its register of members. During the term of the Share Charge, the Aomeijia Shareholders shall convey all the dividends, distribution, other payments, capital bonus and other assets distributed paid or made by Aomeijia to Fuzhou Zhuoxin with respect to the entire charged equity interest in Aomeijia.

### *The Management Agreement*

In order to receive the economic benefits from Aomeijia, Aomeijia and Fuzhou Zhuoxin shall also enter into the Management Agreement, pursuant to which Fuzhou Zhuoxin shall provide healthcare management and consultancy services to Aomeijia for an initial period of ten years from the date of the Management Agreement. Parties thereto are at liberty to renew the Management Agreement. During the service period, Fuzhou Zhuoxin shall receive a management fee of 30% of the turnover of Aomeijia or the entire net profit after tax whichever is lower.

### *The Appointment Agreement*

The Aomeijia Shareholders, Aomeijia and Fuzhou Zhuoxin shall enter into the Appointment Agreement before Completion, pursuant to which the Aomeijia Shareholders and Aomeijia shall form a board of directors consisting of three members and shall appoint the three representatives nominated by Fuzhou Zhuoxin. The Aomeijia Shareholders and Aomeijia shall appoint the person nominated by Fuzhou Zhuoxin to be the general manager of Aomeijia and appoint the person nominated by Fuzhou Zhuoxin to be the legal representative of Aomeijia.

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## LETTER FROM THE BOARD

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### *The Aomeijia Shareholders' Undertaking*

The Aomeijia Shareholders will execute the Aomeijia Shareholders' Undertaking in favour of Fuzhou Zhuoxin, pursuant to which the Aomeijia Shareholders shall forthwith deliver Fuzhou Zhuoxin all the notice convening the general meeting of Aomeijia upon receipt the same from Aomeijia. The Aomeijia Shareholders will also vote for or against any resolution in every general meeting of Aomeijia in accordance with the voting instructions given by Fuzhou Zhuoxin.

The Control Agreements are designed to provide the Group with effective control over and the right to enjoy the economic benefits in and/or assets of Aomeijia. Upon the Completion, the Company will be able to govern the financial and operating policies of Aomeijia because (i) the board of directors of Aomeijia is controlled by Fuzhou Zhuoxin pursuant to the Appointment Agreement; (ii) the general meeting is controlled by Fuzhou Zhuoxin pursuant to the Aomeijia Shareholders' Undertaking; (iii) all the benefits arising from the equity interests will be entirely conveyed to Fuzhou Zhuoxin pursuant to the Share Charge; and (iv) all the economic benefits arising from the operating of Aomeijia will be retained by Fuzhou Zhuoxin pursuant to the Management Agreement. Aomeijia will be accounted for as a wholly-owned subsidiary of the Company.

Aomeijia and Fuzhou Zhuoxin were established on 3 June 2008 and 5 June 2008 respectively. As at the date the Latest Practicable Date, the major terms of the Control Agreements have been fixed and are disclosed as above, however, none of the Control Agreements has been yet entered into and will be entered into before Completion.

Pursuant to the Catalogue for the Guidance of Foreign Investment Industries《外商投資產業指導目錄》issued by the Ministry of Commerce of the PRC, foreign investors may not be allowed to hold the entire shareholding interests in company providing medical related service in the PRC. Accordingly, the Control Agreements are put in place to fully and legally capture the business and revenue in the New Aomeijia Hospital (pursuant to the Control Agreements, the Company could obtain 100% control in it). The Company has been advised by its PRC legal adviser, that the structure of the Control Agreements in the PRC is legal, effective and enforceable and in compliance with the relevant rules and regulations of the PRC.

