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## THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult a stockbroker or other registered dealer in securities, 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 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)**

- (1) PROPOSED GENERAL MANDATES TO ISSUE  
NEW SHARES AND REPURCHASE SHARES;**
- (2) PROPOSED REFRESHMENT OF SCHEME MANDATE LIMIT;**
- (3) PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION;**
- (4) PROPOSED MODIFICATION TO TERMS OF CONVERTIBLE NOTES;**
- (5) PROPOSED CANCELLATION OF OPTIONS GRANTED;**
- (6) PROPOSED ELECTION OF DIRECTORS; AND**
- (7) NOTICE OF ANNUAL GENERAL MEETING**

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A notice convening the annual general meeting (the “AGM”) of the Company to be held at Room 1902, 19/F., Sing Pao Building, No. 101 King’s Road, North Point, Hong Kong on Thursday, 30 July 2009 at 11:00 a.m. A form of proxy for the AGM is enclosed with this circular. Whether or not you are able to attend the AGM, you are requested to complete the form of proxy in accordance with the instruction printed thereon and return the same to the principal place of business 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 AGM. Completion and return of the enclosed form of proxy will not preclude you from attending and voting in person at such meeting or any adjournment meeting should you so wish.

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

30 June 2009

\* For identification purpose only

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## CHARACTERISTICS OF GEM

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

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

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# CONTENTS

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	<i>Page</i>
<b>DEFINITIONS</b> .....	1
<b>LETTER FROM THE BOARD</b>	
INTRODUCTION .....	5
(1) PROPOSED GENERAL MANDATE TO ISSUE AND REPURCHASE SHARES .....	6
(2) PROPOSED REFRESHMENT OF SCHEME MANDATE LIMIT .....	7
(3) PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION .....	11
(4) PROPOSED MODIFICATION TO TERMS OF CONVERTIBLE NOTES .....	11
(5) PROPOSED CANCELLATION OF OPTIONS GRANTED .....	13
(6) PROPOSED ELECTION OF DIRECTORS .....	15
(7) ANNUAL GENERAL MEETING .....	15
GEM LISTING RULES REQUIREMENT FOR VOTING .....	16
SHAREHOLDERS ABSTAIN FROM VOTING .....	16
RESPONSIBILITY STATEMENT .....	16
RECOMMENDATION .....	17
GENERAL .....	17
<b>APPENDIX I – EXPLANATORY STATEMENT</b> .....	18
<b>APPENDIX II – DETAILS OF THE DIRECTORS PROPOSED                   TO BE ELECTED</b> .....	23
<b>NOTICE OF ANNUAL GENERAL MEETING</b> .....	26

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## DEFINITIONS

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

“AGM”	the annual general meeting of the Company to be held at Room 1902, 19/F., Sing Pao Building, No. 101 King’s Road, North Point, Hong Kong on Thursday, 30 July 2009, at 11:00 a.m.
“Articles of Association”	articles of association of the Company adopted pursuant to the written resolutions of the then shareholders of the Company passed on 20 April 2002 and as amended from time to time
“associates”	have the same meaning as prescribed in the GEM Listing Rules
“Bonus Issue”	the issue of the Bonus Shares pursuant to the terms and conditions of the underwriting agreement dated 24 December 2008
“Bonus Shares”	the bonus shares issued (for no additional payment) to the first registered holders of Offer Shares on the basis of two (2) bonus shares for every Offer Share taken up under the Open Offer subject to the terms and conditions of the underwriting agreement dated 24 December 2008 (the Open Offer has become unconditional on 12 March 2009)
“Board”	board of Directors
“Company”	Hua Xia Healthcare Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the issued Shares of which are listed on GEM of the Stock Exchange
“Companies Law”	the companies law, Chapter 22 (Laws of 1961, as consolidated and revised) of the Cayman Islands
“Convertible Notes”	the convertible notes with an outstanding principal amount of HK\$6,500,000 conferring rights to convert a total of 30,805,687 Shares on the basis of the adjusted conversion price of HK\$0.211 per Share
“Director(s)”	the director(s) of the Company

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## DEFINITIONS

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“Extension”	the extension of the Convertible Notes for seven years from 9 May 2010 to 8 May 2017
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“General Mandate”	the general mandate proposed to be granted to the Directors at the AGM to allot, issue and deal with new Shares not exceeding 20% of the number of issued Shares as at the date of the AGM which is to be extended by the number of Shares purchased pursuant to the Repurchase Mandate
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Latest Practicable Date”	26 June 2009, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Noteholder”	the holder(s) of the Convertible Notes from time to time
“Offer Share(s)”	899,022,397 new Shares issued to the qualifying Shareholders pursuant to the Open Offer
“Open Offer”	the open offer for subscription by the qualifying Shareholders for the Offer Shares at the subscription price of HK\$0.05 per Offer Share on the terms and subject to the conditions set out in the underwriting agreement dated 28 December 2008 and in the prospectus documents dated 19 February 2009 and such open offer has been completed on 12 March 2009
“Option(s)”	a right/rights granted to subscribe for Shares pursuant to the Pre-IPO Scheme and/or the Share Option Scheme
“Optionholders”	the relevant holders of the Options

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## DEFINITIONS

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“Participants”	(i) employees of the Company (whether full-time or part time) or any of its subsidiaries or associated companies; (ii) Directors (whether executive Directors or non-executive Directors or independent non-executive Directors) of the Company or any of its subsidiaries or associated companies; (iii) suppliers of goods and/or services to the Company or any of its subsidiaries or associated companies; (iv) customers of the Company or any of its subsidiaries or associated companies; (v) any person or entity that provides research, development or other technological support to the Company or any of its subsidiaries or associated companies; and (vi) any Shareholder of any member of the Group or any of its subsidiaries or associated companies or any holder of any securities issued by any member of the Group or any of its subsidiaries or associated companies
“Pre-IPO Scheme”	the share option scheme adopted by the Company on 20 April 2002 which came into effect prior to the initial listing of the Shares on GEM on 10 May 2002
“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
“Repurchase Mandate”	a general and unconditional mandate to be granted to the Directors at the AGM to exercise all powers of the Company to repurchase Shares up to a maximum of 10% of the issued share capital of the Company as at the date of passing of the relevant resolution granting such mandate
“Scheme Mandate Limit”	the maximum number of Shares which may be issued upon exercise of all of the Options which shall not in aggregate exceed 10% of the Shares in issue as at the adoption of the Share Option Scheme and thereafter, if refreshed shall not exceed 10% of the shares in issue as at the date of approval of the refreshed limit by the Shareholders
“SFO”	the Hong Kong Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)

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## DEFINITIONS

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“Share Option Scheme”	the share option scheme adopted by the Company on 20 April 2002 which came into effect after the initial listing of the Shares on GEM on 10 May 2002
“Shareholder(s)”	holder(s) of the Shares
“Shares”	ordinary shares of HK\$0.05 each in the issued share capital of the Company
“Stock Exchange”	the Stock Exchange of Hong Kong Limited
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent

