
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt about this circular or as to the action to be taken, you should consult your 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, you should at once hand this circular and the accompanying proxy form to the purchaser(s) or transferee(s) or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.



HUA XIA HEALTHCARE HOLDINGS LIMITED

華夏醫療集團有限公司*

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 8143)

DISCLOSEABLE AND CONNECTED TRANSACTIONS AND NOTICE OF EXTRAORDINARY GENERAL MEETING

**Independent Financial Adviser to the Independent Board Committee and
the Independent Shareholders**

VEDA | CAPITAL
智略資本

Capitalised terms used in this cover page shall have the same meanings as those defined in the section headed "Definitions" of this circular.

A letter from the Board is set out on pages 6 to 15 of this circular. A letter of advice from the Independent Board Committee is set out on page 16 of this circular. A letter of advice of Veda Capital, the independent financial adviser, containing its opinion and advice to the Independent Board Committee and the Independent Shareholders is set out on pages 17 to 26 of this circular.

A notice convening the EGM to be held at 19/F, New Wing 101 King's Road Hong Kong on Thursday 19 January 2012 at 11:00 a.m. is set out on pages 33 to 35 of this circular.

A form of proxy for the EGM is enclosed with this circular. Whether or not you are able to attend the EGM, 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 EGM or any adjourned meeting. Completion and delivery of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjourned meeting if you so wish.

This circular will remain on the GEM website at <http://www.hkgem.com> on the "Latest Company Announcements" page for seven days from the date of its publication.

* 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 and no assurance is given that there will be a liquid market in the securities traded on GEM.

CONTENTS

	<i>Page</i>
Characteristics of GEM	i
Definitions	1
Letter from the Board	6
Letter from the Independent Board Committee	16
Letter from Veda Capital	17
Appendix – General information	27
Notice of EGM	33

DEFINITIONS

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

“ABC Bank”	Agricultural Bank of China Limited, Fuzhou Hudong Branch, being the lender of the Fujian Huihao Loans
“associates”	the meaning ascribed thereto in the GEM Listing Rules
“Board”	the board of Directors
“Business Day”	a day on which banks in Hong Kong are open for business other than a Saturday or a Sunday
“Company”	Hua Xia Healthcare Holdings Limited, a company incorporated in the Cayman Islands with limited liability and the issued Shares of which are listed on GEM
“connected person(s)”	has the meaning ascribed thereto under the GEM Listing Rules
“Directors”	the directors of the Company
“EGM”	an extraordinary general meeting of the Company to be convened for the purpose of considering, and if thought fit, approving the Sihai Undertakings, the Fujian Huihao Security Documents and the transactions to be contemplated thereunder
“Fujian Huihao”	Fujian Huihao Pharmaceutical Co. Ltd# (福建惠好藥業有限公司), a company established in the PRC, and owned as to 55% by Mr. Weng Jiale, a nephew of Mr. Yung and as to 45% by an Independent Third Party
“Fujian Huihao Guarantee”	the unconditional guarantee proposed to be jointly executed by Huihao Sihai, Mr. Yung, Weng Jiale and Weng Qingjie in favour of ABC Bank to secure the obligations, indebtedness and liabilities of Fujian Huihao under the Fujian Huihao Loan 1

DEFINITIONS

“Fujian Huihao Loan 1”	the loan in the principal sum of RMB19,000,000 to be advanced by ABC Bank to Fujian Huihao under the Fujian Huihao Loan Agreement 1
“Fujian Huihao Loan 2”	the loan in the principal sum of RMB8,900,000 to be advanced by ABC Bank to Fujian Huihao under the Fujian Huihao Loan Agreement 2
“Fujian Huihao Loan Agreement 1”	the loan agreement proposed to be entered into between ABC Bank and Fujian Huihao pursuant to which ABC Bank will agree to grant to Fujian Huihao the Fujian Huihao Loan 1
“Fujian Huihao Loan Agreement 2”	the loan agreement proposed to be entered into between ABC Bank and Fujian Huihao pursuant to which ABC Bank will agree to grant to Fujian Huihao the Fujian Huihao Loan 2
“Fujian Huihao Loans”	together the Fujian Huihao Loan 1 and the Fujian Huihao Loan 2
“Fujian Huihao Mortgage”	the unconditional mortgage to be executed by Huihao Sihai in favour of ABC Bank, pursuant to which Huihao Sihai shall pledge a land property with ABC Bank to secure the obligations, indebtedness and liabilities of Fujian Huihao under the Fujian Huihao Loan 2
“Fujian Huihao Security Documents”	together, the Fujian Huihao Guarantee and the Fujian Huihao Mortgage
“Fuzhou Huihao”	Fujian Province Fuzhou City Huihao Pharmaceutical Co. Ltd [#] (福建省福州市惠好藥業有限公司), a company established in the PRC, an indirect wholly-owned subsidiary of the Company
“Fuzhou Huihao Loan”	a revolving loan in the principal sum of RMB35,000,000 to be advanced by the Shanghai Pudong Development Bank, Fuzhou Branch [#] (上海浦東發展銀行福州分行) under the Fuzhou Huihao Loan Agreement

DEFINITIONS

“Fuzhou Huihao Loan Agreement”	a loan agreement dated 28 December 2011 entered into between the Shanghai Pudong Development Bank, Fuzhou Branch# (上海浦東發展銀行福州分行) and Fuzhou Huihao pursuant to which such bank has agreed to grant to Fuzhou Huihao a loan up to RMB35,000,000
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries
“Guarantee Contract”	the unconditional guarantee dated 28 November 2011 and executed by Fujian Huihao in favour of the Shanghai Pudong Development Bank, Fuzhou Branch# (上海浦東發展銀行福州分行) to secure the obligations, indebtedness and liabilities of Fuzhou Huihao under the Fuzhou Huihao Loan Agreement up to the limit of RMB30,000,000
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Huihao Sihai”	Fujian Huihao Sihai Pharmaceutical Chain Company Limited# (福建惠好四海醫藥連鎖有限責任公司), a company established in the PRC with limited liability, 99.29% equity interests of which is owned by the Group
“Independent Board Committee”	an independent board committee, comprising Ms. Wong Ka Wai, Jeanne, Prof. Hu Shanlian and Prof. Lu Chuanzhen, all being the independent non-executive Directors, to advise the Independent Shareholders as to the fairness and reasonableness of the Fujian Huihao Security Documents and the transactions to be contemplated thereunder
“Independent Shareholders”	shareholders who are not required to abstain from voting on the resolutions to be proposed at the EGM to approve the connected transaction to be constituted by the Fujian Huihao Security Documents

DEFINITIONS

“Independent Third Party”	a person or a company, who and its ultimate beneficial owner(s), to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, are third parties independent of the Company and its connected persons
“Latest Practicable Date”	28 December 2011, being the latest practicable date prior to the printing of this circular of the purpose of ascertaining certain information contained in this circular
“Mr. Yung”	Mr. Yung Kwok Leong, an executive Director and a substantial Shareholder
“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
“Provision of Financial Assistance”	the proposed provision of financial assistance by Huihao Sihai to Fujian Huihao as contemplated under the Fujian Huihao Security Documents
“SFO”	Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong)
“Share”	the issued shares of HK\$0.01 each in the share capital of the Company
“Shareholders”	holders of the Shares
“Sihai Undertaking 1”	a conditional undertaking dated 22 November 2011 executed by Huihao Sihai in favour of Fujian Huihao, in relation to the entering into the Fujian Huihao Guarantee in favour of ABC Bank to secure the obligations, liabilities and indebtedness of Fujian Huihao to be owed to ABC Bank under the Fujian Huihao Loan 1

DEFINITIONS

“Sihai Undertaking 2”	a conditional undertaking dated 15 December 2011 executed by Huihao Sihai in favour of Fujian Huihao, in relation to the entering into the Fujian Huihao Mortgage in favour of ABC Bank to secure the obligations, liabilities and indebtedness of Fujian Huihao to be owed to ABC Bank under the Fujian Huihao Loan 2
“Sihai Undertakings”	together the Sihai Undertaking 1 and the Sihai Undertaking 2
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Veda Capital”	Veda Capital Limited, a corporation licensed to carry out type 6 (advising on corporate finance) regulated activity as defined under the SFO, appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Fujian Huihao Security Documents
“HK\$”	Hong Kong dollars, the lawful currency for the time being of Hong Kong
“RMB”	Renminbi, the lawful currency for the time being of the PRC
“%”	per cent.

