
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATELY ATTENTION

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.

This circular is for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for the securities.

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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 INVOLVING ISSUE OF CONSIDERATION SHARES AND RE-ELECTION OF DIRECTOR

Financial Adviser to the Company



CAF Securities

wholly owned subsidiary of Agricultural Bank of China

A notice convening an extraordinary general meeting (the “**EGM**”) of the Company to be held at Room 1902, 19/F., Sing Pao Building No. 101 King’s Road, North Point, Hong Kong on Tuesday, 25 September 2007 at 11:00 a.m. is set out on pages 31 to 32 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 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.

7 September 2007

* For identification purpose only

CHARACTERISTICS OF GEM

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 in order to obtain up-to-date information on GEM-listed issuers.

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DEFINITIONS

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

“Acquisition”	the acquisition of the Sale Share and the Sale Loan on the terms contained in the Agreement
“Agreement”	the conditional sale and purchase agreement dated 14 August 2007 entered into among the Purchaser, the Vendor and the Target relating to the sale and purchase of the Sale Share, the Sale Loan and the Subscription
“Announcement”	the announcement dated 17 August 2007 whereby the Company announced, among other things, for the Acquisition and Subscription
“Board”	the board of the Directors
“Business Day”	a day (other than a Saturday, a Sunday and a public or statutory holiday) on which licensed banks are generally open for business in Hong Kong throughout their normal business hours
“BVI”	the British Virgin Islands
“Cash Payment”	HK\$36,850,999.975 which will be paid by the Purchaser to the Vendor within three Business Days after signing of the Agreement
“CCASS”	the Central Clearing and Settlement System established and operated by the Hong Kong Securities Clearing Company Limited
“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
“Completion of the Acquisition and the Subscription”	completion of the sale and purchase of the Sale Share, the Sale Loan and the Subscription in accordance with the terms and conditions of the Agreement

DEFINITIONS

“connected person(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Consideration Shares”	88,607,595 new Shares to be issued by the Company as part of the consideration for the Acquisition in an aggregate amount of HK\$35,000,000.025
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened to consider and, if thought fit, approve, among other things, the issue of the Consideration Shares
“Fujian Rongpeng”	福建榮鵬企業管理諮詢有限公司 (transliterated as Fujian Rongpeng Enterprise Management Consultancy Limited) [#] , a private company established in the PRC on 9 July 2007
“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”	the Hong Kong Special Administrative Region of the PRC
“Jiaxing Shuguang Hospital”	嘉興市曙光中西醫結合醫院有限公司 (Jiaxing City Shuguang Western and Chinese Composite Hospital Company Limited) [#] , a privately-run general hospital established in Jiaxing City, the PRC on 3 June 2004 and the major operating company of the Target Group
“Latest Practicable Date”	3 September 2007, being the latest practicable date prior to the printing of this circular for ascertaining certain information in this circular

DEFINITIONS

“Macau”	the Macau Special Administrative Region of the PRC
“PRC”	the People’s Republic of China, which for the purpose of this circular, shall exclude Hong Kong, Macau and Taiwan
“Profit Guarantee”	the 2007 Breakeven Guarantee and the 2008 Guaranteed Profit taken as a whole
“Purchaser”	Mega Mix Group Limited (鴻聯集團有限公司), a company incorporated in BVI and a wholly-owned subsidiary of the Company
“Refundable Payment”	the Cash Payment and the Subscription Price
“Sale Loan”	all obligations, liabilities and debts owing or incurred by the Target to the Vendor, whether actual, contingent or deferred and irrespective of whether or not the same is due and payable on Completion of the Acquisition and the Subscription
“Sale Share”	one share of nominal value of US\$1.00, being the entire issued share capital of Target as at the date of the Agreement which are legally and beneficially owned by the Vendor
“SFO”	Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong)
“Shareholder(s)”	holder(s) of existing Shares
“Share(s)”	ordinary share(s) of HK\$0.05 each in the share capital of the Company
“Stock Exchange”	the Stock Exchange of Hong Kong Limited
“Subscription”	the subscription of the Subscription Shares by the Purchaser pursuant to the Agreement
“Subscription Price”	HK\$8,999,000, being the subscription price payable for the Subscription Shares pursuant to the Agreement

DEFINITIONS

“Subscription Shares”	8,999 new shares of nominal value 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”	Merry Sky Investments Limited (悦天投资有限公司), a company incorporated in BVI which is wholly and beneficially owned by the Vendor before Completion of the Acquisition and the Subscription
“Target Group”	the Target and its subsidiaries upon completion of the Target Group Reorganisation
“Target Group Reorganisation”	the reorganisation of the Target Group, including but not limited to (i) the transformation of Fujian Rongpeng into a wholly foreign owned enterprise; (ii) the acquisition of 55% equity interests in Jiaxing Shuguang Hospital by Fujian Rongpeng; and (iii) the acquisition of 100% equity interests in Fujian Rongpeng by the Vendor directly or indirectly through controlled companies
“Total Consideration”	the total consideration of HK\$80,850,000 payable by the Purchaser to the Vendor for the Sale Share, the Sale Loan and the Subscription Shares, pursuant to the Agreement
“Vendor”	吳建國先生 (Mr. Wu Jianguo) [#] , the sole beneficial shareholder of the Target prior to Completion of the Acquisition and the Subscription and the vendor to the Agreement
“2007 Breakeven Guarantee”	has the meaning ascribed to it in the section “The Agreement” under the paragraph headed “Profit Guarantee” herein
“2008 Guaranteed Profit”	has the meaning ascribed to it in the section “The Agreement” under the paragraph headed “Profit Guarantee” herein
“HK\$” and “cents”	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong

DEFINITIONS

“RMB”	Renminbi, the lawful currency of the PRC
“sqm”	squares metres
“US\$”	United States dollar, 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.

