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## THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATELY ATTENTION

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**If you are in any doubt** as to any aspect about this circular or as to the action to be taken, you should consult your licensed securities dealer, bank manager, solicitor, 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 and the accompanying form of proxy to the purchaser or transferee or to the bank, licensed securities dealer 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 loss 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)**

### MAJOR TRANSACTION: DISPOSAL OF INTERESTS IN SUBSIDIARIES

**Financial Adviser to the Company**



**INCU Corporate Finance Limited**

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A notice convening an extraordinary general meeting (the “EGM”) of the Company to be held at 11:00 a.m. on Wednesday, 26 March 2008 at Room 1902, 19/F., Sing Pao Building, No. 101 King’s Road, North Point, Hong Kong is set out on pages 30 to 31 of this circular. A form of proxy for use thereat is also enclosed.

Whether or not you are able to attend the EGM, you are requested to complete the form of proxy in accordance with the instructions printed thereon and return the same to the head office and principal place of business in Hong Kong of the Company at Room 1902, 19/F., Sing Pao Building, No. 101 King’s Road, North Point, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

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

7 March 2008

\* For identification purpose only

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## CHARACTERISTICS OF GEM

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**GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. 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 and no assurance is given that there will be a liquid market in the securities traded on GEM.**

**The principal means of information dissemination on GEM is publication on the Internet website operated by the Stock Exchange. GEM-listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website at [www.hkgem.com](http://www.hkgem.com) in order to obtain up-to-date information on GEM-listed issuers.**

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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:*

“Able” or “Able Group”	Able Developments Limited, a company incorporated in the British Virgins Islands, together with its subsidiaries, known as the “Able Group”
“Agreement”	the agreement dated 15 February 2008 entered into between the Company and the Purchaser in relation to the Disposal
“Announcement”	the announcement dated 18 February 2008 whereby the Company announced, among other things, the Disposal
“Board”	the board of Directors from time to time
“business day”	a day (other than a Saturday or a Sunday or public holiday) on which licensed banks are generally open for business in Hong Kong throughout their normal business hours
“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 and the vendor to the Agreement
“Completion”	completion of the Agreement in accordance with the terms and conditions thereunder
“Consideration”	the total consideration for the Disposal, being HK\$83 million
“Deed of Assignment”	a deed of assignment, in relation to the Sale Loan pursuant to the Agreement, to be given on Completion by the Purchaser in favour of the Company as a form of security for the unpaid balance of the Consideration of HK\$25,800,000 payable by the Purchaser to the Company
“Directors”	the directors of the Company
“Disposal”	the disposal of the Sale Share and the assignment of the Sale Loan in the Able Group to the Purchaser pursuant to the Agreement
“EGM”	the extraordinary general meeting of the Company to be convened to approve, among other matters, the Disposal, the Agreement and the transactions contemplated thereunder

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## DEFINITIONS

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“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Independent Third Party(ies)”	person who is, and in the case of a corporate entity, its ultimate beneficial owner(s) are, to the best of the Directors’ knowledge, information and belief, having made all reasonable enquiries, third parties independent of the Company and its connected persons (as defined in the GEM Listing Rules)
“Latest Practicable Date”	4 March 2008, being the latest practicable date prior to the printing of this circular for ascertaining certain information in this circular
“PRC”	the People’s Republic of China
“PRC Subsidiary”	Prime Source (Fujian) Chemical Company Limited# (柏源 (福建) 化工有限公司), a company established in the PRC and a wholly-owned subsidiary of Prime Source
“Prime Source”	Prime Source Trading Limited (柏源貿易有限公司), a company incorporated in Hong Kong and a wholly-owned subsidiary of Able
“Purchaser”	Mr. Zheng Maolin, an Independent Third Party
“Sale Loan”	all debts, liabilities and obligations of the Able Group owing or incurred by the Able Group to the members of the Group whether actual, contingent or deferred and irrespective of whether or not the same is due and payable as at the date of Completion, which amounted to approximately HK\$80,443,000 as at 31 December 2007 and the date of the Agreement, subject to confirmation upon the completion of the Disposal

