THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or transferred all your securities in Hua Xia Healthcare Holdings Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser(s) or the transferee(s) or to the bank, licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or the transferee(s).

This circular is for information purpose only and does not constitute an invitation or offer to acquire, purchase or subscribe for the securities of Hua Xia Healthcare Holdings Limited.

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 DISTRIBUTION BY THE COMPANY; (2) PROPOSED RE-ELECTION OF DIRECTORS; (3) PROPOSED REFRESHMENT OF GENERAL MANDATE; AND (4) NOTICE OF EXTRAORDINARY GENERAL MEETING

Financial adviser to Hua Xia Healthcare Holdings Limited

VEDA | CAPITAL
智略資本

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

ROYAL EXCALIBUR
CORPORATE FINANCE COMPANY LIMITED

Terms used in this cover shall have the same meanings as defined in this circular.

A letter from the Board is set out on pages 7 to 21 of this circular. A letter from the Independent Board Committee is set out on page 22 of this circular. A letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders is set out on pages 23 to 34 of this circular.

A notice convening the EGM to be held at 19/F., New Wing, 101 King's Road, Hong Kong, on Thursday, 16 February 2017 at 11:00 a.m. is set out on pages EGM-1 to EGM-4 of this circular. Whether or not you intend to attend and vote at the meeting, you are requested to complete and return the enclosed form of proxy, in accordance with the instructions printed thereon, as soon as possible and in any event not later than forty-eight (48) hours before the time appointed for holding such meeting or any adjournment thereof to Tricor Tengis Limited, the branch share registrar of the Company in Hong Kong, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong. Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting should you so wish.

This circular will remain on the GEM website at http://www.hkgem.com on the "Latest Company Announcement" page for at least 7 days from the date of publication and on the Company's website at www.huaxia-healthcare.com.

27 January 2017

* *for identification purposes only*

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.

CONTENTS

In this circular, unless the context otherwise requires, the following terms have the meanings set out below:

"AGM"	the annual general meeting of the Company held on 12 August 2016 in which the Shareholders had approved, among other matters, the Existing General Mandate
"Articles"	the articles of association adopted by the Company, and as amended from time to time by resolution of the Shareholders of the Company
"associate"	has the meaning ascribed to it under the GEM Listing Rules
"Best Winna"	Best Winna Investment Holding Limited, a company incorporated in the British Virgin Islands and an indirect wholly-owned subsidiary of the Company, the purchaser to the SPA
"Board"	the board of Directors from time to time
"Business Day"	a day (other than a Saturday, Sunday, or public holiday) on which licensed banks in Hong Kong are generally open for business throughout their normal business hours
"CCASS"	the Central Clearing and Settlement System established and operated by Hong Kong Securities Clearing Company Limited
"CCASS Investor Participant"	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
"CCASS Participant(s)"	any person(s) admitted to participate in CCASS as a direct clearing participant, a general clearing participant, a custodian participant, or any CCASS Investor Participant
"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 (stock code: 8143)

"connected person(s)"	has the meaning ascribed to it under the GEM Listing Rules
"CPS"	the non-redeemable convertible preference shares of HK$0.01 in the share capital of the Company
"Director(s)"	the director(s) of the Company
"Distribution"	the payment of a special dividend by the Company to its Qualifying Shareholders by way of distribution of four (4) Wanjia Shares for every 25 Shares or CPS held by Qualifying Shareholders on the Record Date
"Distribution Completion"	completion of the Distribution
"EGM"	the extraordinary general meeting to be convened and held by the Company for the purpose of approving, amongst other things, the Distribution, the re-election of the Directors and the Refreshment of General Mandate
"Excluded Shareholder(s)"	the Overseas Shareholder(s) whom the Board, after making enquiries considers it necessary or expedient not to transfer the Wanjia Shares to, on account either of legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place
"Existing General Mandate"	the general mandate granted to the Directors to allot and issue up to 20% of the total number of Shares in issue on 12 August 2016, by a resolution of the Shareholders passed at the AGM
"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 (before the Distribution)
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC

"Independent Board Committee"	an independent committee of the Board, comprising all independent non-executive Directors, to advise the Independent Shareholders in relation to the Refreshment of General Mandate
"Independent Financial Adviser" or "Royal Excalibur"	Royal Excalibur Corporate Finance Company Limited, a corporation licensed to carry out Type 6 (advising on corporate finance) regulated activity under the SFO, who has been appointed as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Refreshment of General Mandate
"Independent Shareholder(s)"	Shareholder(s) other than the controlling Shareholders and their associates or, if there is no controlling Shareholder, the Directors (excluding independent non-executive Directors) and the chief executive of the Company and their respective associates
"Kingfull"	Kingfull Corporate Development Limited, a company incorporated in the British Virgin Islands and wholly-owned by Mr. Lin Jinzong, the vendor to the SPA
"Latest Practicable Date"	25 January 2017, being the latest practicable date for the purpose of ascertaining certain information contained in this circular
"MOU"	the non-legally binding memorandum of understanding dated 8 July 2016 setting out the preliminary understanding in relation to the possible acquisition of the entire issued share capital of Glowing Smart Investment Limited, further details are set out in the announcement of the Company dated 8 July 2016
"New General Mandate"	the new general mandate proposed to be granted to the Directors at the EGM to allot, issue and deal with new Shares not exceeding 20% of the issued share capital of the Company as at the date of passing the relevant resolution for approving the new general mandate

"Option(s)"	the share option(s) of the Company granted pursuant to the share option scheme adopted on 20 April 2002 and 10 August 2011, conferring rights to subscribe for an aggregate of 66,132,253 new Shares upon exercise of the subscription rights attaching thereto
"Overseas Shareholder(s)"	the Shareholder(s) whose addresses appear on the register of members of the Company at the close of business on the Record Date are in jurisdictions outside Hong Kong
"PRC"	the People's Republic of China, which for the purpose of this circular, excludes Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
"Qualifying Shareholder(s)"	the Shareholder(s) whose names appear on the register of members of the Company at the close of business on the Record Date other than the Excluded Shareholders
"Record Date"	Wednesday, 22 February 2017, being the date by reference to which entitlements to the Distribution are determined
"Refreshment of General Mandate"	the proposed refreshment of the Existing General Mandate by way of granting the New General Mandate
"Registrar"	Tricor Tengis Limited, the branch share registrar and transfer office of the Company in Hong Kong at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong
"Remaining Group"	the Group other than Wanjia Group
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Share(s)"	ordinary share(s) of HK$0.01 each in the share capital of the Company
"Shareholder(s)"	holder(s) of the issued Shares or CPS

"SPA"	the conditional sale and purchase agreement dated 14 September 2016 for the acquisition of the entire issued share capital of Glowing Smart Investment Limited and the shareholder's loan by the Group. Further details are set out in the announcements of the Company dated 8 July 2016, 14 September 2016 and 30 September 2016 respectively
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Wanjia"	Wanjia Group Holdings Limited, a company incorporated in the Cayman Islands with limited liability and the issued shares of which are listed on the Main Board of the Stock Exchange (stock code: 401)
"Wanjia Group"	Wanjia and its subsidiaries
"Wanjia Shares"	ordinary share(s) of HK$0.01 each in the share capital of Wanjia
"HK$"	Hong Kong dollar, the lawful currency of Hong Kong
"Renminbi"	Renminbi, the lawful currency of the PRC
"%"	per cent.

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

The expected timetable for the Distribution set out below is indicative only and may be subject to change. Further announcement(s) will be made by the Company as and when appropriate.

Events

Latest time and date for lodging proxy forms for the EGM	11:00 a.m. on Tuesday, 14 February 2017
Date and time of the EGM	11:00 a.m. on Thursday, 16 February 2017
Announcement of results of the EGM to be posted on the website of the Stock Exchange and the Company	Thursday, 16 February 2017
Last day of dealings in the Shares cum-entitlement to the Distribution	Friday, 17 February 2017
First day of dealings in the Shares ex-entitlement to the Distribution	Monday, 20 February 2017
Latest date and time for lodging transfers of Shares to qualify for entitlement to the Distribution	4:30 p.m. on Tuesday, 21 February 2017
Register of members of the Company closes	Wednesday, 22 February 2017
Record Date	Wednesday, 22 February 2017
Register of members of the Company reopens	Thursday, 23 February 2017
Despatch of certificates for Wanjia Share(s)	Thursday, 2 March 2017

All times and dates refer to Hong Kong local times and dates.

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
Dr. Jiang Tao *(Chief Executive Officer)*
Mr. Zheng Gang
Dr. Huang Jiaqing
Mr. Yung Ka Chun
Mr. Lin Jinzong

Non-executive Directors:
Dr. Wong Yu Man, James
Mr. Tang Xun
Mr. Chan Chi Ming, Tony

Independent non-executive Directors:
Ms. Wong Ka Wai, Jeanne
Prof. Hu Shanlian
Prof. Lu Chuanzhen
Prof. Zhang Bin

Registered office
P.O. Box 10008
Willow House
Cricket Square
Grand Cayman KY1-1001
Cayman Islands

Head office and principal place of business in Hong Kong:
19/F., New Wing
101 King's Road
Hong Kong

27 January 2017

To the Shareholders

Dear Sir or Madam,

(1) PROPOSED DISTRIBUTION BY THE COMPANY; (2) PROPOSED RE-ELECTION OF DIRECTORS; (3) PROPOSED REFRESHMENT OF GENERAL MANDATE; AND (4) NOTICE OF EXTRAORDINARY GENERAL MEETING

INTRODUCTION

On 9 November 2016, the Company announced the Board's approval of a special dividend in the form of a distribution in specie of up to 393,080,000 Wanjia Shares held by the Company to the Qualifying Shareholders in proportion to their respective shareholdings in the Company on the Record Date on the basis of four (4) Wanjia Shares for every 25 Shares or CPS held on the Record Date.

* *For identification purposes only*

The purpose of this circular is to provide you with, among other things, (i) further information on Distribution, including the Record Date, the book closure date, the date of the EGM, the date of despatch of the share certificates for the Wanjia Shares; (ii) financial information of the Remaining Group; (iii) financial information of Wanjia Group; (iv) the re-election of the retiring Directors; (v) the details of the Refreshment of General Mandate; (vi) the recommendation from the Independent Board Committee to the Independent Shareholders on the Refreshment of General Mandate; (vii) the recommendation from Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders on the Refreshment of General Mandate; and (viii) the notice of the EGM.