The English translation of Chinese names or words in this circular is included for information purpose only, and should not be regarded as the official English translation of such Chinese names or words.

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

Non-executive Director:

Dr. Wong Yu Man, James

Independent non-executive Directors:

Ms. Wong Ka Wai, Jeanne

Prof. Hu Shanlian

Prof. Lu Chuanzhen

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

30 December 2011

To the Shareholders

Dear Sir or Madam

DISCLOSEABLE AND CONNECTED TRANSACTIONS AND NOTICE OF EXTRAORDINARY GENERAL MEETING

INTRODUCTION

References are made to the announcements of the Company dated 18 November 2011, 22 November 2011 and 15 December 2011 respectively in relation to the entering into of the Sihai Undertakings and the Provision of Financial Assistance under the Fujian Huihao Security Documents and the transactions to be contemplated thereunder.

* For identification purpose only

LETTER FROM THE BOARD

The purposes of this circular are, among others, (i) to provide you with further information on the Sihai Undertakings, (ii) to provide you with further information on the Provision of Financial Assistance under the Fujian Huihao Security Documents and the transactions to be contemplated thereunder; (iii) to set out the recommendation from the Independent Board Committee to the Independent Shareholders; (iv) to set out the recommendation from the Veda Capital to the Independent Board Committee and the Independent Shareholders; and (v) to give you the notice of EGM.

THE SIHAI UNDERTAKING 1

Date: 22 November 2011

Parties: (1) Huihao Sihai; and

(2) Fujian Huihao

To the best knowledge, information and belief of the Directors having made the reasonable enquiry, Fujian Huihao is a company established in the PRC, and owned as to 55% by Mr. Weng Jiale, a nephew of Mr. Yung and as to 45% by an Independent Third Party. Hence, Fujian Huihao is a connected person on the part of the Company.

Pursuant to the Sihai Undertaking 1, Huihao Sihai has conditionally undertaken to Fujian Huihao that subject to the approval of the Independent Shareholders at the EGM, Huihao Sihai will enter into the Fujian Huihao Guarantee jointly with Mr. Yung and his associates in favour of ABC Bank to secure the obligations, liabilities and indebtedness of Fujian Huihao to be owed to ABC Bank under the Fujian Huihao Loan 1.

To the best knowledge, information and belief of the Directors, Fujian Huihao intends to enter into the Fujian Huihao Loan Agreement 1, pursuant to which ABC Bank will agree to grant the Fujian Huihao Loan 1 in the principal sum of RMB19,000,000 to Fujian Huihao for its general business overheads subject to the terms and conditions of the Fujian Huihao Loan Agreement 1.

No fee or interest is or will be payable to Huihao Sihai by Fujian Huihao for the entering into of the Sihai Undertaking 1.

LETTER FROM THE BOARD

THE FUJIAN HUIHAO GUARANTEE

- Parties:**
- (1) Huihao Sihai, Mr. Yung, Weng Jiale and Weng Qingjie as guarantors; and
 - (2) ABC Bank as the lender

To the best knowledge, information and belief of the Directors having made the reasonable enquiry, ABC Bank is an Independent Third Party.

Subject matter:

Pursuant to the Fujian Huihao Guarantee, each of Huihao Sihai, Mr. Yung, Weng Jiale and Weng Qingjie will jointly and severally secure the obligations, liabilities and indebtedness of Fujian Huihao under the Fujian Huihao Loan 1. The maximum amount of the guarantee liability of each of Huihao Sihai, Mr. Yung, Weng Jiale and Weng Qingjie under the Fujian Huihao Guarantee will be up to RMB19,000,000.

Term: the Fujian Huihao Guarantee shall be limited for a period of two years commencing from the date of the Fujian Huihao Loan Agreement.

Condition precedent: the Fujian Huihao Guarantee will be unconditional.

Fee or interest: no fee or interest is or will be payable to Huihao Sihai by Fujian Huihao for the entering into of the Fujian Huihao Guarantee.

THE SIHAI UNDERTAKING 2

Date: 15 December 2011

- Parties:**
- (1) Huihao Sihai; and
 - (2) Fujian Huihao

To the best knowledge, information and belief of the Directors having made the reasonable enquiry, Fujian Huihao is a company established in the PRC, and owned as to 55% by Mr. Weng Jiale, a nephew of Mr. Yung and as to 45% by an Independent Third Party. Hence, Fujian Huihao is a connected person on the part of the Company.

LETTER FROM THE BOARD

Pursuant to the Sihai Undertaking 2, Huihao Sihai has conditionally undertaken to Fujian Huihao that subject to the approval of the Independent Shareholders at the EGM, Huihao Sihai will enter into the Fujian Huihao Mortgage severally but not jointly with any party in favour of ABC Bank to secure the obligations, liabilities and indebtedness of Fujian Huihao to be owed to ABC Bank under the Fujian Huihao Loan 2 up to the limit of RMB2,140,000.

To the best knowledge, information and belief of the Directors, Fujian Huihao intends to enter into the Fujian Huihao Loan Agreement 2, pursuant to which ABC Bank will agree to grant the Fujian Huihao Loan 2 in the principal sum of RMB8,900,000 to Fujian Huihao for a term of one year for its general business overheads subject to the terms and conditions of the Fujian Huihao Loan Agreement 2.

No fee or interest is or will be payable to Huihao Sihai by Fujian Huihao for the entering into of the Sihai Undertaking 2.

THE FUJIAN HUIHAO MORTGAGE

- Parties:**
- (1) Huihao Sihai as the mortgagor
 - (2) ABC Bank as the mortgagee

To the best knowledge, information and belief of the Directors having made the reasonable enquiry, ABC Bank is an Independent Third Party.

Subject matter:

Under the Fujian Huihao Mortgage, Huihao Sihai will agree to pledge a land property legally and beneficially owned by it with ABC Bank to secure the obligations, liabilities and indebtedness of Fujian Huihao under the Fujian Huihao Loan 2 on a several basis.

There is an express provision in the Fujian Huihao Mortgage that the maximum liability of Huihao Sihai under the Fujian Huihao Mortgage is limited to RMB2,140,000.

The land property is a shop premises for Huihao Sihai's own use located at nos.106-108, block 4, Xingye Plaza, No. 71 Yanjiang Zhonglu, Yong'an City, Sanming, Fujian Province, PRC# (中國福建省三明永安市燕江中路71號興業廣場4幢106-108號房產) which will be pledged to secure the liabilities of Fujian Huihao under the Fujian Huihao Loan 2.

