
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.

**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
AND REPURCHASE SHARES;**
- (2) PROPOSED RE-ELECTION OF RETIRING DIRECTORS;**
- (3) PROPOSED ADOPTION OF THE NEW SHARE OPTION SCHEME AND
TERMINATION OF THE EXISTING SHARE OPTION SCHEME;**
- (4) PROPOSED CAPITAL REORGANISATION; AND**
- (5) 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 19/F., New Wing, 101 King’s Road, Hong Kong on Wednesday, 10 August 2011 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 19/F., New Wing, 101 King’s Road, 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 for at least 7 days from the date of its posting and the website of the Company at www.huaxia-healthcare.com.

* For identification purpose only

CHARACTERISTICS OF GEM

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 Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

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

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DEFINITIONS

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

“Adoption Date”	the date on which the New Share Option Scheme has been adopted by the Company by way of shareholders’ resolution
“AGM”	the annual general meeting of the Company to be held at 19/F., New Wing, 101 King’s Road, Hong Kong on Wednesday, 10 August 2011, 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
“Board”	board of Directors
“Capital Reduction”	proposed capital reduction pursuant to which the par value of each Existing Ordinary Share and Existing CP Share will be reduced from HK\$0.50 to HK\$0.01
“Capital Reorganisation”	the proposed reorganisation of the capital of the Company by way of (a) the Capital Reduction and (b) the Sub-division of unissued Shares
“CCASS”	the Central Clearing and Settlement System
“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 Note”	the convertible note with an aggregate outstanding principal amount of HK\$6,500,000 conferring rights to convert to a total of 3,421,053 Existing Ordinary Shares on the basis of an initial conversion price of HK\$1.90 per Existing Ordinary Share (subject to adjustment)
“Court”	the Grand Court of the Cayman Islands
“Director(s)”	the director(s) of the Company

DEFINITIONS

“Eligible Participants”	full time or part time employees of the Group (including any directors, whether executive or non-executive and whether independent or not, of the Company or any subsidiary) and any suppliers, consultants, agents and advisers or any person who, in the sole discretion of the Board, has contributed or may contribute to the Group eligible for Options under the New Share Option Scheme
“Existing CP Shares”	existing convertible preference shares of HK\$0.50 each in the capital of the Company carrying no voting right but conferring rights to convert to the Existing Ordinary Shares
“Existing Ordinary Shares”	existing ordinary shares of HK\$0.50 each in the capital of the Company
“Existing Share Option Scheme”	the share option scheme adopted by the Company by way of shareholders’ resolution on 20 April 2002 which came into effect after the initial listing of the Shares on GEM on 10 May 2002
“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
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Latest Practicable Date”	8 July 2011, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“New Ordinary Shares”	ordinary shares of HK\$0.01 each in the capital of the Company upon the Capital Reorganisation becoming effective
“New CP Shares”	convertible preference shares of HK\$0.01 each in the capital of the Company upon the Capital Reorganisation becoming effective

DEFINITIONS

“New Share Option Scheme”	the share option scheme proposed to be approved by the Shareholders at the AGM
“Options”	any options granted under the Pre-IPO Share Option Scheme, the Existing Share Option Scheme or the New Share Option Scheme (as the case may be) conferring a right to subscribe for Shares
“Optionholders”	the relevant holders of the Options
“Post-IPO Share Options”	options to subscribe for the Existing Ordinary Shares granted under the Existing Share Option Scheme
“Pre-IPO Share Options”	options to subscribe for the Existing Ordinary Shares granted under the Pre-IPO Share Option Scheme
“Pre-IPO Share Option 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
“SFO”	the Hong Kong Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shareholder(s)”	holder(s) of the Shares
“Shares”	the Existing Ordinary Share(s) or, as the case may be, the New Ordinary Share(s)
“Stock Exchange”	the Stock Exchange of Hong Kong Limited
“Sub-division of unissued Shares”	the sub-division of each unissued Share in the authorised but unissued capital of the Company into 50 shares of a nominal value of HK\$0.01 each
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.

EXPECTED TIMETABLE

Set out below is the expected timetable for the Capital Reorganisation:

Latest time for lodging forms of proxy for the AGM (not less than 48 hours)	11:00 a.m. 8 August 2011
Date and time of the AGM	11:00 a.m. 10 August 2011
Announcement of results of AGM	10 August 2011
Expected date on which the Capital Reorganisation is confirmed by the Courts	14 October 2011
Expected date of registration of a copy of the court order confirming the Capital Reorganisation and the minute approved by the Court pursuant to the Companies Law	21 October 2011
Expected effective date of the Capital Reorganisation	25 October 2011
First day for free exchange of existing certificates for Existing Ordinary Shares for new certificates for New Ordinary Shares	25 October 2011
Commencement of dealings in New Ordinary Shares on the Stock Exchange	25 October 2011
Last day of free exchange of existing certificates for Existing Ordinary Shares for new certificates for New Ordinary Shares	25 November 2011

Notes:

- (1) All times in this timetable refer to Hong Kong time.
- (2) Dates or times specified in this circular for events in the timetable for (or otherwise in relation to) the Capital Reorganisation are indicative only and may be excluded or varied due to the timetable and availability of the Court, additional time required for compliance with the regulatory requirements in the Cayman Islands and/or with any requirements imposed by the Court or varied by the Company. Any change to the expected timetable for the Capital Reorganisation will be published as and when appropriate.

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 and Chief Executive Officer*)
Dr. Jiang Tao (*Deputy Chief Executive*)
Mr. Weng Jiaxing (*Deputy Chief Executive*)
Mr. Zheng Gang
Dr. Huang Jiaqing
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:*

19th Floor, New Wing
101 King's Road
Hong Kong

Independent non-executive Directors:

Ms. Wong Ka Wai, Jeanne
Prof. Hu Shanlian
Prof. Lu Chuanzhen

12 July 2011

*To Shareholders of the Company, and for information only,
holder(s) of the Options, the Convertible Notes and the Existing CP Shares*

Dear Sir or Madam,

- (1) PROPOSED GENERAL MANDATES TO ISSUE
AND REPURCHASE SHARES;
(2) PROPOSED RE-ELECTION OF RETIRING DIRECTORS;
(3) PROPOSED ADOPTION OF THE NEW SHARE OPTION SCHEME AND
TERMINATION OF THE EXISTING SHARE OPTION SCHEME;
(4) PROPOSED CAPITAL REORGANISATION; AND
(5) 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 Wednesday, 10 August 2011 including but not limited to (i) ordinary resolutions relating to the grant of general mandates to the Directors for the issue and repurchase of its Shares; (ii) ordinary resolutions relating to the re-election of the retiring Directors; (iii) ordinary resolution relating to the adoption of the New Share Option Scheme and termination of the Existing Share Option Scheme; and (iv) special resolution relating to the Capital Reorganisation.