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## LETTER FROM THE BOARD

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# HUA XIA HEALTHCARE HOLDINGS LIMITED

華夏醫療集團有限公司\*

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

**(Stock Code: 8143)**

*Executive Directors:*

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

*Registered office:*

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

*Non-executive Director:*

Dr Wong Yu Man, James

*Head office and principal place of*

*business in Hong Kong:*  
Room 1902, 19th Floor  
Sing Pao Building  
No. 101 King's Road  
North Point, Hong Kong

*Independent non-executive Directors:*

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

30 June 2009

*To Shareholders of the Company, and for information only,  
holders of Options and Convertible Notes*

Dear Sir or Madam,

- (1) PROPOSED GENERAL MANDATES TO ISSUE  
NEW SHARES AND REPURCHASE SHARES;**
- (2) PROPOSED REFRESHMENT OF SCHEME MANDATE LIMIT;**
- (3) PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION;**
- (4) PROPOSED MODIFICATION TO TERMS OF CONVERTIBLE NOTES;**
- (5) PROPOSED CANCELLATION OF OPTIONS GRANTED;**
- (6) PROPOSED ELECTION OF DIRECTORS; AND**
- (7) NOTICE OF ANNUAL GENERAL MEETING**

### INTRODUCTION

The purpose of this circular is to provide you with information regarding certain resolutions to be proposed at the forthcoming AGM of the Company to be held on Thursday, 30 July 2009 including but not limited to (i) the proposed general mandates to the Directors for the issue and repurchase of Shares; (ii) the proposed refreshment of the 10% Scheme Mandate Limit for the grant of Options under the Share Option Scheme; (iii) the proposed amendments to the Articles of Association; (iv) the proposed modification to the terms of the Convertible Notes; (v) the proposed cancellation of Options granted; and (vi) the proposed election of the Directors to be approved at the AGM.

\* For identification purpose only



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## LETTER FROM THE BOARD

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### (1) PROPOSED GENERAL MANDATE TO ISSUE AND REPURCHASE SHARES

The existing general mandates granted to the Directors to allot and issue new Shares and to repurchase Shares at the annual general meeting of the Company held on 19 August 2008 will lapse at the conclusion of the AGM.

At the AGM, ordinary resolutions will be proposed to the Shareholders (a) approving the grant of the General Mandate to the Directors to allot, issue and otherwise deal with new Shares not exceeding in aggregate 20% of the aggregate nominal amount of the share capital of the Company in issue at the date of the passing such resolution; (b) approving the grant of the Repurchase Mandate to the Directors to repurchase, inter alia, Shares, the aggregate nominal amount of which does not exceed 10% of the aggregate nominal amount of the issued share capital of the Company at the date of passing such resolution; and (c) adding to the number of Shares which may be allotted, issued or dealt with under the General Mandate the amount of any Shares repurchased by the Company under the Repurchase Mandate.

#### **The General Mandate**

Under the General Mandate, the Directors will be given a general mandate to allot, issue and deal with new Shares representing not more than 20% of the issued share capital of the Company outstanding as at the conclusion of the AGM.

As at the Latest Practicable Date, the Company had an aggregate of 4,495,111,986 Shares in issue. Subject to the passing of the ordinary resolution for the approval of the General Mandate and assuming that no Shares will be issued or repurchased by the Company between the Latest Practicable Date and the date of the AGM, the Company would be allowed under the General Mandate to allot, issue and deal with up to a maximum of 899,022,397 new Shares.

#### **The Repurchase Mandate**

It is also proposed that the Repurchase Mandate be granted to the Directors. The explanatory statement required by the GEM Listing Rules to be sent to the Shareholders in connection with the proposed Repurchase Mandate is set out on pages 18 to 22 of this circular.

The Directors wish to state that they have no present intention to repurchase any Shares.

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## LETTER FROM THE BOARD

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### Extension of the General Mandate

Subject to the approval of the Repurchase Mandate, another ordinary resolution will be proposed at the AGM to add to the limit under the General Mandate the amount of any Shares repurchased by the Company pursuant to the Repurchase Mandate.

### Effectiveness of General Mandate and Repurchase Mandate

The General Mandate and the Repurchase Mandate shall be effective until whichever is the earliest of:

- (a) the conclusion of the next annual general meeting of the Company; or
- (b) the expiration of the period within which the next annual general meeting of the company is required by the Articles of Association, or any applicable law of the Cayman Islands to be held; or
- (c) the passing of an ordinary resolution by the Shareholders in general meeting revoking or varying the authority given to the Directors.

### (2) PROPOSED REFRESHMENT OF SCHEME MANDATE LIMIT

The Company adopted the Pre-IPO Scheme and the Share Option Scheme by written resolution of shareholders on 20 April 2002.

At present, the Company has no other share option scheme apart from the Pre-IPO Scheme and the Share Option Scheme. A breakdown setting out the number of Options outstanding and their respective exercise price (after adjustments to the Open Offer with Bonus Issue) and their respective exercise period under the Pre-IPO Scheme and Share Option Scheme as at the Latest Practicable Date is as follows:

#### Pre-IPO Scheme

	Exercise period	Exercise price	Number of Options outstanding
Former employee and advisor of the Group	25 April 2002 to 24 April 2012	HK\$0.245	2,281,370

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## LETTER FROM THE BOARD

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### Share Option Scheme

Directors	Exercise period	Exercise price	Number of Options outstanding
Mr Yung Kwok Leong	13 July 2006 to 12 July 2016	HK\$0.376	5,403,475
	21 March 2007 to 20 March 2017	HK\$0.306	9,666,667
	30 September 2009 to 29 March 2019	HK\$0.050	17,000,000
Dr Jiang Tao	13 July 2006 to 12 July 2016	HK\$0.376	11,468,600
	21 March 2007 to 20 March 2017	HK\$0.306	6,500,000
	30 September 2009 to 29 March 2019	HK\$0.050	8,000,000
Mr Zheng Gang	30 September 2009 to 29 March 2019	HK\$0.050	17,000,000
Ms Shum Ngai Pan	13 July 2006 to 12 July 2016	HK\$0.376	6,175,400
	21 March 2007 to 20 March 2017	HK\$0.306	11,833,333
	30 September 2009 to 29 March 2019	HK\$0.050	15,000,000
Mr Chen Jin Shan	13 July 2006 to 12 July 2016	HK\$0.376	11,468,600
	21 March 2007 to 20 March 2017	HK\$0.306	6,500,000
	30 September 2009 to 29 March 2019	HK\$0.050	17,000,000
Employees and consultants of the Group	13 July 2006 to 12 July 2016	HK\$0.376	26,135,175
	24 July 2006 to 23 July 2016	HK\$0.372	27,127,650
	21 March 2007 to 20 March 2017	HK\$0.306	119,666,667
	30 September 2009 to 29 March 2014	HK\$0.050	97,000,000
Total			412,945,567

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## LETTER FROM THE BOARD

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As at the Latest Practicable Date, an aggregate of 415,226,937 Options, representing approximately 9.24% of the issued share capital of the Company, remain outstanding under the Pre-IPO Scheme and Share Option Scheme.