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## DEFINITIONS

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“Sale Share”	being 1 ordinary share of US\$1 each in the share capital of Able, representing the entire equity interest in Able held by the Company as at the date of the Agreement
“SFO”	Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong
“Share(s)”	ordinary share(s) of HK\$0.05 each of the Company
“Share Charge”	a share charge, in relation to the Sale Share pursuant to the Agreement, to be given on Completion by the Purchaser in favour of the Company as a form of security for the unpaid balance of the Consideration of HK\$25,800,000 payable by the Purchaser to the Company
“Shareholder(s)”	shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“US\$”	United States dollars, the lawful currency of the United States
“%”	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*)  
Mr. Jiang Tao (*Chief Executive Officer*)  
Ms. Shum Ngai Pan  
Mr. Chen Jin Shan  
Mr. Zheng Gang

*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:*

*Independent non-executive Directors:*

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

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

7 March 2008

*To the Shareholders*

Dear Sir/Madam,

### MAJOR TRANSACTION: DISPOSAL OF INTERESTS IN SUBSIDIARIES

#### INTRODUCTION

Reference is made to the Announcement whereby the Company announced that on 15 February 2008, the Company, as vendor, entered into the Agreement with the Purchaser, as purchaser, pursuant to which the Company agreed to sell, and the Purchaser agreed to acquire (i) the Sale Share, representing the entire equity interest in Able; and (ii) the Sale Loan, for a total cash Consideration of HK\$83 million.

The purpose of this circular is to provide you with details of the Disposal, the Agreement and the notice of EGM.

\* For identification purpose only

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## LETTER FROM THE BOARD

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### MAJOR TRANSACTION

On 15 February 2008, the Company, as vendor, entered into the Agreement with the Purchaser, as purchaser, pursuant to which the Company agreed to sell, and Mr. Zheng Maolin as the Purchaser agreed to acquire (i) the Sale Share, representing the entire equity interest in Able; and (ii) the Sale Loan, for a total cash Consideration of HK\$83 million.

### THE AGREEMENT

Date: 15 February 2008

Parties: (i) the Company (as vendor)  
(ii) the Purchaser (as purchaser)

The Purchaser is a merchant and a private investor who has extensive investment and management experience in the real estate market and manufacturing industry in the PRC.

To the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, the Purchaser is an Independent Third Party. Prior to the entering into of the Agreement, the Purchaser does not have any interests in or business dealings/transactions with the Group.

Subject matter of the Agreement: Assets being disposed of are:

(i) the Sale Share, representing the entire equity interest in Able; and

(ii) the Sale Loan as at Completion. The amount of the Sale Loan is approximately HK\$80,443,000 as at 31 December 2007, the date to which the latest unaudited consolidated management accounts of the Able Group were made up and as at the date of the Agreement.

Completion: Completion will take place within three business days following the satisfaction or fulfillment of the conditions precedent referred to in the paragraph headed "Conditions precedent" below but in any event no later than 31 March 2008 (or such other date as may be agreed by the parties).



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## LETTER FROM THE BOARD

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### Consideration

The aggregate cash Consideration for the Disposal is HK\$83 million, which was arrived at after arm's length negotiations between the parties thereto with reference to (i) the unaudited consolidated net asset value of approximately HK\$1,625,000 of the Able Group as at 31 December 2007; (ii) the face value of the Sale Loan of approximately HK\$80,443,000; and (iii) the commercial benefits to be accrued to the Group by the Disposal, including but not limited to better allocation of the resources of the Group to healthcare and hospital businesses that are of better earning potential.

Based on the above, the Directors (including the independent non-executive Directors) consider the Consideration to be fair and reasonable.

The Consideration shall be payable in the following manner:

- (1) HK\$2.2 million has been paid by the Purchaser upon execution of the Agreement;
- (2) HK\$15 million will be payable by the Purchaser within 20 business days after the execution of the Agreement;
- (3) HK\$15 million will be payable by the Purchaser within 25 business days after the execution of the Agreement;
- (4) HK\$25 million will be payable by the Purchaser at Completion; and
- (5) the balance of the Consideration in the sum of HK\$25.8 million will be payable by the Purchaser within 3 months after Completion.

There will be no adjustment on the Consideration in the event that the amount of the Sale Loan as at Completion differs from the amount of the Sale Loan as at 31 December 2007.

At Completion, the Purchaser shall charge his entire interest in the Sale Share and Sale Loan in favour of the Company as security for the unpaid balance of the Consideration of HK\$25,800,000 as at the date of Completion by executing the Share Charge and the Deed of Assignment. The Share Charge and the Deed of Assignment will be released upon payment of such balance in accordance with the terms of the Agreement.