* For identification purpose only

LETTER FROM THE BOARD

(1) PROPOSED GENERAL MANDATES 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 30 July 2010 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 of 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 the passing of 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 672,438,264 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 134,487,652 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 15 to 18 of this circular.

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

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.

LETTER FROM THE BOARD

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) RE-ELECTION OF RETIRING DIRECTORS

In accordance with the Articles of Association, Mr. Yung Kwok Leong, Dr. Jiang Tao and Ms. Wong Ka Wai, Jeanne shall retire from their offices at the AGM and, being eligible, will offer themselves for re-election.

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

(3) PROPOSED ADOPTION OF THE NEW SHARE OPTION SCHEME AND TERMINATION OF THE EXISTING SHARE OPTION SCHEME

The New Share Option Scheme

The Existing Share Option Scheme will expire on 20 April 2012. Accordingly, the Company proposes to adopt the New Share Option Scheme which complies with Chapter 23 of the GEM Listing Rules and to terminate the operation of the Existing Share Option Scheme. No further options will be granted under the Existing Share Option Scheme upon its termination. As at the Latest Practicable Date, the Company has not adopted any share option scheme other than the Existing Share Option Scheme and the Pre-IPO Share Option Scheme. As at the Latest Practicable Date, 46,559,016 Options was granted under the Existing Share Option Scheme entitling the holders thereof to subscribe for 46,559,016 Shares; and 237,777 Options was granted under the Pre-IPO Share Option Scheme entitling the holders thereof to subscribe for 237,777 Shares, are outstanding. The proposed termination of the Existing Share Option Scheme will not affect the rights of the 46,559,016 outstanding Options granted under the Existing Share Option Scheme and the 237,777 outstanding Options granted under the Pre-IPO Share Option Scheme, and the 46,559,016 outstanding Options granted under the Existing Share Option Scheme and the 237,777 outstanding Options granted under the Pre-IPO Share Option Scheme will continue to be valid and effective.

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At the AGM, an ordinary resolution will be proposed for the Company to terminate the operation of the Existing Share Option Scheme (such that no further options could thereafter be offered under the Existing Share Option Scheme but in all other respects the provisions of the Existing Share Option Scheme shall remain in full force and effect) and to approve and adopt the New Share Option Scheme, which will take effect on the date of its adoption at the AGM subject to the Stock Exchange granting approval for the listing of and dealing in the shares to be issued and allotted pursuant to the exercise of options in accordance with the terms and conditions of the New Share Option Scheme.

The purpose of the New Share Option Scheme is to enable the Company to grant Options to the Eligible Participants in recognition of their contribution to the Group. Eligible Participants to whom Options shall be granted, are entitled to subscribe for the number of Shares at a subscription price subject to each Option and the date on which the Options shall be granted. The basis for determining the subscription price is also specified precisely in the rules of the New Share Option Scheme. There is no performance target specified in the New Share Option Scheme. The Directors consider that the aforesaid criteria and rules will serve to preserve the value of the Company and encourage Eligible Participants to acquire proprietary interests in the Company.

As at the Latest Practicable Date, the Company has 672,438,264 issued Shares. Assuming that there is no change in the issued share capital between the period from the Latest Practicable Date and the Adoption Date, the number of Shares issuable pursuant to the New Share Option Scheme on the Adoption Date will be 67,243,826 Shares represents approximately 10% of the existing issued share capital of the Company.

The Directors consider that it is not appropriate to state the value of all Options that can be granted pursuant to the New Share Option Scheme as if they had been granted on the Latest Practicable Date as a number of variables which are crucial for the calculation of the Option value have not been determined. Such variables include but are not limited to the exercise price, exercise period, lock-up period (if any), and predetermined performance targets (if any). The Directors believe that any calculation of the value of the Options as at the Latest Practicable Date based on a number of speculative assumptions would not be meaningful and would be misleading to Shareholders.

None of the Directors is trustee of the New Share Option Scheme or has a direct or indirect interest in the trustee. With respect to the operation of the New Share Option Scheme, the Company will, where applicable, comply with the relevant requirements under Chapter 23 of the Listing Rules.

Conditions precedent of the New Share Option Scheme

The adoption of the New Share Option Scheme is conditional upon:

- (a) the Listing Committee of the Stock Exchange granting the listing of and permission to deal in any Shares which may fall to be issued by the Company pursuant to the exercise of Options in accordance with the terms and conditions of the New Share Option Scheme; and

LETTER FROM THE BOARD

- (b) the passing of ordinary resolution (i) to adopt the New Share Option Scheme, and (ii) to terminate the Existing Share Option Scheme.

Subject to the obtaining of Shareholders' approval with respect to the adoption of the New Share Option Scheme at the AGM, the total number of Shares which may be issued upon exercise of all Options to be granted under the New Share Option Scheme and any Other Schemes must not in aggregate exceed 10% of the total issued capital of the Company as at the Adoption Date unless the Company obtains a fresh approval from Shareholders to renew the 10% limit on the basis that the maximum number of Shares in respect of which Options may be granted under the New Share Option Scheme together with any Options outstanding and yet to be exercised under the New Share Option Scheme and any Other Schemes must not exceed 30% of the issued share capital of the Company from time to time.

A summary of the principal terms of the New Share Option Scheme which is proposed to be approved and adopted by the Company at the AGM is set out in Appendix III to this circular from pages 21 to 29. A copy of the New Share Option Scheme is available for inspection at the Company's principal place of business at 19/F, New Wing, 101 King's Road, Hong Kong during normal business hours from the date hereof up to and including the date of the AGM.

Application for listing

Application will be made to the Listing Committee of the Stock Exchange for the approval of the listing of, and permission to deal in, the Shares to be issued pursuant to the exercise of the Options granted under the New Share Option Scheme.

(4) PROPOSED CAPITAL REORGANISATION

In the announcement of the Company dated 5 July 2011, the Board announced that the Company proposed to implement the Capital Reorganisation comprising the following (1) the Capital Reduction; and (2) the Sub-division of unissued Shares.

Capital Reduction

Pursuant to the Capital Reduction, the issued share capital of the Company will be reduced by (i) HK\$0.49 per Existing Ordinary Share by cancelling an equivalent amount of paid-up capital per Existing Ordinary Share so that the par value of each New Ordinary Share in issue will be HK\$0.01 and the relevant amount of issued capital hereby cancelled be made available for issue of New Ordinary Shares; and (ii) HK\$0.49 per Existing CP Share by cancelling an equivalent amount of paid-up capital per Existing CP Share so that the par value of each New CP Share in issue will be HK\$0.01 and the relevant amount of issued capital hereby cancelled be made available for issue of New CP Shares.