For the purpose of this circular, unless otherwise specified, conversion of RMB into HK\$ is based on the approximate exchange rate of HK\$1.00 to RMB0.98. The exchange rate is for illustration purpose only and does not constitute a representation that any amounts have been, could have been or may be exchanged at this or any other rates at all.

LETTER FROM THE BOARD



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:

Mr. Chan Francis Ping Kuen
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 September 2007

To the Shareholders

Dear Sir/Madam,

DISCLOSEABLE TRANSACTION INVOLVING ISSUE OF CONSIDERATION SHARES AND RE-ELECTION OF DIRECTOR

INTRODUCTION

Reference is made to the Announcement whereby the Company announced that on 14 August 2007, the Purchaser entered into the Agreement with the Vendor pursuant to which the Purchaser agreed to i) acquire from the Vendor the Sale Share and the Sale Loan; and (ii) subscribe for the Subscription Shares, for the Total Consideration of HK\$80,850,000.

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

* For identification purpose only

LETTER FROM THE BOARD

THE AGREEMENT

Date: 14 August 2007

Parties:

Purchaser: Mega Mix Group Limited (鴻聯集團有限公司), a wholly-owned subsidiary of the Company;

Vendor: 吳建國先生 (Mr. Wu Jianguo)[#], who currently owns 100% direct interest in the Target; and

Target: Merry Sky Investments Limited (悦天投資有限公司).

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Vendor, the Target and its ultimate beneficial owner, being the Vendor, are Independent Third Parties.

Assets to be acquired

Pursuant to the Agreement,

- (i) the Purchaser agreed to acquire and the Vendor agreed to sell the Sale Share, being one share of nominal value 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 the Sale Loan; and
- (ii) the Purchaser agreed to subscribe and the Target agreed to issue and allot the Subscription Shares, being 8,999 shares of nominal value of US\$1.00 each in the share capital of the Target.

As at the date of the Agreement and the Latest Practicable Date, the amount of Sale Loan is nil. There will be no adjustments to be made to the Total Consideration in case the Sale Loan will not be nil in balance at Completion of the Acquisition and the Subscription and there is no restriction on the Target Group to incur any Sale Loan after the entering into of the Agreement.

Upon completion of the Target Group Reorganisation, which is further elaborated below, the Target Group will comprise three investment holding companies and one 55% owned major operating subsidiary, namely, Jiaxing Shuguang Hospital. Details about the structure of the Target Group are set out under the sub-heading "Group Structure" and information on the business activities carried on by it is further elaborated under the heading "Information on the Target Group" below.

LETTER FROM THE BOARD

Consideration

The Total Consideration for the Sale Share, the Sale Loan and the Subscription Shares is HK\$80,850,000, of which HK\$71,851,000 will be consideration for the Sale Share and the Sale Loan and HK\$8,999,000 will be consideration for the Subscription Shares. The consideration for the Sale Share and the Sale Loan shall be payable in the following manner:

- (i) as to HK\$36,850,999.975 (being the Cash Payment) to be paid by the Purchaser to the Vendor within three Business Days after signing of the Agreement; and
- (ii) as to HK\$35,000,000.025 by procuring the Company to allot and issue the Consideration Shares at an issue price of HK\$0.395 per Consideration Share to the Vendor upon Completion of the Acquisition and the Subscription.

Details of the Consideration Shares are further elaborated under the heading “Terms of Consideration Shares” below.

The consideration for the Subscription Shares shall be HK\$8,999,000 (being the Subscription Price) which shall be payable to the Target by cash within three Business Days from the date of the Agreement.

The Cash Payment and the Subscription Price have been paid by the Company in accordance with the terms of the Agreement.

The Refundable Payment (i.e. the aggregate of the Cash Payment and the Subscription Price) will be refunded to the Purchaser by the Vendor and the Target if the Agreement is terminated in accordance with its terms, in particular, for non satisfaction of conditions set out under the heading “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 until full refund of the Refundable Payment together with interests accrued thereon.

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 Profit Guarantee given by the Vendor; (ii) reasons for the Acquisition and the Subscription as elaborated further under the heading “Reasons for the Acquisition and the Subscription”; and (iii) the future prospect of the business of the Target Group. The Directors consider the relevant payment terms to be normal commercial terms and the Total Consideration is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

The Group intends to finance the cash portion of the Total Consideration by internal resources of the Group, in particular, the net proceeds from the top-up placement completed on 28 May 2007, which details have been disclosed in the announcements of the Company dated 17 and 28 May 2007 respectively.

Profit Guarantee

In the Agreement, the Vendor guarantees and warrants to the Purchaser that the Target Group, which comprises the Target, Sino Matrix Limited (誠民有限公司), Fujian Rongpeng and Jiaying Shuguang Hospital, will not incur losses for the year ending 31 December 2007 (the “**2007 Breakeven Guarantee**”) and 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 2008 (the “**2008 Net Profit**”) shall not be less than HK\$8,250,000 (the “**2008 Guaranteed Profit**”).

In the event the Target Group records a net loss in its audited consolidated accounts for the year ending 31 December 2007, the Vendor shall pay compensation to the Purchaser in the amount of the actual audited net loss incurred for the year ending 31 December 2007. If the 2008 Guaranteed Profit is not achieved, the Vendor shall compensate the Purchaser by paying an amount equal to the difference between the actual 2008 Net Profit and the 2008 Guaranteed Profit. In the event the Target Group records a net loss in its audited consolidated accounts for the year ending 31 December 2008 (“**2008 Net Loss**”), the compensation amount under the Profit Guarantee will be the aggregation of the amount of the 2008 Net Loss (expressed in positive figure) and the amount of the 2008 Guaranteed Profit.

For the purpose of the Profit Guarantee, the audited consolidated accounts of the Target Group for the year ending 31 December 2007 and 31 December 2008 shall be prepared in accordance with the Hong Kong Financial Reporting Standards. The Vendor shall assist the then auditor of the Company to complete the preparation of the audited consolidated accounts of the Target Group for the year ending 31 December 2007 and 31 December 2008 in three months from the relevant financial year end date. In the event the Target Group does not satisfy the 2007 Breakeven Guarantee and/or the 2008 Guaranteed Profit (as the case may be), the compensation for the shortfalls shall be payable in five Business Days from the date of delivery of the audited consolidated accounts for the relevant financial year.