The Scheme Mandate Limit was refreshed on 22 August 2007 to allow the Directors to grant Options to subscribe for up to 171,591,720 Shares. A total of 171,000,000 Options were granted to Participants on 30 March 2009. None of these Participants has been granted with Options exceeding the limit of 1% of the issued capital of the Company as set out in Rule 23.03 of the GEM Listing Rules. No further grant of Options has been made since then. As at the Latest Practicable Date, the Company might only make further grant of Options to subscribe for up to 591,720 Shares, representing approximately 0.34% of the existing Scheme Mandate Limit.

The remaining existing Scheme Mandate Limit will lapse upon the approval of refreshment thereof at the AGM. Under the rules of the Share Option Scheme and subject to the GEM Listing Rules:

- (i) the initial limit on the maximum number of Shares that may be issued upon the exercise of the Options shall not exceed 10% of the shares of the Company in issue as at the date of approval of the Share Option Scheme;
- (ii) the Company may seek Shareholders' approval to refresh the Scheme Mandate Limit on the grant of Options under the Share Option Scheme as and when required. However, the Scheme Mandate Limit as refreshed shall not exceed 10% of the Shares in issue as at the date of the aforesaid Shareholders' approval. Options previously granted under the Share Option Scheme and other share option schemes (including those outstanding, cancelled, lapsed in accordance with the Share Option Scheme or exercised Options) will not be counted for the purpose of calculating the Scheme Mandate Limit as refreshed. A circular must be sent to Shareholders in connection with the meeting at which their approval will be sought;
- (iii) the Company may seek separate approval from the Shareholders in general meeting to grant Options beyond the Scheme Mandate Limit to Participants specifically identified by the Company before the aforesaid Shareholders' meeting where such approval is sought; and

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## LETTER FROM THE BOARD

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- (iv) the overall limit on the number of Shares which may be issued upon the exercise of all outstanding Options granted and yet to be exercised under the Share Option Scheme and any other option schemes of the Company must not in aggregate exceed 30% of the total number of Shares in issue from time to time.

The Directors consider that the Company should refresh the Scheme Mandate Limit so that the Company could have more flexibility to provide incentives to Participants by way of granting Options to them. If the Scheme Mandate Limit is again refreshed on the basis of 4,495,111,986 Shares in issue as at the Latest Practicable Date and assuming that no Shares are issued or repurchased by the Company prior to the AGM, the Company will be allowed to grant further Options under the Share Option Scheme of the Company carrying rights to subscribe for a maximum of 449,511,198 Shares (being 10% of the issued share capital of the Company as at the date of the AGM at which the refreshed limit is approved). In this regard, the Company will seek approval from the Shareholders in the AGM for refreshing the Scheme Mandate Limit. The proposed refreshment of the Scheme Mandate Limit will be conditional upon the Listing Committee of GEM granting the listing of, and the permission to deal in, such number of Shares, representing 10% of the Shares in issue as at the date of the AGM which may fall to be allotted and issued pursuant to the exercise of the Options granted under the refreshed Scheme Mandate Limit. Application will be made to the Stock Exchange for the listing of and permission to deal in the Shares to be issued pursuant to the exercise of the Options granted under the Share Option Scheme up to the refreshed Scheme Mandate Limit.

As at the Latest Practicable Date, other than the Pre-IPO Scheme and Share Option Scheme, the Company has no other share option scheme in force. The Directors consider that the refreshment of the Scheme Mandate Limit is in the interests of the Group and the Shareholders as a whole. The refreshment of the Scheme Mandate Limit is in line with the purpose of the Share Option Scheme and is in compliance with Chapter 23 of the GEM Listing Rules.

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## LETTER FROM THE BOARD

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### (3) PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION

Regulation No. 6 of the Articles of Association provides that the Company may from time to time by special resolution, subject to any confirmation or consent required by the Companies Law, reduce its share capital or any share premium account or any capital redemption reserve or other undistributable reserve in any manner permitted by law. Regulation No. 146(1) of the Articles of Association further provides that the Company may apply the share premium account in any manner permitted by the Companies Law.

The Board considers that it is beneficial to the Company and its Shareholders if the Company has the flexibility to apply the share premium account to offset any accumulated losses, as this will make any future distribution of dividend possible and the Company will then be in a better position to attract investors.

Therefore, the Board proposes that the said Regulations No. 6 and No. 146(1) of the Articles of Association be amended, so that the sanction of a special resolution is not required for a reduction of the share premium account, and the Board will have the power to apply the share premium account of the Company in writing off accumulated losses of the Company.

### (4) PROPOSED MODIFICATION TO TERMS OF CONVERTIBLE NOTES

#### **Background of the proposed modification to terms of Convertible Notes**

Reference is made to the Company's announcement dated 20 March 2009 and the circular dated 16 April 2007 regarding, among other matters, the proposed issue of the convertible notes. A summary of the principal terms of the convertible notes were set out in such announcement and circular respectively. The convertible notes, bore a 2% interest per annum and payable semi-annually in arrears with the aggregate amount of HK\$33,000,000, were created and issued by the Company on 9 May 2007. As stated in the same announcement, the proceeds from the issue of the convertible notes were intended to be used as a part of the consideration for the Group's acquisition of Hero Vision Enterprises Limited and its subsidiaries.

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## LETTER FROM THE BOARD

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Reference is also made to the Company's announcement dated 17 April 2009, in which the Company announced that a supplemental instrument was executed by way of deed poll on 17 April 2009 and the maturity date of the Convertible Notes was extended for one year from 9 May 2009 to 8 May 2010. The extension would facilitate more time for the Company and Noteholder for any further negotiations on the terms of the Convertible Notes. As the extension constituted an alteration in the terms of the Convertible Notes, an approval for the extension had been obtained by the Company from the Stock Exchange on 17 April 2009 in accordance with Rule 34.05 of the Listing Rules.

After further negotiations, the Company and the Noteholder have reached an agreement on the terms of the Convertible Notes. On 5 June 2009, the Company received a notice given by the Noteholder, requesting the Company to extend the maturity date of the Convertible Notes for a period of seven years from 8 May 2010 to 9 May 2017.

### **Reasons for the proposed modification to terms of Convertible Notes**

The Board believes that the Extension will enable the Company to retain its funds for general working capital purpose. In addition, the interest rate payable by the Company under the Convertible Notes of 2% per annum is much less than the cost of bank borrowings for the year ended 31 March 2009 of 4.4% per annum.