Sub-Division of Unissued Shares

The Board also proposes to sub-divide each unissued Share in the existing authorised but unissued share capital of the Company into 50 shares of a nominal value of HK\$0.01 each.

LETTER FROM THE BOARD

Effects of the Capital Reorganisation

As at the Latest Practicable Date, the authorised share capital of the Company amounts to HK\$1,500,000,000 divided into 2,200,000,000 Existing Ordinary Shares and 800,000,000 Existing CP Shares, of which 672,438,264 Existing Ordinary Shares and 510,000,000 Existing CP Shares have been allotted and issued as fully paid or credited as fully paid.

Immediately upon the Capital Reorganisation taking effect, the authorised share capital of the Company remains in value of HK\$1,500,000,000. Immediately upon the Capital Reorganisation taking effect, and assuming that the Company does not allot or issue or repurchase any further Existing Ordinary Shares or Existing CP Shares prior thereto, the authorised share capital of the Company shall be HK\$1,500,000,000 comprising 110,000,000,000 New Ordinary Shares and 40,000,000,000 New CP Shares. Immediately upon the Capital Reorganisation taking effect, the Company's issued share capital shall be HK\$11,824,382.64 comprising 672,438,264 New Ordinary Shares and 510,000,000 New CP Shares. A credit of approximately HK\$579,394,749.36 will arise in the books of the Company as a result of the Capital Reduction.

As at the Latest Practicable Date, there is Convertible Note in the outstanding principal amount of HK\$6,500,000. Assuming exercise in full of the conversion rights attaching to the Convertible Note at the conversion price of HK\$1.90 per Existing Ordinary Share by the holder of the Convertible Note before the Capital Reorganisation taking into effect, an additional 3,421,053 new Existing Ordinary Shares would be issued by the Company pursuant to the terms and conditions of the Convertible Note (assuming no adjustment has been made) and an additional credit of HK\$1,676,315.97 would arise in the books of the Company as a result of the Capital Reduction. The Capital Reorganisation will not have any effect on the conversion price or the number of New Ordinary Shares which fall to be issued upon exercise of the conversion rights attached to the Convertible Note.

As at the Latest Practicable Date, the Company has 237,777 outstanding Pre-IPO Share Options granted under the Pre-IPO Share Option Scheme and 46,559,016 outstanding Post-IPO Share Options granted under the Existing Share Option Scheme. Assuming exercise in full of subscription rights attaching to the Pre-IPO Share Options and the Post-IPO Share Options by the holders thereof before the Capital Reorganisation taking into effect, an additional 46,796,793 new Existing Ordinary Shares would be issued by the Company and an additional credit of HK\$22,930,428.57 would arise in the books of the Company as a result of the Capital Reduction. The Capital Reorganisation will not have any effect on the exercise price or the number of New Ordinary Shares which fall to be issued upon exercise of the Options.

An independent financial adviser or the auditors of the Company will be engaged by the Company in accordance with the terms of the Pre-IPO Share Option Scheme, the Existing Share Option Scheme, the Existing CP Shares and the Convertible Note to certify in writing as to the adjustments (if any) required to be made in respect of the outstanding Pre-IPO Share Options and the Post-IPO Share Options, the Existing CP Shares and the Convertible Note as a result of the Capital Reorganisation. The Company will make a further announcement about the adjustments in due course. Save as aforesaid, the Company has no other outstanding convertible securities, options or warrants in issue which confer any right to subscribe for, convert or exchange into Shares as at the Latest Practicable Date.

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Subject to the approval of and to the extent permitted by the Court, assuming all the Convertible Note has been converted into 3,421,053 new Existing Ordinary Shares and all the Pre-IPO Share Options and the Post-IPO Share Options have been exercised for subscribing for 46,796,793 new Existing Ordinary Shares prior to the Capital Reduction becoming effective, the total credit of HK\$604,001,493.90 arising from the Capital Reduction will be credited to the capital reserve account of the Company.

The Shares are currently traded in board lots of 4,000 Existing Ordinary Shares. Upon the Capital Reorganisation becoming effective, the board lots of the New Ordinary Shares will remain unchanged and will be traded in the board lots of 4,000 New Ordinary Shares.

Save for the expenses to be incurred in relation to the Capital Reorganisation, the Capital Reorganisation will not, by itself, have any effect on the underlying assets, business operations, management or financial positions of the Company and of the Group, nor the proportionate interests of the Shareholders in the Company.

Reasons for the Capital Reorganisation

The main purpose for implementing the Capital Reorganisation is to lower the nominal value of the Existing Ordinary Shares and the Existing CP Shares. Under the Companies Law, a company may not issue shares at a discount to the par value of such shares unless, among other things, the issue of shares is authorised by a resolution of the shareholders of a company and is sanctioned by the Court. As the Existing Ordinary Shares have been traded under par for a long period of time, the Capital Reorganisation will allow the Company to better respond to the market situations in conducting capital raising exercises, including but not limited to the issue of New Ordinary Shares, by providing greater flexibility to the Company in pricing future capital raising exercises and to issue Shares at discount timely without going through various statutory requirements.

The credit arising from the Capital Reduction will be credited to the capital reserve account of the Company, the distributable reserves of the Company will be increased and thereby giving the Company greater flexibility in relation to its dividend policy and distributions in the future. The Board considers that it is in the best interest of the Company and its Shareholders as a whole to implement the Capital Reorganisation.

Status of the New Ordinary Shares and the New CP Shares

The New Ordinary Shares will rank pari passu in all respects with each other and the New CP Shares will rank pari passu in all respects with each other. The Capital Reorganisation will not result in any change in the relative rights of the Shareholders.

Conditions of the Capital Reorganisation

The implementation of the Capital Reorganisation and the listing of the New Ordinary Shares are conditional upon:

- (1) the passing of the relevant resolution(s) by the Shareholders at the AGM to approve the Capital Reorganisation;

LETTER FROM THE BOARD

- (2) an order being made by the Court confirming the Capital Reduction;
- (3) the registration by the Registrar of Companies in the Cayman Islands of a copy of the Court order and the minutes approving by the Court pursuant to the Companies Law;
- (4) compliance with any conditions which the Court may impose; and
- (5) the Listing Committee of the Stock Exchange granting listing of, and permission to deal in, the New Ordinary Shares.

An application will be made by the Company to the Listing Committee of the Stock Exchange for the listing of, and the permission to deal in, the New Ordinary Shares. Save as the GEM, the Existing Ordinary Shares are not, and the New Ordinary Shares will not be, listed on any stock exchanges.

Subject to the granting of the listing of, and permission to deal in, the New Ordinary Shares on the Stock Exchange, the New Ordinary Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the New Ordinary Shares on the Stock Exchange or, under contingent situation, such other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Expected Effective Date of the Capital Reorganisation

Upon the conditions mentioned above being fulfilled, the Capital Reorganisation and the listing of the New Ordinary Shares will become effective immediately after the registration of the court order and the minutes referred to in condition (3) above.