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## LETTER FROM THE BOARD

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### Conditions Precedent

Completion is conditional upon the satisfaction of the following conditions:

- (1) the representation, undertaking and warranties given by the Company under the Agreement remaining true and accurate in all material respects;
- (2) all necessary approvals, consents, authorisations and licences required to be obtained by the parties thereto in relation to the transactions contemplated under the Agreement having been obtained; and
- (3) the passing by the Shareholders of an ordinary resolution to approve the Disposal, the Agreement and the transactions contemplated thereunder.

As at the Latest Practicable Date, none of the above conditions has been satisfied.

### Completion

Completion will take place within three business days following the satisfaction of the above conditions. If the aforesaid conditions have not been satisfied on or before 31 March 2008, or such other date as the parties thereto may agree, the Agreement shall cease and determine and thereafter neither party shall have any obligations and liabilities towards each other thereunder save for any antecedent breaches of the terms thereof.

Upon Completion, and save for the Share Charge and the Deed of Assignment, the Group will cease holding any interests in the Able Group and each of its respective members will cease to be a subsidiary of the Company.

### INFORMATION ON ABLE GROUP

Able is incorporated in the British Virgin Islands by the Company carrying on the principal business of investment holding. Prime Source, a wholly-owned subsidiary of Able, incorporated in Hong Kong and is principally engaged in investment holding. The PRC Subsidiary, the principal operating subsidiary of the Able Group, which is a company incorporated in the PRC and is principally engaged in the manufacture and sale of melamine and its related products.

Melamine materials are raw materials used in the manufacture of household products which are widely used in the environmental conscious countries. Melamine manufacturing business was acquired by the Company in September 2005 for a consideration of approximately HK\$6,250,000. Details of such acquisition were announced by the Company in its announcement and circular dated 2 September and 23 September 2005 respectively.

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## LETTER FROM THE BOARD

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Set out below are the audited consolidated figures of the Able Group for the two financial years ended 31 March 2006 and 2007 respectively and the unaudited consolidated figures of the Able Group for the period ended 31 December 2007:

	<b>For the 9 months ended 31 December 2007 HK\$ Unaudited</b>	<b>For the financial year ended 31 March 2007 HK\$ Audited</b>	<b>31 March 2006 HK\$ Audited</b>
Profit/(loss) before taxation	128,547.83	752,672.40	(30,957.33)
Profit/(loss) after taxation	128,547.83	752,672.40	(30,957.33)
	<b>As at 31 December 2007 HK\$ Unaudited</b>	<b>As at 31 March 2007 HK\$ Audited</b>	<b>As at 31 March 2006 HK\$ Audited</b>
Net asset value/(liabilities)	1,624,965.51	1,173,046.86	(39,263.45)
Total asset value	116,444,509.09	65,303,868.52	36,280,359.52

### REASONS FOR AND BENEFITS OF THE DISPOSAL

The Group is principally engaged in the provision of general hospital services and healthcare and hospital management services in the PRC. In addition, the Group is also engaged in the manufacture and sale of melamine and its related products.

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 and bring synergistic effect to the Group and provide further opportunities in the healthcare sector in the PRC. As mentioned in the third quarterly report of the Company for the period ended 31 December 2007, the provision of general hospital and healthcare and hospital management services in the PRC by the Group contributes a major portion of revenue for the Group.

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## LETTER FROM THE BOARD

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Considering that (i) the diminishing contribution to the unaudited consolidated turnover of the Group by that of the Able Group; and (ii) the weak historical performance of and earning potentials on the manufacture and sale of melamine and its related products, the Disposal would allow the Group to focus its resources and investments in the development of general hospital services and healthcare and hospital management services in the PRC, which the Directors believe will provide better earning potentials. Therefore, the Directors (including the independent non-executive Directors) consider the Disposal is in the interest of the Company and the Shareholders as a whole.

In view of the increasing contribution to the unaudited consolidated turnover of the Group by the general hospital and healthcare businesses of the Group, the Directors (including the independent non-executive Directors) are of the view that the Disposal will not have material adverse impact on the operating aspect of the Company.

Prior to the Completion, Able is a direct wholly-owned subsidiary of the Company and its financial results were consolidated with those of the Company. Following the Disposal, Able will cease to be a subsidiary of the Company.