### **Financial effect of the Extension on the Company**

As a result of the Extension, Directors expected that the interest cost of the Convertible Notes and the liabilities of the Group will be increased immaterially. Directors also expect that there will be minimal effect on the assets of the Group.

### **Summary of the proposed modification to terms of Convertible Notes**

The proposed modification to the terms of the Convertible Notes constitutes a change in the terms of the Convertible Notes which is subject to (a) the approval by the Stock Exchange; and (b) the passing of an ordinary resolution to approve such modification by Shareholders.

Save for the Extension, all other terms of the Convertible Notes remain unchanged. Having obtained approval from the Board for the Extension, a supplemental deed poll will be executed subject to the passing of an ordinary resolution to approve such modification by Shareholders.

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## LETTER FROM THE BOARD

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### (5) PROPOSED CANCELLATION OF OPTIONS GRANTED

The Directors propose, subject to the consent of the Optionholders granted under the Share Option Scheme, to surrender the relevant outstanding Options to the Company for cancellation, to cancel the outstanding Options which entitle the holders thereof to subscribe for up to an aggregate of 210,084,734 (after adjustments to the Open Offer with Bonus Issue) Shares until 12 July 2016, 23 July 2016 and 20 March 2017 respectively granted to the Optionholders including Directors, employees and consultants of the Group. As at the date of this circular, the Company has not entered into any agreement with the Optionholders in respect of the cancellation of the outstanding Options. The exercise price (after adjustments to the Open Offer with Bonus Issue) of the outstanding Options to subscribe for 49,623,750 Shares, 27,127,650 Shares and 133,333,334 Shares is HK\$0.376 per Share, HK\$0.372 per Share and HK\$0.306 per Share under the Share Option Scheme respectively. A breakdown showing the exercise period, exercise price and the number of Options proposed to be cancelled held by each of the Directors, employees and consultants is as follows:

<b>Directors</b>	<b>Exercise period</b>	<b>Exercise price</b>	<b>Number of Options proposed to be cancelled</b>
Yung Kwok Leong	13 July 2006 to 12 July 2016	0.3760	5,403,475
	21 March 2007 to 20 March 2017	0.3060	9,666,667
Jiang Tao	13 July 2006 to 12 July 2016	0.3760	11,468,600
	21 March 2007 to 20 March 2017	0.3060	6,500,000
Shum Ngai Pan	13 July 2006 to 12 July 2016	0.3760	6,175,400
	21 March 2007 to 20 March 2017	0.3060	11,833,333
Chen Jin Shan	13 July 2006 to 12 July 2016	0.3760	11,468,600
	21 March 2007 to 20 March 2017	0.3060	6,500,000



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## LETTER FROM THE BOARD

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Directors	Exercise period	Exercise price	Number of Options proposed to be cancelled
<b>Employees and consultants of the Group</b>			
Chen Jing	21 March 2007 to 20 March 2017	0.3060	16,666,667
Lin Bi Xiang	24 July 2006 to 23 July 2016	0.3720	7,278,150
	21 March 2007 to 20 March 2017	0.3060	7,500,000
Lin Dan	13 July 2006 to 12 July 2016	0.3760	9,152,825
Lin Jian Qing	21 March 2007 to 20 March 2017	0.3060	13,500,000
Mi Na	24 July 2006 to 23 July 2016	0.3720	4,411,000
Shen Hua	24 July 2006 to 23 July 2016	0.3720	8,380,900
	21 March 2007 to 20 March 2017	0.3060	8,333,333
Wang Yue	21 March 2007 to 20 March 2017	0.3060	16,666,667
Weng Jiaying	13 July 2006 to 12 July 2016	0.3760	5,954,850
	21 March 2007 to 20 March 2017	0.3060	12,000,000
Xie Lan Lan	21 March 2007 to 20 March 2017	0.3060	16,666,667
Zhou Yam Mei	21 March 2007 to 20 March 2017	0.3060	7,500,000
	24 July 2006 to 23 July 2016	0.3720	<u>7,057,600</u>
Total			<u><u>210,084,734</u></u>

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## LETTER FROM THE BOARD

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The Directors consider that the cancellation of the outstanding Options would mitigate the dilution effect of the exercise of Options on the interests of the Shareholders and therefore, such cancellation is in the best interests of the Company and its Shareholders as a whole.

In accordance with Clause 14.01 of the Share Option Scheme, the cancellation of the outstanding Options will require the approval by the Shareholders in general meeting on a poll with the Optionholders and their respective associates abstaining from voting. Those abstaining include Mr Yung Kwok Leong, Dr Jiang Tao, Ms Shum Ngai Pan, Mr Chen Jin Shan, Ms Chen Jing, Ms Lin Bi Xiang, Ms Lin Dan, Ms Lin Jian Qing, Ms Mi Na, Ms Shen Hua, Mr Wang Yue, Mr Weng Jiaying, Ms Xie Lan Lan and Ms Zhou Yam Mei. Insofar as the Company is aware of or has been notified, as at the Latest Practicable Date, they are interested in 1,252,636,250 Shares in aggregate, representing approximately 27.87% of the entire issued share capital of the Company.

The Company has no present intention to re-issue the proposed cancelled Options. Should the Company re-issue new Options to the same Optionholders, the issue of such new Options may only be made under a share option scheme with available unissued Options (excluding the cancelled Options) within the limit approved by the Shareholders. Pursuant to the Share Option Scheme, the total number of Shares in respect of which the Options may be granted shall not exceed 10% of the total number of Shares as at the date of the annual general meeting at which the refreshed limit was approved but must not exceed 171,591,720 Shares in aggregate. As at the date of this circular, the Share Option Scheme has available unissued Options to subscribe for 591,720 Shares taking into account the Options to subscribe for 171,000,000 Shares which has been granted on 30 March 2009.

### **(6) PROPOSED ELECTION OF DIRECTORS**

As at the Latest Practicable Date, the Board has been informed that Ms Shum Ngai Pan, Mr Hsu William Shiu Foo and Prof Yu Chai Mei will retire from their offices at the AGM and will not offer themselves for re-election as Directors.

Details of the Directors who are proposed to be elected at the AGM are set out in Appendix II to this circular.

### **(7) ANNUAL GENERAL MEETING**

A notice convening the AGM of the Company to be held at Room 1902, 19/F., Sing Pao Building, No. 101 King's Road, North Point, Hong Kong, 30 July 2009 at 11:00 a.m.

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## LETTER FROM THE BOARD

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A form of proxy for the AGM is enclosed with this circular. Whether or not you are able to attend the AGM in person, please complete and return the form of proxy in accordance with the instructions printed thereon to the principal place of business of the Company at Room 1902, 19/F., Sing Pao Building, No. 101 King's Road, North Point, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding of the AGM. Completion and return of the form of proxy will not preclude you from attending and voting at the AGM or any adjourned meeting (as the case may be) should you so wish.