(1) SPECIAL DIVIDEND BY WAY OF DISTRIBUTION IN SPECIE

Basis of entitlement

The Board is pleased to announce that, on 9 November 2016, it has approved a special dividend in the form of a distribution in specie of up to 393,080,000 Wanjia Shares, held by the Company to the Qualifying Shareholders, being registered Shareholders whose names appear on the register of members of the Company on the Record Date, if the Distribution becomes unconditional. Each Qualifying Shareholder will be entitled to four (4) Wanjia Shares for every 25 Shares or CPS held on the Record Date.

Fraction of Wanjia Shares

No fraction of a Wanjia Share will be distributed. The total number of Wanjia Shares to be transferred to any Qualifying Shareholders will be rounded down to a whole number. Any fractional entitlements of the Wanjia Shares will not be transferred to the Shareholders, but will be aggregated and sold by the Company for the benefit of the Company. For the avoidance of doubt, registered holders of less than 25 Shares or CPS on the Record Date will not be entitled to any Wanjia Shares.

Shareholder's approval

The Distribution will be subject to the approval of the Shareholders at the EGM.

The Wanjia Shares

The 393,080,000 Wanjia Shares to be distributed represent approximately 95.43% of the issued share capital of Wanjia held by the Company and approximately 60.62% of the entire issued share capital of Wanjia as at the Latest Practicable Date. The Wanjia Shares are indirectly held by the Company through Greatly Wealth Global Group Limited, a direct wholly-owned subsidiary of the Company, and therefore, Wanjia Group is an associated corporation of the Company for the purposes of the SFO. The Wanjia Shares are listed on the Main Board of the Stock Exchange (stock code: 401).

It is expected that in the event of the Distribution becoming unconditional, Greatly Wealth Global Group Limited will transfer Wanjia Shares held by it directly to the Qualifying Shareholders. On Distribution Completion, the Qualifying Shareholders will become the holders of the Wanjia Shares.

Book closure and Record Date

The register of members and transfer books of the Company will be closed on Wednesday, 22 February 2017 during which period no transfer of Shares will be registered. In order to qualify for the Distribution, any document in respect of the transfer of Shares and accompanying share certificates must be lodged for registration with the Registrar at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong no later than 4:30 p.m. on Tuesday, 21 February 2017. The last day for trading in Shares with entitlements to the Distribution is expected to be Friday, 17 February 2017.

The Record Date for determining a Shareholder's entitlement to the Distribution is Wednesday, 22 February 2017.

Despatch of share certificates and CCASS settlement

Subject to the passing of the relevant resolution at the EGM approving the Distribution, it is expected that share certificates for the relevant Wanjia Shares will be despatched by ordinary post at the risk of the Qualifying Shareholders to their respective addresses shown on the register of members of the Company on or about Thursday, 2 March 2017.

In the case of a joint holding of Shares, the share certificate(s) for the Wanjia Shares will be posted to the address of the person whose name stands first on the register of members of the Company in respect of such Shares on the Record Date.

Investors holding Shares through CCASS Participants are expected to receive the Wanjia Shares through their respective stockbrokers or custodians or through their CCASS Investor Participant stock accounts following the despatch of share certificates. Such investors should seek the advice of their respective stockbrokers or other professional advisers in case of doubt.

Overseas Shareholder(s) and Excluded Shareholder(s)

As at the Latest Practicable Date, based on the register of members of the Company, there were a total of 5 Shareholders whose addresses as shown on the register of members of the Company were outside Hong Kong, comprising two overseas jurisdictions, including the British Virgin Islands and the PRC, with a total shareholding of 138,382,328 Shares, representing in aggregate approximately 5.87% of the total number of issued Shares as at the close of business on the Latest Practicable Date.

The Company had engaged legal advisers to ascertain whether or not there are any legal or regulatory requirements or restrictions which would make extending the Distribution to Shareholders whose addresses as shown on the register of members of the Company are located in the aforesaid overseas jurisdictions administratively prohibitive or inexpedient. Having considered such advice provided by the legal counsels in the aforementioned overseas jurisdictions, the Directors are of the view that:

According to the register of members of the Company as at the Latest Practicable Date, there were (i) one Overseas Shareholder whose registered address is in the British Virgin Islands, representing approximately 1.40% of the total issued Shares as at the Latest Practicable Date; and (ii) four Overseas Shareholders whose registered addresses are in the PRC, representing approximately 4.47% of the total issued Shares as at the Latest Practicable Date. In compliance with the necessary requirements of the GEM Listing Rules, the Company has made enquiries regarding the feasibility of extending the Distribution to the Overseas Shareholders. Based on the advice provided by the Company's legal advisers as to the laws of the British Virgin Islands and the PRC, as at the Latest Practicable Date, the laws of the British Virgin Islands and the PRC impose no restrictions on extending the Distribution to the Overseas Shareholders located in the British Virgin Islands and the PRC respectively, and the Company is not required to obtain any approvals for the despatch of this circular to such Overseas Shareholders. Accordingly, the Directors have decided to extend the Distribution to the seven Overseas Shareholders whose registered address is in the British Virgin Islands or the PRC, who will accordingly be Qualifying Shareholders and therefore there is no Excluded Shareholder as at the Latest Practicable Date.

The Company will continue to ascertain whether there is any Overseas Shareholder(s) other than Shareholders whose registered address is in the British Virgin Islands or the PRC, on the Record Date and will, if necessary, make necessary enquiry(ies) with legal adviser(s) in other relevant overseas jurisdiction(s) regarding the feasibility of extending the Distribution to such Overseas Shareholder(s), if any, on the Record Date, and make relevant disclosures in further announcement(s) of the Company.

Arrangements will be made for the Wanjia Shares, which would otherwise have been provisionally distributed to the Excluded Shareholder(s), to be sold on the market on behalf of the Excluded Shareholders at the prevailing market price on or about the date of despatch of the certificates for Wanjia Shares, being 2 March 2017, if a premium (net of expenses) can be obtained. The proceeds of such sale, net of expenses, of more than HK$100 will be paid to the relevant Excluded Shareholders in Hong Kong dollars. The Company will retain individual amounts of HK$100 or less for its own benefit.

Effects and benefits of the Distribution

Following completion of the Distribution, the Company will retain not less than 18,837,648 Wanjia Shares, representing approximately 2.91% of the entire issued share capital of Wanjia and Wanjia Group will cease to be subsidiaries of the Company. Wanjia will be accounted as an investment of the Company and as at the Latest Practicable Date, the Company has no intention to dispose the remaining Wanjia Shares nor to increase its interest in Wanjia Group. The Group will no longer participate in pharmaceutical wholesale, distribution and pharmaceutical retail chain businesses in the PRC.

Total equity of the Group will be reduced by the distribution of Wanjia Shares for approximately HK$259.504 million assuming the Distribution had been taken place on 30 September 2016. The profit and loss implications on the Group as a result of the distribution of Wanjia Shares upon completion of the Distribution may only be determined following the date of settlement of the Distribution. The Board is of the view that the Distribution will allow further streamlining of the Group's business activities. It will also provide the Qualifying Shareholders with an opportunity to directly participate in the investment of, and enjoy returns from, the Wanjia Shares, and the flexibility to determine the level of their participation in investing in Wanjia at their own discretion.

The Board is also of the view that the Distribution will improve the current loss-making position of the Group. For the years ended 31 March 2015 and 2016, the Group recorded losses after tax of approximately HK$782.184 million and approximately HK$45.096 million respectively, whereby Wanjia Group has contributed approximately HK$773.280 million (approximately 98.86%) and approximately HK$13.462 million (approximately 29.85%) to the Group's losses for the years ended 31 March 2015 and 2016 respectively. As abovementioned, Wanjia Group will cease to be a subsidiary of the Company and Wanjia Group will be deconsolidated form the Group's financial statement, thus improve the current loss-making position.

Despite that immediately upon the Distribution Completion, there will be a substantial reduction in the Group's business, the Board is of the view that the Distribution will be in the interest of both the Company and the Shareholders based on the following reasons:

(a) the Distribution will streamline the operations of the Group and the Remaining Group will only focus on the provision of general hospital services such that the Remaining Group can deploy the Group's resources and concentrate on the operations of this particular business segment; and

(b) the Distribution increases the transparency of business performance and the financial status of the Remaining Group, which in turn, will strengthen support from business partners, banks and financial institutions and enable investors to better assess the respective performance and potential of the Remaining Group.

As at the Latest Practicable Date, save for the Distribution, the Group has no plan, arrangement, understanding, intention or negotiation (either concluded or in process) on any potential acquisition of assets or businesses, or disposal or scale down of existing assets or business of the Group.

Accordingly, the Directors considered that the Distribution is in the interests of the Company and the Shareholders as a whole.

Information on Wanjia Group

Wanjia is an investment holding company listed on the Main Board of the Stock Exchange (stock code: 401), and Wanjia Group is principally engaged in pharmaceutical wholesales and distribution and pharmaceutical retail chain business in the PRC.

Based on financial information published by Wanjia Group, the unaudited total assets value and the net assets value of Wanjia Group as at 30 September 2016 were approximately HK$670.625 million and approximately HK$268.423 million, respectively, and the net loss (before and after tax) of Wanjia Group for the two years ended 31 March 2015 and 2016 are as follows:

	Year ended 31 March 2015 *HK$'000* (audited)	**Year ended 31 March 2016** *HK$'000* (audited)
Net loss before tax	(765,330)	(12,304)
Net loss after tax	(773,280)	(13,462)

Financial Effects on the Remaining Group

Net assets

Based on the unaudited pro forma financial information of the Remaining Group as set out in Appendix III to this circular, the unaudited pro forma net assets of the Remaining Group would decrease by approximately 45.67% from approximately HK$568.191 million as at 30 September 2016 to approximately HK$308.676 million, assuming the Distribution had taken place on 30 September 2016.

Liquidity

Based on the unaudited pro forma financial information of the Remaining Group as set out in the Appendix III to this circular, the current ratio in terms of current assets over current liabilities, would decrease from approximately 1.90 times as at 30 September 2016 to approximately 1.55 times, assuming the Distribution has taken place on 30 September 2016.

Earnings

Based on the unaudited pro forma financial information of the Remaining Group as set out in Appendix III to this circular, the unaudited pro forma loss attributed to owners of the Remaining Group would decrease from approximately HK$43.372 million to approximately HK$22.248 million for the year ended 31 March 2016, assuming the Distribution had taken place on 1 April 2015.