LETTER FROM THE BOARD

The value of the land property is estimated to be RMB3,068,900 by ABC Bank. If Fujian Huihao defaults in loan and interest repayment and ABC Bank exercises its right of foreclosure to sell the land property under the Fujian Huihao Mortgage, the proceeds of sale, after deducting Huihao Sihai's liability to ABC Bank which is limited to RMB2,140,000, will be returned to Huihao Sihai.

If the land property is sold due to foreclosure by ABC Bank, the retail business operating at the land property will be relocated to other land property owned or leased by Huihao Sihai. In that case, the operation of that particular shop may be suspended for a short period due to the relocation of the shop. However, the Directors believe that the overall operation of Huihao Sihai retail chain will not be adversely affected given Huihao Sihai possesses a retail chain network of more than 90 shops in Fujian Province, the PRC.

Term: the Fujian Huihao Mortgage will expire on the maturity date of the Fujian Huihao Loan 2.

Condition precedent: the Fujian Huihao Mortgage is unconditional.

Fee or interest: no fee or interest is or will be payable to Huihao Sihai by Fujian Huihao for the entering into of the Fujian Huihao Mortgage.

Information on Fujian Huihao

To the best knowledge, information and belief of the Directors, Fujian Huihao is a company established in the PRC, and owned as to 55% by Mr. Weng Jiale, a nephew of Mr. Yung and as to 45% by an Independent Third Party. Hence, Fujian Huihao is a connected person on the part of the Company. As advised by the board of directors of Fujian Huihao, Fujian Huihao is principally engaged in wholesale and trading of pharmaceutical and related products in Fujian Province, the PRC.

Pursuant to the Guarantee Contract, Fujian Huihao shall provide aggregate corporate guarantee up to the limit of RMB30,000,000 in favour of the bank under the Fuzhou Huihao Loan Agreement to secure the obligations, liabilities and indebtedness of Fuzhou Huihao owed to such bank under the Fuzhou Huihao Loan.

No fee or interest is payable to Fujian Huihao by the Group for Fujian Huihao as a guarantor in respect of the Fuzhou Huihao Loan Agreement or for the entering into the Guarantee Contract.

LETTER FROM THE BOARD

REASONS FOR ENTERING INTO THE FUJIAN HUIHAO SECURITY DOCUMENTS

The Company is an investment holding company and its subsidiaries are principally engaged in the provision of general hospital and healthcare and hospital management services, pharmaceutical wholesale and distribution and pharmaceutical retail chain business in the PRC.

In contemplating the launch of new government tenders for the provision of pharmaceutical products in the coming few years, Fuzhou Huihao and Huihao Sihai expect that the demand of pharmaceutical products will increase significantly. If the Group can win the tenders, the estimated annual turnover generated from the selling of pharmaceutical products may increase by RMB300,000,000. The Board therefore anticipates that additional amount of working capital of approximately RMB100,000,000 is required to be injected into the pharmaceutical business of the Group in order to capture new business opportunities arising from the new government tenders.

Although the Company had cash and bank balance of HK\$85,900,000 as at 30 September 2011 and the Company's business was profitable and was able to generate cash inflow for the past six months ended 30 September 2011, the cash and bank balance available to be used by Fuzhou Huihao is less than RMB10,000,000. A large portion of the Group's cash is either retained in other PRC subsidiaries or in Hong Kong. Given that the inter-company loan is not permitted in the PRC, such cash is not freely transferable from one subsidiary to another or across Hong Kong boundary to the PRC. Notwithstanding the Group will use its internal resources for financing the pharmaceutical business, the existing working capital of the Group is insufficient to finance the pharmaceutical business expansion. Apart from the debt financing, the Board has also considered other means of financing such as equity financial. However, in view of the recent low trading volume, trading price, the volatile financial market and investors' low sentiment, the Board considers that the combination of the Group's internal resources and debt financing will be the right means to finance the pharmaceutical business of the Group for the time being.

However, in view of recent credit financing condition in the PRC, it is difficult to obtain loans and bank facilities from the PRC banks. It is a widely adopted policy of the banks in the PRC that a third party corporate guarantee or security is required in order for the bank to grant loans. In addition, since the Group has little relationship with banks in Fujian Province in the past, without a third party corporate guarantee, the banks in the PRC are not willing to establish new relationship with the Group.

LETTER FROM THE BOARD

The Group has approached several banks in Hong Kong and in the PRC in order to obtain additional funding. The Company is advised by banks in Hong Kong that due to their internal policy, it is difficult for them to directly grant loans to the Group's subsidiaries in the PRC. Instead, they recommend the Company to directly approach their branch office in the PRC for obtaining the bank facilities arrangement. The Board also considers that it is not economically feasible for the Company to obtain Hong Kong dollar loans from banks in Hong Kong and then exchanges the loan to Renminbi and remits to the PRC subsidiaries. Such arrangement is costly and the cross boundary remittance of the foreign current will involve complicated reporting and filing procedures to the State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局).

With the assistance of Fujian Huihao, the Group is able to obtain the Fuzhou Huihao Loan from the Shanghai Pudong Development Bank, Fuzhou Branch# (上海浦東發展銀行福州分行) to finance its working capital. Prior to the entering into the Fuzhou Huihao Loan Agreement, the Group had also approached other banks in the PRC in order to obtain further fund, but none of them was materialised as at the Latest Practical Date. Under the Fuzhou Loan Agreement, it is a condition that the Fuzhou Loan shall be not secured only by the Group's asset but also by corporate guarantee provided by companies outside the Group. Vice versa, ABC bank which intends to grant the Fujian Huihao Loans also have the same requirement.

Before entering into the cross corporate guarantee with Fujian Huihao, Huihao Sihai has also considered to obtain corporate guarantee from independent guarantee company which principally engaged in provision of professional guarantee services in the PRC. However such guarantee company usually charges for a high fee for the provision of guarantee for short term loan. It was expected that the costs for corporate guarantee for Fuzhou Huihao Loan Agreement which has a term of one year would be substantially high if such corporate guarantee was provided by the independent guarantee company.

In light of above, Huihao Sihai decides to provide free guarantee and to pledge its property in favour of ABC Bank to secure the obligations, liabilities and indebtedness of Fujian Huihao under the Fujian Huihao Loans in consideration of the free guarantee to secure its obligations, liabilities and indebtedness in relation to the loan under the Fuzhou Huihao Loan Agreement provided by Fujian Huihao. The entering into of the above cross guarantee transactions will benefit the Company as well as Fujian Huihao (1) by saving interest cost arising from acquiring guarantee from guarantee company; and (2) by arising additional working capital successfully for daily operation as well as further business development.

LETTER FROM THE BOARD

The Company has conducted a financial due diligence review on Fujian Huihao and the Board is satisfied with the due diligence results and considers the financial position of Fujian Huihao is sound. According to the audited financial statement of Fujian Huihao for the two years ended 31 December 2009 and 31 December 2010, its profits before tax were approximately RMB120 million and RMB130 million respectively and its net asset value as at 31 December 2010 was approximately RMB500 million.

Based on the information provided by the PRC banks who lend to Fujian Huihao, the Board was given to understand that Fujian Huihao is in healthy financial position and has a remarkable credit rating and Fujian Huihao has never defaulted in loan repayment in the past. As such, the Board believes that risk of defaulting the Fujian Huihao Loans by Fujian Huihao which will trigger the enforcement of the guarantee provided by Huihao Sihai is slim. Therefore, the Board believes that there is no disadvantage to the Group by entering into the Fujian Huihao Security Documents.