Free Exchange of Certificates

Subject to the Capital Reorganisation becoming effective, Shareholders may, on or after 25 October 2011 and until 4:30 p.m. on 25 November 2011 (both dates inclusive), submit their existing certificates for the Existing Ordinary Shares in blue color to the Hong Kong branch share registrars of the Company, Tricor Tengis Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong to exchange for certificates for the New Ordinary Shares in brown color at the expense of the Company. Thereafter, certificates for the Existing Ordinary Shares will be accepted for exchange only on payment of a fee of HK\$2.5 (or such higher amount as may from time to time be allowed by the Stock Exchange) by the Shareholders for each certificate issued or cancelled, whichever is higher. Certificates for the Existing Ordinary Shares will continue to be good evidence of legal title but will cease to be valid for dealings, trading and settlement purpose and may be exchanged for certificates for the New Ordinary Shares at any time in accordance with the foregoing.

LETTER FROM THE BOARD

(5) ANNUAL GENERAL MEETING

A notice convening the AGM to be held at 19/F., New Wing, 101 King's Road, Hong Kong, 10 August 2011 at 11:00 a.m. is set out in this circular. 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 19/F., New Wing, 101 King's Road, 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

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 the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this document misleading.

RECOMMENDATIONS

The Directors (including the independent non-executive Directors) consider that (i) the general mandates to the Directors for the issue and repurchase of Shares; (ii) the re-election of the retiring Directors; (iii) the adoption of the New Share Option Scheme and termination of the Existing Share Option Scheme; and (iv) the Capital Reorganisation 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 Shareholders to vote in favour of the resolutions to be proposed at the forthcoming AGM.

LETTER FROM THE BOARD

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. SHARE CAPITAL

As at the Latest Practicable Date, the issued share capital of the Company comprised 672,438,264 Shares of HK\$0.50 each.

Subject to the passing of the resolution in relation to the Repurchase Mandate and on the basis that no Shares are issued or repurchased by the Company between the Latest Practicable Date and the date of the AGM, the Company will be allowed under the Repurchase Mandate to repurchase a maximum of 67,243,826 Shares equivalent to 10% of the issued share capital of the Company. The repurchased Shares will be cancelled and the Company's issued share capital will be reduced accordingly by the nominal value of the Shares repurchased.

2. EXERCISE OF THE REPURCHASE MANDATE

Exercise in full of the Repurchase Mandate, on the basis of 672,438,264 Shares of the Company in issue as at the Latest Practicable Date, could result in up to 67,243,826 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.

3. 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.

4. FUNDING OF REPURCHASES

Repurchase of Shares will be funded out of funds legally available for such purpose in accordance with the memorandum of the Company and articles of Association 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 2011, 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.

5. 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>
2010		
July	0.970	0.850
August	0.940	0.820
September	0.940	0.830
October	0.970	0.670
November	0.860	0.610
December	0.710	0.610
2011		
January	0.690	0.480
February	0.550	0.495
March	0.530	0.380
April	0.440	0.370
May	0.420	0.330
June	0.370	0.290
July (up to the Latest Practicable Date)	0.310	0.250

6. UNDERTAKING OF THE DIRECTORS

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 of the Company and Articles of Association 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.

7. 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 ("Easeglory") (Note)	120,960,500	Long	Beneficial owner	17.99%	19.99%
Yung Kwok Leong ("Mr. Yung") (Note)	120,960,500	Long	Interest of a controlled corporation	17.99%	19.99%
	583,246,875	Long	Beneficial owner	86.74%	96.37%
Yung Muk Ying ("Mrs. Yung") (Note)	704,207,375	Long	Interest of spouse	104.72%	116.36%

Note: The issued share capital of Easeglory is 100% beneficially owned by Mr. Yung, an executive Director and the chairman and chief executive officer of the Company. By virtue of her being the spouse of Mr. Yung, Mrs. Yung is deemed to be interested in 120,960,500 Shares held by Easeglory and 71,546,875 Shares, 1,700,000 Options and 510,000,000 Existing CP Shares beneficially held by Mr. Yung in personal capacity. Pursuant to the terms and conditions of the Existing CP Shares, holder(s) of the Existing CP Shares shall have the right to convert the Existing CP Shares provided that any conversion of the Existing CP Shares (i) does not trigger a mandatory offer obligation under Rule 26 of the Takeovers Code on the part of the holder(s) of the Existing CP Shares and parties acting in concert with any of them; and (ii) the public float of the Shares does not fall below the minimum public float requirements stipulated under the GEM Listing Rules or as required by the Stock Exchange. Save as Mr. Yung being a director of Easeglory, none of the Director is a director or employee of Easeglory.

Save as disclosed above, as at the Latest Practicable Date, the Directors were not aware of any consequences of such repurchase of Shares that would result in the Shareholder, or group of Shareholders acting in concert, becoming obliged to make a mandatory offer under Rule 26 of the Takeovers Code if the Repurchase Mandate was exercised in full. Moreover, 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.

8. 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 re-elected at the AGM:

1. Mr. Yung Kwok Leong (“Mr. Yung”)

Mr. Yung, aged 46, the Chairman of the Board, being a registered economist in the Fujian Province in the PRC, has over 20 years’ experience in corporate management and investment in the healthcare and pharmaceutical sectors in the PRC. Mr. Yung is currently the chairman of Hong Kong Putian Co. and the honorable chairman of Hong Kong Puxian Native Association. Mr. Yung is also currently the vice-chairman of the National Committee of the Health, the Health Insurance Association of Fujian and the committee member of Putian City, Fujian Committee of Chinese Political Consultative Conference.

Mr. Yung has been appointed as an executive Director on 2 March 2005 and signed a letter of appointment with the Company for a period of one year commencing from 1 February 2007 which will continue thereafter until terminated by either party giving not less than one month notice in writing. Mr. Yung is entitled to a fixed emolument of HK\$60,000 per month which was determined by arm’s length negotiation between Mr. Yung and the Company. Mr. Yung is also entitled to a year-end discretionary bonus to be determined by the Board from time to time.

As at the Latest Practicable Date, Mr. Yung holds 71,546,875 Shares, 1,700,000 Options and 510,000,000 Existing CP Shares. In addition, Mr. Yung holds 120,960,500 Shares through Easeglory Holdings Limited, a company incorporated in the British Virgin Islands with limited liability, the entire issued share capital of which is owned by Mr. Yung. Save as disclosed herein, he does not have any other interests in the Shares or underlying Shares within the meaning of Part XV of the SFO. Mr. Yung is not connected with any Directors, senior management, management Shareholders, substantial Shareholders or controlling Shareholders of the Company (within the meaning the GEM Listing Rules). Mr. Yung is also a director of 25 wholly and non-wholly owned subsidiaries of the Company. Save as disclosed, Mr. Yung did not hold any other positions in the Company or any of its subsidiaries and did not hold any directorships in any other listed public companies in the past three years.