### **GEM LISTING RULES REQUIREMENT FOR VOTING**

Pursuant to Rule 17.47(4) of the GEM Listing Rules, vote of shareholders at a general meeting must be taken by poll. Accordingly, all resolutions will be put to vote by way of poll at the AGM. An announcement on the poll vote results will be made by the Company after the AGM in the manner prescribed under Rule 17.47(5) of the GEM Listing Rules.

### **SHAREHOLDERS ABSTAIN FROM VOTING**

In accordance with the GEM Listing Rules and Clause 14.01 of the Share Option Scheme, Mr Yung Kwok Leong, Dr Jiang Tao, Ms Shum Ngai Pan, Mr Chen Jin Shan, Ms Chen Jing, Ms Lin Bi Xiang, Ms Lin Dan, Ms Lin Jian Qing, Ms Mi Na, Ms Shen Hua, Mr Wang Yue, Mr Weng Jiaxing, Ms Xie Lan Lan and Ms Zhou Yam Mei (each being an Optionholder) and their respective associates will abstain from voting for the resolution to approve the proposed cancellation of Options granted. Insofar as the Company is aware of or has been notified, as at the Latest Practicable Date, Mr Yung Kwok Leong is interested in 1,225,073,750 Shares, Ms Shum Ngai Pan is interested in 13,500,000 Shares and Mr Weng Jiaxing is interested in 14,062,500 Shares of the Company. They are interested in 1,252,636,250 Shares in aggregate, representing approximately 27.87% of the entire issued share capital of the Company. The other Optionholders do not have interests in the Shares. Save for the disclosed, none of the Shareholders is required to abstain from voting in respect of the resolutions to be proposed at the AGM.

### **RESPONSIBILITY STATEMENT**

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief (i) the information contained in this circular is accurate and complete in all material respects and not misleading; (ii) there are no other matters the omission of which would make any statement in this circular misleading; and (iii) 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.

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## LETTER FROM THE BOARD

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### RECOMMENDATION

The Directors consider that (i) the proposed general mandates to the Directors for the issue and repurchase of Shares; (ii) the proposed refreshment of the 10% Scheme Mandate Limit for the grant of Options under the Share Option Scheme; (iii) the proposed amendments to the Articles of Association; (iv) the proposed modifications to the conditions of the Convertible Notes; (v) the proposed cancellation of Options granted; and (vi) the proposed election of the Directors are fair and reasonable so far as the Shareholders concerned and is in interests of the Company and its Shareholders as a whole. Accordingly, the Directors recommend all the Shareholders to vote in favour of the related ordinary resolutions and special resolution which will be proposed at the forthcoming AGM.

### GENERAL

As at the Latest Practicable Date, to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, none of the Directors, or the controlling Shareholder or the management Shareholders (as defined in the GEM Listing Rules) or their respective associates had any interests in a business which competes or may compete with the business of the Group and have any other conflicts of interest with the Group.

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

*This is an explanatory statement given to all Shareholders of the Company relating to the resolution to be proposed at the AGM authorising the Repurchase Mandate. It contains all the relevant information required pursuant to Rule 13.08 of the GEM Listing Rules which is set out as follows:*

### **1. EXERCISE OF THE REPURCHASE MANDATE**

Exercise in full of the Repurchase Mandate, on the basis of 4,495,111,986 Shares of the Company in issue as at the Latest Practicable Date, could result in up to 449,511,198 Shares listed on GEM or on another stock exchange recognized by the Securities and Futures Commission and the Stock Exchange under the Code on Share Repurchases being repurchased by the Company during the period up to (i) the conclusion of the next annual general meeting of the Company after the AGM; (ii) the expiration of the period within which the next annual general meeting of the Company after the AGM is required by the Articles of Association or the Companies Law or any other applicable laws of the Cayman Islands to be held; or (iii) the revocation, variation or renewal of the repurchase mandate by ordinary resolution of the Shareholders in general meeting, whichever occurs first.

### **2. REASONS FOR REPURCHASES**

Although the Directors have no present intention to repurchase any Shares, they believe that the Repurchase Mandate will provide the Company the flexibility to make such repurchases when appropriate and beneficial to the Company and the Shareholders. Such repurchases may, depending on market conditions and funding arrangements at the relevant time, lead to an enhancement of the net asset value of the Company and/or earning per Share.

### **3. FUNDING OF REPURCHASES**

Repurchase of Shares will be funded out of funds legally available for such purpose in accordance with the Memorandum and Articles of Association of the Company and the applicable laws and regulations of the Cayman Islands.

The Company may not purchase its own securities on the GEM for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time.

There might be a material adverse impact on the working capital or the gearing position of the Group as compared with the position disclosed in the audited financial statements for the year ended 31 March 2009, being the date to which the latest published audited financial statements of the Company were made up, in the event that the Repurchase Mandate is exercised in full. However, the Directors do not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements of the Group or on the gearing positions which in the opinion of the Directors are from time to time appropriate for the Group. The number of Shares to be repurchased on any occasion and the price and other terms upon which the same are repurchased will be decided by the Directors at the relevant time having regard to the circumstances then prevailing.

#### 4. SHARE PRICES

The highest and lowest prices at which Shares have been traded on GEM in each of the past twelve months preceding the Latest Practical Date were as follows:–

	Price per Share	
	Highest <i>HK\$</i>	Lowest <i>HK\$</i>
<b>2008</b>		
June	0.086	0.062
July	0.074	0.066
August	0.074	0.046
September	0.058	0.028
October	0.034	0.024
November	0.034	0.028
December	0.032	0.028
<b>2009</b>		
January	0.036	0.027
February	0.039	0.024
March	0.033	0.021
April	0.050	0.031
May	0.060	0.032
June (up to the Latest Practicable Date)	0.076	0.053

**5. UNDERTAKING OF THE DIRECTORS**

As at the date of this circular, the Company's Board consisted of nine Directors. The executive Directors are Mr Yung Kwok Leong, Dr Jiang Tao, Mr Zheng Gang, Ms Shum Ngai Pan and Mr Chen Jin Shan, the non-executive Director is Dr Wong Yu Man, James and the independent non-executive Directors are Ms Wong Ka Wai, Jeanne, Mr Hsu William Shiu Foo and Prof Yu Chai Mei.

The Directors have undertaken to the Stock Exchange that they will exercise the power of the Company to make repurchases pursuant to the proposed resolution in accordance with the GEM Listing Rules and the applicable laws of Hong Kong and in accordance with the regulations set out in the Memorandum and Articles of Association of the Company and also any applicable laws of the Cayman Islands.

