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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker, or other licensed securities dealer, bank manager, solicitors, professional accountant or other professional adviser.

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

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HUA XIA HEALTHCARE HOLDINGS LIMITED

華夏醫療集團有限公司*

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 8143)

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

Financial adviser to the Company



CAF Securities

wholly owned subsidiary of Agricultural Bank of China

A letter from the board of directors of the Company is set out on pages 5 to 16 of this circular.

This circular will remain on the GEM website on the “Latest Company Announcement” page for at least 7 days from the date of its posting and the website of the Company at www.huaxia-healthcare.com.

25 January 2008

* for identification purpose

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 of the Stock Exchange 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:

“Agreement”	the conditional sale and purchase agreement dated 28 December 2007 entered into among the Purchaser, the Vendor and the Target relating to the sale and purchase of the Sale Shares and the subscription for and allotment and issue of the Subscription Shares
“Asia Smartie”	is a company incorporated in Hong Kong with limited liability which is wholly and beneficially owned by the Target
“Assets”	all the necessary assets for running a hospital including but not limited to medical equipment and office equipment in Shan Cheng Hospital acquired by Foshan Qide from an Independent Third Party
“Board”	board of the Directors
“Business Day”	a day (other than a Saturday, Sunday or public holiday) on which licensed banks are generally open for business in Hong Kong throughout their normal business hours
“BVI”	the British Virgin Islands
“Company”	Hua Xia Healthcare Holdings Limited, a company incorporated in the Cayman Islands with limited liability and the issued Shares of which are listed on GEM
“Completion of the Proposed Acquisition and the Proposed Subscription”	completion of the sale and purchase of the Sale Shares and the Proposed Subscription in accordance with the terms and conditions of the Agreement
“connected person(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Director(s)”	director(s) of the Company
“Foshan Hospital”	Foshan Qide Hospital# (佛山啟德醫院), a trade name of a privately-run hospital established in Foshan, the PRC by Foshan Qide. As at the Latest Practicable Date, Foshan Hospital has commenced its operation.

DEFINITIONS

“Foshan Qide”	Foshan Qide Hospital Limited# (佛山市啟德醫院有限公司), a privately company established in Foshan, the PRC on 21 November 2007. Foshan Qide has obtained the relevant licence from the government authority in the PRC to operate Foshan Hospital.
“Fujian Rongjian”	Fujian Rongjian Management Consultancy Limited# (福建榮健管理諮詢有限公司), a private company established in Fozhou, Fujian, the PRC on 19 October 2007 and is engaged in management consultancy and economic information consultancy
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	any person(s) or company(ies) and their respective ultimate beneficial owner(s), to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, are not connected persons of the Company and are third parties independent of the Company and its connected persons in accordance with the GEM Listing Rules
“Jiaxing Shuguang Hospital”	Jiaxing City Shuguang Western and Chinese Composite Hospital Company Limited# (嘉興市曙光中西醫結合醫院有限公司), a privately-run general hospital established in Jiaxing City, the PRC on 3 June 2004, a non wholly owned subsidiary of the Company
“Latest Practicable Date”	22 January 2008, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“PRC”	the People’s Republic of China, which for the purpose of this circular excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Proposed Acquisition”	the proposed acquisition of the Sale Shares on the terms contained in the Agreement

DEFINITIONS

“Proposed Subscription”	the subscription of 5,299 new shares in the share capital of the Target by the Purchaser pursuant to the Agreement
“Purchaser”	Long Wider Limited, a company incorporated in BVI and a wholly-owned subsidiary of the Company
“Refundable Payment”	the payment made by the Purchaser to the Vendor under paragraphs (i) and (ii) under the heading “Consideration” and the Subscription Price
“Sale Shares”	1 share, being the entire issued share capital of Target as at the date of the Agreement which is legally and beneficially owned by the Vendor
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shan Cheng Hospital”	Foshan Shan Cheng Western and Chinese Composite Hospital# (佛山禪城中西醫結合醫院), a privately-run hospital established in Foshan, the PRC by an Independent Third Party.
“Share(s)”	ordinary share(s) of HK\$0.05 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Price”	HK\$5,300,000 being the subscription price payable for the Subscription Shares pursuant to the Agreement
“Subscription Shares”	the 5,299 new shares in the share capital of the Target to be allotted and issued by the Target to the Purchaser, pursuant to the Agreement
“Target”	Direct Way Group Limited, a company incorporated in BVI which is wholly and beneficially owned by the Vendor before Completion of the Proposed Acquisition and the Proposed Subscription
“Target Group”	the Target and its subsidiaries upon completion of the Target Group Reorganisation