Working Capital

Based on the unaudited pro forma financial information of the Remaining Group as set out in Appendix III to this circular, the cash and cash equivalents of the Remaining Group as at 30 September 2016 would decrease by 42.98% from approximately HK$193.735 million to approximately HK$110.475 million assuming the Distribution had taken place on 30 September 2016.

Based on the unaudited pro forma financial information as set out in Appendix III to this circular, the estimated gain of the Distribution would be HK$93.141 million, assuming the Distribution had been taken place on 30 September 2016.

Listing rules implications

The Distribution does not constitute a transaction under Chapter 19 of the GEM Listing Rules. The Company will take additional measures in order to protect the interests of the Shareholders and this circular contains information comparable to those required for a very substantial disposal under Chapter 19 of the GEM Listing Rules.

As the Distribution is subject to the approval by the Shareholders, the Distribution may or may not proceed. Shareholders and potential investors should exercise caution when dealing in the securities of the Company.

(2) PROPOSED RE-ELECTION OF DIRECTORS

References are made to the announcements of the Company dated 25 October 2016 and 11 November 2016 respectively, whereby (i) Prof. Zhang Bin was appointed as an independent non-executive Director with effect from 25 October 2016; (ii) Mr. Lin Jinzong was appointed as an executive Director with effect from 11 November 2016; and (iii) Mr. Chan Chi Ming, Tony was appointed as a non-executive Director with effect from 11 November 2016.

In accordance with Article 86(2) of the Articles, any Director appointed by the Board to fill a casual vacancy shall retire at the next following general meeting and shall be eligible for re-election. Accordingly, each of Mr. Lin Jinzong, Mr. Chan Chi Ming, Tony and Prof. Zhang Bin will retire from office as a Director and, being eligible, offer himself for re-election at the EGM.

Details of each of Mr. Lin Jinzong, Mr. Chan Chi Ming, Tony and Prof. Zhang Bin are set out in the Appendix V to this circular.

(3) PROPOSED REFRESHMENT OF GENERAL MANDATE

Existing General Mandate

At the AGM, the Existing General Mandate was granted to the Directors which enabled the Directors to allot and issue new Shares not exceeding 407,649,988 Shares, representing 20% of the issued share capital of the Company as at the date of the AGM.

Pursuant to the SPA, 320,000,000 new Shares at the issued price of HK$0.32 per Share had been allotted and issued to Kingfull as part of the consideration for the acquisition by Best Winna, of the entire issued share capital of Glowing Smart Investment Limited, and completion of which took place on 30 September 2016. Further details are set out in the announcements of the Company dated 8 July 2016, 14 September 2016 and 30 September 2016 respectively.

As at the Latest Practicable Date, approximately 78.5% of the Existing General Mandate has been utilised with only 87,649,988 new Shares which may be allotted and issued under the Existing General Mandate, representing approximately 3.72% of the issued share capital of the Company as at the Latest Practicable Date, and the Company has not made any refreshment of the Existing General Mandate since the AGM. Save for the 66,132,253 Options, the 98,500,000 CPS and the convertible notes in the outstanding amount of HK$6,500,000 conferring the holder of it to convert into 3,421,053 Shares, there were no other outstanding options, warrants, convertible securities or other rights to subscribe for Shares as at the Latest Practicable Date.

Proposed Refreshment of General Mandate to issue Shares

The Company will convene the EGM at which ordinary resolution will be proposed to the Independent Shareholders that the Directors be granted the New General Mandate to allot and issue new Shares not exceeding 20% of the issued share capital of the Company as at the date of passing the relevant ordinary resolution at the EGM.

As at the Latest Practicable Date, the Company had an aggregate of 2,358,249,944 Shares in issue. Subject to the passing of the ordinary resolution for the approval of the Refreshment of General Mandate and assuming that no further Shares are issued and/or repurchased by the Company during the period between the Latest Practicable Date and the date of the EGM, the Company would be allowed to allot and issue up to 471,649,988 new Shares, being 20% of the total number of Shares in issue as at the Latest Practicable Date.

The New General Mandate will expire at the earliest of (a) the conclusion of the next annual general meeting of the Company; (b) the date by which the next annual general meeting of the Company is required to be held by law or by the Articles; or (c) the date upon which such authority is revoked or varied by an ordinary resolution of the Shareholders in a general meeting of the Company prior to the next annual general meeting of the Company.

Reasons for the Refreshment of General Mandate

The Company is an investment holding company, and the Group is principally engaged in the provision of general hospital services and pharmaceutical wholesale, distribution and pharmaceutical retail chain businesses in the PRC. The Group is operating four hospitals in Chongqing, Jiaxing, Zhuhai and Beijing, respectively, in the PRC.

As at 31 October 2016, the cash level of the Group was approximately HK$85 million, of which approximately HK$20 million was maintained in Hong Kong and approximately HK$65 million was maintained in the PRC, as the Group is required to maintain a certain cash level for its daily operations. Based on the current cash level of the Group and provided that the Group will not have any potential acquisition, the Board submits that the Company has no immediate funding needs. As at the Latest Practicable Date, the Company did not have any negotiation for any potential acquisition.

The Group will continue to explore the development opportunities for the existing and future hospitals. One of the important potentials for the Group's hospitals is to identify private-run hospitals for acquisition and management projects that involve the public and private partnerships. Those newly acquired hospitals and management projects will further open up the healthcare market for the Group in different regions. This will increase the Group's service coverage, medical specialties and more importantly attract more talents to join its hospitals. The Group anticipates to allocate more resources to explore new acquisition targets and services as one of the opportunities to increase its revenue.

The Board has considered other financing alternatives apart from equity financing such as debt financing, taking into consideration of the current financial position, capital structure and cost of funding of the Group. However, debt financing may be subject to the lender's lengthy due diligence and negotiations as compared to the equity financing available to the Directors if the refreshment of the New General Mandate is granted. Debt financing may also incur interest burden to the Group, but fund raising exercise pursuant to general mandate provides the Company with a more direct and efficient alternative to other types of fund raising exercise and avoids the uncertainties in such circumstances that specific mandate may not be obtained in a timely manner.

With respect to debt financing, given the loss making position of the Group in the past two financial years, the Company encountered difficulties in obtaining banking facilities. The Group has approached four licensed banks in order to obtain banking facilities but the Group was unable to secure any banking facilities. The Group had also explored the possibility to raise funds by the issue of straight bonds and/or convertible bonds, but no investors showed any interest in these products as at the Latest Practicable Date. With respect to other equity financing, such as rights issue and/or open offer often take more than one month to complete. Hence, the Board believes that equity financing will enable the Company to respond to the market promptly as fund raising exercise pursuant to a general mandate provides the Company with a simpler and less lead time process than other types of fund raising exercises as well as to avoid the uncertainties in such circumstances that specific mandate may not be obtained in a timely manner, especially in the context of the acquisitions which require the payment of an initial deposit pursuant to the agreement. As such, the Directors believe that the New General Mandate will give the Company the flexibility to raise funds and to expand and develop the business of the Company and therefore, is in the interests of the Company and the Shareholders as a whole.

The Directors will in any event exercise due and careful consideration when choosing the best method of financing for the Group including issue Shares under specific mandate, pre-emptive fund raising methods such as rights issue and open offer for the provision of general hospital services business. In any event, the Company will balance the pros and cons of various fund raising methods and conduct such fund raising activity which is most appropriate under the circumstances.

The Directors consider that Refreshment of General Mandate would provide the Group with the necessary flexibility to (i) in the event that any unexpected circumstances occur in the future prior to the next annual general meeting, the Company could raise funds to meet its financial needs; (ii) fulfill any possible funding needs for future business development and/or investment decisions which may arise at any time; (iii) strengthen the capital base of the Company to have additional working capital for its existing business operation (in particular for the provision of general hospital services) and for coping with any business challenges; and (iv) have an option to consider issue of consideration shares as one of the settlement means in an acquisition as and when the Directors consider to be appropriate should suitable opportunities arise in the future. In addition, the Directors regarded equity financing as an important avenue of resources to the Group since it does not create any interest paying obligations on the Group.

As at the Latest Practicable Date, the Company had not resolved or formulated any concrete plan for raising capital by issuing new Shares under the New General Mandate. The Board notes that the utilisation of the New General Mandate will dilute the shareholding interest of the Shareholders, which the maximum dilution effect on the shareholding is limited to 20% of the existing issued share capital of the Company as at the date of EGM and approximately 16.67% of the enlarged issued share capital of the Company immediately upon full utilisation of the New General Mandate. However, given the above and having considered that (a) almost all of the Existing General Mandate had been utilised by the Company as at the Latest Practicable Date; (b) the New General Mandate will empower the Directors to issue new Shares under the refreshed limit and provide the Company with the flexibility and ability to seize any appropriate business or fund raising opportunities timely; and (c) the New General Mandate will allow the Company to have an additional option of financing in order to facilitate the Group's abovementioned business development, investments and acquisition opportunities which may arise within the next eight months, the Directors consider that the grant of the New General Mandate is in the interests of the Company and the Shareholders as a whole.

The Directors (excluding the independent non-executive Directors whose views will be set out in the letter from the Independent Board Committee) are of the view that the Refreshment of General Mandate are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Fund raising activities of the Company in the past 12 months

Set out below is a summary of the Company's equity fund raising exercises in the past 12 months immediately preceding the Latest Practicable Date:

Date of announcement	Event	Net proceeds (approximately)	Intended use of proceeds	Actual use of proceeds as at the Latest Practicable Date
21 July 2016	Placing of 339,000,000 new Shares at HK$0.31 per Share under general mandate	HK$102 million	(1) HK$14 million for the payment of the refundable deposit contemplated under the MOU;	(1) HK$14 million was used for the payment of the refundable deposit contemplated under the MOU;
			(2) approximately HK$31 million for the payment of part of the consideration for the acquisition contemplated under the MOU;	(2) approximately HK$31 million was used for the payment of part of the consideration for the acquisition contemplated under the SPA;
			(3) HK$45 million for the early redemption of part of the outstanding Promissory Notes; and	(3) HK$45 million was used for the early redemption of part of the outstanding Promissory Notes; and
			(4) approximately HK$12 million for general working capital of the Group.	(4) approximately HK$12 million was utilised for general working capital of the Group.