Save as disclosed above, there is no other matter about Mr. Yung which is required to be disclosed pursuant to paragraphs (h) to (v) of Rule 17.50(2) of the GEM Listing Rules nor are there other matters that need to be brought to the attention of the Shareholders of the Company.

2. Dr. Jiang Tao (“Dr. Jiang”)

Dr. Jiang, aged 55, holds a degree of doctor of audiology from the Arizona School of Health Sciences of AT Still University in the United States and two master’s degrees in audiology and in special education from Lamar University of Texas in the United States. He served as senior management in several enterprises in USA, Canada and the PRC with over 15 years of experience in senior management, consultancy and investment in the PRC, Hong Kong, Canada and the United States. Dr. Jiang has also established six enterprises in the PRC with Canadian capital. He is currently the visiting professor of the Kunming Normal University and Sichuan Foreign Language University, formerly of Dalhousie University of Canada, Sichuan University, and Sun Yat-sen Medical University.

Dr. Jiang has been appointed as an executive Director by way of letter of appointment with the Company for a period of one year commencing from 3 January 2007 which will continue thereafter until terminated by either party giving not less than one month notice in writing. Dr. Jiang is entitled to a fixed emolument of HK\$30,000 per month which was determined by arm's length negotiation between Dr. Jiang and the Company. Dr. Jiang is also entitled to a year-end discretionary bonus to be determined by the Board from time to time.

As at the Latest Practicable Date, Dr. Jiang holds 2,363,380 Options of the Company. Save as disclosed herein, he does not have any other interests in the Shares or underlying Shares within the meaning of Part XV of the SFO. Dr. Jiang is not connected with any Directors, senior management, management Shareholders, substantial Shareholders or controlling Shareholders of the Company (within the meaning the GEM Listing Rules). Dr. Jiang is also a director of 1 non-wholly owned subsidiary of the Company. Save as disclosed, Dr. Jiang did not hold any other positions in the Company or any of its subsidiaries and did not hold any directorships in any other listed public companies in the past three years.

Save as disclosed above, there is no other matter about Dr. Jiang which is required to be disclosed pursuant to paragraphs (h) to (v) of Rule 17.50(2) of the GEM Listing Rules nor are there other matters that need to be brought to the attention of the Shareholders of the Company.

3. Ms. Wong Ka Wai, Jeanne (“Ms. Wong”)

Ms. Wong, aged 47, has over 25 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 Phoenitron Holdings Limited which is listed on the GEM of the Stock Exchange. Save as aforesaid, Ms. Wong does not hold any other positions in the Company and other members of the Group and has not held any other directorships in any listed companies in the last three years.

Ms. Wong has been appointed as an independent non-executive Director by way of a letter of appointment by the Company for a term of one year from 1 November 2007, which will continue thereafter until terminated by either party giving not less than one month's notice in writing. Ms. Wong is entitled to a monthly salary of HK\$5,000.00 which is determined by arm's length negotiation between Ms. Wong and the Company with reference to the prevailing market condition. Ms. Wong does not have any other interests in the Shares of the Company within the meaning of Part XV of Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong). Ms. Wong does not have any relationships with any Directors, senior management, management Shareholders, substantial Shareholders or controlling Shareholders of the Company (within the meaning of the GEM Listing Rules).

Other than disclosed above, there is no matter about Ms. Wong which is required to be disclosed pursuant to paragraphs (h) to (v) of Rule 17.50(2) of the GEM Listing Rules nor are there other matters that need to be brought to the attention of the Shareholders of the Company.

This appendix sets out further information of the New Share Option Scheme and also summarises the rules of the New Share Option Scheme but does not form part of nor was it intended to be, part of the New Share Option Scheme nor should it be taken as affecting the interpretation of the rules of the New Share Option Scheme:

NEW SHARE OPTION SCHEME

Summary of terms

The following is a summary of the principal terms of the New Share Option Scheme proposed to be approved by a resolution of the Shareholders at the AGM, notice of which is set out on pages 30 to 33 of this circular:

(a) Purpose of the New Share Option Scheme

The purpose of the New Share Option Scheme is to enable the Company to grant Options to the Eligible Participants in order to recognize and motivate the contribution of the employees of the Group and to provide incentives and help the Group in retaining its existing employees and recruiting additional employees and to provide them with a direct economics interest in attaining the long term business objectives of the Group.

(b) Administration of the New Share Option Scheme

The New Share Option Scheme shall be subject to the administration by the Board which may include a duly authorised committee thereof and the decision of the Board shall be final, conclusive and binding on all parties.

(c) Grant and acceptance of Options

Subject to the terms of the New Share Option Scheme, the Board may, in its absolute discretion, invite any Eligible Participant to take up Options to subscribe for Shares at a price calculated in accordance with paragraph (d) below. The Eligible Participants will be any employee of the Company or any of its subsidiaries including any executive and non-executive directors of the Company or any of its subsidiaries, and any suppliers, consultants, agents and advisers or any person who, in the sole discretion of the Board, has contributed or may contribute to the Group.

An offer of the grant of an Option shall be made to Eligible Participants in writing (and unless so made shall be invalid) in such form as the Board may from time to time determine and shall remain open for acceptance by the Eligible Participant concerned for a period of 28 days from the date upon which it is made provided that no such offer shall be open for acceptance after the earlier of the 10th anniversary of the Adoption Date or the termination of the New Share Option Scheme or the Eligible Participant to whom such offer is made has ceased to be an Eligible Participant.

A non-refundable nominal consideration of HK\$10.00 is payable by the grantee upon acceptance of an Option. An Option shall be deemed to have been accepted when the duplicate letter comprising acceptance of the Option duly signed by the Eligible Participant together with the said consideration of HK\$10.00 is received by the Company.

Any offer of the grant of an Option may be accepted in respect of less than the number of Shares in respect of which it is offered provided that it is accepted in such number of Shares as represents a board lot for the time being for the purpose of trading on GEM or an integral multiple thereof.

(d) Exercise of Options and Price of Shares

An Option may be exercised in whole or in part by the grantee giving notice in writing to the Company stating that the Option is thereby exercised and the number of Shares in respect of which it is exercised. Each such notice must be accompanied by a remittance for the full amount of the subscription price for the Shares in respect of which the notice is given. Within 28 days after receipt of the notice and the remittance and, where appropriate, receipt of the certificate of the Company's auditors or independent financial advisers, the Company shall allot and issue the relevant Shares to the grantee (or his legal personal representative(s)) credited as fully paid.