DEFINITIONS

“Target Group Reorganisation”	the reorganisation of the Target Group, including but not limited to (i) completion of acquisition of the Assets in Shan Cheng Hospital by Foshan Qide Investment Limited# (佛山市啟德投資有限公司) from an Independent Third Party; (ii) Foshan Qide Investment Limited# (佛山市啟德投資有限公司) has obtained the relevant licence from the government authority in the PRC to establish Foshan Hospital and has injected the Assets to Foshan Hospital; (iii) Foshan Qide Investment Limited# (佛山市啟德投資有限公司) has changed its name to Foshan Qide; and (iv) Asia Smartie has acquired the entire equity interested in Fujian Rongjian and the completion of transformation of Fujian Rongjian into a wholly foreign owned enterprise
“Total Consideration”	the total consideration of HK\$54,880,000 payable by the Purchaser to the Vendor for the Sale Shares and the Subscription Shares, pursuant to the Agreement
“Vendor”	Wei Changhua, the sole beneficial shareholder of the Target prior to Completion of the Proposed Acquisition and the Proposed Subscription and the vendor to the Agreement
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“US\$”	United States dollar(s), the lawful currency of the United States of America
“%”	per cent.

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

For the purpose of this circular, unless otherwise indicated, conversion of RMB into HK\$ is calculated at the approximate exchange rate of RMB1.00 to HK\$0.96. This 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 rate 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:

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

Non-executive Director:

Dr. Wong Yu Man, James

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

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

Independent non-executive Directors:

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

25 January 2008

To the Shareholders

Dear Sir or Madam,

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

INTRODUCTION

On 7 January 2007, the Board announced that on 28 December 2007, the Purchaser entered into the Agreement with the Vendor pursuant to which the Purchaser agreed to acquire from the Vendor the Sale Shares and to subscribe for the Subscription Shares, for the Total Consideration.

* for identification purpose

LETTER FROM THE BOARD

THE AGREEMENT

Date: 28 December 2007

Parties: (i) Purchaser:

Long Wider Limited, a wholly-owned subsidiary of the Company; and

(ii) Vendor:

Mr. Wei Changhua, who currently owns 100% direct equity interests in the Target.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Vendor is an Independent Third Party.

Assets to be acquired

Pursuant to the Agreement,

- (i) the Purchaser agreed to acquire and the Vendor agreed to sell the Sale Shares, being 1 share of US\$1.00 in the share capital of the Target, representing its entire issued share capital as at the date of the Agreement; and
- (ii) the Purchaser agreed to subscribe for and the Target agreed to allot and issue the Subscription Shares, being 5,299 new shares of US\$1.00 in the share capital of the Target.

Consideration

The Total Consideration is HK\$54,880,000, of which HK\$49,580,000 will be payable for the Sale Shares and HK\$5,300,000 will be payable for the Subscription Shares. The total consideration for the Sale Shares shall be payable in the following manner:

- (i) as to HK\$25,000,000 to be paid by the Purchaser in cleared funds as deposit within fifteen (15) Business Days after signing of the Agreement;
- (ii) as to HK\$24,580,000 to be paid by the Purchaser in cleared funds within fifteen (15) Business Days from the date of obtaining of the approval in principle from the relevant government authority in the PRC that Fujian Rongjian, which is presently a wholly domestic owned enterprise, be transformed to a wholly foreign owned enterprise; and

LETTER FROM THE BOARD

The total consideration for the Subscription Shares shall be HK\$5,300,000 (being the Subscription Price) which shall be payable in cash within fifteen (15) Business Days after signing of the Agreement. Pursuant to the Agreement, the Subscription Price should only be used for the acquisition of the entire equity interest in Fujian Rongjian by Asia Smartie.

The Refundable Payment (i.e. the aggregate of the payments made under (i) and (ii) above and the Subscription Price) will be refunded to the Purchaser by the Vendor if the Agreement is terminated in accordance with its terms, in particular, for non satisfaction of conditions set out under the 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.