Effects on shareholding structure of the Company

The table below illustrates the shareholding structure of the Company (i) as at the Latest Practicable Date; and (ii) for illustrative purpose, immediately upon the allotment and issue of the new Shares by the Company pursuant to the New General Mandate (assuming that the New General Mandate is utilised in full and no further Shares are issued or repurchased by the Company):

Name of Shareholders	As at the Latest Practicable Date		Immediately upon the allotment and issue of Shares by the Company pursuant to the New General Mandate (assuming that the New General Mandate is utilised in full and no further Shares are issued or repurchased by the Company)	
	Number of Shares	*Approx. %*	*Number of Shares*	*Approx. %*
Mr. Yung Ka Chun ("**Mr. Yung**") *(Notes 1 and 5)*	2,640,000	0.11	2,640,000	0.09
Dr. Jiang Tao ("**Dr. Jiang**") *(Note 2)*	9,300,000	0.39	9,300,000	0.33
Mr. Zheng Gang ("**Mr. Zheng**") *(Note 3)*	6,044,000	0.26	6,044,000	0.21
Dr. Huang Jiaqing ("**Dr. Huang**") *(Note 4)*	1,400,000	0.06	1,400,000	0.05
Easeglory Holdings Limited ("**Easeglory**") *(Note 5)*	418,491,516	17.75	418,491,516	14.79
New Hope International (Hong Kong) Limited ("**New Hope**") *(Note 6)*	343,217,539	14.55	343,217,539	12.13
Kingfull *(Note 7)*	320,000,000	13.57	320,000,000	11.31
Other public Shareholders	1,257,156,889	53.31	1,257,156,889	44.42
Maximum number of new Shares to be issued under the New General Mandate	–	–	471,649,988	16.67
Total	2,358,249,944	100.00	2,829,899,932	100.00

Notes:

1. Mr. Yung, an executive Director, is personally interested in 2,640,000 Shares.

2. Dr. Jiang, an executive Director, is personally interested in 9,300,000 Shares.

3. Mr. Zheng, an executive Director, is personally interested in 6,044,000 Shares.

4. Dr. Huang, an executive Director, is personally interested in 1,400,000 Shares.

5. Easeglory is interested in 418,491,516 Shares and 98,500,000 CPS. The issued share capital of Easeglory is wholly-owned by Mr. Yung. Mr. Yung is deemed to be interested in the Shares and the CPS in which Easeglory is interested in under Part XV of the SFO.

   Easeglory has charged 418,491,516 Shares and 98,500,000 CPS to Golden Prince Group Limited ("Golden Prince") and Mr. Ng Leung Ho respectively. The issued share capital of Golden Prince is wholly-owned by Mr. Ng Leung Ho. Mr. Ng Leung Ho is deemed to be interested in the 418,491,516 Shares under Part XV of the SFO, and is interested in the 98,500,000 CPS.

6. The issued share capital of New Hope is owned as to 75% by Southern Hope Enterprise Co., Ltd.# (南方希望實業有限公司) which is in turn owned as to 51% by New Hope Group Co., Ltd.# (新希望集團有限公司) and as to 49% by Tibet Hengye Feng Industrial Co., Ltd.# (西藏恒業鋒實業有限公司). Both New Hope Group Co., Ltd.# and Tibet Hengye Feng Industrial Co., Ltd.# are owned as to 62.34% by Mr. Liu Yonghao, as to 36.35% by Ms. Liu Chang and as to 1.31% by Ms. Li Wei. Mr. Liu Yonghao, Ms. Liu Chang and Ms. Li Wei are deemed to be interested in the Shares in which New Hope is interested in under Part XV of the SFO.

7. Kingfull is interested in 320,000,000 Shares. The issued share capital of Kingfull is wholly-owned by Mr. Lin Jinzong ("**Mr. Lin**"), an executive Director. Mr. Lin is deemed to be interested in the Shares in which Kingfull is interested in under Part XV of the SFO.

EGM

The notice of the EGM setting out, among other things, the relevant resolutions approving the Distribution, the re-election of Directors, and the Refreshment of General Mandate are set out on pages EGM-1 to EGM-4 of this circular. Shareholders are advised to read the notice of the EGM and to complete and return the accompanying form of proxy for use at the EGM in accordance with the instructions printed thereon as soon as possible and in an event not less than 48 hours before the time for holding the EGM or any adjourned EGM, as the case may be, to the Registrar at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong. Completion and return of the form of proxy will not preclude a Shareholder from attending the EGM (or any adjournment thereof) and voting in person at the EGM and, in such event, the appointment of such proxy will be revoked.

The EGM will be held for the purpose of considering and, if thought fit, approving the relevant resolutions in respect of the Distribution, the re-election of Directors and the Refreshment of General Mandate by the Shareholders or Independent Shareholders (as the case maybe), by way of poll at the EGM.

Pursuant to Rules 17.42A(1) and 17.47(4) of the GEM Listing Rules, the Refreshment of General Mandate requires the approval of the Independent Shareholders at the EGM taken on a vote by way of poll. Any controlling Shareholders and their associates, or where there is no controlling Shareholder, the Directors (excluding independent non-executive Directors) and the chief executive of the Company and their respective associates, shall abstain from voting in favour of the relevant resolution to approve the Refreshment of General Mandate.

As at the Latest Practicable Date, there was no controlling Shareholder. As at the Latest Practicable Date, (i) Dr. Jiang, the executive Director and chief executive officer of the Company, held 9,300,000 Shares personally; (ii) Mr. Zheng, the executive Director, held 6,044,000 Shares personally; (iii) Dr. Huang, the executive Director, held 1,400,000 Shares personally; (iv) Mr. Yung, the executive Director, held 2,640,000 Shares personally, and 418,491,516 Shares through Easeglory; and (v) Mr. Lin, the executive Director, held 320,000,000 Shares through Kingfull. Hence, Dr. Jiang, Mr. Zheng, Dr. Huang, Mr. Yung, Easeglory and Kingfull are required to abstain from voting in favour of the ordinary resolution to approve the Refreshment of General Mandate at the EGM. If any of the Directors and/or their respective associates hold any Shares at the date of EGM, they are required to abstain from voting in favour of the ordinary resolution to approve the Refreshment of General Mandate at the EGM in accordance the GEM Listing Rules.

Save as disclosed, to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no Shareholder or any of its close associates has any material interest in the Distribution and the re-election of Directors. Therefore, no Shareholder is required to abstain from voting in favour of the ordinary resolutions to approve the Distribution and the re-election of Directors at the EGM.

The Company will announce the results of the poll in the manner prescribed under Rule 17.47(5) of the GEM Listing Rules.

RECOMMENDATION

Your attention is drawn to the letter from the Independent Board Committee set out on page 22 of this circular which contains its recommendation to the Independent Shareholders in relation to the Refreshment of General Mandate; and the letter from the Independent Financial Adviser set out on pages 23 to 34 of this circular which contains its advice to the Independent Board Committee and the Independent Shareholders in connection with the Refreshment of General Mandate.

The Independent Board Committee, having taken into account the advice of the Independent Financial Adviser, considers that the Refreshment of General Mandate is in the interests of the Company and the Shareholders as a whole and is fair and reasonable so far as the Independent Shareholders are concerned and accordingly recommends the Independent Shareholders to vote in favour of the ordinary resolution which will be proposed at the EGM for approving the Refreshment of General Mandate.

Having considered the reasons set out herein, the Board is of the view that the Distribution and the Refreshment of General Mandate are fair and reasonable, and the Distribution, the Refreshment of General Mandate and the relection of Directors are in the interests of the Company and the Shareholders as a whole. The Board hereby recommends the Shareholders to vote in favour of the relevant resolutions at the EGM to approve the Distribution and the re-election of Directors; and the Independent Shareholders to vote in favour of the relevant resolution to be proposed at the EGM to approve the Refreshment of General Mandate.

By order of the Board
Hua Xia Healthcare Holdings Limited
Jiang Tao
Chief Executive Officer

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)

27 January 2017

To the Independent Shareholders

Dear Sir or Madam,

REFRESHMENT OF GENERAL MANDATE

We refer to the circular of the Company dated 27 January 2017 (the "**Circular**") of which this letter forms part. Unless the context requires otherwise, capitalised terms used herein shall have the same meanings as those defined in the Circular.

We have been appointed by the Board to advise the Independent Shareholders as to whether the Refreshment of General Mandate is in the interests of the Company and the Shareholders as a whole and whether the terms of the Refreshment of General Mandate are fair and reasonable so far as the Independent Shareholders are concerned. Royal Excalibur Corporate Finance Company Limited is appointed as the independent financial adviser to advise us in this respect.

Having considered the principal factors and the advice of Royal Excalibur Corporate Finance Company Limited as set out in its letter of advice to us on pages 23 to 34 of the Circular, we are of the opinion that the Refreshment of General Mandate is in the interests of the Company and the Shareholders as a whole and the terms of which are fair and reasonable so far as the Company and the Independent Shareholders are concerned. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the Refreshment of General Mandate.

Yours faithfully,
the Independent Board Committee of
Hua Xia Healthcare Holdings Limited

Wong Ka Wai, Jeanne	**Hu Shanlian**	**Lu Chuanzhen**	**Zhang Bin**
Independent non-executive Director	*Independent non-executive Director*	*Independent non-executive Director*	*Independent non-executive Director*

* *For identification purposes only*

The following is the text of the letter of advice to the Independent Board Committee and the Independent Shareholders from Royal Excalibur Corporate Finance Company Limited in relation to the proposed Refreshment of General Mandate which has been prepared for inclusion in this circular.

ROYAL EXCALIBUR
CORPORATE FINANCE COMPANY LIMITED

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香港上環永樂街93-103號
協成行上環中心12樓1204室

27 January 2017

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

Dear Sirs,

PROPOSED REFRESHMENT OF GENERAL MANDATE

INTRODUCTION

We refer to our engagement as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the proposed Refreshment of General Mandate, details of which are set out in the Letter from the Board (the "**Board's Letter**") contained in the circular issued to the Shareholders dated 27 January 2017 (the "**Circular**"), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless the context requires otherwise.

At the AGM, the Shareholders approved, among other things, an ordinary resolution for granting to the Directors the Existing General Mandate to allot and issue not more than 407,649,988 new Shares, being 20% of the issued share capital of the Company as at the date of the AGM. Since the AGM, 320,000,000 new Shares have been allotted and issued under the Existing General Mandate, representing that approximately 78.5% of the Existing General Mandate has been utilised as at the Latest Practicable Date. Not more than 87,649,988 new Shares may be allotted and issued under the Existing General Mandate, being approximately 3.72% of the issued share capital of the Company as at the Latest Practicable Date. There had not been any refreshment of the Existing General Mandate to issue new Shares since the AGM.