Shares to be allotted and issued upon the exercise of an Option will be subject to all the provisions of the Articles of Association for the time being in force and will rank pari passu in all respects with the existing fully paid Shares in issue on the date on which the Option is duly exercised or, if that date falls on a day when the register of members of the Company is closed, the first day of the re-opening of the register of members (the "**Exercise Date**") and accordingly will entitle the holders thereof to participate in all dividends or other distributions paid or made on or after the Exercise Date other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefor shall be before the Exercise Date. A Share allotted upon the exercise of an Option shall not carry voting rights until the name of the grantee has been duly entered onto the register of members of the Company as the holder thereof.

The exercise price for Shares under the New Share Option Scheme may be determined by the Board at its absolute discretion but in any event will not be less than the highest of: (i) the closing price of the Shares as stated in the daily quotations sheet of the Stock Exchange on the date of grant, which must be a Business Day; (ii) the average closing price of the Shares as stated in the daily quotations sheets of the Stock Exchange for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Share on the date of grant.

(e) *Maximum number of Shares available for issue*

- (i) Subject to the Listing Rules, the overall limit on the number of Shares which may be issued upon exercise of all outstanding Options granted and yet to be exercised under the New Share Option Scheme and any other share option schemes of the Company must not exceed 30% of the relevant class of Shares in issue from time to time. No Options may be granted under the New Share Option Scheme or any other share option schemes of the Company if this will result in this limit being exceeded.
- (ii) Subject to the limit mentioned in (e)(i) above, the total number of Shares which may be issued upon exercise of all Options to be granted under the New Share Option Scheme and any other share option schemes of the Company adopted by the Group must not, in aggregate, exceed 10% of the Shares in issue as at the date of the approval of the New Share Option Scheme (the “**Scheme Mandate Limit**”), unless Shareholders’ approval has been obtained pursuant to sub-paragraphs (iii) and (iv) below. Options lapsed in accordance with the terms of the New Share Option Scheme will not be counted for the purpose of calculating the Scheme Mandate Limit.
- (iii) Subject to the limit mentioned in (e)(i) above, the Company may refresh the Scheme Mandate Limit at any time subject to approval of the Shareholders in general meeting, provided that the Scheme Mandate Limit as refreshed must not exceed 10% of the Shares in issue as at the Adoption Date. Options previously granted under the New Share Option Scheme and any other share option schemes of the Company (including those outstanding, cancelled, lapsed in accordance with such schemes or exercised Options) will not be counted for the purpose of calculating the this limit. The Company must send a circular to the Shareholders containing such information as required under the GEM Listing Rules.
- (iv) Subject to the limit mentioned in (e)(i) above, the Company may also seek separate approval of the Shareholders in general meeting for granting Options beyond the Scheme Mandate Limit provided that the Options in excess of the Scheme Mandate Limit are granted only to Eligible Participants specifically identified by the Company before such approval is sought. The Company must send a circular to the Shareholders containing a generic description of the specified Eligible Participants, the number and terms of Options to be granted, the purpose of granting Options to the specified Eligible Participants with an explanation as to how the terms of the Options serve such purpose and such other information as required under the GEM Listing Rules.

(f) Grant of Options to connected persons or any of their associates

Any grant of Options to a connected person (including but not limited to a Director, chief executive or substantial Shareholder) or its associates must be approved by the independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the Options). Where Options are proposed to be granted to a connected person who is also a substantial Shareholder or an independent non-executive Director or their respective associates and if such grant would result in the total number of Shares issued and to be issued upon exercise of the Options granted and to be granted (including Options exercised, cancelled and outstanding) in any 12-month period up to and including the date of grant to such person representing in aggregate over 0.1 % of the total issued Shares and having an aggregate value, based on the closing price of the securities at the date of each grant, in excess of HK\$5 million, then the proposed grant must be subject to the approval of Shareholders taken on a poll in a general meeting. All connected persons of the Company must abstain from voting at such general meeting (except where any connected person intends to vote against the proposed grant provided that his intention to do so has been stated in the shareholders' circular to be issued as stated below).

A circular must be prepared by the Company explaining the proposed grant, disclosing (i) the number and terms of the Options to be granted, (ii) containing a recommendation from the independent non-executive Directors (excluding any independent non-executive Director who is a grantee) on whether or not to vote in favour of the proposed grant, (iii) containing information relating to any Directors who are trustees of the scheme or have a direct or indirect interest in the trustees.

Any change in the terms of Options granted to a connected person or its associates must be approved by Shareholders in a general meeting.

(g) Maximum entitlement of each Eligible Participant

The total number of Shares issued and to be issued upon exercise of the options granted to each Eligible Participant or grantee (including exercised and outstanding options) in any twelve (12)-month period up to the date of grant shall not exceed 1% of the Shares in issue. Where it is proposed that any offer is to be made to an Eligible Participant (or where appropriate, an existing grantee) which would result in the Shares issued and to be issued upon exercise of all options granted and to be granted to such person (including exercised, cancelled and outstanding options) in the twelve (12)-month period up to and including the relevant date of grant to exceed such limit, such offer and any acceptance thereof must be conditional upon Shareholders' approval in general meeting with such Eligible Participant (or where appropriate, an existing grantee) and his, her or its associates abstaining from voting. The Company must send a circular to the Shareholders disclosing the identity of the Eligible Participant or grantee, the number and terms of options to be granted (and options previously granted) to such Eligible Participant, the information required under the Listing Rules. The number and terms (including the subscription price) of options to be granted to such Eligible Participant must be fixed before the date on which Shareholders' approval is sought and the date of the Board meeting for proposing such further grant should be taken as the date of grant for the purpose of calculating the subscription price.

(h) *Time of Exercise of Options*

Subject to the terms of the New Share Option Scheme, an Option may be exercised in whole or in part at any time during the period to be determined and identified by the Board to each grantee at the time of making an offer for the grant of an Option, but in any event no later than 10 years from the date of grant but subject to the early termination of the New Share Option Scheme (the “**Option Period**”).

There is no specified minimum period under the New Share Option Scheme for which an Option must be held or the performance target which must be achieved before an Option can be exercised under the terms of the New Share Option Scheme.

(i) *Restrictions on the time of grant of Options*

Grant of Options may not be made after a price sensitive event has occurred or a price sensitive matter has been the subject of a decision until such price sensitive information has been announced in accordance with the relevant requirements of the GEM Listing Rules. In particular, no Option may be granted during the period commencing 30 days immediately preceding the earlier of (i) the date of the Board meeting for the approval of the Company’s quarterly or interim results (and 60 days in the event of annual results) and (ii) the deadline for the Company to publish its quarterly, interim or annual results announcement and ending on the date of such results announcement.