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

LETTER FROM THE BOARD

Conditions precedent

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

- (i) all necessary consents and approvals required to be obtained on the part of the Vendor, the Purchaser and the Target in respect of the sale and purchase of the Sale Share, the Sale Loan and the Subscription as well as the matters contemplated thereunder having been obtained;
- (ii) 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;
- (iii) the passing by the Shareholders at the EGM of an ordinary resolution to approve the issue of the Consideration Shares credited as fully paid to the Vendor under a specific mandate;
- (iv) the obtaining of a PRC legal opinion (in form and substance satisfactory to the Purchaser) in relation to the validity and legality of the incorporation of Fujian Rongpeng and Jiaxing Shuguang Hospital and their operations as going concern entities and the transactions contemplated under the Agreement, as well as the transformation of Fujian Rongpeng into a wholly foreign owned enterprise;
- (v) 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;
- (vi) the Listing Committee of the Stock Exchange granting listing of and permission to deal in the Consideration Shares; and
- (vii) the completion of the Target Group Reorganisation.

Only conditions (ii), (iv) and (v) are waivable by the Purchaser under the Agreement. The Purchaser has no current intention to waive any of such conditions.

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 12 November 2007, or such later date as the Purchaser, the Vendor and the Target 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 together with, if applicable, the interest accrued thereon.

LETTER FROM THE BOARD

Completion

Completion of the Acquisition and the Subscription shall take place 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, the Purchaser and the Target.

In the event that Completion of the Acquisition and the Subscription does not take place, the Vendor and the Target 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 until full refund of the Refundable Payment together with the interests accrued thereon.

Indemnity

In early 2006, an action in the PRC has been taken out by 嘉興市凱旋電子有限公司 (Jiaxing City Triumph Electric Company Limited)[#] against Jiaxing Shuguang Hospital 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 嘉興市新開元工貿有限公司 (Jiaxing City Xin Kai Yuan Industrial Trading Company Limited)[#]. 嘉興市新開元工貿有限公司 (Jiaxing City Xin Kai Yuan Industrial Trading Company Limited)[#] 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 嘉興市新開元工貿有限公司 (Jiaxing City Xin Kai Yuan Industrial Trading Company Limited)[#] and a legally binding tenancy agreement has been entered into between Jiaxing Shuguang Hospital and 嘉興市新開元工貿有限公司 (Jiaxing City Xin Kai Yuan Industrial Trading Company Limited)[#], 嘉興市凱旋電子有限公司 (Jiaxing City Triumph Electric Company Limited)[#] 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 Shuguang Dispute is now stayed pending the outcome of the dispute between 嘉興市凱旋電子有限公司 (Jiaxing City Triumph Electric Company Limited)[#] and 嘉興市新開元工貿有限公司 (Jiaxing City Xin Kai Yuan Industrial Trading Company Limited)[#] regarding the ownership of the Property in Dispute. According to the Vendor, since the beginning of the legally binding tenancy with 嘉興市新開元工貿有限公司 (Jiaxing City Xin Kai Yuan Industrial Trading Company Limited)[#] and up to present, Jiaxing Shuguang Hospital has been making due and punctual rental payments thereunder and that there had not been any agreement, whether verbal or in writing, made between Jiaxing Shuguang Hospital and 嘉興市凱旋電子有限公司 (Jiaxing City Triumph Electric Company Limited)[#].

LETTER FROM THE BOARD

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 嘉興市新開元工貿有限公司 (Jiaxing City Xin Kai Yuan Industrial Trading Company Limited)[#] and that there had been a legally binding tenancy agreement entered into between Jiaxing Shuguang Hospital and 嘉興市新開元工貿有限公司 (Jiaxing City Xin Kai Yuan Industrial Trading Company Limited)[#], 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 嘉興市凱旋電子有限公司 (Jiaxing City Triumph Electric Company Limited)[#]. The PRC legal adviser further advised that in those circumstances, 嘉興市新開元工貿有限公司 (Jiaxing City Xin Kai Yuan Industrial Trading Company Limited)[#] shall be responsible for the Shuguang Dispute.

Notwithstanding the advice from the PRC legal adviser, the Vendor has undertaken to fully indemnify and keep the Purchaser fully indemnified under the Agreement for any depletion in value of assets, losses, costs and expenses arising as a result of the Shuguang Dispute. In addition, the Vendor has further undertaken to secure a replacement of premises of comparable region, size and rent as the Property in Dispute in case Jiaxing Shuguang Hospital is evicted therefrom. In those circumstances, the Vendor will be responsible for all relocation costs and losses.

Pursuant further to the Agreement, the Vendor has agreed to indemnify the Purchaser for any claim of liability on tax or similar sorts arising from operation of the Target Group prior to the date of Completion of the Acquisition and the Subscription.

TERMS OF CONSIDERATION SHARES

88,607,595 Consideration Shares will be issued at an issue price of HK\$0.395 per Consideration Share, credited as fully paid. The Consideration Shares, when allotted and issued, shall rank *pari passu* in all respects with the Shares in issue on the date of allotment and issue of the Consideration Shares including the right to receive all dividends, distributions and other payments made or to be made, the record date for which falls on or after the date of such allotment and issue.

The Consideration Shares represent:

- (i) approximately 5.16% of the existing issued share capital of the Company; and
- (ii) approximately 4.91% of the total issued share capital of the Company as enlarged by the issue of the Consideration Shares.