The Company will convene the EGM at which an ordinary resolution will be proposed to the Independent Shareholders that the Directors be granted the New General Mandate to allot and issue new Shares not exceeding 20% of the issued share capital of the Company as at the date of passing the relevant ordinary resolution at the EGM.

As at the Latest Practicable Date, the Company had an aggregate of 2,358,249,944 Shares in issue. Subject to the passing of the ordinary resolution for the approval of the Refreshment of General Mandate and assuming that no further Shares will be issued and/or repurchased by the Company between the Latest Practicable Date and the date of the EGM, the Company would be allowed to allot and issue up to 471,649,988 new Shares under the New General Mandate, being 20% of the total number of Shares in issue as at the Latest Practicable Date.

The New General Mandate will expire at the earliest of (i) the conclusion of the next annual general meeting of the Company; (ii) the date by which the next annual general meeting of the Company is required to be held by law or by the Articles; or (iii) the date upon which such authority is revoked or varied by an ordinary resolution of the Shareholders in a general meeting of the Company prior to the next annual general meeting of the Company.

GEM LISTING RULES IMPLICATION

As the proposed Refreshment of General Mandate is to be proposed to the Shareholders before the Company's next annual general meeting, pursuant to Rules 17.42A(1) and 17.47(4) of the GEM Listing Rules, the proposed Refreshment of General Mandate is subject to Independent Shareholders' approval at the EGM, at which any controlling Shareholders and their associates or, where there is no controlling Shareholder, the Directors (excluding independent non-executive Directors) and the chief executive of the Company and their respective associates shall abstain from voting in favour of the relevant resolution to approve the proposed Refreshment of General Mandate at the EGM.

As at the Latest Practicable Date, there was no controlling Shareholder. As at the Latest Practicable Date, (i) Dr. Jiang, the executive Director and chief executive officer of the Company, held 9,300,000 Shares personally; (ii) Mr. Zheng, the executive Director, held 6,044,000 Shares personally; (iii) Dr. Huang, the executive Director, held 1,400,000 Shares personally; (iv) Mr. Yung, the executive Director, held 2,640,000 Shares personally, and 418,491,516 Shares through Easeglory; and (v) Mr. Lin, the executive Director, held 320,000,000 Shares through Kingfull.

Hence, Dr. Jiang, Mr. Zheng, Dr. Huang, Mr. Yung, Easeglory and Kingfull are required to abstain from voting in favour of the ordinary resolution to approve the Refreshment of General Mandate at the EGM. If any of the Directors and/or their respective associates hold any Shares at the date of EGM, they are required to abstain from voting in favour of the ordinary resolution to approve the Refreshment of General Mandate at the EGM in accordance to the GEM Listing Rules.

INDEPENDENT BOARD COMMITTEE

The Independent Board Committee, comprising all four independent non-executive Directors, namely Ms. Wong Ka Wai, Jeanne, Prof. Hu Shanlian, Prof. Lu Chuanzhen and Prof. Zhang Bin has been established to consider, and give advice and recommendation to the Independent Shareholders on the proposed Refreshment of General Mandate.

INDEPENDENT FINANCIAL ADVISER

As the independent financial adviser to the Independent Board Committee, our role is to give an independent opinion to the Independent Board Committee and the Independent Shareholders as to (i) whether the Refreshment of General Mandate is fair and reasonable; (ii) whether the Refreshment of General Mandate is in the interests of the Company and the Shareholders as a whole; and (iii) how the Independent Shareholders should vote in respect of the resolution relating thereto to be proposed at the EGM.

OUR INDEPENDENCE

As at the Latest Practicable Date, we did not have any relationship with, or interest in, the Company or any other parties that could reasonably be regarded as relevant to our independence. Apart from normal professional fees payable to us in connection with this appointment as the Independent Financial Adviser, no arrangements existed whereby we had received or will receive any fees or benefits from the Company or any other parties that could reasonably be regarded as relevant to our independence. Accordingly, we consider that we are independent pursuant to Rule 17.96 of the GEM Listing Rules.

BASIS OF OUR OPINION

In formulating our opinion, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and/or provided to us by the Company, the Directors and the management of the Company (the "**Management**"). We have assumed that all statements, information, opinions and representations contained or referred to in the Circular and/or provided to us were true, accurate and complete at the time they were made and continued to be so as at the date of the Circular.

We have no reason to believe that any statements, information, opinions or 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 statements, information, opinions or representations provided to us untrue, inaccurate or misleading. We have assumed that all the statements, information, opinions and representations for matters relating to the Company contained or referred to in the Circular and/or provided to us by the Company and the Management have been reasonably made after due and careful enquiry. We have relied on such statements, information, opinions and representations and have not conducted any independent investigation into the business, financial conditions and affairs or the future prospects of the Company.

PRINCIPAL FACTORS AND REASONS CONSIDERED IN RELATION TO THE REFRESHMENT OF THE EXISTING GENERAL MANDATE

In arriving at our advice to the Independent Board Committee and the Independent Shareholders in respect of the Refreshment of General Mandate, we have taken the following principal factors and reasons into consideration:

1. Background of the refreshment of the Existing General Mandate

The Company is an investment holding company listed on GEM, and the Group is principally engaged in the provision of general hospital services and pharmaceutical wholesale, distribution and pharmaceutical retail chain businesses in the PRC. The Group is operating four hospitals in Chongqing, Jiaxing, Zhuhai and Beijing, respectively, in the PRC.

References are made to the announcements of the Company dated 8 July 2016, 14 September 2016 and 30 September 2016 respectively. On 14 September 2016, the Company through its wholly-owned subsidiary, Best Winna, entered into the SPA with Kingfull and Mr. Lin Jinzong as the guarantor, pursuant to which Best Winna has conditionally agreed to acquire, and Kingfull has conditionally agreed to sell the entire issued share capital of Glowing Smart Investment Limited, and the sale loan amounted to approximately HK$23,520,440 as at the date of the sale and purchase agreement, for an aggregate consideration of HK$149,501,540. We understand that Glowing Smart Investment Limited through its wholly-owned subsidiaries holds as to 99.94% the equity interest of a private composite hospital located at the Dongcheng District in the Beijing City in the PRC, which is principally engaged in the provision of general hospital services, and that the Directors considered that the acquisition of Glowing Smart Investment Limited enables the Group to capture the next wave of the healthcare sector reform in the PRC and is in the interests of the Company and its Shareholders as a whole.

Part of the aggregate consideration for the aforesaid sale share and sale loan was settled by the issue and allotment of 320,000,000 consideration Shares (the "**Consideration Shares**") by the Company to Kingfull on the date of completion of the SPA. The Consideration Shares were allotted and issued pursuant to the Existing General Mandate, representing that approximately 78.5% of the Existing General Mandate was utilised after the allotment and issue of the Consideration Shares.

2. Reasons for the refreshment of the Existing General Mandate

As set out in the Board's Letter, as at 31 October 2016, the cash level of the Group was approximately HK$85 million, of which approximately HK$20 million was maintained in Hong Kong and approximately HK$65 million was maintained in the PRC, as the Group is required to maintain a certain cash level for its daily operations. Based on the current cash level of the Group and provided that the Group will not have any potential acquisition, the Board submits that the Company has no immediate funding needs. As at the Latest Practicable Date, the Company did not have any negotiation for any potential acquisition.

Nonetheless the Group will continue to explore the development opportunities for the existing and future hospitals. One of the important potentials for the Group's hospitals is to identify private-run hospitals for acquisition and management projects that involve the public and private partnerships. Those newly acquired hospitals and management projects will further open up the healthcare market for the Group in different regions. This will increase the Group's service coverage, medical specialties and more importantly attract more talents to join its hospitals. The Group anticipates to allocate more resources to explore new acquisition targets and services as one of the opportunities to increase its revenue.

We noted that, however, after the completion of the SPA and the issue and allotment of 320,000,000 Consideration Shares under the Existing General Mandate, and that there had not been any refreshment of the Existing General Mandate of the Company since the AGM up to the Latest Practicable Date, only 87,649,988 new Shares at maximum can be allotted and issued under the Existing General Mandate should the Management find it necessary doing so to capture the above said development opportunities. Also, as disclosed in the section headed "Fund raising activities of the Company in the past 12 months" in the Board's Letter, the capital raised by the Company in the past twelve months, being the placing in July 2016, had been used for (i) the payment of the refundable deposit contemplated under the MOU; (ii) the payment of part of the consideration for the acquisition contemplated under the SPA; (iii) the early redemption of part of the outstanding Promissory Notes; and (iv) general working capital of the Group.

Moreover, with reference to the Company's interim report for the six months ended 30 September 2016 ("**2016 Interim Report**"), we also noted that while the current liabilities of the Group as at 30 September 2016 amounted to approximately HK$412 million (mainly comprising trade and other payables of approximately HK$317 million and bank borrowings of approximately HK$91 million), the current assets of the Group as at 30 September 2016 amounted to approximately HK$782 million (mainly comprising cash and cash equivalents of approximately HK$194 million and trade and other receivables and deposits of approximately HK$464 million,) and is higher than the aforesaid current liabilities by approximately HK$370 million. Nonetheless, having considered that (i) the Group is required to maintain a certain cash level for its daily operations; and (ii) it is a normal market practice for companies to preserve certain amount of cash resources for unexpected circumstances, we consider that there is no certainty the current working capital resources may be sufficient for the Group to capture development opportunities if any future investment potentials arise.

In addition, the next annual general meeting of the Company will not be held until around late August 2017, which would be around seven months away from the Latest Practicable Date. The Management is of the view that the Refreshment of General Mandate will give the Company the flexibility to raise funds and to expand and develop the business of the Company and, therefore, is in the interests of the Company and the Shareholders as a whole.