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## LETTER FROM THE BOARD

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### Financial information

Set out below is a summary of key financial data of the Target Group (excluding subsidiaries incorporating in the PRC) based on the unaudited management accounts of the Target Group for the period from 18 April 2008 (date of incorporation of Bondway) to 31 May 2008 as provided by the Vendor which has been prepared in accordance with the generally accepted accounting principles in Hong Kong:

	<b>Period from 18 April 2008 to 31 May 2008</b> <i>HK\$</i> (unaudited)
Loss before tax for the period	(21,900)
Loss after tax for the period	(21,900)
	<b>As at 31 May 2008</b> <i>HK\$</i> (unaudited)
Net liabilities	(21,891)

*Note:* The Target was incorporated in the BVI on 2 May 2008 while Bondway was incorporated in Hong Kong on 18 April 2008. The loss incurred by and net liabilities recorded by the Target Group (excluding subsidiaries incorporating in the PRC) are due to the pre-operating costs of the Target and Bondway.

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## LETTER FROM THE BOARD

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Set out further below is a summary of the key financial data of the Old Aomeijia Hospital based on the unaudited management accounts of the Old Aomeijia Hospital for the year ended 31 December 2007 and for the period ended 30 April 2008 as provided by the Vendor which has been prepared in accordance with the generally accepted accounting principles in the PRC:

	<b>For the year ended 31 December 2007</b>	<b>For the period ended 30 April 2008</b>
	<i>RMB</i>	<i>RMB</i>
	(unaudited)	(unaudited)
Loss before tax for the year/period	(55,949.33)	(49,038.84)
Loss after tax for the year/period	(82,799.33)	(57,988.84)

	<b>As at 31 December 2007</b>	<b>As at 30 April 2008</b>
	<i>RMB</i>	<i>RMB</i>
	(unaudited)	(unaudited)
Net assets	346,026.57	288,037.73

*Note:* Since the Old Aomeijia Hospital was established on 1 September 2006 and commenced operation in late 2006, the financial information of the Old Aomeijia Hospital for the year ended 31 December 2006 is not available.

Upon the Completion, the Directors have no present intention to (i) retain all the employees (save for some individual well performed doctors); (ii) acquire the customer profile and medical profile of the Old Aomeijia Hospital; and (iii) retain the management team of the Old Aomeijia Hospital. The Directors also have no current intention to materially change the existing management team of the Target Group except for the changes to the compositions of the board of directors of the Target Group to obtain board control. The Board considers that with the service of the management team in Fuzhou Zhuoxin who will have sufficient knowledge and experience in healthcare investment, healthcare management of various hospitals in Fuzhou, coupled with a number of the Directors, who also have sufficient knowledge and experience in the healthcare industry, the Group is well equipped to carry on the business of the Target Group.

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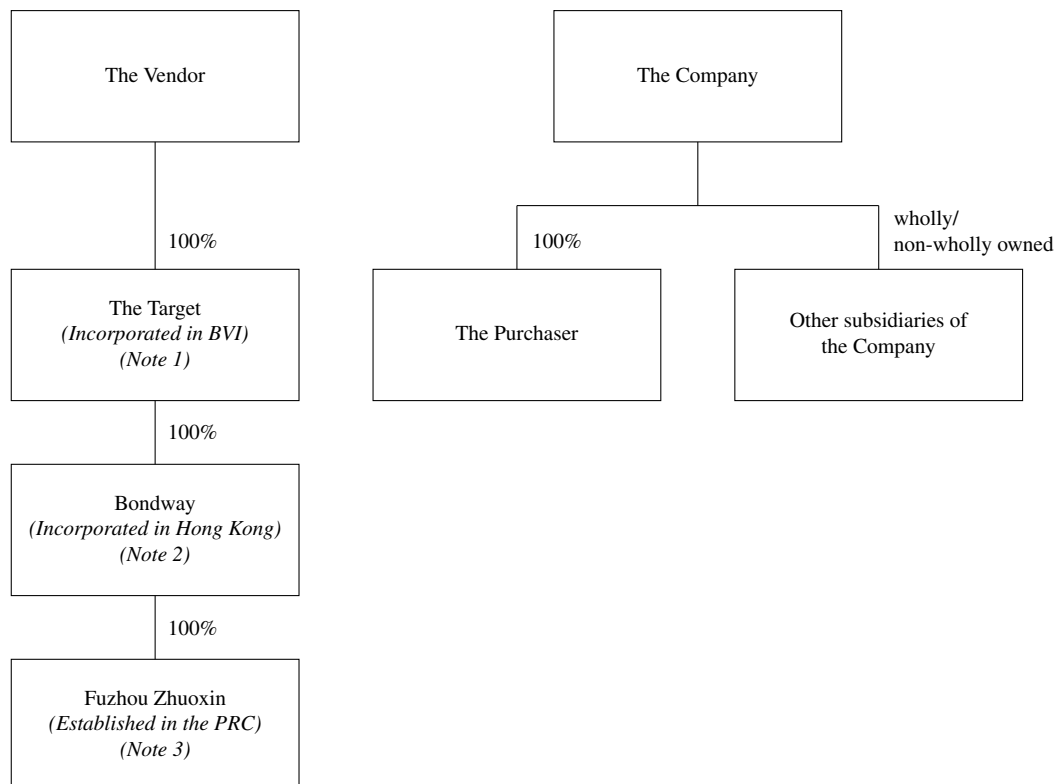
## LETTER FROM THE BOARD