### **FINANCIAL EFFECTS OF THE DISPOSAL**

The Group would recognize a gain of approximately HK\$932,000 from the Disposal, being the difference between the Consideration less elimination of the net asset of the Able Group of approximately HK\$1,625,000 as at 31 December 2007 and the face value of the Sale Loan of approximately HK\$80,443,000 as at 31 December 2007. The final amount of the gain as a result of the Disposal is to be ascertained and will be determinable upon Completion.

As a result of the Disposal, it is expected that earnings, assets and liabilities of the Group will be decreased. However, Directors expect that there will be minimal effect on the future operation of the Group after the Disposal.

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## LETTER FROM THE BOARD

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### INTENDED USE OF PROCEEDS

The Group intends to apply the net proceeds from the Disposal of approximately HK\$82 million (after paying off the expenses in connection to the Disposal on the part of the Company) for future acquisition of hospitals in the PRC and as general working capital of the Group. Except for the conditional sale and purchase agreement dated 26 February 2008 entered into by a wholly-owned subsidiary of the Company in relation to the acquisition of equity interest in a hospital in Jiangxi in the PRC, as at the Latest Practicable Date, the Company has not entered into any other legally binding agreement in relation to healthcare project for future acquisition.

### GEM LISTING RULES IMPLICATIONS

As the relevant percentage ratio of the Disposal under Chapter 19 of the GEM Listing Rules is more than 25% but less than 75%, the Disposal constitutes a major transaction for the Company and is subject to approval by the Shareholders at the EGM. Since no Shareholders has any material interest in the Disposal, no Shareholders is required to abstain from voting in respect of the proposed ordinary resolution to approve the Disposal, the Agreement and the transactions contemplated thereunder at the EGM.

### EGM

The notice convening the EGM is set out on pages 30 to 31 of this circular. At the EGM, an ordinary resolution will be proposed to approve the Disposal.

A form of proxy for use at the EGM has also been enclosed with this circular. To be valid, the enclosed form of proxy, together with any power of attorney or other authority under which it is signed must be completed in accordance with the instructions printed thereon and delivered to the Company's head office and principal place of business in Hong Kong at Room 1902, 19/F., Sing Pao Building, No. 101 King's Road, North Point, Hong Kong, as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjourned meeting. The completion and return of the form of proxy will not preclude you from attending and voting at the EGM or any adjourned meeting in person if you so wish.

### PROCEDURES FOR DEMANDING A POLL AT GENERAL MEETING

According to article 66(1) of the articles of association of the Company, a resolution put to the vote of a meeting shall be decided on a show of hands unless (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) a poll is demanded:

- (a) by the chairman of such meeting; or

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## LETTER FROM THE BOARD

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- (b) by at least three Shareholders present in person or in the case of a Shareholder being a corporation by its duly authorized representative or by proxy for the time being entitled to vote at the meeting; or
- (c) by a Shareholder or Shareholders present in person or in the case of a Shareholder being a corporation by its duly authorized representative or by proxy and representing not less than one-tenth of the total voting rights of all Shareholders having the right to vote at the meeting; or
- (d) by a Shareholder or Shareholders present in person or in the case of a Shareholder being a corporation by its duly authorised representative or by proxy and holding Shares in the Company conferring a right to vote at the meeting being Shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the Shares conferring that right; or
- (e) if required by the rules of the Designated Stock Exchange (as defined in the articles of association of the Company), by any Director or Directors who, individually or collectively, hold proxies in respect of shares representing five per cent. (5%) or more of the total voting rights at such meeting.

### RECOMMENDATIONS

Having considered the information set out above, including but not limited to, the paragraph headed “**Reasons for and benefits of the Disposal**”, the Board is of the opinion that, the terms of the Agreement are on normal commercial terms and are fair and reasonable, which are in the interests of the Company and the Shareholders as a whole. The Board recommends the Shareholders to vote in favor of the ordinary resolution for the Disposal, the Agreement and the matters contemplated thereunder at the EGM.