We understand that potential development and/or investment opportunities may arise at any time and it is beneficial to provide the Group with greater flexibility to access promptly to cash resources and/or settlement means for suitable opportunities arising in the future. In the event that the Group identifies suitable business development and/or investment opportunities given (i) insufficient working capital resources on hand; (ii) failure to obtain loans on terms which the Directors consider acceptable to the Group or to raise funds from the equity market; and (iii) failure to seek for alternatives to finance the business development or acquisition/investment opportunities in a timely manner and at reasonable terms, the Group may lose its opportunity in an otherwise favourable development or investment if it has to go through a lengthy process to obtain Shareholders' approval for every single equity financing and/or to wait until the next annual general meeting for renewal of the general mandate given that in most cases vendors to transactions would prefer purchasers/investors who are able to promptly complete the transactions with less uncertainty. We hence concur with the Directors' view that the Refreshment of General Mandate would provide the Group with the necessary flexibility to (i) fulfill any possible funding needs for future business development and/or investment decisions which may arise at any time; (ii) have an option to consider issue of consideration shares as one of the settlement means in an acquisition as and when the Directors consider to be appropriate should suitable opportunities arise in the future; and (iii) have an option to strengthen the capital base of the Company to have additional working capital for its existing business operation, in particular the provision of general hospital services, and for coping with any business challenges if any unexpected circumstances occur in the future prior to the next annual general meeting.

Understanding that the Company had not resolved or formulated any concrete plan for raising capital by issuing new Shares under the New General Mandate, we believe the proposed Refreshment of General Mandate would by all means provide the Company an additional option of financing when facing future funding needs regarding business development, investments and/or acquisition opportunities which may arise within the next seven months till the next annual general meeting of the Company.

Having considered that (i) the Group's business objective to continue exploring the development opportunities for the existing and future hospitals; (ii) the Existing General Mandate has been substantially utilised as to approximately 78.5% as at the Latest Practicable Date; (iii) the capital raised by the Company in the past twelve months, being the placing in July 2016, had been used for corresponding designated purposes; (iv) the current working capital resources are of no certainty to be sufficient for the Group to capture development opportunities if any future investment potentials arise; (v) the next annual general meeting of the Company will not be held until around late August 2017, which would be around seven months away from the Latest Practicable Date; and (vi) the Refreshment of General Mandate would provide the Group with the necessary flexibility to fulfill any possible funding needs for future business development or coping with any business challenges which may arise at any time, we concur with the Directors' view that the Refreshment of General Mandate is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

3. Fund raising activities of the Company in the past 12 months

Set out below is a summary of the Company's equity fund raising exercises in the past 12 months immediately preceding the Latest Practicable Date:

Date of announcement	Event	Net proceeds (approximately)	Intended use of proceeds	Actual use of proceeds as at the Latest Practicable Date
21 July 2016	Placing of 339,000,000 new Shares at HK$0.31 per Share under general mandate	HK$102 million	(1) HK$14 million for the payment of the refundable deposit contemplated under the MOU;	(1) HK$14 million was used for the payment of the refundable deposit contemplated under the MOU;
			(2) approximately HK$31 million for the payment of part of the consideration for the acquisition contemplated under the MOU;	(2) approximately HK$31 million was used for the payment of part of the consideration for the acquisition contemplated under the SPA;
			(3) HK$45 million for the early redemption of part of the outstanding Promissory Notes; and	(3) HK$45 million was used for the early redemption of part of the outstanding Promissory Notes; and
			(4) approximately HK$12 million for general working capital of the Group.	(4) approximately HK$12 million was utilised for general working capital of the Group.

Save as disclosed above, the Company has not conducted any other equity fund raising activities in the past 12 months immediately preceding the Latest Practicable Date.

4. Other financing alternatives

The Board has considered other financing alternatives apart from equity financing such as debt financing, taking into consideration the current financial position, capital structure and cost of funding of the Group. However, debt financing may be subject to lengthy due diligence and negotiations as compared to the equity financing available to the Directors if the Refreshment of General Mandate is granted. Debt financing may also incur interest burden to the Group, but fund raising exercise pursuant to general mandate provides the Company with a more direct and efficient alternative to other types of fund raising exercise and avoids the uncertainties in such circumstances that specific mandate may not be obtained in a timely manner.

The Board believes that equity financing will enable the Company to respond to the market promptly as fund raising exercise pursuant to a general mandate provides the Company with a simpler and less lead time process than other types of fund raising exercises as well as to avoid the uncertainties in such circumstances that specific mandate may not be obtained in a timely manner, especially in the context of the acquisitions which require the payment of an initial deposit pursuant to the agreement. As such, the Directors believe that the New General Mandate will give the Company the flexibility to raise funds and to expand and develop the business of the Company and therefore, is in the interests of the Company and the Shareholders as a whole.

We have analysed the pros and cons of the following alternative financing methods as compared to the proposed Refreshment of General Mandate as set out below.

Debt financing or equity financing such as rights issue and open offer may allow the Group to obtain funds with flexibility as they are not subject to the mandate limit of the Existing General Mandate and/or proposed Refreshment of General Mandate. However, rights issue and open offer are usually procedural and involve substantial time and cost to complete as the Company is required to follow a standard timetable in compliance with the Listing Rules. While rights issue and open offer normally take more than one month to complete, fund raising activities pursuant to general mandate are less procedural and could usually be completed within a significantly shorter time period. We hence concur with the Board's view that fund raising activities pursuant to general mandate provides the Company with a simpler and faster means to raise fund, comparing to other types of equity fund raising activities, and thus enables the Company to respond to the market promptly.

On the other hand, regarding debt financing, the Company encountered difficulties in obtaining banking facilities given the loss making position of the Group in the past two financial years as set out in the Board's Letter. As disclosed in the Board's Letter, the Group has approached four licensed banks in order to obtain backing facilities but was unable to secure any. The Group had also explored the possibility to raise funds by the issue of straight bonds and/or convertible bonds, but no investors showed any interest in the aforesaid products as at the Latest Practicable Date. Moreover, as disclosed in the 2016 Interim Report, the gearing ratio of the Company, defined as total debts divided by shareholders' equities, was approximately 36% as at 30 September 2016. Considering that equity fund raising activities through the New General Mandate will not (i) aggravate the current gearing ratio of the Company; (ii) incur interest burden and obligations to the Group as compared with debt financing, and that (i) the Group was unable to secure any banking facility given the current loss making position; (ii) even if the Group could secure banking facilities, the lengthy due diligence process and negotiations of loan terms could normally take months to complete; and (iii) no investors are interested in fund raising products such as straight bonds and convertible bonds to be issued by the Group, we are of the view that the Refreshment of General Mandate provides the Company with a simpler and less costly alternative to other types of debt financing activities, and enables the Company to respond to the market promptly.

In addition, in the event that the Existing General Mandate is not sufficient for the Company to issue and allot new Shares pursuant to potential fund raising exercises such as subscription or placing of new Shares, or if the Refreshment of General Mandate is not approved by the Independent Shareholders at the EGM, the Company may resort to issue of new Shares under specific mandate which requires the Company to comply with the applicable Listing Rules including but not limited to publication of circular to the Shareholders and separate approval from the Independent Shareholders. Normally, such procedure takes at least one month to complete. We consider such lengthy process may lower the Company's bargaining power during the negotiation process of such subscription and/or placing exercise by potential investors and may potentially hinder the growth of the Company. In contrast, issuance of new Shares under general mandate allows the Company to raise capital within specified number of Shares promptly as and when necessary. Based on the above all, we concur with the Directors' view that fund raising exercise pursuant to a general mandate is simpler, faster and less costly than other types of fund raising exercises, and avoids the uncertainties in such circumstances that specific mandate may not be obtained in a timely manner.

We noted that the Directors would in any event exercise due and careful consideration when choosing the best method of financing for the Group including issue Shares under specific mandate, pre-emptive fund raising methods such as rights issue and open offer for the provision of general hospital services business. In any event, the Company will balance the pros and cons of various fund raising methods and conduct such fund raising activity which is most appropriate under the circumstances. We hence consider that the Refreshment of General Mandate is in the interests of the Company and the Shareholders as a whole.

5. Potential dilution to shareholding interests of the Independent Shareholders

The table below illustrates the shareholding structure of the Company (i) as at the Latest Practicable Date; and (ii) for illustrative purpose, immediately upon the allotment and issue of the new Shares by the Company pursuant to the New General Mandate (assuming that the New General Mandate is utilised in full and no further Shares are issued or repurchased by the Company):

Name of Shareholders	**As at the Latest Practicable Date**		**Immediately upon the allotment and issue of Shares by the Company pursuant to the New General Mandate (assuming that the New General Mandate is utilised in full and no further Shares are issued or repurchased by the Company)**	
	Number of Shares	*Approx. %*	*Number of Shares*	*Approx. %*
Non-public Shareholders				
Mr. Yung Ka Chun ("**Mr. Yung**") *(Notes 1 and 5)*	2,640,000	0.11	2,640,000	0.09
Dr. Jiang Tao ("**Dr. Jiang**") *(Note 2)*	9,300,000	0.39	9,300,000	0.33
Mr. Zheng Gang ("**Mr. Zheng**") *(Note 3)*	6,044,000	0.26	6,044,000	0.21
Dr. Huang Jiaqing ("**Dr. Huang**") *(Note 4)*	1,400,000	0.06	1,400,000	0.05
Easeglory Holdings Limited ("**Easeglory**") *(Note 5)*	418,491,516	17.75	418,491,516	14.79
New Hope International (Hong Kong) Limited ("**New Hope**") *(Note 6)*	343,217,539	14.55	343,217,539	12.13
Kingfull *(Note 7)*	320,000,000	13.57	320,000,000	11.31
Public Shareholders				
Existing public Shareholders	1,257,156,889	53.31	1,257,156,889	44.42
Maximum number of new Shares to be issued under the New General Mandate	–	–	471,649,988	16.67
Total	2,358,249,944	100.00	2,829,899,932	100.00

Notes:

1. Mr. Yung, an executive Director, is personally interested in 2,640,000 Shares.

2. Dr. Jiang, an executive Director, is personally interested in 9,300,000 Shares.

3. Mr. Zheng, an executive Director, is personally interested in 6,044,000 Shares.

4. Dr. Huang, an executive Director, is personally interested in 1,400,000 Shares.

5. Easeglory is interested in 418,491,516 Shares and 98,500,000 CPS. The issued share capital of Easeglory is wholly-owned by Mr. Yung. Mr. Yung is deemed to be interested in the Shares and the CPS in which Easeglory is interested in under Part XV of the SFO.

   Easeglory has charged 418,491,516 Shares and 98,500,000 CPS to Golden Prince Group Limited ("**Golden Prince**") and Mr. Ng Leung Ho respectively. The issued share capital of Golden Prince is wholly-owned by Mr. Ng Leung Ho. Mr. Ng Leung Ho is deemed to be interested in the 418,491,516 Shares under Part XV of the SFO, and is interested in the 98,500,000 CPS.