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### Group structure

The following charts show the group structure of the Target Group immediately before and after the Completion:

#### As at the Latest Practicable Date and immediately before Completion

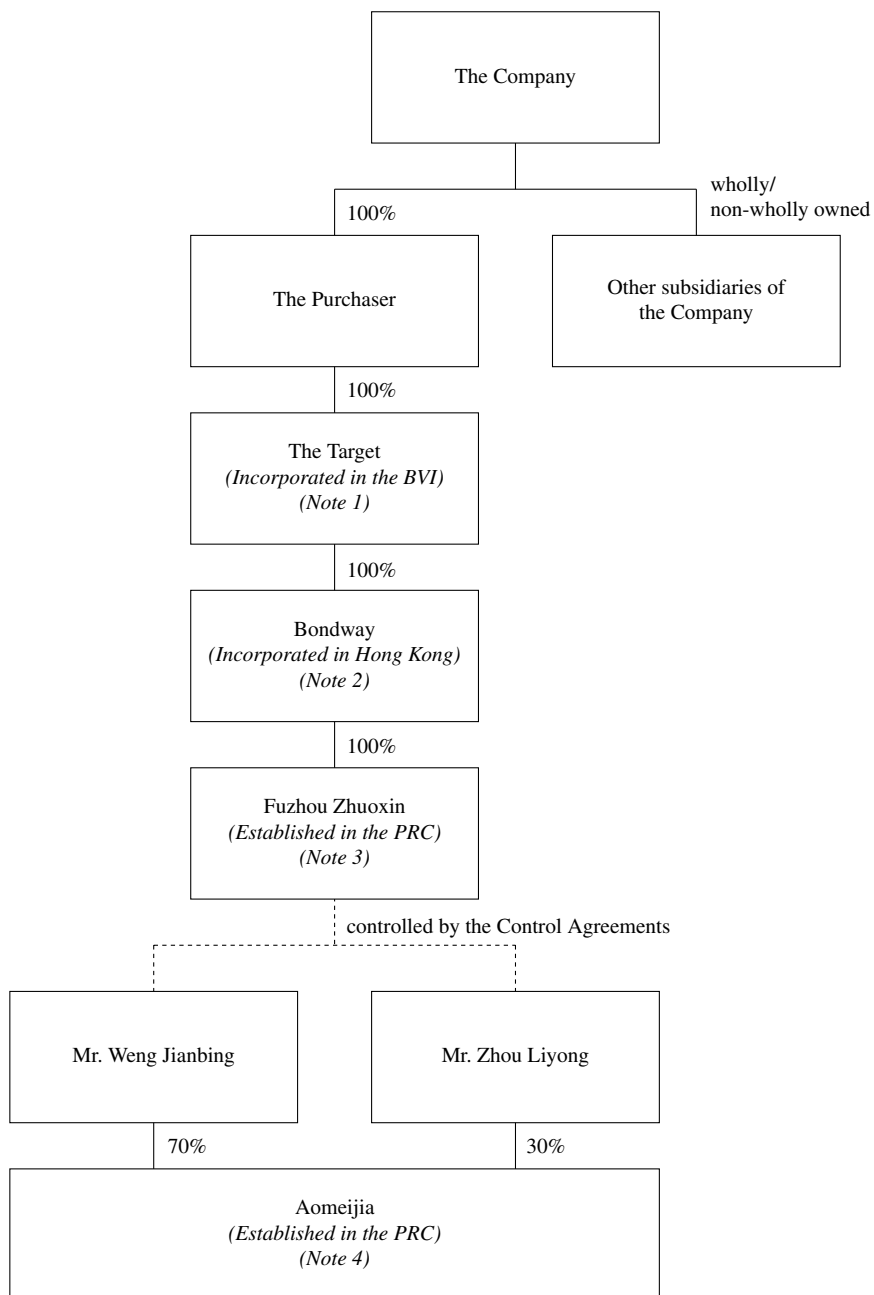


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# LETTER FROM THE BOARD

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## Immediately after the Completion



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## LETTER FROM THE BOARD

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*Notes:*

1. The Target is an investment holding company established in BVI on 2 May 2008 solely for the purpose of holding 100% equity interest in Bondway and the Vendor is its ultimate beneficial owner.
2. Bondway is a company incorporated in Hong Kong on 18 April 2008 as an investment holding company solely for the purpose of holding 100% equity interest in Fuzhou Zhuoxin.
3. Fuzhou Zhuoxin is a wholly foreign owned enterprise established in the PRC on 5 June 2008 by Bondway for the entering into of the Control Agreements with the Aomeijia Shareholders and/or Aomeijia.
4. Aomeijia is a private company established in the PRC on 3 June 2008 by the Aomeijia Shareholders. Aomeijia has obtained the relevant licence from the government authority in the PRC to establish the New Aomeijia Hospital. The New Aomeijia Hospital is a trade name of Aomeijia in running its hospital business in Bengbu, Anhui, the PRC. Aomeijia will inject all the Assets into the New Aomeijia Hospital.

### **REASONS FOR THE PROPOSED ACQUISITION AND THE PROPOSED SUBSCRIPTION**

The Group is principally engaged in the provision of general hospital and healthcare and hospital management services in the PRC.