LETTER FROM THE BOARD

The issue price of HK\$0.395 per Consideration Share represents:

- (i) the closing price of HK\$0.395 per Share as quoted on the Stock Exchange on 14 August 2007, being the date of the Agreement and before suspension of trading of the Shares pending release of the Announcement (the “**Suspension**”);
- (ii) a premium of approximately 1.02% to the average closing price of approximately HK\$0.391 per Share for the five consecutive trading days up to and including 14 August 2007 before the Suspension;
- (iii) a premium of approximately 1.54% to the average closing price of approximately HK\$0.389 per Share for the ten consecutive trading days up to and including 14 August 2007 before the Suspension; and
- (iv) a premium of approximately 393.75% over the audited net asset value per Share of HK\$0.08 based on the audited consolidated accounts of the Group as of 31 March 2007.

Based on the closing price of HK\$0.395 per Share as quoted on the Stock Exchange on 14 August 2007 before the Suspension, the market value of 88,607,595 Consideration Shares is HK\$35,000,000.025.

The issue price per Consideration Share was determined after arm’s length negotiation between the Purchaser and the Vendor after having considered: (i) the lock-up period for the Consideration Shares; and (ii) the recent trading prices of the Shares. The Directors consider the issue price per Consideration Share to be fair and reasonable and is in the interests of the Company and the Shareholders as a whole.

Non-disposal of Consideration Shares

The Vendor undertakes to and covenants with the Purchaser that, it will not, within the period commencing on the date of issue of the Consideration Shares and ending on the date falling six months after the date of issue of the Consideration Shares, transfer or otherwise dispose of or create any encumbrance or other rights in respect of any of the Consideration Shares except with the prior written consent of the Purchaser.

LETTER FROM THE BOARD

Application for listing

Application has been made by the Company to the Listing Committee for the listing of, and permission to deal in, the Consideration Shares.

The Board will seek approval from the Shareholders at the EGM for the grant of a specific mandate for the issue of the Consideration Shares. Prior to the entering into of the Agreement, the general mandate as refreshed at an extraordinary general meeting of the Company held on 3 May 2007 to allot and issue up to 256,419,440 Shares, representing 20% of the issued share capital of the Company as at that date have been utilised as to 256,000,000 Shares in a top-up placement transacted in mid May 2007 and completed by the end of May 2007.

Dealings in the Shares (including the Consideration Shares) may be settled through CCASS and that investors should seek the advice of their stockbroker or other professional adviser for details of those settlement arrangement and how such arrangement will affect their rights and interests.

CHANGES IN SHAREHOLDING STRUCTURE

The following table sets out the shareholding structure of the Company as at the Latest Practicable Date and immediately after issue of the Consideration Shares, assuming there will be no further issue of repurchase of Shares:

	As at the Latest Practicable Date		Immediately after issue of the Consideration Shares	
	<i>No. of Shares held</i>	<i>Approximate shareholding</i>	<i>No. of Shares held</i>	<i>Approximate shareholding</i>
Easeglory Holdings Limited and Mr. Yung Kwok Leong (<i>Note 1</i>)	357,953,500	20.86%	357,953,500	19.84%
Ms. Shum Ngai Pan (<i>Note 2</i>)	5,400,000	0.31%	5,400,000	0.30%
Mr. Zheng Gang (<i>Note 3</i>)	3,600,000	0.21%	3,600,000	0.20%
Mr. Lau Kam Shui (<i>Note 4</i>)	170,320,000	9.93%	170,320,000	9.44%
Mr. Weng Jiaying (<i>Note 5</i>)	5,625,000	0.32%	5,625,000	0.31%
Mr. Wu Wendong (<i>Note 6</i>)	4,000,000	0.23%	4,000,000	0.22%
Mr. Yeung Kam Yan (<i>Note 7</i>)	600,000	0.03%	600,000	0.03%
Public Shareholders:				
The Vendor	–	–	88,607,595	4.91%
Other public Shareholders	<u>1,168,418,700</u>	<u>68.11%</u>	<u>1,168,418,700</u>	<u>64.75%</u>
Total	<u>1,715,917,200</u>	<u>100.00%</u>	<u>1,804,524,795</u>	<u>100.00%</u>

Notes:

- Mr. Yung Kwok Leong, being an executive Director and the chairman of the Company, is interested in 6,187,500 Shares and Easeglory, a company wholly owned by Mr. Yung Kwok Leong, is interested in 351,766,000 Shares.

LETTER FROM THE BOARD

2. Ms. Shum Ngai Pan is an executive Director.
3. Mr. Zheng Gang is an executive Director.
4. Mr. Lau Kam Shui is a director of three non-wholly owned subsidiaries of the Company.
5. Mr. Weng Jiaying is a director of four wholly-owned subsidiaries of the Company.
6. Mr. Wu Wendong is a director of three non wholly-owned subsidiaries of the Company.
7. Mr. Yeung Kam Yan is a director of five wholly-owned subsidiaries of the Company.

Neither the Vendor has any present intention nor does the Agreement confer any right to the Vendor to nominate any representative to the Board as a result of the Acquisition and the Subscription. There will not be a change of control of the Company upon Completion of the Acquisition and the Subscription.

INFORMATION ON THE TARGET GROUP

The Target is an investment holding company, which was incorporated in BVI on 13 June 2007. The Target Group, upon completion of the Target Group Reorganisation, will be principally engaged in the provision of general hospital medical services in the PRC. The Target Group will comprise the Target, being the ultimate holding company which holds 100% direct and indirect interests in Sino Matrix Limited (誠民有限公司) and Fujian Rongpeng respectively with the latter owning 55% equity interests in Jiaying Shuguang Hospital upon completion of the Target Group Reorganisation. Save for the activities carried out for the purposes of completing the Target Group Reorganisation, the Target, Sino Matrix Limited (誠民有限公司) and Fujian Rongpeng have not been carrying out operations since their respective dates of incorporation/establishment. Other than having incurred the incorporation expenses and holding the equity interest in the relevant member of the Target Group, each of the Target, Sino Matrix Limited (誠民有限公司) and Fujian Rongpeng does not have other assets/liabilities.