(j) *Rights are personal to grantees*

An Option shall be personal to the grantee and shall not be assignable and no grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest whatsoever in favour of any third party over or in relation to any Option or enter into any agreement so to do. Any breach of the foregoing by a grantee shall entitle the Company to cancel any Option or part thereof granted to such grantee to the extent not already exercised.

(k) *Rights on cessation of employment by dismissal*

If the grantee of an Option is an employee and ceases to be an employee on one or more of the grounds that he or she has been guilty of persistent or serious misconduct, bankruptcy, insolvency, composition with his or her creditors generally or conviction of any criminal offence or other grounds on which an employer would be entitled to terminate his or her employment pursuant to any applicable law, his or her Option (to the extent not already exercised) will lapse on the date of cessation of his or her employment.

(l) Rights on death

If the grantee of an Option is an employee and ceases to be an employee by reason of his or her death before exercising the Options in full and none of the events referred to in paragraph (i) above as ground for termination of his or her Options arises, his or her personal representative(s) may exercise the Option (to the extent not already exercised) within a period of 12 months following the date of death (or such longer period as the Board may determine), failing which it will lapse.

(m) Rights on cessation of employment for other reasons

If the grantee of an Option who is an employee and ceases to be an Eligible Participant for any other reason he or she may exercise the Options (to the extent not already exercised) in whole or in part within a period of three months following the date of such cessation, which date shall be the last actual working with the Group, whether salary is paid in lieu of notice or not. If any of the events referred to in paragraph (n) to (p) below occurs during such period, he or she may exercise the Option pursuant to paragraphs (n) to (p) respectively.

(n) Rights on a general offer

In the event of a general offer being made to all Shareholders (or all such holders other than the offeror and/or person controlled by the offeror and/or any person acting in concert (as defined in The Hong Kong Codes on Takeovers and Mergers) with the offeror) and such offer becomes or is declared unconditional during the Option Period of the relevant Option, the grantee (or his personal representative(s)) shall be entitled to exercise the Option in full (to the extent not already exercised) at any time within thereafter and up to the close of such offer.

(o) Rights on winding up

In the event a notice is given by the Company to its members to convene a general meeting for the purpose of considering and, if thought fit, approving a resolution to voluntarily wind-up the Company, the Company shall on the same date as it despatches such notice to each member of the Company give notice thereof to all grantees and any grantee (or his or her personal representative(s)) may by notice in writing to the Company accompanied by a remittance for the full amount of the aggregate subscription price in respect of the relevant Option (such notice to be received by the Company no later than two business days prior to the propose general meeting)) exercise the Option (to the extent not already exercised) either to its full extent or to the extent that he or she may specify in his or her notice and the Company shall as soon as possible and in any event no later than the business day immediately prior to the date of the proposed general meeting referred to above, allot and issue such number of Shares to the grantee credited as fully paid.

(p) Rights on reconstruction, compromise or arrangement

If a compromise or arrangement between the Company and its members or creditors is proposed for the purpose of or in connection with a scheme for the reconstruction or amalgamation of the Company, the Company shall give notice to the grantee on the same date as it despatches the notice to each member or creditor of the Company to consider such a compromise or arrangement, and thereupon the grantee (or his or her personal representative(s)) may by notice in writing to the Company accompanied by a remittance of the full amount of the subscription price in respect of which the notice is given (such notice to be received by the Company no later than two business days prior to the proposed meeting) exercise the Option (to the extent not already exercised) either to its full extent or to the extent specified in the notice and the Company shall as soon as possible and in any event no later than the business day immediately prior to the date of the proposed general meeting allot and issue such number of Shares to the grantee credited as fully paid.

(q) Cancellation of Options

The Board may at any time cancel any Option granted but not exercised if the grantee so agrees. Any cancellation of Options granted but not exercised and the issuance of new Options to the same grantee may only be made under the New Share Option Scheme with available unissued Options (excluding the cancelled Options) within the Scheme Mandate Limit referred to in paragraph (e) (i) above. Options lapsed in accordance with the terms of the New Share Option Scheme will not be counted for the purpose of calculating the Scheme Mandate Limit.

(r) Effect of alterations to share capital

In the event of any alteration in the capital structure of the Company by way of capitalisation of profits or reserved, rights issue, consolidation, subdivision or reduction of the share capital of the Company (other than an issue of Shares as consideration in respect of a transaction while any Option remains exercisable), such corresponding alterations (if any) will be made in (i) the numbers or nominal amount of Shares subject to any Option so far as such Option remains unexercised and/or (ii) the subscription price per Share and/or (iii) the maximum number of Shares available for subscription and/or; (iv) the method of exercise of the Option as the auditors or independent financial advisers for the time being of the Company shall at the request of the Company or any grantee certify in writing to be in their opinion fair and reasonable, provided that any such alterations shall be made on the basis that the grantee shall have the same proportion of the issued share capital of the Company to which he was entitled before such alteration and the aggregate subscription price payable by the grantee on the full exercise of any Option shall remain as nearly as possible the same as (but not greater than) it was before such event, but so that no such alterations shall be made the effect of which would be to enable a Share to be issue at less than its nominal value. Save in the case of a capitalisation issue, the auditors or independent financial advisers for the time being of the Company must confirm to the Directors in writing that such adjustment(s) satisfy the aforesaid requirements.

(s) *Ranking of Shares*

The Shares to be allotted upon the exercise of an Option will be subject to all the provisions of the Articles of Associations for the time being in force and will rank *pari passu* in all respects with the fully paid Shares in issue on the date on which the Option is exercised and accordingly will entitle the holders of Shares to participate in all dividends or other distributions paid or made on or after the date on which the Option is exercised other than any dividends or other distributions previously declared or recommended or resolved to be paid or made with respect to a record date which shall be before the date of allotment.

(t) *Duration of the New Share Option Scheme*

The New Share Option Scheme shall continue in force for the period commencing from the Adoption Date, which is expected to be the date of the AGM, and expiring at the close of business on the tenth anniversary thereof, after such period no further Options will be granted but the provisions of the New Share Option Scheme shall remain in full force and effect in respect of any Options granted before its expiry or termination but not yet exercised. The life of the New Share Option Scheme shall be for ten years commencing from the Adoption Date.

(u) *Alterations to the terms of the New Share Option Scheme*

- (i) The provisions relating to the matters set out in Rule 23.03 of the GEM Listing Rules cannot be altered to the advantage of Eligible Participants without the prior approval of Shareholders in a general meeting.
- (ii) Any alterations to the terms and conditions of the New Share Option Scheme which are of a material nature or any change to the terms of Options granted must be approved by Shareholders, except where the alterations take effect automatically under the existing terms of the New Share Option Scheme.
- (iii) The amended terms of the New Share Option Scheme or the Options must still comply with the relevant requirements of Chapter 23 of the GEM Listing Rules.
- (iv) Any change to the authority of the Directors or the administrator of the New Share Option Scheme in relation to any alteration to the terms of the New Share Option Scheme must be approved by Shareholders in a general meeting.