Under the environment of fast economic growth in the PRC and more people becoming aware of the importance of health, the Directors believe that the healthcare market in the PRC provides abundant business opportunities for the Group in the future. The Group has embarked on various acquisitions and cooperation projects since 2006 in the general hospital and healthcare and hospital management services in the PRC in order to provide a stable income source to the Group and will bring synergistic effect and further opportunities in the promising healthcare sector the PRC. As indicated in the annual report of the Company for the year ended 31 March 2008, the provision of general hospital and healthcare and hospital management services in the PRC by the Group were the main contribution in generating revenue for the Group.

The Proposed Acquisition and the Proposed Subscription are part of the business plans of the Group in developing its presence in the healthcare sector in the PRC given that there is a general increase in the health concern of individuals in the PRC. The Directors consider that the Proposed Acquisition and the Proposed Subscription are in line with the Group's business plans and are expected to enhance the Group's overall business performance, strengthen its revenue bases and diversify its business risk through synergistic effect through implementation of cost control measures and marketing and business strategies in the Target Group, of which the Directors believe, would make progress of the business of the Target Group. In view of the above and the Profit Guarantee provided by the Vendor as well as the future prospects of the healthcare sector in the PRC, the Directors are of the view that the terms of the Proposed Acquisition and the Proposed Subscription are fair and reasonable and the Proposed Acquisition and the Proposed Subscription are in the interests of the Company and the Shareholders as a whole.