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

The Total Consideration, including the payment terms, was determined after arm’s length negotiation between the Purchaser and the Vendor after having considered: (i) the Guaranteed Profit (as defined below) given by the Vendor; (ii) reasons for the Proposed Acquisition and the Proposed Subscription as elaborated further under the heading “Reasons for the Proposed Acquisition and the Proposed Subscription”; (iii) the future prospect of the business of the Target Group; and (iv) the P/E ratios of a number of local listed companies engaging in business similar to the Target Group ranging from about 10.44 times to 20.49 times. The Total Consideration represents a price earning multiple of approximately 9.8 times of the Guaranteed Profit (as defined below) which is below the range. The Directors consider the Total Consideration and the relevant payment terms to be fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

The completion of transformation of Fujian Rongjian into a wholly foreign owned enterprise took place on 21 December 2007. As at the Latest Practicable Date, the Purchaser has paid the Total Consideration including the deposit of HK\$25,000,000, the consideration in the sum of HK\$5,300,000 for the Subscription Shares and the balance of the consideration in the sum of HK\$24,580,000. The Total Consideration was financed by internal resources of the Group.

Profit Guarantee

In the Agreement, the Vendor guaranteed and warranted to the Purchaser that the audited consolidated net profit after taxation and extraordinary or exceptional items and minority interests of the Target Group for the year ending 31 March 2009 (the “**Net Profit**”) shall not be less than HK\$5,600,000 (the “**Guaranteed Profit**”). In the event the Guaranteed Profit is not achieved, the Vendor should pay the Purchaser on a dollar for dollar basis for an amount equivalent to the difference between the Net Profit and the Guaranteed Profit.

The Net Profit is calculated in accordance to Hong Kong Financial Reporting Standards.

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

As at the Latest Practicable Date, the Target Group is still undergoing the process of reorganisation and has no track record of profit. The Guaranteed Profit given by the Vendor is based on the price earning ratios of a number of local listed companies engaging in business similar to the Target Group. Further announcement will be made by the Company in the event that the Guaranteed Profit cannot be fulfilled.

Conditions precedent

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

- (a) all necessary consents and approvals required to be obtained on the part of the Vendor, the Purchaser and the Target in respect of the sale and purchase of the Sale Shares and the Subscription Shares as well as the matters contemplated thereunder having been obtained;
- (b) 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;
- (c) 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 Rongjian, Foshan Qide and Foshan Hospital and their operations as going concern entities and the transactions contemplated under the Agreement, as well as the transformation of Fujian Rongjian into a wholly foreign owned enterprise;
- (d) 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; and
- (e) the completion of the Target Group Reorganisation.

Only conditions (b) and (c) are waivable by the Purchaser under the Agreement. The Purchaser has no current intention to waive any of such conditions. As at the Latest Practicable Date, conditions (d) and (e) have been satisfied.

LETTER FROM THE BOARD

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 27 March 2008, or such later date as the Purchaser and the Vendor may agree in writing, the Agreement shall terminate and neither party shall have any liability to the other except for antecedent breaches of the Agreement and the obligation to return the Refundable Payment.

Completion

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

In the event that Completion of the Proposed Acquisition and the Proposed Subscription does not take place, the Vendor shall refund the Refundable Payment to the Proposed 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 together with interest.

INFORMATION ON THE TARGET GROUP

The Target is an investment holding company. The Target Group, upon completion of the Target Group Reorganisation, will be principally engaged in the provision of healthcare services in the PRC. The Target Group comprises the Target, being the ultimate holding company which holds 100% direct equity interests in Asia Smartie, which, in turn, holds 100% direct interests in Fujian Rongjian, which, in turn, holds 70% direct equity interests in Foshan Qide which is principally engaged in operating Foshan Hospital upon completion of the Target Group Reorganisation. Please refer to the heading "Group Structure" for the structure of the Target Group after completion of the Target Group Reorganisation.

The Target was incorporated as a limited company in the British Virgin Islands with limited liability on 18 October 2007, which has an authorised share capital of US\$10,000 divided into 10,000 shares of US\$1.00 each, of which 1 share has been issued and is fully paid or credited as fully paid as at the date of the Agreement and beneficially and wholly owned by the Vendor. Asia Smartie is a company incorporated in Hong Kong with limited liability on 5 December 2007, which has an authorised share capital of HK\$10,000 divided into 10,000 shares of HK\$1.00 each, of which 1 share has been issued and is fully paid or credited as fully paid as at the date of the Agreement and fully owned by the Target. Fujian Rongjian was established as a private company on 19 October 2007 in Fujian, the PRC with the authorised capital of RMB5 million. On 21 November 2007, Fujian Rongjian and Zhu Bin Bin, an Independent Third Party established Foshan Qide of which Fujian Rongjian held 85% equity interests in Foshan Qide and Zhu Bin Bin held 15% equity interests in Foshan Qide. On 22 November 2007, Fujian Rongjian sold 15% equity