(v) *Conditions of the New Share Option Scheme*

The New Share Option Scheme is conditional upon:

- (a) the Listing Committee of the Stock Exchange granting the listing of and permission to deal in any Shares which may fall to be issued by the Company pursuant to the exercise of Options in accordance with the terms and conditions of the New Share Option Scheme; and

- (b) the passing of an ordinary resolution to adopt the New Share Option Scheme and to terminate the Existing Share Option Scheme.

(w) *Lapse of Options*

An Option shall lapse automatically (to the extent not already exercised) on the earliest of:

- (i) the expiry of the Option Period;
- (ii) the expiry of any of the periods referred to in paragraphs (k) to (p);
- (iii) the date on which the Directors shall exercise the Company's right to cancel the Option by reason of a breach of paragraph (j) by the grantee of the Option in respect of that or any other Option; and
- (iv) the date of the commencement of the winding-up of the Company.

(x) *Termination*

The Company by ordinary resolution in general meeting may at any time terminate the operation of the New Share Option Scheme and in such event no further Options will be offered but in all other respects the provisions of the New Share Option Scheme shall remain in force to the extent necessary to give effect to the exercise of any Options granted prior to such termination.

Details of the Options granted, including Options exercised or outstanding, under the New Share Option Scheme shall be disclosed in the circular to Shareholders seeking approval of any subsequent share option scheme to be established after such termination.

(y) *Miscellaneous*

The terms of the New Share Option Scheme (and any other schemes adopted by the Company from time to time) shall be in accordance with the new requirements set out in Chapter 23 of the GEM Listing Rules.

The Company will comply with the relevant statutory requirements and the GEM Listing Rules from time to time in force on a continuing basis in respect of the New Share Option Scheme and any other schemes of the Company.

Any dispute arising in connection with the number of Shares of an Option and any of the matters referred to in paragraph (r) above shall be referred to the decision of the auditors or the independent financial advisers of the Company who shall act as experts and not as arbitrators and whose decision, in the absence of manifest error, shall be final and binding.

NOTICE OF ANNUAL GENERAL MEETING



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 19/F., New Wing, 101 King’s Road, Hong Kong on Wednesday, 10 August 2011, 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 2011;
2. to re-elect the retiring directors of the Company (“**Directors**”), namely Mr. Yung Kwok Leong, Dr. Jiang Tao and Ms. Wong Ka Wai, Jeanne;
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 8 as ordinary resolutions and the following proposed resolution numbered 9 as special resolution:

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**”) of HK\$0.5 each 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;
 - (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;

* For identification purpose only

NOTICE OF ANNUAL GENERAL MEETING

(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 eligible participants as defined in the Share Option Scheme (as defined below) 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 (the “**Articles**”) 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

(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.

NOTICE OF ANNUAL GENERAL MEETING

(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).

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 5 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.

NOTICE OF ANNUAL GENERAL MEETING

8. **“THAT**

- (a) conditional upon the Listing Committee of the Stock Exchange granting the listing of and permission to deal in the Shares falling to be issued pursuant to the share option scheme (the **“New Share Option Scheme”**), the terms of which are set out in the document marked “A” which has been produced to the AGM and signed by the chairman of the AGM for the purpose of identification, the rules of the New Share Option Scheme be and are hereby approved and adopted and the Directors be and are hereby authorised to grant options and to allot, issue and deal with Shares pursuant to the exercise of any option granted thereunder and to take all such steps as they may consider necessary or expedient to implement the New Share Option Scheme.
- (b) subject to and conditional upon the passing of ordinary resolution No.8(a) set out in this notice and the conditions referred to therein being satisfied or fulfilled, the operation of the existing share option scheme adopted by the Company by ordinary resolution of its shareholders on 20 April 2002 and came into effect after initial Listing of the Shares on GEM on 10 May 2002 be terminated.”

SPECIAL RESOLUTION

9. **“THAT** subject to and conditional upon (i) an order being made by the Grand Court (the **“Court”**) of the Cayman Islands confirming the Capital Reduction (as defined below); (ii) the registration by the Registrar of Companies in the Cayman Islands of a copy of the Court order and the minute approved by the Court confirming the particulars required under the Cayman Islands Companies Law (2009 Revision) in respect of the Capital Reduction (as defined below); (iii) compliance with any conditions which the Court may impose; and (iv) the Listing Committee of The Stock Exchange of Hong Kong Limited granting listing of, and permission to deal in, the New Shares (as defined below), upon the date (the **“Effective Date”**) on which the Capital Reduction becomes effective:

- (a) the issued share capital of the Company be reduced (the **“Capital Reduction”**) by (1) canceling the paid-up capital of the Company to the extent of HK\$0.49 on each of the existing ordinary share of the Company of HK\$0.50 so that following such reduction (i) each issued ordinary share of the Company shall become one fully paid up issued ordinary share of par value HK\$0.01 (the **“New Share”**) in the capital of the Company and (ii) that the relevant amount of issued capital hereby cancelled be made available for the issue of New Shares; and (2) canceling the paid-up capital of the Company to the extent of HK\$0.49 on each of the existing convertible preference share (**“CPS”**) of the Company of HK\$0.50 so that following such reduction (i) each issued CPS of the Company shall become one fully paid up issued CPS of par value HK\$0.01 (the **“New CPS”**) in the capital of the Company and (ii) that the relevant amount of issued capital hereby cancelled be made available for the issue of New CPS; so that the authorized share capital of the Company of HK\$1,500,000,000 remains unchanged as of the Effective Date;

NOTICE OF ANNUAL GENERAL MEETING

- (b) the credit arising from the Capital Reduction be credited to the capital reserve account of the Company or for such purposes as permitted by the articles of association of the Company and the laws of the Cayman Islands (the “**Application of Credit**”);
- (c) conditional upon the Capital Reduction taking effect, each of the unissued shares of the Company of par value HK\$0.50 in the existing authorised but unissued share capital of the Company be sub-divided into 50 unissued New Shares of the Company of a par value HK\$0.01 each (“**Share Sub-division**”),

and that the Directors be and are hereby authorised to sign, take any and all steps, and to do and/or procure to be done any and all such acts and things, and to approve, sign and execute any such documents and deeds which in their opinion may be necessary, desirable or expedient, to implement and carry into effect, the Capital Reduction and the Application of Credit and the Share Sub-division.”

By Order of the Board
Yung Kwok Leong
Chairman

Hong Kong, 12 July 2011

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:*

19th Floor, New Wing
101 King’s Road
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 12 July 2011. 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 19/F., New Wing, 101 King’s Road, 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.