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## LETTER FROM THE BOARD

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As confirmed by the auditors advising the Purchaser, the Group is able to account for Aomeijia as a wholly-owned subsidiary under the prevailing accounting principles upon Completion by virtue of the Control Agreements. The accounts of Aomeijia will then be consolidated with that of the Group.

### FINANCIAL EFFECT

Upon Completion, the Target will become a wholly-owned subsidiary of the Company and its accounts will be consolidated with that of the Group. The Group expects its earnings will be enhanced as a result of the Acquisition, and there will be no material effect on the assets and liabilities position of the Company.

### IMPLICATION UNDER THE GEM LISTING RULES

The Proposed Acquisition and the Proposed Subscription, in aggregate, constitute a discloseable transaction for the Company under the GEM Listing Rules.

Upon Completion, the Aomeijia Shareholders will become connected persons of the Company (as defined under the GEM Listing Rules). The transactions contemplated under such agreements to be entered into between Fuzhou Zhuoxin (a wholly-owned subsidiary of the Company upon Completion) and the Aomeijia Shareholders after the Completion may or may not constitute connected transactions or continuing connected transactions. The Company will comply with the GEM Listing Rules if and when such transactions are entered into in future.

### GENERAL

Your attention is drawn to the general information set out in the appendix of this circular.

By order of the Board  
**Hua Xia Healthcare Holdings Limited**  
**Yung Kwok Leong**  
*Chairman*



**1. RESPONSIBILITY STATEMENT**

This circular, for which the Directors collectively and individually accept full responsibility, includes particular given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief:

- (a) the information contained in this circular is accurate and complete in all material respects and is not misleading;
- (b) there are no other matters the omission of which would make any statement in this circular misleading; and
- (c) all opinions expressed in this circular have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

**2. DISCLOSURE OF INTERESTS**

- (a) **Directors' interests and short positions in the securities of the Company and its associated corporations**

As at the Latest Practicable Date, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO, including interests or short positions

which they were deemed or taken to have under such provisions of the SFO, or which were required, pursuant to section 352 of the SFO, to be entered in the register to therein, or which were required, pursuant to the rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by Directors, to be notified to the Company and the Stock Exchange, were as follows.

(i) *Interests in Shares:*

Name of Director/ chief executive of the Company	Number of Shares	Capacity	Position	Approximate Percentage of the total issued share capital of the Company as at the Latest Practicable Date
Mr. Yung Kwok Leong (Note 1)	375,746,000	Interest in controlled corporation	Long	20.90%
	6,187,500	Beneficial owner	Long	0.34%
Ms. Shum Ngai Pan (Note 2)	5,400,000	Beneficial owner	Long	0.30%
Mr. Zheng Gang	3,600,000	Beneficial owner	Long	0.20%

*Notes:*

- These Shares are held through Easeglory Holdings Limited (“**Easeglory**”), a company incorporated in the British Virgin Islands with limited liability, the entire issued share capital of which is owned by Mr. Yung Kwok Leong, an executive Director and chairman of the Company.
- Ms. Shum Ngai Pan and Mr. Zheng Gang are executive Directors.

*(ii) Interests in Share Options under Post-IPO Scheme:*

<b>Name of Director/ chief executive of the Company</b>	<b>Exercise period</b>	<b>Exercise price</b>	<b>Position</b>	<b>Number of share option</b>
Mr. Yung Kwok Leong	13 July 2006 to 12 July 2016	HK\$0.627	Long	3,242,085
	21 March 2007 to 20 March 2017	HK\$0.51	Long	5,800,000
Ms. Shum Ngai Pan	13 July 2006 to 12 July 2016	HK\$0.627	Long	3,705,240
	21 March 2007 to 20 March 2017	HK\$0.51	Long	7,100,000
Mr. Chen Jin Shan	13 July 2006 to 12 July 2016	HK\$0.627	Long	6,881,160
	21 March 2007 to 20 March 2017	HK\$0.51	Long	3,900,000
Dr. Jiang Tao	13 July 2006 to 12 July 2016	HK\$0.627	Long	6,881,160
	21 March 2007 to 20 March 2017	HK\$0.51	Long	3,900,000

Save as disclosed above, as at the Latest Practicable Date, none of the Directors nor the chief executive of the Company had or was deemed to have any interests or short positions in the Shares, underlying Shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) (i) which 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 or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were, pursuant to rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by Directors to be notified to the Company and the Stock Exchange.