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interests in Foshan Qide to Zeng Kai, an Independent Third Party. As at the Latest Practicable Date, Fujian Rongjian holds 70% equity interest in Foshan Qide. Fujian Rongjian will become one of the major operating subsidiaries of the Target Group upon completion of the Target Group Reorganisation. Currently as stipulated in the business registration, Fujian Rongjian is engaged in management consultancy and economic information consultancy. It is expected that Fujian Rongjian will be engaged in investment holding and being the holding company of Foshan Qide after the Completion of the Proposed Acquisition and the Proposed Subscription.

Foshan Qide (formerly known as Foshan Qide Investment Co. Limited# (佛山市啟德投資有限公司) and its name was changed to Foshan Qide with effect from 11 December 2007) was established as a private company on 21 November 2007 in the PRC with the authorised capital of RMB3 million. On 22 November 2007, Foshan Qide acquired the Assets in Shan Cheng Hospital from an Independent Third Party at a consideration of RMB4,183,894.72. On 30 November 2007, Foshan Qide entered into a tenancy agreement with an Independent Third Party to rent a premises located at No.1, First Street, Wen Qing Lu, Dong Sheng Chuang, Huang Shi Town, Shan Cheng District, Foshan, the PRC# (佛山市禪城區環市鎮東升村文慶路一街一號「東升經濟聯合社會綜合樓」) for a term of eleven years commencing from 16 November 2007 to 15 November 2018 both dates inclusive. The said premises, comprising eight stories from ground floor to seventh floor with total gross floor area of approximately 10,000 m², will be used as Foshan Hospital complex. The monthly rental is RMB100,000 for the first six years commencing from 16 November 2007 to 15 November 2013. An annual rental increment of 5%, 4% and 3% will be imposed for the seventh year, the eighth year and the ninth year and onwards respectively. Before the premises was leased to Foshan Qide, it was the hospital complex of Shan Cheng Hospital. Shan Cheng Hospital has ceased its operation since 31 December 2007. The premises is currently under renovation and will be used as hospital complex of Foshan Hospital thereafter.

Foshan Hospital, a trade name of Foshan Qide in running its hospital business in Foshan, the PRC will be the major operating subsidiary of the Target Group. Foshan Hospital, is a privately-run hospital established in Foshan, the PRC by Foshan Qide, 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. Foshan Qide has injected the Assets to Foshan Hospital for its operation.

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As at the Latest Practicable Date, Foshan Qide Investment Limited# (佛山市啟德投資有限公司) has changed its name to Foshan Qide. Foshan Qide has completed the acquisition of the Assets in Shan Chen Hospital and has obtained the relevant licence from the government authority in the PRC to establish Foshan Hospital. The leased Foshan Hospital complex is currently under renovation. On 20 December 2007, Asia Smartie entered into an acquisition agreement with two Independent Third Parties to acquire the entire equity interests in Fujian Rongjian for a total consideration of RMB5,000,000. The said consideration will be settled by Asia Smartie within 3 months after Fujian Rongjian has been transformed to a wholly foreign own enterprise. In the event that Asia Smartie has defaulted to pay such consideration, the Vendor has undertaken to pay such consideration to the counterparties of said acquisition agreement on behalf of Asia Smartie. Accordingly, the Company has no liability to settle such acquisition consideration. Such acquisition has not yet completed as such acquisition is still pending for the approval of government authority in the PRC and completion of transformation of Fujian Rongjian into a wholly foreign owned enterprise has not yet taken place.

Set out below is a summary of the key financial data of Target based on the unaudited management accounts of Target for the period from 18 October 2007 (date of incorporation) to 30 November 2007 as provided by the Vendor which has been prepared in accordance with the generally accepted accounting principles in Hong Kong:

	Period from 18 October 2007 to 30 November 2007
	<i>HK\$</i> (unaudited)
(Loss) before tax for the period	(8,518)
(Loss) after tax for the period	(8,518)
	As at 30 November 2007
	<i>HK\$</i> (unaudited)
Net liabilities	(8,510)

Note: Asia Smartie, which is principally engaged in investment holding, was incorporated on 5 December 2007 with the authorised share capital of HK\$10,000 divided into 10,000 shares of HK\$1.00 each, of which one share has been issued and is fully paid as at the Latest Practicable Date.