### ADDITIONAL INFORMATION

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

Yours faithfully,  
For and on behalf of  
**Hua Xia Healthcare Holdings Limited**  
**Yung Kwok Leong**  
*Chairman*

**1. INDEBTEDNESS****Borrowings**

As at the close of business on 31 January 2008, being the latest practicable date for the purpose of this statement of indebtedness prior to the printing of this circular, the Group has outstanding borrowings of approximately HK\$33,191,000, details of which are set out below:

	<i>HK\$'000</i>
Convertible notes (liability portion) – unsecured	33,191

The principal amount of the convertible notes outstanding as at 31 January 2008 was HK\$35,500,000.

**Contingent liabilities**

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 City Shuguang Western and Chinese Composite Hospital Limited (“Jiaxing Shuguang Hospital”), a non-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 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.

### **Disclaimer**

Save as aforesaid and apart from intra-group liabilities, at the close of business on 31 January 2008, being the latest practicable date for the purpose of this statement of indebtedness prior to the printing of this circular, the Group had no other outstanding mortgages, charges, debentures or other loan capital or bank overdrafts or loans or other similar indebtedness, finance lease or hire purchase commitments, liabilities under acceptance or acceptance credits, debt securities, guarantees or other material contingent liabilities.

Save as aforesaid, the Directors confirm that there has been no material change to the indebtedness of the Group since 31 January 2008 and up to the Latest Practicable Date.

## **2. MATERIAL ADVERSE CHANGE**

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 March 2007, being the date to which the latest audited financial statements of the Group were made up.



**3. WORKING CAPITAL**

The Directors, after due and careful consideration, are of the opinion that, taking into consideration the financial resources available to the Group including the internally generated funds, the Group will have sufficient working capital for at least twelve months from the date of this circular.

**4. FINANCIAL AND TRADING PROSPECTS****Business Review**

The Group is principally engaged in the provision of general hospital and healthcare services and hospital management services in the PRC. In addition, the Group is engaged in the manufacture and sale of melamine and its related products.

***General hospital and healthcare services***

On 9 May 2007, the Group has completed the acquisition of the entire equity interest of Hero Vision Enterprises Limited. Hero Vision Enterprises Limited and its subsidiaries, including the 55% owned Chongqing Edward Hospital Company Limited, are principally engaged in the provision of general hospital and healthcare services, consultancy in hospital management, research and development of medical management information systems; and other complementary and value-added healthcare services. The turnover contributed by Hero Vision Enterprises Limited and its subsidiaries in these services for the nine months ended 31 December 2007 was approximately HK\$47,622,000.

On 8 October 2007, the Group has completed the acquisition of the entire equity interest of Merry Sky Investments Limited. Merry Sky Investments Limited and its subsidiaries, including the 55% owned Jiaxing City Shunguang Western and Chinese Composite Hospital Limited, a privately-run general hospital established in Jiaxing city, the PRC, are principally engaged in the provision of traditional Chinese medical treatments as well as general hospital medical services including but not limited to medical ward, surgical ward, cosmetic surgery, dermatology department and medical checkup and examination. The turnover contributed by Merry Sky Investments Limited and its subsidiaries in these services for the period ended 31 December 2007 was approximately HK\$5,861,000.

On 28 December 2007, Long Wider Limited, a wholly-owned subsidiary of the Group, has entered into a sale and purchase agreement with Mr. Wei Changhua to acquire the entire equity interest of Direct Way Group Limited and its subsidiaries, including the 70% owned Foshan Qide Hospital, is a privately-run hospital established in Foshan, the PRC by Foshan Qide Hospital Limited, which provides general hospital services in Foshan, the PRC including but not limited to medicine ward, surgical ward, gynaecology, paediatric unit, plastic surgery, ear nose and throat unit, emergency and accident unit and medical checkup and examination. The total consideration of HK\$54,880,000 was settled by cash. The completion of the acquisition took place on 22 February 2008.

On 26 February 2008, Ally Health International Limited, a wholly-owned subsidiary of the Company, has entered into a conditional sale and purchase agreement for the acquisition of equity interest in a hospital in Jiangxi in the PRC. Please refer to the announcement of the Company dated 28 February 2008 for details.

#### ***Hospital management services***

The Group provides healthcare management and training and consultancy for hospitals in the PRC through Day View Group Limited, a non-wholly owned subsidiary, which include advising on management strategies, operation and business model, logistics and procurement, workflow and human resources, market strategies and providing training and administrative support. The turnover contributed by the hospital management services for the nine months ended 31 December 2007 was approximately HK\$32,490,000.