Sino Matrix Limited (誠民有限公司) is an investment holding company, which was incorporated in Hong Kong on 3 May 2007 for the purpose of holding Fujian Rongpeng. On 24 July 2007, Sino Matrix Limited (誠民有限公司) entered into an agreement to acquire 100% equity interest in Fujian Rongpeng. According to the Vendor, the acquisition of Sino Matrix Limited (誠民有限公司) in the equity interest of Fujian Rongpeng has been approved by 福建省對外貿易經濟合作廳 (Fujian Province Foreign Trading Economic Cooperation Bureau)[#] in principle and Fujian Rongpeng is in the process of applying for its new business license as a wholly foreign owned enterprise. The transformation of Fujian Rongpeng as a wholly foreign owned enterprise will be completed upon obtaining its new business license. Upon completion of the Target Group Reorganisation, it is intended that Sino Matrix Limited (誠民有限公司) will continue to be an investment holding company.

LETTER FROM THE BOARD

Fujian Rongpeng was established as a private company on 9 July 2007 in the PRC for the purpose of holding Jiaxing Shuguang Hospital. On 26 July 2007, Fujian Rongpeng completed its acquisition of 55% equity interest in Jiaxing Shuguang Hospital by subscription at a consideration of RMB8,250,000 (equivalent to approximately HK\$8,418,000). It is intended that Fujian Rongpeng will continue to be an investment holding company.

Jiaxing Shuguang Hospital, being the operating subsidiary of the Target Group, is a privately-run general hospital established in Jiaxing City, the PRC on 3 June 2004, which commences its operation since then by providing traditional Chinese medical treatments as well as general hospital medical services including but not limited to medicine ward, surgical ward, cosmetic surgery, dermatology department and medical checkup and examination. Jiaxing Shuguang Hospital is located at 浙江省嘉興市中環南路與嘉餘公路交彙處, 地處嘉興市東柵經濟園區 (at the junction of Zhong Huan South Road and Jia Yu Highway in Dong Shan Economic Park District, Jiaxing City, Zhe Jiang Province)[#], which is near the district where major governmental offices and educational entities are located. Jiaxing Shuguang Hospital occupies an area of 9,217 sqm and it has a gross floor area of approximately 7,400 sqm. Jiaxing Shuguang Hospital has 100 beds and is, so far, being the only approved privately-run general hospital in Jiaxing City.

Set out below is a summary of the key financial data of Jiaxing Shuguang Hospital based on its unaudited management accounts for the two years ended 31 December 2006 and the seven months ended 31 July 2007 as provided by the Vendor which has been prepared in accordance with the generally accepted accounting principles in Hong Kong:

	For the year ended 31 December 2005	For the year ended 31 December 2006	For the period ended 31 July 2007
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Turnover	13,759,747	13,109,349	7,378,416
Net (Loss) before tax for the period/year	(4,938,334)	(1,631,630)	(6,898)
Net (Loss) after tax for the period/year	(3,891,222)	(1,420,660)	(6,898)
	As at	As at	As at
	31 December 2005	31 December 2006	31 July 2007
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Net Assets (Liabilities)	(2,875,635)	(4,296,295)	4,696,807

As confirmed with the Vendor, the acquisition of 55% equity interest in Jiaxing Shuguang Hospital by Fujian Rongpeng was completed on 26 July 2007.

LETTER FROM THE BOARD

Upon Completion of the Acquisition and the Subscription, the Directors do not expect there will be any material change to the operation and services provided by Jiaxing Shuguang Hospital to its customers and the Directors have no current intention to materially change the existing management team thereof except for the changes to the composition of the board of directors of the Target Group to obtain board control. The Board considers that with the continuation of service of the existing management team of the Target Group, which has sufficient knowledge and experience in the management and business of the Target Group, couple with a number of 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.

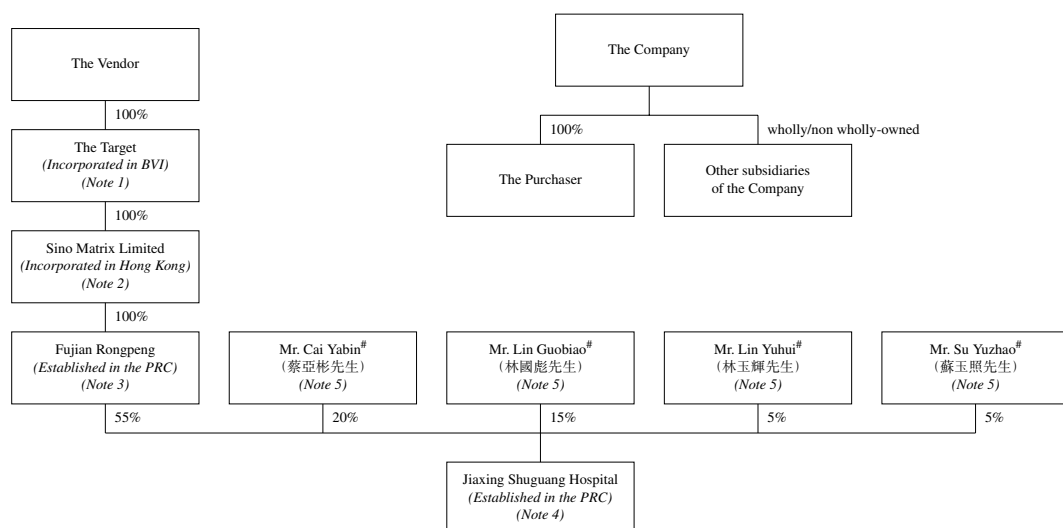
Board representation of the Target Group

Upon Completion of the Acquisition and the Subscription, representative(s) will be appointed by the Company to form a majority of each of the board of directors of the members of the Target Group.