6. The issued share capital of New Hope is owned as to 75% by Southern Hope Enterprise Co., Ltd.# (南方希望實業有限公司) which is in turn owned as to 51% by New Hope Group Co., Ltd.# (新希望集團有限公司) and as to 49% by Tibet Hengye Feng Industrial Co., Ltd.# (西藏恒業鋒實業有限公司). Both New Hope Group Co., Ltd.# and Tibet Hengye Feng Industrial Co., Ltd.# are owned as to 62.34% by Mr. Liu Yonghao, as to 36.35% by Ms. Liu Chang and as to 1.31% by Ms. Li Wei. Mr. Liu Yonghao, Ms. Liu Chang and Ms. Li Wei are deemed to be interested in the Shares in which New Hope is interested in under Part XV of the SFO.

7. Kingfull is interested in 320,000,000 Shares. The issued share capital of Kingfull is wholly-owned by Mr. Lin Jinzong ("**Mr. Lin**"), an executive Director. Mr. Lin is deemed to be interested in the Shares in which Kingfull is interested in under Part XV of the SFO.

Assuming that (i) the Refreshment of General Mandate is approved at the EGM; and (ii) no new Shares will be repurchased and/or issued by the Company from the Latest Practicable Date up to the date of the EGM (both dates inclusive), upon full utilization of the New General Mandate, 471,649,988 new Shares will be issued, representing 20% of the existing issued share capital of the Company as at the Latest Practicable Date and approximately 16.67% of the enlarged issued share capital of the Company under the New General Mandate. The aggregate shareholding of the existing public Shareholders will have a potential maximum dilution from approximately 53.31% to approximately 44.42% upon full utilization of the New General Mandate.

While the Refreshment of General Mandate will inevitably result in dilution impact to the existing Shareholders (as discussed in the above), taking into account (i) the disadvantages of raising funds through debt financing, rights issue and/or open offer; (ii) the lengthy process for issuance of new Shares under specific mandate each time the Company proposes to issue new Shares; and (iii) the advantages of issuance of new Shares under general mandate such that it (a) does not incur any interest expenses on the Group as compared with debt financing; (b) requires a relatively shorter time frame to complete than raising funds by ways of rights issue and/or open offer; and (c) provides the Company with an additional financing method which enables it to raise capital in a more flexible manner to satisfy its funding needs promptly as and when it arises, we are of the view that the potential dilution impact to the Shareholders as a result of the Refreshment of General Mandate is acceptable.

In view of the above, we consider that the grant of the New General Mandate is in the interest of the Company and the Shareholders as a whole.

RECOMMENDATION

Having taken into account the principal factors and reasons referred to the above, we are of the opinion that the proposed Refreshment of General Mandate is fair and reasonable so far as the Company and the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole. We therefore advise the Independent Shareholders, and also recommend the Independent Board Committee to recommend the Independent Shareholders, to vote in favour of the ordinary resolution(s) approving the New General Mandate at the EGM.

Yours faithfully,
For and on behalf of
Royal Excalibur Corporate Finance Company Limited
Kevin Chan
Director

Mr. Kevin Chan is a person licensed to carry out Type 6 (advising on corporate finance) regulated activity under the SFO and regarded as a responsible officer of Royal Excalibur Corporate Finance Company Limited who has over 18 years of experience in corporate finance industry.

1. FINANCIAL INFORMATION OF THE GROUP

Financial information of the Group for (i) each of the three years ended 31 March 2014, 2015 and 2016 are disclosed in the annual reports of the Company for the years ended 31 March 2014 (pages 57 to 207), 2015 (pages 62 to 219) and 2016 (pages 60 to 223); and (ii) the six months ended 30 September 2016 is disclosed in the interim report of the Company for the six months ended 30 September 2016 (pages 3 to 17), respectively.

The aforesaid annual reports and interim report are available on the website of the Stock Exchange (http://www.hkex.com.hk) and the website of the Company (http://www.huaxia-healthcare.com/). In particular, the web links of the annual reports and interim report are as follows:

2016 annual report

http://www.hkexnews.hk/listedco/listconews/GEM/2016/0629/GLN20160629085.pdf

2015 annual report

http://www.hkexnews.hk/listedco/listconews/GEM/2015/0630/GLN20150630065.pdf

2014 annual report

http://www.hkexnews.hk/listedco/listconews/GEM/2014/0627/GLN20140627089.pdf

2016 interim report

http://www.hkexnews.hk/listedco/listconews/GEM/2016/1108/GLN20161108075.pdf

2. INDEBTEDNESS STATEMENT

At the close of business on 31 December 2016, being the latest practicable date for the purpose of preparing this indebtedness statement prior to the printing of this circular, the Group had total outstanding borrowings of approximately HK$201,174,000, details of which are set out below:

(i) Convertible note with principal amount of HK$6,500,000 bear interest at a rate of 2% per annum payable annually in arrears.

Convertible note with principal amount of HK$84,292,000 bear interest at a rate of 5% per annum payable annually in arrears.

(ii) Promissory note with principal amount of HK$35,000,000 bear interest at a rate of 1% per annum payable semi-annually in arrears.

(iii) As at 31 December 2016, the secured bank borrowings were secured by certain bank deposits, prepaid lease payments, investment property and corporate guarantee by inter-group company.

Secured bank borrowings of approximately HK$53,600,000 carries fixed interest rate at 6.525%.

Secured bank borrowings of approximately HK$21,782,000 carries variable interest rate ranging from 4.30% to 5.66%.

Contingent liabilities

As at the close of business on 31 December 2016, being the latest practicable date for the purpose of this indebtedness statement, the Group had no material contingent liabilities.

Disclaimer

Save as aforesaid and apart from intra-group liabilities, and the normal trade payables and accruals in the ordinary course of business, at the close of business on 31 December 2016, the Group did not have other outstanding debt securities, mortgages, charges, finance lease or hire purchases commitments, liabilities under acceptances or acceptable credits, guarantees or other material contingent liabilities.

3. WORKING CAPITAL STATEMENT

The Directors are of the opinion that, taking into account the Group's internal resources, cash flow from operations and present available banking facilities available to the Group, the Group will have sufficient working capital for its present requirements for at least the next twelve months from the date of this circular.

4. MATERIAL ADVERSE CHANGE

The Directors confirmed that there was no material adverse changes in the financial or trading position or prospects of the Group since 31 March 2016 (being the date which the latest published audited consolidated financial statements of the Group had been made up) up to the Latest Practicable Date.

5. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

The Company is an investment holding company listed on GEM, and the Group is principally engaged in the provision of general hospital services and pharmaceutical wholesale, distribution and pharmaceutical retail chain businesses in the PRC. The Group is operating four hospitals in Chongqing, Jiaxing, Zhuhai and Beijing, respectively, in the PRC.

General hospital services

On 30 September 2016, the Group completed the acquisition of a composite hospital located in Beijing, the PRC. During the six months ended 30 September 2016, the Group operated four general hospitals in Chongqing, Jiaxing, Zhuhai and Beijing (2015: three general hospitals in Chongqing, Jiaxing and Zhuhai), principally engaged in the provision of hospital services including but not limited to medical wards, surgical wards, cosmetic surgery, dermatology and medical checkup and examination. The total turnover contributed by these hospitals for the six months ended 30 September 2016 was approximately HK$120.687 million (2015: approximately HK$130.212 million), a decrease by approximately about 7.31%.

Pharmaceutical wholesale, distribution and pharmaceutical retail chain business

The Group engaged in the wholesale and distribution of a broad range of pharmaceutical products to hospitals, clinics and pharmacies in Fujian Province ("**Fujian**"), the PRC through our non-wholly owned major subsidiary, Wanjia Group.

The Group also operated a chain of retail pharmacies located in six prefectural-level districts in Fujian under the brand name "Huihao Sihai". The Group's pharmaceutical retail chain operation had maintained the leading position in both the number of the retail drug store and comprehensive competitiveness within Fujian. The Group continues to allocate resources to look for business opportunities to expand the pharmaceutical distribution and retail chain businesses. The revenue contributed by the pharmaceutical wholesale, distribution and pharmaceutical retail chain business for the six months ended 30 September 2016 was approximately HK$528.349 million (2015: approximately HK$667.203 million), a decrease of approximately 20.81%.

Following completion of the Distribution, the Group will no longer participate in pharmaceutical wholesale, distribution and pharmaceutical retail chain businesses in the PRC.

Future Prospects

It is the Remaining Group's intention to focus on the provision of general hospital services and this can be demonstrated by the Group's acquisition of 99.94% of the equity interest in Beijing Tongji Hospital Co., Limited# (北京同濟醫院有限公司), a composite hospital located at the Dongcheng District in the Beijing City in the PRC, details of which are set out in the announcements of the Company dated 14 September 2016 and 30 September 2016 respectively.

The Board strongly believes that under the current PRC government policies, the healthcare industry in PRC has a great deal of potential and will improve the current loss-making position of the Group. In 2012, the national healthcare expenses were about RMB2,800 billion which represented approximately 5.2% of the gross domestic product of the PRC in 2012, of which approximately 30.0%, 35.6% and 34.4% of the total healthcare expenditure were from the government, corporations and individuals respectively. Government healthcare expenditure increased from approximately RMB15.5 billion in 2005 to approximately RMB1,057.9 billion in 2014, representing a compound annual growth rate of approximately 23.8%. Despite the high medical insurance coverage in the PRC, the individual expenditure in the healthcare is still a main driving force for the growth in healthcare sector. The "13th Five-Year Plan" commenced in 2016, according to the prediction of the State Council of the PRC, in 2020, the size of the healthcare service industry will reach or exceed approximately RMB8,000 billion, and the healthcare service industry will become an important force to promote the sustained economic and social development.

Being the first year of the 13th Five-Year Plan, the PRC has set clear goals to achieve the accessible and affordable healthcare to the citizens by the end of 2020, releasing concrete measures to facilitate the development of the private hospitals. According to the latest industry statistics released by National Health and Family Planning Commission of the People's Republic of China* (中華人民共和國國家衛生和計劃生育委員會), the market share of private hospitals was approximately 46.6% at the end of May 2014. However, by the end of May 2016, the market share of private hospitals has increased to approximately 53.9% and it is expected that the trend will continue. As more private-run hospitals have been set up, the management of the Group is confident that the Group is well poised to take advantage of the favourable situations in the country.