Since Fuzhou Huihao, Huihao Sihai and Fujian Huihao are all in need of working capital, the entering the cross guarantee arrangement among them to secured the obligations, liabilities and indebtedness under their respective loan free of charge would only benefit all of them and would be regarded as a normal commercial term.

Under such cross guarantee arrangement, neither Fujian Huihao has to pay the Group under the Fujian Huihao Security Documents, nor the Group has to pay Fujian Huihao in respect of its corporate guarantee provided by Fujian Huihao to secure the liability of the Group under Fuzhou Huihao Loan Agreement but Fuzhou Huihao and/or Huihao Sihai could raise further capital for daily operation and business development.

The Directors consider that it is mutual benefit for the Group and Fujian Huihao to provide cross corporate guarantee to each other. Further, in consideration of Fujian Huihao entering into the Guarantee Contract and providing the corporate guarantee to secure the Fuzhou Huihao Loan Agreement up to the limit of RMB30,000,000, the Directors (includes the independent non-executive Directors after taking into account the advice from the independent financial adviser but excludes Mr. Yung who had abstained at the Board meetings to approve the Sihai Undertakings, the Fujian Huihao Security Documents and the transactions to be contemplated thereunder) are of the view that the Provision of Financial Assistance, the terms of the Fujian Huihao Security Documents are fair and reasonable and are in the interests of the Company and the Shareholders as a whole. The Board does not consider that there is any disadvantage in relation to the Provision of Financial Assistance given that the defaulting risk on the part of Fujian Huihao is low after reviewing its financial conditions.

LETTER FROM THE BOARD

THE GEM LISTING RULES IMPLICATIONS

As the applicable percentage ratios calculated under Rule 19.07 of the GEM Listing Rules in respect of the aggregated secured obligation under the Fujian Huihao Security Documents will exceed 5% but will be less than 25% and the total liability of the Group will exceed HK\$10,000,000, the proposed entering into of the Fujian Huihao Guarantee and the Fujian Huihao Mortgage and the transactions contemplated thereunder will constitute discloseable and connected transactions on the part of the Company and will be subject to the approval of the Independent Shareholders at the EGM by way of poll.

EGM

Set out on pages 33 to 35 of this circular is a notice convening the EGM which will be held at 19th Floor, New Wing 101 King's Road Hong Kong at 11:00 a.m. on Thursday, 19 January 2012, at which resolutions will be proposed to approve, among others, (i) the Sihai Undertaking 1, the Fujian Huihao Guarantee and the transaction to be contemplated thereunder; and (ii) the Sihai Undertaking 2, the Fujian Huihao Mortgage and the transaction to be contemplated thereunder. All the resolutions proposed to be approved at the EGM will be taken by poll and an announcement will be made by the Company after the EGM on the results of the EGM.

As at the Latest Practicable Date, Mr. Yung and his associates, who held approximately 22.76% of the entire issued share capital of the Company, will abstain from voting for the relevant resolution at the EGM to approve the Fujian Huihao Guarantee and the Fujian Huihao Mortgage and the transactions contemplated thereunder due to their interests in the transactions.

A form of proxy for the EGM is enclosed with this circular. Whether or not you are able to attend the EGM in person, you are requested to complete the form of proxy and return it to the principal place of business of the Company at 19/F., New Wing, 101 King's Road, Hong Kong in accordance with the instructions printed thereon as soon as possible and in any event not less than 48 hours before the time appointed for the EGM (or any adjourned meeting). The completion and delivery of the form of proxy will not preclude you from attending and voting at the EGM (or any adjourned meeting) if you so wish.

LETTER FROM THE BOARD

INDEPENDENT BOARD COMMITTEE

The Independent Board Committee comprising Ms. Wong Ka Wai, Jeanne, Prof. Hu Shanlian and Prof. Lu Chuanzhen, being all independent non-executive Directors, has been formed to advise the independent Shareholders as to the Sihai Undertakings, Fujian Huihao Security Documents and the transactions to be contemplated thereunder. Veda Capital has been appointed to advise the Independent Board Committee and the Independent Shareholders as to the Sihai Undertakings, Fujian Huihao Security Documents and the transactions to be contemplated thereunder and how to vote at the EGM in relation to the resolution in respect thereof.

The text of the letter from the Independent Board Committee is set out on page 16 of this circular, the text of the letter from Veda Capital containing its advice is set out on pages 17 to 26 of this circular.

RECOMMENDATIONS

Your attention is drawn to the letter from the Independent Board Committee set out on page 16 of this circular. The Independent Board Committee, having taken into account the advice of Veda Capital, the text of which is set out on pages 17 to 26 of this circular, considers that the Sihai Undertakings are entered into upon normal commercial terms following arm's length negotiations between the parties thereto and that the terms of the Sihai Undertakings and the Fujian Huihao Security Documents are fair and reasonable so far as the Independent Shareholders are concerned and the Provision of Financial Assistance to Fujian Huihao is in the interests of the Company and the Shareholders as a whole. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the resolutions to be proposed at the EGM to approve (i) the Sihai Undertaking 1 and the Fujian Huihao Guarantee and the transaction to be contemplated thereunder; and (ii) the Sihai Undertaking 2 and the Fujian Huihao Mortgage and the transaction to be contemplated thereunder.

FURTHER INFORMATION

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

Yours faithfully
By order of the board of Directors of
Hua Xia Healthcare Holdings Limited
Zheng Gang
Executive Director

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



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)

30 December 2011

To the Independent Shareholders

Dear Sir or Madam,

DISCLOSEABLE AND CONNECTED TRANSACTIONS

We refer to the circular dated 30 December 2011 issued by the Company (the “**Circular**”), of which this letter forms part. Terms used in this letter shall bear the same meanings as given to them in the Circular unless the context otherwise requires.

We have been appointed by the Board as members to form the Independent Board Committee to consider the Sihai Undertakings, the Fujian Huihao Security Documents and the transaction to be contemplated thereunder and to advise the Independent Shareholders as to whether the Sihai Undertakings, the Fujian Huihao Security Documents and the transactions to be contemplated thereunder are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole, and to recommend how the Independent Shareholders should vote at the EGM. Veda Capital has been appointed to advise the Independent Board Committee and the Independent Shareholders in this regard. Details of Veda Capital’s advice, together with the principal factors taken into consideration in arriving at such advice, is set out on pages 17 to 26 of the Circular. Your attention is also drawn to the letter from the Board set out on pages 6 to 15 to the Circular and the additional information set out in the appendix of the Circular.

Having taken into account of the advice of Veda Capital, we consider that the Sihai Undertakings are entered into upon normal commercial terms following arm’s length negotiations between the parties thereto, and that the terms of the Sihai Undertakings, the Fujian Huihao Security Documents are fair and reasonable so far as the Independent Shareholders are concerned, and the Provision of Financial Assistance is in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the resolutions to be proposed at the EGM to approve the Sihai Undertakings and the Provision of Financial Assistance.

Yours faithfully,
the Independent Board Committee

Ms. Wong Ka Wai, Jeanne
Independent non-executive
Director

Prof. Hu Shanlian
Independent non-executive
Director

Prof. Lu Chuanzhen
Independent non-executive
Director

* For identification purpose only

LETTER FROM VEDA CAPITAL

The following is the full text of a letter of advice from Veda Capital to the Independent Board Committee and the Independent Shareholders in respect of the Sihai Undertakings, Fujian Huihao Security Documents and the transaction contemplated thereunder prepared for the purpose of inclusion in this circular.