None of the Directors nor, to the best of the knowledge and belief of the Directors having made all reasonable enquires, any of the associates (as defined in the GEM Listing Rules) of any of the Directors has any present intention, in the event that the proposed Repurchase Mandate is approved by the Company's shareholders, to sell Shares to the Company.

As at the Latest Practicable Date, no connected person (as defined in the GEM Listing Rules) of the Company has notified the Company that he/she has a present intention to sell Shares to the Company nor has he/she undertaken not to sell any of the Shares held by him/her to the Company in the event that the Company is authorised to make repurchases of Shares.

**6. THE HONG KONG CODE ON TAKEOVERS AND MERGERS**

If as a result of a Share repurchase, a shareholder's proportionate interest in the voting rights of the Company increases, such increase will be treated as an acquisition for the purpose of Rule 32 of the Takeovers Code. Accordingly, a shareholder or group of shareholders acting in concert, could obtain or consolidate control of the Company and become obliged to make a mandatory offer in accordance with Rules 26 and 32 of the Takeovers Code.

As at the Latest Practicable Date, the register of the substantial shareholders maintained by the Company under section 336 of the SFO showed that the following parties had interests in the Shares representing 10% or more of the voting power at any general meeting of the Company:

Number of Shareholder	Number of Shares	Position	Capacity	Approximate percentage of the total issued Shares	Approximate percentage of shareholding if the Repurchase Mandate is exercised in full
Easeglory Holdings Limited <i>(Note)</i>	1,209,605,000	Long	Beneficial owner	26.91%	29.90%
Yung Kwok Leong <i>(Note)</i>	1,209,605,000	Long	Interest of a controlled Corporation	26.91%	29.90%
	47,538,892	Long	Beneficial owner	1.06%	1.18%
Yung Muk Ying <i>(Note)</i>	1,257,143,892	Long	Interest of spouse	27.97%	31.07%

*Note:* 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 1,257,143,892 Shares held by Easeglory Holdings Limited and 15,468,750 Shares and 32,070,142 underlying Shares beneficially held by Mr Yung Kwok Leong in personal capacity by virtue of her being the spouse of Mr Yung Kwok Leong.

If a shareholder's proportionate interest in the voting rights of the Company increases as a result of the Directors exercising the powers of the Company to repurchase Shares pursuant to the Repurchase Mandate, such increase will be treated as an acquisition of voting rights for the purpose of Rule 32 of the Takeovers Code. According to public records, as at the Latest Practicable Date, Mr Yung Kwok Leong directly held approximately 1.06% and indirectly held through his 100% beneficially owned Easeglory Holdings Limited of 26.91% of the issued share capital of the Company respectively. If Mr Yung Kwok Leong is treated as a party acting in concert with Easeglory Holdings Limited, for the purposes of the Takeovers Code, the exercise in full of the Repurchase Mandate will cause the aggregate shareholding of Mr Yung Kwok Leong and Easeglory



Holdings Limited in the Company to increase from approximately 27.97% to 31.07%. Accordingly, such ownership in the shareholding by Mr Yung Kwok Leong and Easeglory Holdings Limited could obtain or consolidate control of the Company and therefore become obliged to make a mandatory offer for securities in the Company not already owned by them in accordance with Rule 26 of the Takeovers Code. However, the Directors have no present intention to exercise the Repurchase Mandate to such an extent that would result in any shareholder or group of shareholders acting in concert, being obliged to make a mandatory offer in accordance with Rule 26 of the Takeover Code.

The Directors are also aware that the GEM Listing Rules prohibit a company from making repurchase on the Stock Exchange if the result of the repurchase would be that less than 25% (or such other prescribed minimum percentage as determined by the Stock Exchange) of the issued share capital would be in public hands. The Directors have no present intention to exercise the Repurchase Mandate to such an extent that would result in the Company failing to comply with the public float requirements under the GEM Listing Rules.

#### **7. SHARE REPURCHASE MADE BY THE COMPANY**

No Shares had been repurchased by the Company, whether on the GEM or otherwise, in the last six months prior to the Latest Practicable Date.

*Set out below are details of the Directors who are proposed to be elected at the AGM:*

**1. Dr Huang Jiaqing (“Dr Huang”)**

Dr Huang, aged 58, will be nominated for appointment as an executive Director of the Company on 30 July 2009. Dr Huang is currently the executive vice president of the Group. To honour Dr Huang’s distinguished expertise in the medical field, he enjoys special subsidisation from the State Council of the PRC. He has over 25 years of professional experience in the medical fields in the PRC, including clinical, preventive and emergency medicine. Dr. Huang has served as clinical doctor, director of the emergency centre, head of the sanitation and anti-epidemic department in hospital, head of the hospital and the medical administration bureau in the PRC municipal government.

Dr Huang will be proposed for appointment as an executive Director by way of a letter of appointment with the Company for a term of one year commencing on 30 July 2009 and will continue thereafter until terminated by either party giving each other not less than one month’s notice in writing. Dr Huang will be entitled to a fixed emolument of HK\$120,000 per annum which is determined after arm’s length negotiation between both parties and with reference to his duties and responsibilities with the Company plus a year-end discretionary bonus to be determined by the Board from time to time.

As at the Latest Practicable Date, Dr Huang has no interest in the Shares. Save for the aforesaid, Dr Huang does not have any interest in the Shares or underlying Shares within the meaning of Part XV of the SFO. Dr Huang is not connected with any Directors, senior management, management Shareholders, substantial Shareholders or controlling Shareholders of the Company.

Other than disclosed above, there is no matter that need to be brought to the attention of the holders of securities of the Company and there is no information to be disclosed pursuant to any of the requirements of Rule 17.50(2)(h) to (v) of the GEM Listing Rules in relation to the proposed election of Dr Huang as the executive Director at the AGM.

**2. Prof Hu Shanlian (“Prof Hu”)**

Prof Hu, aged 72, will be nominated for appointment as an independent non-executive Director of the Company on 30 July 2009. Prof Hu will also be nominated as the member of the audit committee and remuneration committee of the Company on 30 July 2009. At present, Prof Hu does not hold any positions in the Group. Prof Hu is a professor in health economics and has a master degree in science from the London School of Tropical Medicine and Hygiene. At Present, he is the director of Training Centre for Health Management and Pharmacoeconomics Research and Evaluation Centre at School of Public Health at Fudan University in the PRC. Prof Hu is also the director of Health Development Research Centre in the Shanghai Bureau of Health. Prof Hu also held senior positions in the National Health Economic Institution and China Network of Training and Research in Health Economics and Financing between 1991 and 2005, which were supported by the Ministry of Health of the PRC and World Bank respectively.

Prof Hu will be proposed for appointment as an independent non-executive Director by way of a letter of appointment with the Company for a term of one year commencing on 30 July 2009 and will continue thereafter until terminated by either party giving each other not less than one month’s notice in writing. Prof Hu will be entitled to a fixed emolument of HK\$60,000 per annum which is determined after arm’s length negotiation between both parties and with reference to his duties and responsibilities with the Company. Prof Hu is not entitled to discretionary bonus.