Group structure

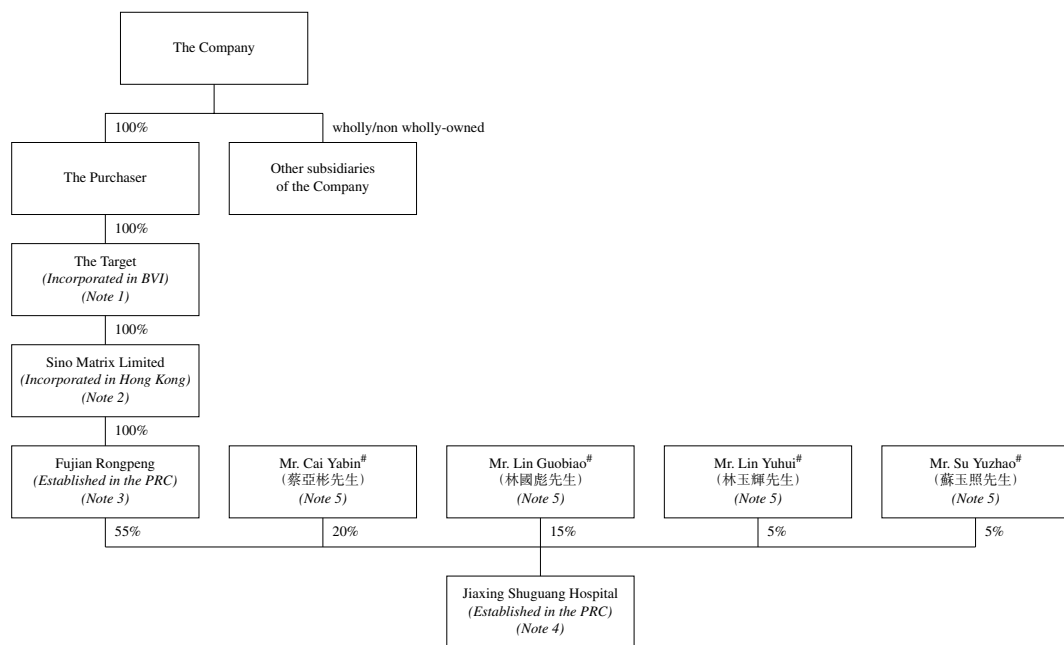
The following charts show the group structure of the Target Group (assuming completion of the Target Group Reorganisation) immediately before and after Completion of the Acquisition and the Subscription:

Immediately before Completion of the Acquisition and Subscription



LETTER FROM THE BOARD

Immediately after Completion of the Acquisition and Subscription



Notes:

1. The Target is an investment holding company established in BVI on 13 June 2007 solely for the purpose of holding 100% equity interest in Sino Matrix Limited (誠民有限公司) and the Vendor is its ultimate beneficial owner.
2. Sino Matrix Limited (誠民有限公司) is a company incorporated in Hong Kong on 3 May 2007 as an investment holding company solely for the purpose of holding 100% equity interest in Fujian Rongpeng.
3. Fujian Rongpeng is a private company established in the PRC on 9 July 2007 for the acquisition of equity interest in Jiaxing Shuguang Hospital.
4. Jiaxing Shuguang Hospital is a company established in Jiaxing City, the PRC on 3 June 2004, and is a privately-run general hospital providing general hospital medical services.
5. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, each of Mr. Cai Yabin[#], Mr. Lin Guobiao[#], Mr. Lin Yuhui[#] and Mr. Su Yuzhao[#] is an Independent Third Party.

LETTER FROM THE BOARD

REASONS FOR THE ACQUISITION AND THE SUBSCRIPTION

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

As mentioned previously in various announcements of the Company, 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 and that investments in the promising healthcare sector in the PRC will provide a stable income source to the Group, which will bring synergistic effect and positive contributions to the Group. Since mid 2006, the Group has been embarking on various acquisitions of and cooperation projects in the healthcare sector in the PRC.

As disclosed in the announcement of the Company dated 15 June 2006, Grand Brilliant Corporation Limited, a wholly-owned subsidiary of the Company, entered into a sale and purchase agreement on 12 June 2006 with Mr. Wu Wendong, pursuant to which Grand Brilliant Corporation Limited has agreed to acquire from Mr. Wu Wendong 76% equity interest and shareholder's loans of Day view Group Limited which engages principally in the business of healthcare management and training and consultancy for mainly hospital in the PRC. Completion of such acquisition took place on 24 November 2006.

In addition, as disclosed in the joint announcement of the Company and Town Health International Holdings Company Limited (a company which shares are listed on GEM with stock code of 8138) dated 19 October 2006, the Company jointly announced with Town Health International Holdings Company Limited that the Company entered into the non-legally binding letter of intent with an objective to leveraging the resources and expertise of Town Health International Holdings Company Limited for cooperative development in the medical and healthcare related business in the PRC. A formal agreement between the Company and Town Health International Holdings Company Limited on cooperation of setting up a joint venture company for the provision of dental care services has been entered into on 5 January 2007.

Further, as disclosed in the announcements of the Company dated 24 November 2006, 2 April 2007, 24 April 2007 and 28 June 2007 respectively, the Company has entered into non-legally binding letters of intent for the proposed acquisitions of equity interests in Fuzhou Taijiang Hospital Company Limited, and Karise Development Limited, which will indirectly be interested in Beijing Wuzhou Female Hospital upon completion of its group reorganisation. As additional time is required for negotiation on the terms of the said proposed acquisitions, the long-stop dates of such two letters of intent have been extended to 30 September 2007 by mutual agreement of the parties thereto. Further announcement will be made by the Company in relation thereto as and when appropriate in accordance with the GEM Listing Rules.

LETTER FROM THE BOARD

On 9 May 2007, the Group completed the acquisition of the entire equity interest in Hero Vision Enterprises Limited. Hero Vision Enterprises Limited and its subsidiaries, including 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. Details of such acquisition have been disclosed in the announcement of the Company dated 20 March 2007.