VEDA | CAPITAL
智 略 資 本

Veda Capital Limited
Suite 3214, 32/F., COSCO Tower
183 Queen's Road Central, Hong Kong

30 December 2011

*To the Independent Board Committee and the Independent Shareholders
of Hua Xia Healthcare Holdings Limited*

Dear Madam/Sir,

DISCLOSEABLE AND CONNECTED TRANSACTIONS

INTRODUCTION

We refer to our appointment to advise the Independent Board Committee and the Independent Shareholders in respect of the fairness and the reasonableness of the Sihai Undertakings, Fujian Huihao Security Documents and the transaction contemplated thereunder, details of which are set out in the letter from the Board (the “**Board Letter**”) in the circular to the Shareholders dated 30 December 2011 (the “**Circular**”), of which this letter forms part. Terms used in this letter have the same meanings as defined in the Circular unless the context requires otherwise.

References are made to the announcements of the Company dated 18 November 2011, 22 November 2011 and 15 December 2011 in relation to the Sihai Undertakings and the Fujian Huihao Security Documents.

The Independent Board Committee, comprising all independent non-executive Directors has been established to advise as to (i) whether the Sihai Undertakings, Fujian Huihao Security Documents and the transaction contemplated thereunder are upon normal commercial terms and in the ordinary course of business of the Company and whether the Sihai Undertakings, Fujian Huihao Security Documents and the transaction contemplated thereunder are fair and reasonable so far as the Independent Shareholders are concerned and is in the interests of the Company and the Shareholders as a whole; and (ii) to recommend how the Independent Shareholders should vote at the relevant resolution(s) in approving the Sihai Undertakings, Fujian Huihao Security Documents and the transaction contemplated thereunder at the EGM.

LETTER FROM VEDA CAPITAL

BASIS OF OUR OPINION

In formulating our opinion and advice, we have relied upon the accuracy of the information and representations contained in the Circular and information provided to us by the Company, the Directors and the management. We have assumed that all statements, information and representations made or referred to in the Circular and all information and representations which have been provided by the Company, the Directors and the management, for which they are solely and wholly responsible, were true at the time they were made and continue to be true as at the date of the EGM. We have also assumed that all statements of belief, opinion and intention made by the Directors in the Circular were reasonably made after due and careful enquiry and were based on honestly-held opinions.

The Directors have collectively and individually accepted full responsibility for the accuracy of the information contained in the Circular and have confirmed, having made all reasonable enquiries, which to the best of their knowledge and belief, there are no other facts the omission of which would make any statements in the Circular misleading. We have no reason to believe that any information and representations relied on by us in forming our opinion is untrue, inaccurate or misleading, nor are we aware of any material facts the omission of which would render the information provided and the representations made to us untrue, inaccurate or misleading. We have not, however, conducted any independent in-depth investigation into the business affairs, financial position or future prospects of the Group, nor have we carried out any independent verification of the information provided by the Directors and management of the Company.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In giving our recommendation to the Independent Board Committee and the Independent Shareholders in respect of the fairness and reasonableness of the Sihai Undertakings, Fujian Huihao Security Documents and the transaction contemplated thereunder, we have taken into consideration the following factors and reasons:

Background and financial information of the Group

The Company is an investment holding company and its subsidiaries are principally engaged in the provision of general hospital and healthcare and hospital management services, pharmaceutical wholesale and distribution and pharmaceutical retail chain business in the PRC.

LETTER FROM VEDA CAPITAL

(i) Six months ended 30 September 2011

As set out in the interim report 2011 of the Company (“**IR 2011**”) for the six months ended 30 September 2011, the Group recorded a turnover on business operations of approximately HK\$829.160 million (2010: approximately HK\$707.377 million), representing an increase of about 17.22% compared to the same period last year. The rise in turnover was mainly driven by the sales from the pharmaceutical wholesale and distribution and pharmaceutical retail chain businesses in the PRC.

As at 30 September 2011, the Group had total cash and cash equivalents of approximately HK\$85.9 million, representing an increase of approximately 11.25% from that as at 31 March 2011.

The Company has mentioned in the IR 2011 that the management of the Group will continue to rely on its two core businesses model (i.e. general hospital operations and pharmaceutical distribution and retail businesses) for growth potential. The Group will actively look for further development opportunities made available by the healthcare reform and the rapid economic growth.

(ii) Financial year ended 31 March 2011

As set out in the annual report 2011 of the Company (“**AR 2011**”) for the financial year ended 31 March 2011, the Group recorded revenue of approximately HK\$1,491.9 million, representing a significant increase of approximately 729.34% from that for the financial year ended 31 March 2010 of approximately HK\$179.8 million. As set out in AR 2011, the substantial increase of revenue was from retail, wholesale and distribution of pharmaceutical products in the PRC. The Group recorded net profit of approximately HK\$37.2 million for the year ended 31 March 2011, while the Group recorded net loss of approximately HK\$206.6 million for the year ended 31 March 2010. The turnaround of profits was mainly attributable to the acquisition of the pharmaceutical wholesale and distribution and pharmaceutical retail chain business in the PRC.

LETTER FROM VEDA CAPITAL

Background of the Sihai Undertakings and the Fujian Huihao Security Documents

Fujian Huihao is a company established in the PRC and is owned as to 55% by Mr. Weng Jiale, nephew of Mr. Yung, and as to 45% by an Independent Third Party. Hence, Fujian Huihao is a connected person on the part of the Company. As advised by the board of directors of Fujian Huihao, Fujian Huihao is principally engaged in wholesale and trading of pharmaceutical and related products in Fujian Province, the PRC.

1. *Sihai Undertaking 1*

On 22 November 2011, Huihao Sihai has executed the Sihai Undertaking 1 in favour of Fujian Huihao, pursuant to which, Huihao Sihai has conditionally undertaken to Fujian Huihao that subject to the approval of the Independent Shareholders at the EGM, Huihao Sihai will enter into the Fujian Huihao Guarantee jointly with Mr. Yung and his associates in favour of ABC Bank to secure the obligations, liabilities and indebtedness of Fujian Huihao to be owned to ABC Bank under the Fujian Huihao Loan 1 in the principal amount of RMB19,000,000 to Fujian Huihao for its general business overheads.

No fee or interest is or will be payable to Huihao Sihai by Fujian Huihao for the entering into of the Sihai Undertaking 1.

2. *Fujian Huihao Guarantee*

To the best knowledge, information and belief of the Directors, Fujian Huihao intends to enter into the Fujian Huihao Loan Agreement 1, pursuant to which the ABC Bank will agree to grant the Fujian Huihao Loan 1 in the principal sum of RMB19,000,000 to Fujian Huihao for its general business overhead subject to the terms and conditions of the Fujian Huihao Loan Agreement 1. In order to secure the obligations, indebtedness and liabilities of Fujian Huihao under the Fujian Huihao Loan 1, it is proposed to execute the Fujian Huihao Guarantee jointly and severally by Huihao Sihai, Mr. Yung, Weng Jiale and Weng Qingjie in favour of ABC Bank. In other words, the maximum amount of the guaranteed liabilities of each of Huihao Sihai, Mr. Yung, Weng Jiale and Weng Qingjie under the Fujian Huihao Guarantee will be up to RMB19,000,000.

The Fujian Huihao Guarantee is unconditional and no fee or interest is or will be payable to Huihao Sihai by Fujian Huihao for the entering into of the Fujian Huihao Guarantee.