LETTER FROM THE BOARD

Set out further below is a summary of the key financial data of Fujian Rongjian, which will become a subsidiary of the Target Group after Target Group Reorganisation, based on its unaudited consolidated management accounts for the period from 19 October 2007 (date of incorporation) to 30 November 2007 as provided by the Vendor which has been prepared in accordance with the generally accepted accounting principles in Hong Kong:

	Period from 19 October 2007 to 30 November 2007 <i>RMB</i> (unaudited)
(Loss) before tax for the period	(64,740)
(Loss) after tax for the period	(49,310)
	As at 30 November 2007 <i>RMB</i> (unaudited)
Net assets	1,850,690

Upon Completion of the Proposed Acquisition and the Proposed Subscription, the Directors have no present intention to recruit the employees and to acquire the customer profile and medical profile of Shan Cheng Hospital. The Directors have no current intention to materially change the existing management team thereof except for the changes to the compositions of the board of directors of the Target Group to obtain board control. The Board considers that with the continuation of service of the existing management team of the Target Group, in particular the management team in Fujian Rongjian has sufficient knowledge and over ten years experience in healthcare investment, healthcare management of various hospitals in Fujian and Guangdong, couple with a number of the Directors, who also have sufficient knowledge and experience in the healthcare industry, the Group is well equipped to carry on the business of the Target Group.

Board representation of the Target Group

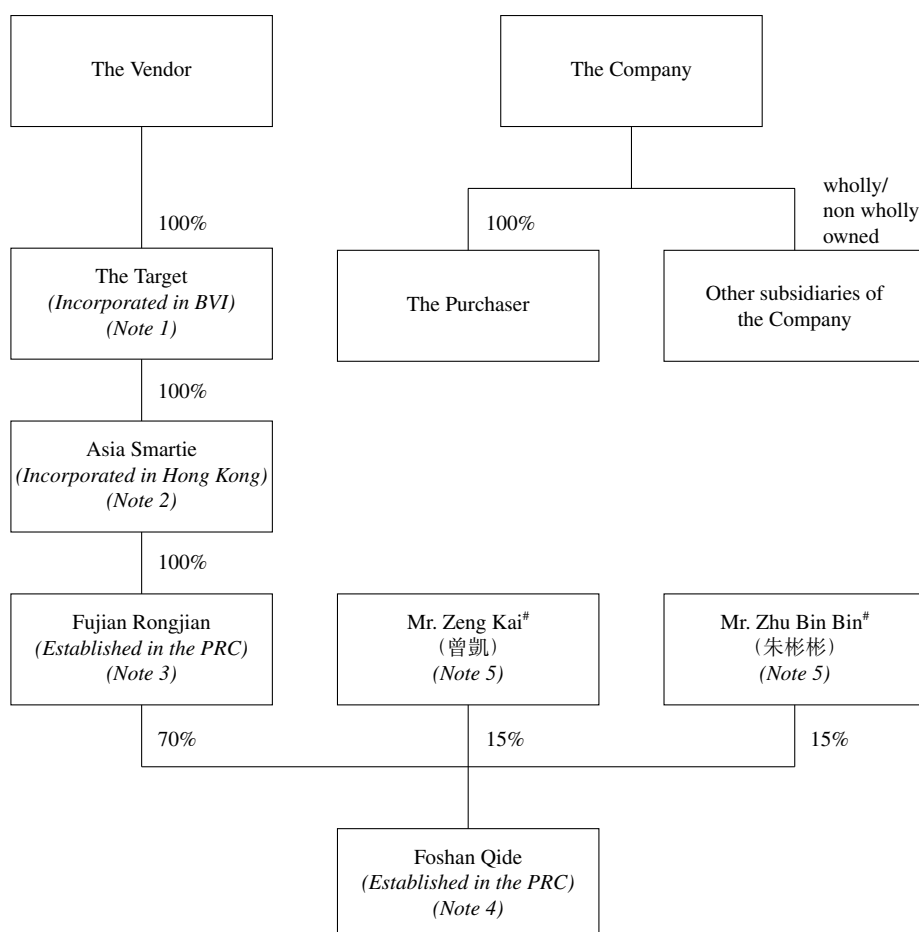
Upon Completion of the Proposed Acquisition and the Proposed Subscription, representatives will be appointed by the Company to form a majority of the board of directors of each of the members of the Target Group.