#### ***Manufacture and sale of melamine and its related products***

The Group manufactures and sells melamine materials through its wholly-owned subsidiary, Prime Source (Fujian) Chemical Co. Ltd., in the Fujian Province, the PRC. Melamine materials are raw materials used in the manufacture of household products which are widely used in environmental conscious countries and are durable, non-toxic and easy to be processed. The Group also trades the household products made from the environmental friendly melamine materials. The total turnover recorded in the sale of melamine materials and environmental friendly household products for the nine months ended 31 December 2007 was approximately HK\$13,179,000.

*Future prospects*

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 general hospital and healthcare sectors in the PRC provide abundant business opportunities for the Group in the future.

The Directors intend to explore more business opportunities in the promising healthcare sector in the PRC including but not limited to possible future investments in or cooperations with hospitals in the PRC (including but not limited to taking equity interests in hospitals in the PRC which the Directors believe will have growth potentials) and to consider undertaking those businesses which are complementary to the existing business as a further step to the acquisition in order to benefit from the growth in the healthcare sector and enhance shareholders' returns in the long-run.

**(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 and chief executive's interests in the Company**

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

Name of Directors	Exercise period	Exercise price	Position	Number of share options
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\$0.510	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\$0.510	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\$0.510	Long	3,900,000
Mr. Jiang Tao	13 July 2006 to 12 July 2016	HK\$0.627	Long	6,881,160
	21 March 2007 to 20 March 2017	HK\$0.510	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 2007, 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 to the total issued share capital of the Company as at the Latest Practicable Date
Easeglory ( <i>Note 1</i> )	375,746,000	Long	Beneficial owner	20.90%
Ms. Yung Muk Ying ( <i>Note 1</i> )	390,975,585	Long	Interest of spouse	21.74%
Mr. Lau Kam Shui ( <i>Note 2</i> )	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 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) DIRECTOR'S 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.

Mr. 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 Mr. 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 City Shuguang Western and Chinese Composite Hospital Limited ("Jiaxing Shuguang Hospital"), a non-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 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 CONTRACTS**

The following contracts were entered into by the Group (not being contracts entered into in the ordinary course of business) during the period of two years immediately preceding the date of this circular and are or may be material:

- (a) the underwriting agreement dated 28 February 2006 entered into between the Company and Quam Securities Company Limited in relation to the underwriting of not less than 147,917,166 rights shares to not more than 148,317,166 rights shares at HK\$0.06 per right share under the rights issue;
- (b) the non-legally binding memorandum of understanding dated 30 March 2006 entered into between Grand Brilliant Corporation Limited, Mr. Wu Wendong and Shanghai Humanity Hospital Management Company Limited setting out the basic understanding in relation to a proposed acquisition, details of which have been set out in the announcement of the Company dated 30 March 2006;
- (c) the warrant placing agreement dated 18 May 2006 entered into between the Company and two subscribers in relation to a private placing of 51,707,000 warrants to each of the subscriber, making up an aggregate of 103,414,000 warrants collectively, at an issue price of HK\$0.02 per warrant;
- (d) the conditional sale and purchase agreement dated 12 June 2006 entered into between Grand Brilliant Corporation Limited, Mr. Wu Wendong and Shanghai Humanity Hospital Management Company Limited relating to the proposed acquisition of the sale shares and the sale loan of Day View Group Limited, for a total consideration of HK\$96.86 million;
- (e) the non-legally binding letter of intent dated 18 October 2006 entered into between the Company and Town Health International Holdings Company Limited setting out the basic understanding in relation to leveraging the resources and expertise of Town Health International Company Limited and the Company in their cooperative development in the medical and healthcare related business in the PRC;
- (f) the underwriting agreement dated 11 December 2006 entered into between the Company and Quam Securities Company Limited, Partners Capital Securities Limited and Hantec Capital Limited in relation to the underwriting of not less than 350,692,167 offer shares and not more than 368,117,579 offer shares at HK\$0.08 per offer share under the open offer;