**(b) Director's interest in assets and/or arrangement**

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which have been since 31 March 2008, being the date to which the latest published audited consolidated accounts of the Group were made up, acquired or disposed of by or leased to any members of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

As at the Latest Practicable Date, there was no contract or arrangement subsisting in which a Director was materially interested and which was significant in relation to the business of the Group as a whole.

**(c) Persons who have an interest or short position which is discloseable under Divisions 2 and 3 of Part XV of the SFO and substantial shareholders**

So far as is known to the Directors, as at the Latest Practicable Date, the following persons (not being Directors or chief executive of the Company) had, or were deemed to have, interests or short positions in the Shares or 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 or who were directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group:

***Substantial Shareholders:***

Name of Shareholders	Number of Shares	Position	Capacity	Approximate percentage of the total issued share capital of the Company as at the Latest Practicable Date
Easeglory Holdings Limited ( <i>Note 1</i> )	375,746,000	Long	Beneficial owner	20.90%
Ms. Yung Muk Ying	390,975,585	Long	Interest of spouse	21.74%
Mr. Lau Kam Shui	264,070,000	Long	Beneficial owner	14.69%
Ms. Lau Yuk Lan ( <i>Note 2</i> )	264,070,000	Long	Interest of spouse	14.69%

*Notes:*

1. The issued share capital of Easeglory Holdings Limited (“Easeglory”) is 100% beneficially owned by Mr. Yung Kwok Leong, an executive Director and chairman of the Company. Ms. Yung Muk Ying is deemed to be interested in 375,746,000 Shares held by Easeglory and 6,187,500 Shares and 9,042,085 underlying Shares beneficially held by Mr. Yung Kwok Leong in personal capacity by virtue of her being the spouse of Mr. Yung Kwok Leong.
2. Mr. Lau Kam Shui is interested in 264,070,000 Shares, being the aggregate of the consideration shares and the conversion shares under the SFO. Ms. Lau Yuk Lan is deemed to be interested in 264,070,000 Shares by virtue of her being the spouse of Mr. Lau Kam Shui.

Save as disclosed above, as at the Latest Practicable Date, the Directors were not aware of any other person (other than the Directors and the chief executive of the Company) who had, or was deemed to have, interests or short positions in the Shares or underlying Shares (including any interests in options in respect of such capital), 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, or who was directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group.

### **3. DIRECTORS’ SERVICE CONTRACTS**

Mr. Yung Kwok Leong, the executive Director and chairman of the Company has signed a letter of appointment with the Company for the monthly fee of HK\$60,000 for a period of one year commencing from 1 February 2007 which will continue thereafter until terminated by either party giving to the other party not less than one month notice in writing.

Ms. Shum Ngai Pan and Mr. Chen Jin Shan have been appointed as executive Directors by way of letters of appointment with the Company for the monthly fees of HK\$15,000 and HK\$5,000 respectively for a period of one year commencing from 25 April 2006 which will continue thereafter until terminated by either party giving to the other party not less than one month notice in writing.

Dr. Jiang Tao has been appointed as an executive Director by way of letter of appointment with the Company for the monthly fee of HK\$30,000 for a period of one year commencing from 3 January 2007 which will continue thereafter until terminated by either party giving to the other party not less than one month notice in writing.

Mr. Zheng Gang has been appointed as an executive Director by way of letter of appointment with the Company for the monthly fee of HK\$60,000 for a period of one year commencing from 1 August 2007 which will continue thereafter until terminated by either party giving to the other party not less than one month notice in writing.