LETTER FROM VEDA CAPITAL

3. *Sihai Undertaking 2*

On 15 December 2011, Huihao Sihai has executed the Sihai Undertaking 2 in favour of Fujian Huihao, pursuant to which, Huihao Sihai has conditionally undertaken to Fujian Huihao that subject to the approval of the Independent Shareholders at the EGM, Huihao Sihai will enter into the Fujian Huihao Mortgage in the principal amount of RMB2,140,000 in favour of ABC Bank to secure the obligations, liabilities and indebtedness of Fujian Huihao to be owned to ABC Bank under the Fujian Huihao Loan 2 in the principal sum of RMB8,900,000 to Fujian Huihao for a term of one year of its general business overheads.

No fee or interest is or will be payable to Huihao Sihai by Fujian Huihao for the entering into of the Sihai Undertaking 2.

4. *Fujian Huihao Mortgage*

Pursuant to the Fujian Huihao Mortgage, Huihao Sihai will agree to pledge a land property legally and beneficially owned by it with ABC Bank to secure the obligations, liabilities and indebtedness of Fujian Huihao under the Fujian Huihao Loan 2 up to RMB2,140,000. The Fujian Huihao Mortgage is unconditional and will expire on the maturity date of the Fujian Huihao Loan 2.

No fee or interest is or will be payable to Huihao Sihai by Fujian Huihao for the entering into of the Fujian Huihao Mortgage.

As the applicable percentage ratios in respect of the aggregated secured obligation under the Fujian Huihao Security Documents will exceed 5% but will be less than 25% and the total liability of the Group will exceed HK\$10,000,000, the proposed entering into of the Fujian Huihao Guarantee and the Fujian Huihao Mortgage and the transaction contemplated thereunder will constitute discloseable and connected transactions on the part of the Company and will be subject to the approval of the Independent Shareholders at the EGM by way of poll.

LETTER FROM VEDA CAPITAL

Background of the Fuzhou Huihao Loan and the Guarantee Contract

Fuzhou Huihao is an indirect wholly-owned subsidiary of the Company which is principally engaged in pharmaceutical wholesale and distribution business in Fujian, the PRC. Huihao Sihai is principally engaged in pharmaceutical retail chain business in Fujian, the PRC, and is owned as to 99.29% by the Company.

Pursuant to the Guarantee Contract, Fujian Huihao shall provide aggregate corporate guarantee up to the limit of RMB30,000,000 in favour of the bank under the Fuzhou Huihao Loan Agreement to secure the obligations, liabilities and indebtedness of Fuzhou Huihao owned to such bank under the Fuzhou Huihao Loan.

No fee or interest is payable to Fujian Huihao by the Group for Fujian Huihao as a guarantor in respect of Fuzhou Huihao Loan Agreement or for the entering into of the Guarantee Contract.

Reasons for entering into the Fujian Huihao Security Documents

As set out in the AR 2011, in view of the improvement of revenue of the Group for the year ended 31 March 2011, the Group continues to allocate resources and to look for business opportunities to expand the pharmaceutical wholesale and distribution and retail chain businesses. The Company advised that the Fuzhou Huihao Loan will provide further funding to finance Fuzhou Huihao's expansion of its pharmaceutical wholesale and distribution business in Fujian, the PRC. The Company believes the business expansion is for the interests of sustaining the Group's long-term growth objective and is in the interests of the Company and the Shareholders as a whole.

Taken into account of the reasons set out in the Board Letter under the section headed "REASONS FOR ENTERING INTO THE FUJIAN HUIHAO SECURITY DOCUMENTS", and having considered that:

1. the Fuzhou Huihao Loan is necessary for the development of the business of the Group as benefited from the launch of new government tenders for the provision of pharmaceutical products in the coming years which may generate additional turnover and returns to the Company and Shareholders;

LETTER FROM VEDA CAPITAL

2. notwithstanding the Group's cash and bank balance of HK\$85,900,000 as at 30 September 2011, the cash and bank balance available to be used by Fuzhou Huihao is less than RMB10,000,000, which is insufficient to finance the pharmaceutical business expansion. Given inter-company loan among the subsidiaries of the Group is not permitted in the PRC, the Fuzhou Huihao Loan is necessary for the pharmaceutical business expansion of the Group;
3. the current arrangement is the best achievable means of obtaining funding after best efforts attempts made by the Company from banks in Hong Kong and the PRC, which ended up unmaterialised or are not economically feasible for the Company due to costly and complicated reporting and filing procedures to the State Administration of Foreign Exchange of the PRC;
4. Fujian Huihao Guarantee is helpful to the Company in obtaining loans and bank facilities from the banks in the PRC since the Group has little relationship with banks in Fujian Province and third party corporate guarantee or security is required for loans approval and establishment of new relationship with the banks in the PRC;
5. under the Fuzhou Loan Agreement, it is a condition that the Fuzhou Loan shall be not secured by the Group's asset but also by corporate guarantee provided by companies outside the Group. Vice versa, ABC Bank which intends to grant the Fujian Huihao Loan also has the same requirement. As such, it is of normal and fair commercial arrangement for the cross corporate guarantee;
6. if the Group obtains corporate guarantee from independent guarantee company, additional cost would be incurred given that the independent guarantee companies in the PRC usually charges higher fee for one-year long term Fuzhou Huihao Loan. By entering into Fujian Huihao Guarantee, no fee or interests is or will be payable by the Group and therefore, the cross corporate guarantee with Fujian Huihao is in the interests of the Company and Independent Shareholders as a whole;

LETTER FROM VEDA CAPITAL

7. the risk of defaulting the Fujian Huihao Loans by Fujian Huihao is slim after taken into account of the financial due diligence review on Fujian Huihao and its financial position conducted by the Company. According to the audited financial statement of Fujian Huihao for the two years ended 31 December 2009 and 31 December 2010, its profits before tax were approximately RMB120 million and RMB130 million respectively and its net asset value as at 31 December 2010 was approximately RMB500 million. Based on the information provided by the PRC banks which lend to Fujian Huihao, the Board was given to understand that Fujian Huihao is in healthy financial position and has a remarkable credit rating and Fujian Huihao has never defaulted in loan repayment in the past; and
8. the aggregate guarantee amount provided by Huihao Sihai under Fujian Huihao Security Documents is RMB21,140,000, which is less than the Guarantee Contract at a guaranteed amount of RMB30,000,000.