- (g) the placing agreement entered into on 13 March 2007 between the Company and Sun Hung Kai International Limited for the placing of up to 200,000,000 new Shares at HK\$0.352 per Share and the supplemental agreement dated 13 April 2007 for the extension of the long-stop date;
- (h) the conditional sale and purchase agreement dated 13 March 2007 entered into among Wisdom Rise Group Limited, a wholly-owned subsidiary of the Company as purchaser, Mr. Lau Kam Shui as vendor and Hero Vision Enterprises Limited (“Hero Vision”) relating to (i) the sale and purchase of the entire issued share capital of Hero Vision and, the debts owing or incurred by Hero Vision to Mr. Lau Kam Shui, and (ii) the subscription of the 410 new shares in the share of Hero Vision, for a total consideration of HK\$157.3 million;
- (i) the conditional subscription agreement dated 15 May 2007 made between the Company and Easeglory in relation to the subscription of up to 256,000,000 Shares at HK\$0.58 per Share;
- (j) the conditional placing agreement dated 15 May 2007 entered into between Easeglory, the Company, CAF Securities Company Limited and Sun Hung Kai International Limited in relation to the placing of up to 256,000,000 existing Shares held by Easeglory at HK\$0.58 per Share;
- (k) the conditional sale and purchase agreement dated 14 August 2007 entered into among Mega Mix Group Limited, a wholly-owned subsidiary of the Company, as purchaser, Mr. Wu Jianguo as vendor, and Merry Sky Investments Limited (“Merry Sky”) relating to (i) the sale and purchase of the entire issued share capital of Merry Sky and the debts owing or incurred by Merry Sky to Mr. Wu Jianguo, and (ii) the subscription of 8,999 new shares in the share capital of Merry Sky, for a total consideration of HK\$80.85 million;
- (l) the agreement dated 31 October 2007 entered into among the Company as vendor, Spring Vision Group Limited, as purchaser and Mr. Kuan Kam Long, as guarantor in relation to the disposal of the entire equity interest in Righttime Development Limited (“Righttime”) and the assignment of all the debts, liabilities and obligations of Righttime owing or incurred by Righttime to the Company, for a total consideration of HK\$1.9 million;
- (m) the conditional sale and purchase agreement dated 28 December 2007 entered into among Long Wider Limited, a wholly-owned subsidiary of the Company, as purchaser, Mr. Wei Changhua as vendor, and Direct Way Group Limited (“Direct Way”) relating to (i) the sale and purchase of the entire issued share capital of Direct Way, and (ii) the subscription of 5,299 new shares in the share capital of Direct Way, for a total consideration of HK\$54.88 million;

- (n) The Agreement; and
- (o) the conditional sale and purchase agreement dated 26 February 2008 entered into among Ally Health International Limited, a wholly-owned subsidiary of the Company, as purchaser, Mr. Yan Xuefeng as vendor, and Large Forever Group Limited (“Large Forever”) relating to (i) the sale and purchase of the entire issued share capital of Large Forever and (ii) the subscription of 3,400 new shares in the share capital of Large Forever, for a total consideration of HK\$68.6 million.

**(7) MISCELLANEOUS**

- (a) The registered office of the Company is at Cricket Square, Hutchins Drive, P.O. Box 2681 GT, Grand Cayman KY1-1111, Cayman Islands.
- (b) 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.
- (c) 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.
- (d) 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.
- (e) The compliance officer of the Company is Mr. Yung Kwok Leong who is also an executive Director and the chairman of the Company.
- (f) 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 Mr. 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 KanHan Technologies Group Limited, which issued shares are listed on the GEM. Mr. Hsu was previously an independent non-executive director of Kinetana International Biotech Pharma Limited, which was delisted from the 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.

**Mr. Yu Chai Mei**, aged 52, was appointed as an independent non-executive Director on 2 November 2001. Mr. 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. Mr. Yu possesses extensive knowledge in pollution treatment and environmental monitoring. Mr. Yu obtained his doctoral degree in Chemistry at the University of Idaho, in the United States.

- (g) The English text of this circular shall prevail over the Chinese text in case of inconsistency.