As at the Latest Practicable Date, Prof Hu has no interest in the Shares. Save for the aforesaid, Prof Hu does not have any interest in the Shares or underlying Shares within the meaning of Part XV of the SFO. Prof Hu is not connected with any Directors, senior management, management Shareholders, substantial Shareholders or controlling Shareholders of the Company.

Other than disclosed above, there is no matter that need to be brought to the attention of the holders of securities of the Company and there is no information to be disclosed pursuant to any of the requirements of Rule 17.50(2)(h) to (v) of the GEM Listing Rules in relation to the proposed election of Prof Hu as the independent non-executive Director at the AGM.

**3. Prof Lu Chuanzhen (“Prof Lu”)**

Prof Lu, aged 71, will be nominated for appointment as an independent non-executive Director of the Company on 30 July 2009. Prof Lu will also be nominated as the member of the audit committee and remuneration committee of the Company on 30 July 2009. At present, Prof Lu does not hold any positions in the Group. Prof Lu is a neurologist and has over 40 years of medical professional experience. Prof Lu is currently the lifetime professor of Shanghai Huashan Hospital in the PRC and a director in the World Health Organization’s Neuroscience Research and Training Centre. Prof Lu is also the chairman and director of the Institute of Neurology in Shanghai Medical University, the chairman of the Chinese Association of Neurology and chairman of the Shanghai Association of Neurology in the Chinese Medical Society. Prof Lu also has an international membership with New York Academy of Sciences.

Prof Lu will be proposed for appointment as an independent non-executive Director by way of a letter of appointment with the Company for a term of one year commencing on 30 July 2009 and will continue thereafter until terminated by either party giving each other not less than one month’s notice in writing. Prof Lu will be entitled to a fixed emolument of HK\$60,000 per annum which is determined after arm’s length negotiation between both parties and with reference to his duties and responsibilities with the Company. Prof Lu is not entitled to discretionary bonus.

As at the Latest Practicable Date, Prof Lu has no interest in the Shares. Save for the aforesaid, Prof Lu does not have any interest in the Shares or underlying Shares within the meaning of Part XV of the SFO. Prof Lu is not connected with any Directors, senior management, management Shareholders, substantial Shareholders or controlling Shareholders of the Company.

Other than disclosed above, there is no matter that need to be brought to the attention of the holders of securities of the Company and there is no information to be disclosed pursuant to any of the requirements of Rule 17.50(2)(h) to (v) of the GEM Listing Rules in relation to the proposed election of Prof Lu as the independent non-executive Director at the AGM.

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## NOTICE OF ANNUAL GENERAL MEETING

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### HUA XIA HEALTHCARE HOLDINGS LIMITED

華夏醫療集團有限公司\*

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

(Stock Code: 8143)

**NOTICE IS HEREBY GIVEN THAT** the annual general meeting (“**AGM**”) of the shareholders (“**Shareholders**”) of Hua Xia Healthcare Holdings Limited (the “**Company**”) will be held at Room 1902, 19/F., Sing Pao Building, No. 101 King’s Road, North Point, Hong Kong on Thursday, 30 July 2009, at 11:00 a.m. for the following purposes:–

1. to receive and consider the audited financial statements and the reports of the directors and auditors of the Company and its subsidiaries for the year ended 31 March 2009;
2. to elect directors of the Company (“**Directors**”), namely Dr Huang Jiaqing, Prof Hu Shanlian and Prof Lu Chuanzhen;
3. to authorise the board of Directors (the “**Board**”) to fix their remuneration;
4. to re-appoint auditors and to authorise the Board to fix their remuneration; and

As special business, to consider and, if thought fit, pass with or without amendments the following proposed resolutions numbered 5 to 10 as ordinary resolutions:

#### ORDINARY RESOLUTIONS

5. **THAT:**

- (a) subject to paragraph (c) of this resolution, and pursuant to the Rules Governing the Listing of Securities on The Growth Enterprise Market (“**GEM**”) of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”), the exercise by the Directors during the Relevant Period (as hereinafter defined) of all the powers of the Company and to allot, issue and deal with additional shares (“**Shares**”) in the capital of the Company and to make or grant offers, agreements and options (including bonds, notes, warrants, debentures and securities convertible into Shares) which might require the exercise of such powers be and the same is hereby generally and unconditionally approved;

\* For identification purpose only

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## NOTICE OF ANNUAL GENERAL MEETING

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- (b) the approval in paragraph (a) of this resolution shall authorise the Directors during the Relevant Period to make or grant offers, agreements and options which might require the exercise of such powers after the end of the Relevant Period;
  
- (c) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to options or otherwise) by the Directors pursuant to the approval in paragraph (a) of this resolution, otherwise than pursuant to (i) a Rights Issue (as defined below); or (ii) the grant or exercise of any option under the Share Option Scheme (as defined below) or any other option scheme or similar arrangement of the Company for the time being adopted for the grant or issue to officers and/or employees of the Company and/or any of its subsidiaries of Shares or rights to acquire Shares of the Company; or (iii) any scrip dividend or similar arrangement providing for the allotment of Shares in lieu of the whole or part of a dividend on Shares in accordance with the Articles of Association of the Company in force from time to time; or (iv) any issue of Shares in the Company upon the exercise of rights of subscription or conversion under the terms of any existing warrants of the Company or any existing securities of the Company which carry rights to subscribe for are convertible into Shares of the Company, shall not exceed the aggregate of:
  - (i) 20% of the aggregate nominal amount of the share capital of the Company in issue on the date of the passing of this Resolution; and
  
  - (ii) (if the Directors are so authorized by a separate ordinary resolution of the shareholders of the Company) the nominal amount of any share capital of the Company repurchased by the Company subsequent to the passing of this resolution (up to a maximum equivalent to 10% of the aggregate nominal amount of the share capital of the Company in issue on the date of the passing of this resolution).

and the authority pursuant to paragraph (a) of this resolution shall be limited accordingly; and

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## NOTICE OF ANNUAL GENERAL MEETING

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- (d) for the purpose of this resolution:
- (aa) “Relevant Period” means the period from the date of the passing of this resolution until whichever is the earliest of:
- (i) the conclusion of the next annual general meeting of the Company;
  - (ii) the expiration of the period within which the next annual general meeting of the Company is required by the Memorandum and Articles of Association of the Company, or any other applicable laws of the Cayman Islands to be held; and
  - (iii) the passing of an ordinary resolution by the shareholders of the Company in general meeting revoking or varying the authority given to the Directors by this resolution.
- (bb) “Rights Issue” means an offer of shares in the Company, or offer or issue of warrants, options or other securities giving rights to subscribe for Shares open for a period fixed by the Directors to holders of shares in the Company on the register on a fixed record date in proportion to their holdings of Shares (subject to such exclusion and arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements, or having regard to any restrictions or obligations under the laws of, or the requirements of, or the expenses or delay which may be involved in determining the existence or extent of any restrictions or obligations under the laws of, or the requirements of, any jurisdiction applicable to the Company, or any recognized regulatory body or any stock exchange applicable to the Company).”