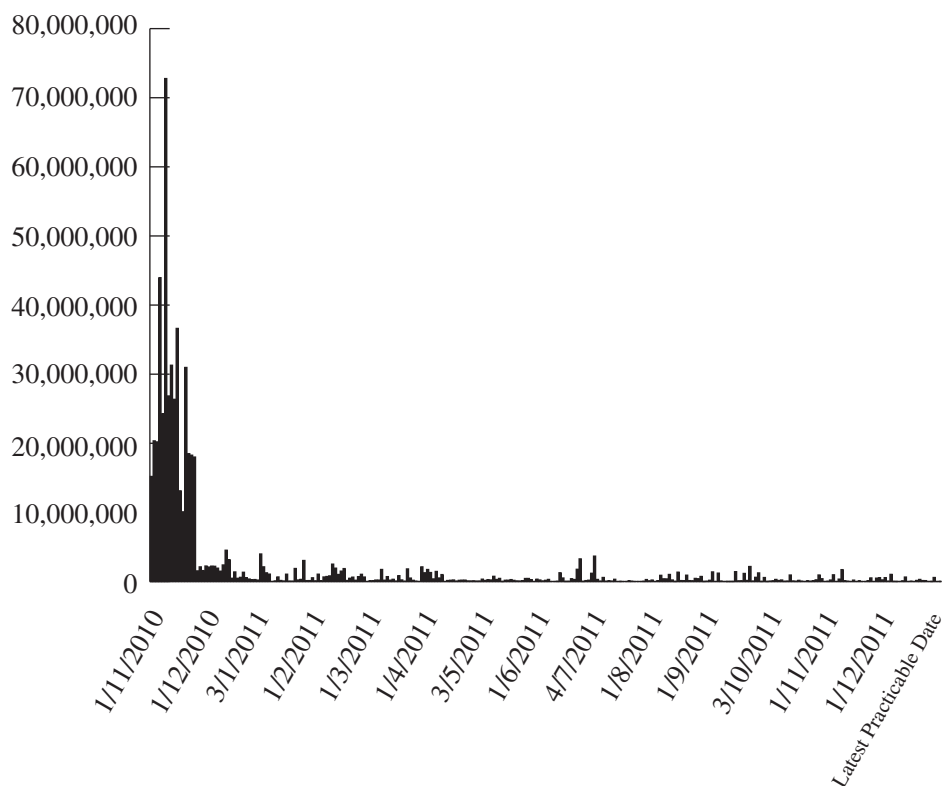
Based on the abovementioned, we are of the view that the Fujian Huihao Security Documents and the Sihai Undertakings are under normal commercial terms and are in the interests and benefits of the Company and Independent Shareholders as a whole.

Other alternatives

As advised by the Company, the Board has also considered other means of financing such as equity financial apart from debt financing. However, in view of the recent low trading volume, trading price, the volatile financial market and investors' low sentiment, the Board considers that debt financing is the right means to finance the pharmaceutical business of the Group for the time being.

LETTER FROM VEDA CAPITAL

We have reviewed the liquidity of the Shares during the period from 18 November 2010 (being the 12 calendar months period prior to the date of the announcement in relation to the Fujian Huihao Guarantee) to the Latest Practicable Date (the “**Review Period**”). The closing prices of the Shares during the Review Period are set out below:



Source: website of the Stock Exchange (www.hkex.com.hk)

In light of the recent low trading volume of the Shares as shown at the above graph, we consider the debt financing through Fuzhou Loan Agreement as a reasonable means to finance the pharmaceutical business of the Group for the time being.

LETTER FROM VEDA CAPITAL

RECOMMENDATION

Taking into consideration of the above-mentioned principal factors and reasons, we consider the terms of the Sihai Undertakings and the Fujian Huihao Security Documents are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Independent Shareholders as a whole. Although the Fujian Huihao Security Documents and Sihai Undertakings are not in the usual and ordinary course of business of the Group, we consider that the Fujian Huihao Security Documents and Sihai Undertakings are entered into upon normal commercial terms following arm's length negotiations between the parties thereto.

Accordingly, we recommend the Independent Shareholders, as well as the Independent Board Committee to advise the Independent Shareholders, to vote in favour of the resolutions to be proposed at the EGM to approve (i) the Sihai Undertaking 1, the Fujian Huihao Guarantee and the transactions contemplated thereunder; and (ii) the Sihai Undertaking 2, the Fujian Huihao Mortgage and the transactions contemplated thereunder.

Yours faithfully,

For and on behalf of

Veda Capital Limited

Hans Wong

Chairman

Julisa Fong

Managing Director

1. 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 Group. The Directors, having made all reasonable enquires, 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 circular misleading.

2. DISCLOSURE OF INTERESTS

(a) Interests and short positions of the Directors and the chief executive of the Company in the securities of the Company and its associated corporations

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

(i) Long positions in shares of the Company

Name of Director	Nature of interest	Number of Shares	Position	Approximate percentage of the total issued Shares
Mr. Yung Kwok Leong	Corporate interest (<i>Note 1</i>)	120,960,500	Long	14.30%
	Personal interest (<i>Note 2</i>)	408,046,875	Long	48.24%
Mr. Weng Jiaying	Personal interest	1,406,250	Long	0.17%
Mr. Zheng Gang	Personal interest	2,000,000	Long	0.24%

Note 1: These Shares are held through Easeglory Holdings Limited, a company incorporated in the British Virgin Islands with limited liability, the entire issued share capital of which is owned by Mr. Yung Kwok Leong.

Note 2: The 408,046,875 Shares represent (i) the 71,546,875 Shares beneficially owned by Mr. Yung Kwok Leong, and (ii) the 336,500,000 convertible preference shares of the Company.

(ii) Interests in options

The following Directors have been granted options under the share option scheme of the Company, details of which are set out below:

Name of Director	Capacity	No. of options outstanding	Approx. % of interests	Date granted	Period during which options exercisable	Exercise price per Share
Mr. Yung Kwok Leong	Director	1,700,000	0.25%	26 March 2009	30 September 2009 to 29 March 2019	HK\$0.50
Dr. Jiang Tao	Director	800,000	0.12%	26 March 2009	30 September 2009 to 29 March 2019	HK\$0.50
		1,563,380	0.23%	23 March 2010	23 March 2010 to 22 March 2015	HK\$1.12
Mr. Weng Jiaying	Director	1,980,282	0.29%	23 March 2010	23 March 2010 to 22 March 2015	HK\$1.12
Mr. Zheng Gang	Director	800,000	0.12%	26 March 2009	30 September 2009 to 29 March 2019	HK\$0.50
		2,814,084	0.42%	23 March 2010	23 March 2010 to 22 March 2015	HK\$1.12
Dr. Huang Jiaqing	Director	1,000,000	0.15%	26 March 2009	30 September 2009 to 29 March 2014	HK\$0.50
		312,676	0.05%	23 March 2010	23 March 2010 to 22 March 2015	HK\$1.12
Mr. Chen Jin Shan	Director	1,700,000	0.25%	26 March 2009	30 September 2009 to 29 March 2019	HK\$0.50
		2,084,507	0.31%	23 March 2010	23 March 2010 to 22 March 2015	HK\$1.12

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

(b) Persons who have an interest or short position which is discloseable under Divisions 2 and 3 of Part XV of the SFO and substantial Shareholders

So far as is known to the Directors, as at the Latest Practicable Date, the following person (not being Director or chief executive of the Company) had, or was deemed to have, interests or short positions in the shares or underlying shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or who were directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group:

Long positions in shares of the Company

Name of Shareholders	Type of interests	Position	Number of Shares	Approximate percentage of interests
Easeglory Holdings Limited (<i>Note</i>)	Beneficial owner	Long	120,960,500	14.30%
Yung Muk Ying (<i>Note</i>)	Family interest	Long	530,707,375	62.74%

Note:

The issued share capital of Easeglory Holdings Limited is 100% beneficially owned by Mr. Yung. By virtue of her being the spouse of Mr. Yung, Mrs. Yung Muk Ying is deemed to be interested in 120,960,500 Shares held by Easeglory and 71,546,875 Shares, 1,700,000 share options and 336,500,000 convertible preference shares beneficially held by Mr. Yung in personal capacity. Save as Mr. Yung being a director of Easeglory Holdings Limited, none of the Director is a director or employee of Easeglory Holdings Limited.

Save as disclosed above, as at the Latest Practicable Date, the Directors were not aware of any other person (other than the Directors and the chief executive of the Company) who had, or was deemed to have, interests or short positions in the Shares or underlying Shares (including any interests in options in respect of such capital), which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group.