**(8) DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents are available for inspection at the principal place of business of the Company in Hong Kong at Room 1902, 19/F., Sing Pao Building, No. 101 King's Road, North Point, Hong Kong during normal business hours on any business day, from the date of this circular up to and including the date of the EGM and at the EGM:

- (a) the memorandum and articles of association of the Company;
- (b) the annual reports of the Company for each of the two years ended 31 March 2006 and 31 March 2007 respectively;
- (c) the unaudited interim report 2007/08 of the Company for the six months ended 30 September 2007;
- (d) the unaudited third quarterly report 2007/08 of the Company for the nine months ended 31 December 2007;
- (e) the material contracts referred to in the paragraph headed "Material Contracts" in this appendix;
- (f) Director's service contracts referred to in the paragraph headed "Director's Service Contracts" in this appendix;
- (g) the letter of consent from HLB Hodgson Impey Cheng for the working capital sufficiency and the indebtedness as set out in appendix I in this circular;
- (h) copy of the circular of the Company dated 16 April 2007 issued in relation to, among other matters, a major transaction regarding the acquisition by the Group of the entire issued share capital of Hero Vision and the subscription of new shares in the share of Hero Vision;
- (i) copy of the circular of the Company dated 7 September 2007 issued in relation to, among other matters, i) a discloseable transaction regarding the acquisition by the Group 100% equity interest in Merry Sky; and ii) the re-election of Director;

- (j) copy of the circular of the Company dated 20 November 2007 issued in relation to, among other matters, i) a discloseable transaction regarding the disposal by the Group, the entire equity interest in Righttime, and the assignment of the all debts, liabilities and obligations of Righttime Development Limited owing or incurred by Righttime to the Company; and ii) the re-election of Director; and
  
- (k) copy of the circular of the Company dated 25 January 2008 issued in relation to the acquisition of shares in and subscription of the new shares of Direct Way.



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## NOTICE OF THE EGM

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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)**

**NOTICE IS HEREBY GIVEN** that an extraordinary general meeting (the “**EGM**”) of Hua Xia Healthcare Holdings Limited (the “**Company**”) together with its subsidiaries known as the “**Group**”) will be held on Wednesday, 26 March 2008 at 11:00 a.m. at Room 1902, 19/F., Sing Pao Building, No. 101 King’s Road, North Point, Hong Kong for the purpose of considering and, if thought fit, passing, with or without amendment(s), the following resolution as an ordinary resolution of the Company:

#### **ORDINARY RESOLUTION**

**“THAT:**

- (a) the disposal agreement (“**Agreement**”) dated 15 February 2008 entered into between the Company and Mr. Zheng Maolin in relation to disposal of the entire equity interest in Able Developments Limited (“**Able**” together with its subsidiaries known as the “**Able Group**”) and all debts, liabilities and obligations of the Able Group owing or incurred by the Able Group to members of the Group as at the date of completion of the Agreement as set out in the circular (a copy of the Agreement has been produced to the meeting marked “A” and signed by the chairman of the meeting for the purpose of identification) and all the transactions contemplated thereunder be hereby approved, confirmed and ratified; and
- (b) any directors of the Company (the “**Directors**”) be and are hereby authorised to do all such acts and things, to sign and execute all such further documents and to take such steps as the Directors may consider necessary, appropriate, desirable or expedient to give effect to or in connection with the Agreement, or any of the transactions contemplated under the Agreement.”

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

Hong Kong, 7 March 2008

\* *For identification purpose only*

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## NOTICE OF THE EGM

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*Registered office:*

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

*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

*Notes:*

1. A member entitled to attend and vote at the EGM convened by the above notice is entitled to appoint one or more proxies to attend and, subject to the provisions of the articles of association of the Company, vote in his/her/its stead. A proxy need not be a member of the Company but must be present in person to represent the member.
2. A form of proxy for use at the EGM is enclosed to the circular of the Company dated 7 March 2008. In order to be valid, the form of proxy attached to this circular must be duly completed and signed in accordance with the instructions printed thereon and deposited together with a power of attorney or other authority (if any) under which it is signed or a notarially certified copy of that power or authority, at the Company's head office and principal place of business in Hong Kong at Room 1902, 19/F., Sing Pao Building, No. 101 King's Road, North Point, Hong Kong not less than 48 hours before the time for holding the EGM or adjourned meeting. Completion and return of the form of proxy will not preclude a member from attending and voting in person at the EGM or any adjournment thereof should he/she/it so wish.
3. Where there are joint holders of any share of the Company, any one of such holders may vote at the EGM either personally or by proxy in respect of such share as if he/she/it were solely entitled thereto, but if more than one of such holders be present at the EGM personally or by proxy, then one of such holders whose name stands first on the register of members of the Company in respect of such share shall alone be entitled to vote in respect thereof. Several executors or administrators of a deceased member in whose name any share stands shall for this purpose be deemed joint holders thereof.