Dr. Wong Yu Man, James, has been appointed as a non-executive Director by way of a letter of appointment with the Company for the monthly fee of HK\$10,000 for a period of one year commencing from 20 March 2007 which will continue thereafter until terminated by either party giving to the other party not less than one month notice in writing.

Ms. Wong Ka Wai, Jeanne an independent non-executive Director, has been appointed by way of a letter of appointment with the Company for a period of one year commencing from 1 November 2007 which will continue thereafter until terminated by either party giving to the other party not less than one month's notice in writing. All the other independent non-executive Directors, namely Mr. Hsu William Shiu Foo and Prof. Yu Chai Mei, have entered into non-executive Directors' contracts with the Company for a term of one year commencing from 22 April 2002 and will continue thereafter until terminated by either party giving to the other party not less than one month notice in writing. Each of the three independent non-executive Directors receives a monthly fee of HK\$5,000.

Save as disclosed herein, none of the Directors has entered into any service contracts or proposed to enter into service contracts (excluding contracts expiring or terminating by the employer within one year without payment of any compensation other than statutory compensation).

#### **4. COMPETING INTERESTS**

As at the Latest Practicable Date, none of the Directors or the management Shareholders (as defined in the GEM Listing Rules) or their respective associates has any interest in a business which competes or may compete with the business of the Group or have or may have any conflicts of interests with the Group.

## 5. LITIGATION

In early 2006, an action in the PRC has been taken out by Jiaxing City Triumph Electric Company Limited# (嘉興市凱旋電子有限公司) against Jiaxing Shuguang Hospital, a wholly owned subsidiary of the Company, suing for rental payment of an aggregate of RMB875,000 (equivalent to approximately HK\$893,000) for the period from 1 September 2003 to 1 March 2006, which is claimed with reference to annual rental payment of RMB350,000 (equivalent to approximately HK\$357,000) in respect of the leased property on which Jiaxing Shuguang Hospital is currently occupied and operated (the “Property in Dispute”) under a legally binding tenancy agreement entered into with Jiaxing City Xin Kai Yuan Industrial Trading Company Limited# (嘉興市新開元工貿有限公司) who has been joined as a third party to the action (the “Shuguang Dispute”).

In the Shuguang Dispute, whereas the Property in Dispute is legally registered under the name of Jiaxing City Xin Kai Yuan Industrial Trading Company Limited# (嘉興市新開元工貿有限公司) and a legally binding tenancy agreement has been entered into between Jiaxing Shuguang Hospital and Jiaxing City Xin Kai Yuan Industrial Trading Company Limited# (嘉興市新開元工貿有限公司), Jiaxing City Triumph Electric Company Limited# (嘉興市凱旋電子有限公司) alleged that it owns part of the interest in the Property in Dispute and that Jiaxing Shuguang Hospital has a verbal agreement with it whereby Jiaxing Shuguang Hospital has agreed to rent from it the Property in Dispute.

The Company has been advised by its PRC legal adviser that Jiaxing Shuguang Hospital has a strong defense as the Property in Dispute which is legally registered under the name of Jiaxing City Xin Kai Yuan Industrial Trading Company Limited# (嘉興市新開元工貿有限公司) and that there had been a legally binding tenancy agreement entered into between Jiaxing Shuguang Hospital and Jiaxing City Xin Kai Yuan Industrial Trading Company Limited# (嘉興市新開元工貿有限公司), which was made in compliance with the relevant PRC law that leasing of property shall be made by way of written agreement, as contrasted with the alleged verbal agreement between Jiaxing Shuguang Hospital and Jiaxing City Triumph Electric Company Limited# (嘉興市凱旋電子有限公司). The PRC legal adviser further advised that in those circumstances, Jiaxing City Xin Kai Yuan Industrial Trading Company Limited# (嘉興市新開元工貿有限公司) shall be responsible for the Shuguang Dispute.

As at the Latest Practicable Date, the Shuguang Dispute is now stayed pending the outcome of the dispute between Jiaxing City Triumph Electric Company Limited# (嘉興市凱旋電子有限公司) and Jiaxing City Xin Kai Yuan Industrial Trading Company Limited# (嘉興市新開元工貿有限公司) regarding the ownership of the Property in Dispute.