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## NOTICE OF ANNUAL GENERAL MEETING

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6. **THAT:**

- (a) subject to paragraph (b) of this resolution, the exercise by the Directors during the Relevant Period (as defined in resolution 5(d)(aa)) of all powers of the Company to purchase its shares on the GEM or any other stock exchange on which the shares of the Company may be listed and recognised by the Securities and Futures Commission of Hong Kong (“SFC”) and the Stock Exchange for such purpose, and otherwise in accordance with the rules and regulations of the SFC, the Stock Exchange or any other stock exchange as amended from time to time and all applicable laws in this regard, be and the same is hereby generally and unconditionally approved;
- (b) the aggregate nominal amount of Shares which may be purchased by the Company pursuant to the approval in paragraph (a) of this resolution during the Relevant Period shall not exceed 10% of the aggregate nominal amount of the issued share capital of the Company as at the date of the passing of this resolution and the authority pursuant to paragraph (a) of this resolution shall be limited accordingly; and
- (c) for the purpose of this resolution, “Relevant Period” shall have the same meaning as in resolution no. 5(d)(aa).

7. **THAT** conditional upon resolutions numbered 5 and 6 of this notice being passed, the general mandate granted to the Directors to allot, issue and deal with additional Shares pursuant to resolution numbered 4 be and is hereby extended by the addition thereto of an amount representing the aggregate nominal amount of Shares in the capital of the Company which are repurchased by the Company under the authority granted to the Directors pursuant to resolution numbered 6, provided that the amount of Shares so repurchased by the Company shall not exceed 10% of the aggregate nominal amount of the issued share capital of the Company as at the date of the passing of this resolution.



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## NOTICE OF ANNUAL GENERAL MEETING

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8. **THAT** subject to and conditional upon the Listing Committee of GEM granting the listing of, and permission to deal in, such number of fully paid Shares which may fall to be allotted and issued pursuant to the exercise of the options which may be granted under the share option scheme adopted by the Company on 20 April 2002 (the “**Share Option Scheme**”) and any other share option schemes of the Company, representing 10% of the issued share capital of the Company as at the date on which this resolution is passed, the existing scheme mandate limit in respect of the grant of share options under the Share Option Scheme be refreshed provided that the total number of Shares which may be issued upon the exercise of all options to be granted under the Share Option Scheme and any other option schemes of the Company shall not exceed 10% of the aggregate nominal amount of the share capital of the Company in issue as at the date of the passing of this resolution.
9. **THAT:**
- (A) conditional on the consent of the relevant optionholders (“**Optionholders**”), 210,084,734 options (“**Options**”) (details are disclosed on pages 13 and 14 of the Company’s circular dated 30 June 2009) to subscribe for up to an aggregate of 210,084,734 Shares in the capital of the Company granted by the Company but not exercised under the Share Option Scheme, be cancelled with effect from the dates of such Optionholders’ consent; and
- (B) the Directors be and are hereby authorised to do all such acts, deeds and things and to effect all necessary actions as they may consider necessary or desirable in order to effect and implement the proposed cancellation of the Options as referred to in (A) above.
10. **THAT:**
- (A) the modification to the terms of the convertible notes due in 2010 created and issued by the Company on 9 May 2007 (which has been modified by the supplemental deed poll dated 17 April 2009) as contemplated by the supplemental deed poll to be executed by the Company (“**Supplemental Deed Poll**”) (a copy of the Supplemental Deed Poll marked “**A**” and initialed by the chairman of the meeting for identification purpose has been tabled at the meeting) be and are hereby confirmed and approved; and

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## NOTICE OF ANNUAL GENERAL MEETING

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- (B) the Directors be and are hereby authorised to do all such acts and things (including, without limitation, signing, executing (under hand or under seal), perfecting and delivery of all agreements, documents and instruments,) which are in their opinion necessary, appropriate, desirable or expedient to implement or to give effect to the terms of the Supplemental Deed Poll and all transactions contemplated thereunder and all other matters incidental thereto or in connection therewith and to agree to and make such variation, amendment and waiver of any of the matters relating thereto or in connection therewith that are, in the opinion of the Directors, not material to the terms of the Supplemental Deed Poll and all transactions contemplated thereunder and are in the interests of the Company.”

As special business, to consider and, if thought fit, pass with or without amendments the following proposed resolution as special resolutions:

### SPECIAL RESOLUTION

11. **“THAT** the existing Articles of Association (**“Articles”**) be and are hereby amended in the following manner:

- (A) Article 6

By deleting the words “or any share premium account” after the words “reduce its share capital” in the 2nd line of this Article.

- (B) Article 146(1)

By deleting the following sentence in the 3rd line of this Article in its entirety:

“The Company may apply the share premium account in any manner permitted by the Law”.

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## NOTICE OF ANNUAL GENERAL MEETING

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and substituting therefor the following:

“Unless otherwise provided in these Articles, the Board may apply the share premium account in any manner permitted by the Law including, but without limitation, writing off accumulated losses of the Company.”

By Order of the Board

**Yung Kwok Leong**

*Chairman*

Hong Kong, 30 June 2009

*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, 19th Floor  
Sing Pao Building  
No. 101 King’s Road  
North Point  
Hong Kong

*Notes:*

1. A member entitled to attend and vote at the AGM is entitled to appoint one or more proxies to attend and, subject to the provisions of the articles of association of the Company, to vote on his/her/its behalf. A proxy needs not be a member of the Company but must be present in person at the AGM to represent the member. If more than one proxy is so appointed, the appointment shall specify the number and class of Shares in respect of which each such proxy is so appointed.
2. A form of proxy for use at the AGM is enclosed with the circular of the Company dated 30 June 2009. Whether or not you intend to attend the AGM in person, you are encouraged to complete and return the enclosed form of proxy in accordance with the instructions printed thereon. Completion and return of a form of proxy will not preclude a member from attending in person and voting at the AGM or any adjournment thereof, should he/she/its so wish.
3. In order to be valid, the form of proxy, together with a power of attorney or other authority, if any, under which it is signed, or a certified copy of such power or authority must be deposited at the Company’s 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 appointed for holding the AGM or any adjournment thereof.
4. In the case of joint holders of Shares, any one of such holders may vote at the AGM, either personally or by proxy, in respect of such Shares as if he/she/its was solely entitled thereto, but if more than one such joint holders are present at the AGM personally or by proxy, that one of the said persons so present whose name stands first on the register of members of the Company in respect of such Shares shall alone be entitled to vote in respect thereof.