The Acquisition and the Subscription are made in furtherance of the business plans of the Group in developing its presence in the healthcare sector in the PRC. As there is a general increase in the health concern of individuals, the Directors consider that there are prospects in the healthcare sector in the long run in the PRC given the high density of population. The Directors consider that the Acquisition and the Subscription will enhance the Group's overall business performance, strengthen its revenue bases and diversify its business risk through synergistic effect by implementing cost control measures and marketing and business strategies in the Target Group 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 Acquisition and the Subscription are fair and reasonable and the Acquisition and the Subscription are in the interests of the Company and the Shareholders as a whole.

The Directors intended to continue with its effort in seeking future investments in or cooperations with hospitals in the PRC.

FINANCIAL EFFECT OF ACQUISITION AND SUBSCRIPTION ON THE GROUP

Upon Completion of the Acquisition and the Subscription, the Target will become a wholly-owned subsidiary of the Company and the financial results, asset and liabilities of the Target Group will be consolidated with that of the Group.

GEM LISTING RULES IMPLICATION

The Acquisition and the Subscription, in aggregate, constitute a discloseable transaction for the Company under the GEM Listing Rules. It is proposed that the Consideration Shares will be issued under a specific mandate to be sought at the EGM where resolution(s) will be proposed to seek approval from the Shareholders. As no Shareholder is materially interested in the Acquisition or the Subscription, no Shareholder is required under the GEM Listing Rules to abstain from voting at the EGM in respect of the issue of the Consideration Shares.

LETTER FROM THE BOARD

RE-ELECTION OF DIRECTOR

Pursuant to article 86(3) of the articles of association of the Company, the Directors shall have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy on the Board or as an addition to the existing Board. Any Director so appointed by the Board shall hold office only until the next following general meeting of the Company and shall then be eligible for re-election. Mr. Zheng Gang (“**Mr. Zheng**”), who was appointed as an executive Director on 1 August 2007, would accordingly hold office until the conclusion of the EGM and, being eligible, will offer himself for re-election.

Mr. Zheng, aged 40, holds a Master of Business Administration Degree from Cardiff Business School in the United Kingdom and a Bachelor of Engineering Degree from Xiamen University in the PRC. Mr. Zheng has over 13 years of management experience in finance, investment and trading. Save for having been appointed as an executive Director, Mr. Zheng does not hold any other positions within the Group nor did he hold any directorship or other major appointments in any other listed public companies in the last three years before his appointment as an executive Director.

Mr. Zheng does not have any relationships with any directors, senior management, management shareholders, substantial shareholders or controlling shareholders of the Company (within the meaning of the GEM Listing Rules).

Mr. Zheng currently holds 3,600,000 Shares, representing approximately 0.21% of the total issued share capital of the Company as at the Latest Practicable Date. Save as disclosed, Mr. Zheng does not have any other interests in the Shares within the meaning of Part XV of SFO.

Mr. Zheng was appointed by way of a letter of appointment by the Company for a term of one year from 1 August 2007, which will continue thereafter until terminated by either party giving not less than one month notice in writing. Mr. Zheng is entitled to a monthly salary of HK\$60,000.00 and he is also entitled to a year-end discretionary bonus to be determined by the Board from time to time, which were determined by arm’s length negotiation between Mr. Zheng and the Company with reference to the then prevailing market conditions. Mr. Zheng will be subject to retirement by rotation and re-election in accordance with the memorandum and articles of association of the Company.

Save as disclosed above, the Board is not aware of any other matters which needs to be brought to the attention of the Shareholders and there is no other information which is discloseable pursuant to any of the requirements set out in Rule 17.50(2) (h) to (v) of the GEM Listing Rules in relation to the appointment or re-election of Mr. Zheng as an executive Director.

LETTER FROM THE BOARD

EGM

The notice convening the EGM is set out on pages 31 to 32 of this circular. At the EGM, an ordinary resolution will be proposed to approve the granting of a specific mandate to the Directors to issue the Consideration Shares to the Vendor pursuant to the Agreement and the matters contemplated thereunder. A further ordinary resolution will also be proposed to approve the re-election of Mr. Zheng as an executive Director.

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.

RECOMMENDATION

Having considered the information set out above, including but not limited to, the paragraph headed "**Reasons for the Acquisition and the Subscription**", the Board is of the opinion that, the terms of the Acquisition and the Subscription (including the terms of issue of the Consideration Shares) are on normal commercial terms and are fair and reasonable, which are in the interests of the Group and the Shareholders as a whole. The Board recommends the Shareholders to vote in favor of the ordinary resolution for the granting of a specific mandate to the Directors to issue the Consideration Shares to the Vendor pursuant to the Agreement and the matters contemplated thereunder at the EGM.

ADDITIONAL INFORMATION

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

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

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.

(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) Interests of Directors**

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	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 (<i>Note 1</i>)	Interest in controlled corporation	351,766,000	Long	20.50%
	Beneficial owner	6,187,500	Long	0.36%
Ms. Shum Ngai Pan (<i>Note 2</i>)	Beneficial owner	5,400,000	Long	0.31%
Mr. Zheng Gang (<i>Note 2</i>)	Beneficial owner	3,600,000	Long	0.21%

Notes:

1. These Shares are held through Easeglory Holdings Limited, 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.
2. Ms. Shum Ngai Pan and Mr. Zheng Gang are executive Directors.