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

**6. MATERIAL ADVERSE CHANGE**

As at the Latest Practicable Date, the Board confirmed that there was no material adverse change in the financial or trading position of the Group since 31 March 2008 (being the date to which the latest published audited consolidated accounts of the Group were made up).

**7. MISCELLANEOUS**

- (i) The registered office of the Company is at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.
- (ii) The head office and principal place of business of the Company in Hong Kong is at Room 1902, 19/F., Sing Pao Building, No. 101 King's Road, North Point, Hong Kong.
- (iii) The branch share registrar and transfer office of the Company in Hong Kong is Tricor Tengis Limited located at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.
- (iv) The company secretary and qualified accountant of the Company is Mr. Chan Siu Wing, Raymond, who is a member of the Hong Kong Institute of Certified Public Accountants and a member of the Certified Practising Accountant in Australia, with over 16 years of accounting and company secretarial experiences.
- (v) The compliance officer of the Company is Mr. Yung Kwok Leong who is also an executive Director and the chairman of the Company.
- (vi) The Company established an audit committee on 2 November 2001 with written terms of reference in compliance with Rules 5.28 to 5.29 of the GEM Listing Rules. The primary duties of the audit committee are (i) to review the annual reports and accounts, interim and quarterly reports and given advice and comments thereon to the Directors and (ii) to review and supervise the financial reporting process and internal controls of the Group. The audit committee comprises three independent non-executive Directors, namely, Ms. Wong Ka Wai, Jeanne, Mr. Hsu William Shiu Foo and Prof. Yu Chai Mei with Ms. Wong Ka Wai, Jeanne acting as the chairman of the audit committee.



**Independent non-executive Directors**

**Ms. Wong Ka Wai, Jeanne**, aged 43, has over 20 years of experience in finance, accounting, taxation and corporate affairs. She is a member of the Institute of Chartered Accountants in Australia and a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants. Ms. Wong holds a Bachelor Degree in Economics from the University of Sydney, Australia and she is currently the Chief Financial Officer of Pang & Associates, a law firm in Hong Kong and the Managing Director of a private company providing consulting and management services. Ms. Wong is also currently an independent non-executive director and a member of the remuneration committee and the chairman of the audit committee of Cardlink Technology Group Limited which is listed on the GEM.

**Mr. Hsu William Shiu Foo**, aged 57, was appointed as an independent non-executive Director on 2 November 2001. Mr. Hsu is an Associate Professor at the School of Business at Brigham Young University, Hawaii. Mr. Hsu has over 15 years' global business experience in tourism and related fields in various international corporations.

Mr. Hsu holds a bachelor of arts degree from the Brigham Young University, Hawaii, a master degree from Cornell University, New York, in the United States and a doctoral degree in business administration from the University of Western Sydney in Australia. Mr. Hsu is currently an independent non-executive director of Shen Nong China (Group) Limited which issued shares are listed on GEM. Mr. Hsu was also previously an independent non-executive director of Kinetana International Biotech Pharma Limited, which has been delisted from GEM since 1 September 2006. Mr. Hsu was also previously an independent non-executive director of Ming Kei Energy Holdings Limited (formerly known as MP Logistics International Holdings Limited), which issued share are listed on the GEM. Mr. Hsu had resigned as an independent non-executive director from Ming Kei Energy Holdings Limited in April 2007.

**Prof. Yu Chai Mei**, aged 52, was appointed as an independent non-executive Director on 2 November 2001. Prof. Yu is a Professor in the Department of Chemistry and the Director of Studies in Environmental Science Programme of The Chinese University of Hong Kong. Prof. Yu possesses extensive knowledge in pollution treatment and environmental monitoring. Prof. Yu obtained his doctoral degree in Chemistry at the University of Idaho, in the United States.

- (vii) In case of inconsistency, the English text of this circular shall prevail over the Chinese text.