3. DIRECTORS' OTHER INTEREST

As at the Latest Practicable Date, so far as the Directors are aware of, none of themselves or the controlling Shareholders (as defined in the GEM Listing Rules) of the Company or their respective associates had any interest in a business which competes or may compete with the business of the Group or any other conflicts of interest with the Group.

As at the Latest Practicable Date, none of the Directors has any interest, either direct or indirect, in any assets which have been acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Group since 31 March 2011, being the date to which the latest published audited financial statements of the Company were made up.

There is no contract or arrangement entered into by any member of the Group subsisting at the Latest Practicable Date in which any Director is materially interested and which is significant to the business of the Group.

4. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contracts with the Group (excluding contracts expiring or terminable by the employer within one year without payment of compensation other than statutory compensation).

5. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 March 2011, being the date to which the latest audited financial statements of the Company were made up.

6. EXPERT

Veda Capital has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter(s) and report(s)(as the case may be) and/or references to its name in the form and context in which they respectively appear.

The following are the qualifications of the experts who have provided its advice and reports (as the case may be), which are contained in this circular:

Name	Qualification
Veda Capital	A licensed corporation for type 6 (advising on corporate finance) regulated activity under the SFO

As at the Latest Practicable Date, Veda Capital was not beneficially interested in the share capital of any member of the Group nor did it have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any Shares, convertible securities, warrants, options or derivatives which carry voting rights in any member of the Group nor did it have any interest, either direct or indirect, in any assets which have been, since the date to which the latest published audited financial statements of the Company were made up (i.e. 31 March 2011), acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Group.

7. LITIGATION

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

8. DOCUMENT AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the principal place of business of the Company in Hong Kong at 19/F., New Wing, 101 King's Road, Hong Kong during normal business hours on any Business Day from the date of this circular up to and including the date of the EGM:

- (i) the Sihai Undertakings;
- (ii) the Fujian Huihao Security Documents;
- (iii) the written consent from the expert referred to under paragraph headed "Expert" in this appendix;
- (iv) the letter from the Independent Board Committee, the text of which is set out on page 16 in this circular; and
- (v) the letter of advice from Veda Capital to the Independence Board Committee and the Independent Shareholders, the text of which is set out on pages 17 to 26 in this circular.

NOTICE OF EGM



HUA XIA HEALTHCARE HOLDINGS LIMITED

華夏醫療集團有限公司*

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 8143)

NOTICE OF EGM

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (“**Meeting**”) of Hua Xia Healthcare Holdings Limited (the “**Company**”) will be held at 19/F., New Wing, 101 King’s Road, Hong Kong at 11:00 a.m. on Thursday, 19 January 2012 for the purposes of considering and, if thought fit, passing the following resolutions as ordinary resolutions:

ORDINARY RESOLUTIONS

“**THAT**

1. (a) the entering into of a undertaking (the “**Sihai Undertaking 1**”) dated 22 November 2011 by Fujian Huihao Sihai Pharmaceutical Chain Company Limited# (福建惠好四海醫藥連鎖有限責任公司) (“**Huihao Sihai**”), a company established in the PRC with limited liability, 99.29% equity interests of which is owned by the Group, in favour of Fujian Huihao Pharmaceutical Co. Ltd# (福建惠好藥業有限公司) (“**Fujian Huihao**”), a company established in the PRC, and owned as to 55% by Mr. Weng Jiale, a nephew of Mr. Yung and as to 45% by an independent third party, in relation to the provision of financial assistance to Fujian Huihao as contemplated under the Fujian Huihao Guarantee (as defined below) (a copy of the which has been produced to this meeting marked “A” and signed by the chairman of the Meeting for the purpose of identification) and the transaction contemplated thereunder be and is hereby approved, confirmed and ratified;
- (b) the entering into of a guarantee (the “**Fujian Huihao Guarantee**”) jointly and severally by Huihao Sihai, Mr. Yung Kwok Leong, Mr. Weng Jiale and Mr. Weng Qingjie in favour of Agricultural Bank of China Limited, Fuzhou Donghu Branch (“**ABC Bank**”) for the purpose of securing all the obligations, liabilities and indebtedness of Fujian Huihao under a loan agreement proposed to be entered into between ABC Bank and Fujian Huihao up to the maximum liability of RMB19,000,000 (a copy of the which has been produced to this meeting marked “B” and signed by the chairman of the Meeting for the purpose of identification) and the transaction contemplated thereunder be and is hereby approved;

* For identification purpose only

NOTICE OF EGM

- (c) Huihao Sihai be and is hereby authorized to enter into the Fujian Huihao Guarantee;
 - (d) the directors (the “**Director**”) of the Company be and are hereby authorised to do all other acts and things and execute all documents which they consider necessary or expedient for the implementation of and giving effect to the Sihai Undertaking 1, the Fujian Huihao Guarantee and the transaction contemplated thereunder.”
2. (a) the entering into of a undertaking (the “**Sihai Undertaking 2**”) dated 15 December 2011 by Huihao Sihai in favour of Fujian Huihao in relation to the provision of financial assistance to Fujian Huihao as contemplated under the Fujian Huihao Mortgage (as defined below) (a copy of the which has been produced to this meeting marked “C” and signed by the chairman of the Meeting for the purpose of identification) and the transaction contemplated thereunder be and is hereby approved, confirmed and ratified;
- (b) the entering into of a mortgage (the “**Fujian Huihao Mortgage**”) by Huihao Sihai in favour of ABC Bank for the purpose of securing all the obligations, liabilities and indebtedness of Fujian Huihao under a loan agreement proposed to be entered into between ABC Bank and Fujian Huihao up to the maximum liability of RMB8,900,000 (a copy of the which has been produced to this meeting marked “D” and signed by the chairman of the Meeting for the purpose of identification) and the transaction contemplated thereunder be and is hereby approved;
 - (c) Huihao Sihai be and is hereby authorized to enter into the Fujian Huihao Mortgage; and
 - (d) the Directors be and are hereby authorised to do all other acts and things and execute all documents which they consider necessary or expedient for the implementation of and giving effect to the Sihai Undertaking 2, the Fujian Huihao Mortgage and the transaction contemplated thereunder.”

By order of the Board
Hua Xia Healthcare Holdings Limited
Zheng Gang
Executive Director

Hong Kong, 30 December 2011

NOTICE OF EGM

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:*

19/F., New Wing
101 King's Road
Hong Kong

Notes:

1. A member entitled to attend and vote at the meeting convened by the above notice is entitled to appoint one or more proxy to attend and, subject to the provisions of the articles of association of the Company, vote in his stead. A proxy need not be a member of the Company. 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. In order to be valid, the form of proxy must be deposited together with a power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority, at the principal place of business of the Company at 19/F., New Wing, 101 King's Road, Hong Kong not less than 48 hours before the time appointed for holding the meeting or adjourned meeting. Completion and return a form of proxy will not preclude a member from attending in person and voting at the above meeting or any adjournment thereof, should you so wish.
3. In the case of joint holders of shares, any one such holders may vote at the meeting, either personally or by proxy, in respect of such shares as if he was solely entitled thereto, but if more than one of such joint holders are present at the meeting personally or by proxy, that one of the said persons so present whose name stands first in the register of members of the Company in respect of such shares shall alone be entitled to vote in respect thereof.
4. The voting on the resolutions at the Meeting will be conducted by way of a poll.