LETTER FROM THE BOARD

Group structure

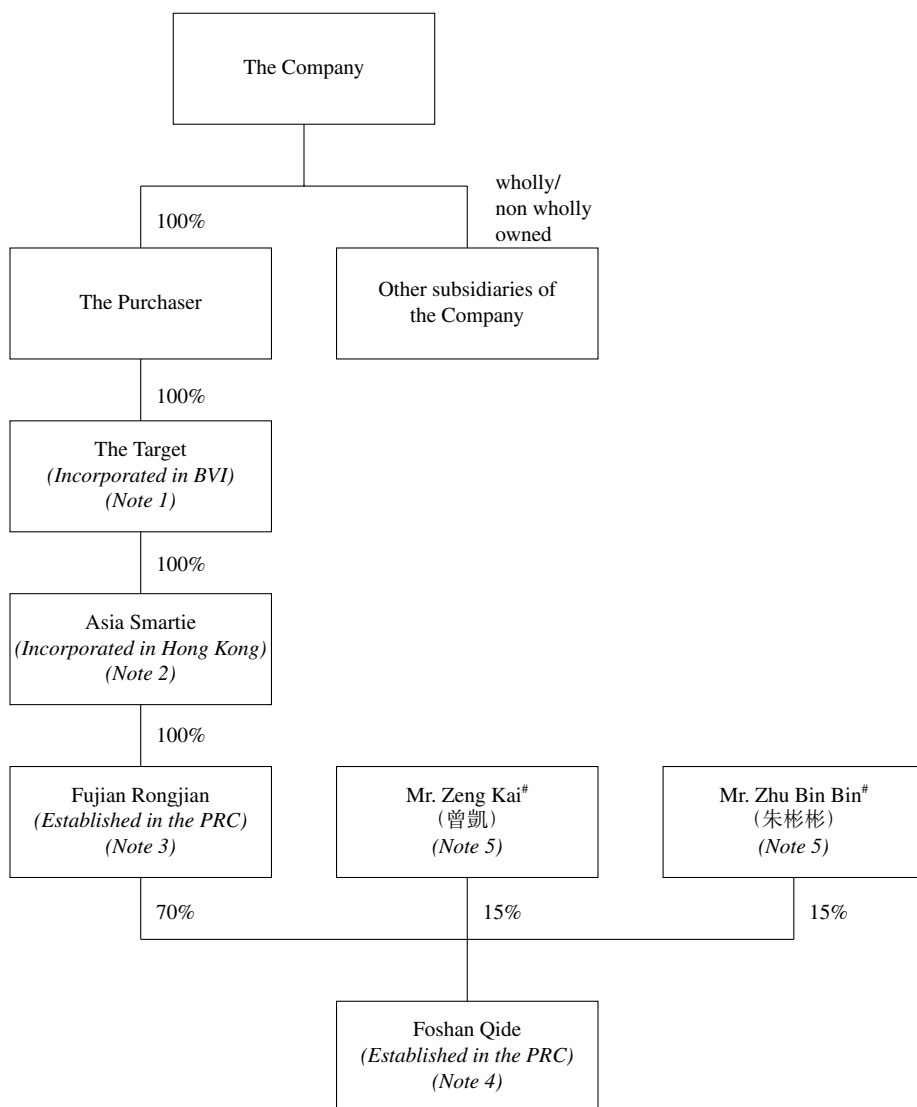
The following charts show the group structure of the Target Group immediately before and after Completion of the Proposed Acquisition and the Proposed Subscription:

Immediately before Completion of the Proposed Acquisition and the Proposed Subscription



LETTER FROM THE BOARD

Immediately after Completion of the Proposed Acquisition and the Proposed Subscription



Notes:

1. The Target, is an investment holding company incorporated in BVI on 18 October 2007 solely for the purpose of holding 100% equity interests in Asia Smartie and the Vendor is its ultimate beneficial owner.
2. Asia Smartie is a company incorporated in Hong Kong on 5 December 2007 as an investment holding company solely for the purpose of holding 100% equity interests in Fujian Rongjian.
3. Fujian Rongjian is a private company established in the PRC on 19 October 2007 for the establishment and holding of 70% equity interests in Foshan Qide.