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

 Holders of Share Options	 Exercise period	 Exercise price granted	 Number of share options
Mr. Yung Kwok Leong	13 July 2006 to 12 July 2016	HK\$0.627	3,242,085
	21 March 2007 to 20 March 2017	HK\$0.51	5,800,000
Ms. Shum Ngai Pan	13 July 2006 to 12 July 2016	HK\$0.627	3,705,240
	21 March 2007 to 20 March 2017	HK\$0.51	7,100,000
Mr. Chen Jin Shan	13 July 2006 to 12 July 2016	HK\$0.627	6,881,160
	21 March 2007 to 20 March 2017	HK\$0.51	3,900,000
Mr. Jiang Tao	13 July 2006 to 12 July 2016	HK\$0.627	6,881,160
	21 March 2007 to 20 March 2017	HK\$0.51	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) 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 Shareholder	Number of Shares	Position	Capacity	Approximate percentage to the total issued share capital of the Company as at the Latest Practicable Date
Easeglory Holdings Limited (<i>Note 1</i>)	351,766,000	Long	Beneficial owner	20.50%
Ms. Yung Muk Ying (<i>Note 1</i>)	366,995,585	Long	Interest of spouse	21.39%
Mr. Lau Kam Shui (<i>Note 2</i>)	170,320,000	Long	Beneficial owner	9.93%
Ms. Lau Yuk Lan (<i>Note 2</i>)	170,320,000	Long	Interest of spouse	9.93%
The Vendor	88,607,595	Long	Beneficial owner	5.16%

Notes: 1. The issued share capital of Easeglory Holdings Limited is 100% beneficially owned by Mr. Yung Kwok Leong, an executive Director and the chairman of the Company. Ms. Yung Muk Ying is deemed to be interested in 351,766,000 Shares held by Easeglory Holdings Limited and 15,229,585 Shares and 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 a director of three non-wholly owned subsidiaries of the Company. Ms. Lau Yuk Lan is deemed to be interested in 170,320,000 Shares by virtue of her being the spouse of the Vendor under the SFO.

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) SHARE CAPITAL

<i>Authorised:</i>		<i>HK\$</i>
<u>5,000,000,000</u>	Shares	<u>250,000,000.00</u>
<i>Issued and to be issued, fully paid or credited as fully paid:</i>		
1,715,917,200	Shares in issue as at the Latest Practicable Date	85,795,860.00
<u>88,607,595</u>	Consideration Shares to be allotted and issued pursuant to the Agreement	<u>4,430,379.75</u>
<u>1,804,524,795</u>		<u>90,226,239.75</u>

(4) 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 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 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 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 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 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.

Mr. Chan Francis Ping Kuen, 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 27 September 2004 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.

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).

(5) 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.

(6) LITIGATION

Save for the Shuguang Dispute, which concerns the Target Group and its details have been set out under the heading "Indemnity" in the section headed "The Agreement" of the "Letter from the Board" to this circular, 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.

(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, Mr. Chan Francis Ping Kuen, Mr. Hsu William Shiu Foo, Mr. Yu Chai Mei with Mr. Chan Francis Ping Kuen acting as the chairman of the audit committee.

Independent non-executive Directors

Mr. Chan Francis Ping Kuen, aged 48, was appointed as an independent non-executive Director in September 2004. Mr. Chan is a member of the Institute of Chartered Accountants in Australia and also a member of the Hong Kong Institute of Certified Public Accountants. Mr. Chan holds a bachelor degree in economics from the University of Sydney. Mr. Chan has over 20 years of experience in auditing, accounting and financial management and previously worked for an international accounting firm and a number of companies listed in Hong Kong and in the United States.

Mr. Chan is currently an independent non-executive director of China Elegance Holdings Limited and Earnest Investment Holdings Limited, which issued shares are listed on the main board of the Stock Exchange. Mr. Chan is also currently an executive director of Union Bridge Holdings Limited, the issued shares of which are listed on GEM. Mr. Chan was previously an executive director of Maxitech International Holdings Limited and an independent non-executive director of Global Solution Engineering Limited, the issued shares of which are listed on GEM. Mr. Chan was also previously an independent non-executive director of Kinetana International Biotech Pharma Limited, which has now been delisted from GEM since 1 September 2006.

Mr. Hsu William Shiu Foo, aged 56, 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 and MP Logistics International Holdings 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 now been delisted from GEM since 1 September 2006.

Mr. Yu Chai Mei, aged 51, 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. Mr. Yu has made contributions by advising the Group on development potentials of the technology in photocatalytic oxidation, an oxidation process that is catalysed under the supply of light source (UV light) ("PCO") and has helped the Group to carry out research on the functions of PCO reactors in the early stage of the Group's business development.

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

NOTICE OF THE EGM



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**”) will be held on Tuesday, 25 September 2007 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 resolutions as ordinary resolutions of the Company.

ORDINARY RESOLUTION 1

“**THAT:**

- (a) subject to the fulfillment or waiver of the terms and conditions set out in the conditional sale and purchase agreement dated 14 August 2007 (the “**Agreement**”) entered into among Mega Mix Group Limited (鴻聯集團有限公司) (the “**Purchaser**”), a wholly-owned subsidiary of the Company as purchaser, 吳建國先生 (transliterated as Mr. Wu Jianguo) (“**Mr. Wu**”) as vendor and Merry Sky Investments Limited (悅天投資有限公司) (the “**Target**”) as the target of acquisition (copy of the Agreement having been produced to the EGM and marked “A” and initialled by the chairman of the EGM for the purpose of identification) in respect of (i) the sale and purchase of one share of par value of US\$1.00 (the “**Target Share**”) in the share capital of the Target, representing its entire issued share capital as at the date of the Agreement and all obligations, liabilities and debts owing or incurred by the Target to Mr. Wu on completion of the Agreement and (ii) the subscription and issue of 8,999 new Target Shares by the Purchaser and the Target respectively for a total consideration of HK\$80,850,000, the issue of 88,607,595 new ordinary shares of par value of HK\$0.05 each of the Company (the “**Consideration Shares**”) at the issue price of HK\$0.395 each, credited as fully paid, as part of the total consideration pursuant to the Agreement be and is hereby approved and the directors of the Company (the “**Directors**”) be and are hereby specifically authorised to allot and issue the Consideration Shares to Mr. Wu pursuant to the Agreement; and
- (b) the Directors be and are hereby authorised to do all such acts and things and execute all such documents, including under seal where applicable, as they consider necessary or expedient in connection with and to give effect to the Agreement and the transactions contemplated thereunder.”

* For identification purpose only

NOTICE OF THE EGM

ORDINARY RESOLUTION 2

“**THAT** Mr. Zheng Gang be re-elected as an executive Director.”

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

Hong Kong, 7 September 2007

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 September 2007. 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 the 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.