LETTER FROM THE BOARD

4. Foshan Qide is a private company established in the PRC on 21 November 2007. Foshan Qide has obtained the relevant licence from the government authority in the PRC to establish Foshan Hospital. Foshan Hospital is a trade name of Foshan Qide in running its hospital business in Foshan, the PRC. On 22 November 2007 Foshan Qide acquired the Assets from Shan Cheng Hospital and has injected the Assets to Foshan Hospital.
5. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, each of Mr. Zeng Kai and Mr. Zhu Bin Bin is an Independent Third Party.

REASONS FOR THE PROPOSED ACQUISITION AND THE PROPOSED SUBSCRIPTION

The Group is principally engaged in the provision of general hospital and healthcare and hospital management services in the PRC. In addition, the Group is also engaged in the manufacture and sales 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 the PRC. As mentioned in the interim report of the Company for the period ended 30 September 2007, the provision of general hospital and healthcare and hospital management services in the PRC by the Group is the main contribution in generating revenue for the Group.

The Proposed Acquisition and the Proposed Subscription are made in furtherance of the business plans of the Group in developing its presence in the healthcare sector in the PRC. As Foshan has a high density population of approximately 10 million and there is a general increase in the health concern of individuals, the Directors consider that there are prospects in the healthcare sector in Foshan, the PRC in the long run. The Directors consider that the Proposed Acquisition and the Proposed Subscription will enhance the Group's overall business performance, strengthen its revenue bases and diversify its business risk through synergistic effect through implementation of cost control measures and marketing and business strategies in the Target Group which, the Directors believe, would make progress of the business of the Target Group. In view of the above and the Profit Guarantee provided by the Vendor as well as the future prospects of the healthcare sector in the PRC, the Directors are of the view that the terms of the Proposed Acquisition and the Proposed Subscription are fair and reasonable and the Proposed Acquisition and the Proposed Subscription are in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

FINANCIAL EFFECT

Upon Completion of the Proposed Acquisition and the Proposed Subscription, the Target will become a wholly owned subsidiary of the Company and its accounts will be consolidated with that of the Group. The Group expects its earnings will be enhanced as a result of the Acquisition.

IMPLICATION UNDER THE GEM LISTING RULES

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

GENERAL

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

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

1. RESPONSIBILITY STATEMENT

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

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

2. DISCLOSURE OF INTERESTS

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

As at the Latest Practicable Date, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO, including interests or short positions which they were deemed or taken to have under such provisions of the SFO, or which were required, pursuant to section 352 of the SFO, to be entered in the register to therein, or which were required, pursuant to the rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by Directors, to be notified to the Company and the Stock Exchange, were as follows.

(i) *Interests in Shares:*

Name of Director	Number of Shares	Capacity	Position	Approximate percentage of the total issued share capital of the Company as at the Latest Practicable Date
Mr. Yung Kwok Leong (Note 1)	375,746,000	Interest in controlled corporation	Long	20.87%
	6,187,500	Beneficial owner	Long	0.34%
Ms. Shum Ngai Pan (Note 2)	5,400,000	Beneficial owner	Long	0.30%
Mr. Zheng Gang (Note 2)	3,600,000	Beneficial owner	Long	0.20%

Notes:

1. 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.
2. Ms. Shum Ngai Pan and Mr. Zheng Gang are executive Directors.

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

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

Save as disclosed above, as at the Latest Practicable Date, none of the Directors nor the chief executive of the Company had or was deemed to have any interests or short positions in the Shares, underlying Shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were, pursuant to rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by Directors to be notified to the Company and the Stock Exchange.

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

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which have been since 31 March 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 Director	Number of Shares	Position	Capacity	Approximate percentage of 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	20.87%
Ms. Yung Muk Ying (<i>Note 1</i>)	390,975,585	Long	Interest of spouse	21.73%
Mr. Lau Kam Shui (<i>Note 2</i>)	264,070,000	Long	Beneficial owner	14.67%
Ms. Lau Yuk Lan (<i>Note 2</i>)	264,070,000	Long	Interest of spouse	14.67%

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. DIRECTORS' SERVICE CONTRACTS

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

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

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

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

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

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

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

6. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Board confirmed that there was no material adverse change in the financial or trading position of the Group since 31 March 2007 (being the date to which the latest published audited consolidated accounts of the Group were made up).

7. MISCELLANEOUS

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

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.

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