Given the abovementioned perspective of the PRC healthcare service industry as supported by the PRC government policies, the Group will continuously seek for potential acquisition of hospitals in order to expand its footprint within the PRC healthcare service industry. In addition, the Group will at the same time enhance the value and profitability of the existing hospitals owned by the Group. However, as at the Latest Practicable Date, the Group has not identified any potential hospitals as acquisition targets.

One of the important potentials for the Group's hospitals is to identify projects that involve the public and private partnerships. As at the Latest Practicable Date, there are four private partnership hospitals under the Group's management and there is no public partnership established. A private partnership constitutes an acquisition of the equity interest of a private hospital while a public partnership refers to the provision of hospital management service to public hospital. Subsequent to any acquisition of private-partnership hospital, the Board will appoint new management and operations team into the acquired hospital, with the aim to improve its performance and service by utilising the expertise and experience possessed by the Company with respect to hospital management and ultimately to create value and/or profits to the hospitals and this acquisition strategy can apply to hospital under private partnership. As to public partnership, the Group will provide its expertise in hospital management to public hospitals and enhance the efficient at the public hospitals and create additional value to the public hospitals. Therefore, with the well-established experience and reputation within the healthcare sector in PRC by the Group, the Company will seek opportunities to establish public and private partnerships on a continual basis. However, as at the Latest Practicable Date, the Group has not identified any potential partnerships.

It is the aim of the Group to further open up the healthcare market for the Group in different regions which can increase the Group's service coverage, medical specialties and more importantly attract more talents to join the Group's hospitals. For the year ahead, the Group anticipates to allocate more resources to explore new services as one of the opportunities to increase revenue.

On 24 January 2017, an announcement was jointly issued by the Company and Wanjia, in relation to, among other things, Fujian Rui Mai Trading Co., Limited*（福建銳邁貿易有限公司）, an indirect non-wholly-owned subsidiary of Wanjia, has agreed to acquire the entire equity interest in Mingxi County Trading Co., Limited*（明溪縣佳維貿易有限公司）, a company established in the PRC with limited liability and is principally engaged in providing hemodialysis treatment service and consultancy service through jointly-operated and self-operated hemodialysis treatment centers and trading of hemodialysis treatment consumables and equipment in the PRC (the "**Wanjia Acquisition**"). The consideration subjected to the Wanjia Acquisition is RMB125 million (equivalent to approximately HK$141.228 million).

Upon the completion of the Wanjia Acquisition, Wanjia Group will start to operate in provision of hemodialysis treatment service and consultancy service through jointly-operated and self-operated hemodialysis treatment centers and trading of hemodialysis treatment consumables and equipment in the PRC. As at the Latest Practicable Date, save for the Wanjia Acquisition, Wanjia Group has not identified any other investment in respect to this particular service.

Prior to the Wanjia Acquisition, neither the Company or Wanjia Group is engaged in provision of hemodialysis related services and trading under the Wanjia Acquisition.

The customers of the Wanjia Acquisition are independent third party to the Company and are being the hospitals and/or centres which are licensed to provide hemodialysis treatment service in PRC. As at the Latest Practicable Date, the hospitals of the Company are not licensed to provide hemodialysis treatment services in the PRC and therefore Wanjia Group has no intention to provide hemodialysis related services and trading to the Company upon completion of the Wanjia Acquisition.

FINANCIAL INFORMATION OF WANJIA GROUP

Financial information of Wanjia Group for (i) each of the three years ended 31 March 2014, 2015 and 2016 are disclosed in the annual reports of Wanjia for the years ended 31 March 2014 (pages 58 to 187), 2015 (pages 63 to 199) and 2016 (pages 65 to 211); and (ii) the six months ended 30 September 2016 is disclosed in the interim report of Wanjia for the six months ended 30 September 2016 (pages 2 to 17), respectively.

The aforesaid annual reports and interim report are available on the website of the Stock Exchange (http://www.hkex.com.hk) and the website of Wanjia (http://www.wanjia-gp.com/cn/). In particular, the web links of the annual reports and interim report are as follows:

Wanjia's 2016 annual report

http://www.hkexnews.hk/listedco/listconews/SEHK/2016/0629/LTN20160629269.pdf

Wanjia's 2015 annual report

http://www.hkexnews.hk/listedco/listconews/SEHK/2015/0630/LTN20150630398.pdf

Wanjia's 2014 annual report

http://www.hkexnews.hk/listedco/listconews/SEHK/2014/0627/LTN20140627634.pdf

Wanjia's 2016 interim report

http://www.hkexnews.hk/listedco/listconews/SEHK/2016/1108/LTN20161108509.pdf

UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP

INTRODUCTION

On 9 November 2016, Hua Xia Healthcare Holdings Limited (the "**Company**") announced that the board of directors (the "**Board**") approved a special dividend in the form of a distribution in specie of up to 393,080,000 ordinary shares of Wanjia Group Holdings Limited ("**Wanjia Shares**") held by the Company to the shareholders and the holders of the convertible preference shares whose names appear on the register of members of the Company (the "**Qualifying Shareholders**") in proportion to their respective shareholdings in the Company on the date for ascertaining Qualifying Shareholders' entitlements to the special dividend (the "**Record Date**") on the basis of four (4) Wanjia Shares for every 25 shares or convertible preference shares of the Company held on the Record Date (the "**Distribution**"). The Company and its subsidiaries, excluding Wanjia Group Holdings Limited and its subsidiaries ("**Wanjia Group**"), immediately after the Distribution hereinafter is referred to as the "Remaining Group".

The following is a summary of the illustrative unaudited pro forma consolidated statement of financial position, unaudited pro forma consolidated statement of profit or loss and other comprehensive income and unaudited pro forma consolidated statement of cash flows (collectively referred to as the "**Unaudited Pro Forma Financial Information**") of the Remaining Group, which have been prepared to illustrate the effect of the Distribution.

The Unaudited Pro Forma Financial Information has been prepared for illustrative purpose only and, because of its hypothetical nature, may not give a true picture of (i) the financial position of the Remaining Group as at 30 September 2016 or at any future date had the Distribution been taken place on 30 September 2016; or (ii) the results and cash flows of the Remaining Group for the year ended 31 March 2016 or for any future period had the Distribution been taken place on 1 April 2015.

The Unaudited Pro Forma Financial Information is prepared based on the unaudited consolidated statement of financial position of the Group and Wanjia Group as at 30 September 2016, the audited consolidated statement of profit or loss and other comprehensive income and audited consolidated statement of cash flows of the Group and Wanjia Group for year ended 31 March 2016, after giving effect to pro forma adjustments described in the notes and has been prepared in accordance with Rules 7.31 of the Rules Governing the Listing of Securities on The Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "**GEM Rules**").

UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF THE REMAINING GROUP

	Unaudited condensed consolidated statement of financial position of the Group as at 30 September 2016	Pro forma adjustments			Unaudited pro forma consolidated statement of financial position of the Remaining Group as at 30 September 2016
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	Note 1	*Note 2*	*Note 3*	*Note 4*	
ASSETS					
Non-current assets					
Property, plant and equipment	100,309	(16,917)	–	–	83,392
Prepaid lease payment	34,452	(10,816)	–	–	23,636
Investment properties	6,975	(6,975)	–	–	–
Available-for-sale investment	–	–	–	9,419	9,419
Goodwill	176,918	(331)	–	–	176,587
	318,654				293,034
Current assets					
Inventories	116,081	(105,508)	–	–	10,573
Trade and other receivables and deposit	464,168	(431,425)	730	–	33,473
Derivative financial instruments	301	–	–	–	301
Pledged bank deposits	7,968	(7,968)	–	–	–
Cash and cash equivalents	193,735	(82,760)	–	(500)	110,475
	782,253				154,822
Total assets	1,100,907				447,856
Equity					
Capital and reserves					
Share capital	24,568	–	–	–	24,568
Reserves	334,503	–	–	(96,165)	238,338
Equity attributable to owners of the Company	359,071				262,906
Non-controlling interests	209,120	–	–	(163,339)	45,781
Total equity	568,191				308,687

	Unaudited condensed consolidated statement of financial position of the Group as at 30 September 2016	Pro forma adjustments			Unaudited pro forma consolidated statement of financial position of the Remaining Group as at 30 September 2016
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	Note 1	*Note 2*	*Note 3*	*Note 4*	
LIABILITIES					
Current liabilities					
Trade and other payables	316,707	(243,949)	7,925	–	80,683
Amounts due to non-controlling shareholders	838	–	–	–	838
Bank borrowings	90,954	(73,504)	–	–	17,450
Tax payable	3,976	(2,915)	–	–	1,061
	412,475				100,032
Non-current liabilities					
Convertible note	86,645	(80,475)	–	–	6,170
Promissory note	32,731	–	–	–	32,731
Deferred taxation	865	(629)	–	–	236
	120,241				39,137
Total liabilities	532,716				139,169
Total equity and liabilities	1,100,907				447,856
Net current assets	369,778				54,790
Total assets less current liabilities	688,432				347,824

UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME OF THE REMAINING GROUP

	Consolidated statement of profit or loss and other comprehensive income of the Group for the year ended 31 March 2016	Pro forma adjustments		Unaudited pro forma consolidated statement of profit or loss and other comprehensive income of the Remaining Group for the year ended 31 March 2016
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	Note 5	*Note 6*	*Note 7*	
Revenue	1,574,607	(1,321,763)	–	252,844
Cost of sales	(1,295,227)	1,175,635	–	(119,592)
	279,380			133,252
Other revenue	7,593	(5,000)	–	2,593
Other gain	2,574	(2,530)	–	44
Selling and distribution expenses	(152,022)	100,466	–	(51,556)
Administrative expenses	(158,443)	48,359	–	(110,084)
Loss on disposal of subsidiaries	(772)	772	(22,248)	(22,248)
Loss from operation	(21,690)			(47,999)
Finance costs	(19,464)	16,365	–	(3,099)
Loss before taxation	(41,154)		–	(51,098)
Taxation	(3,942)	1,158	–	(2,784)
Loss for the year	(45,096)			(53,882)

	Consolidated statement of profit or loss and other comprehensive income of the Group for the year ended 31 March 2016	Pro forma adjustments		Unaudited pro forma consolidated statement of profit or loss and other comprehensive income of the Remaining Group for the year ended 31 March 2016
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	Note 5	*Note 6*	*Note 7*	
Other comprehensive loss for the year				
Items that may be reclassified subsequently to profit or loss				
Exchange differences arising on translating foreign operations	(26,457)	18,924	–	(7,533)
Total comprehensive loss for the year	(71,553)			(61,415)
Loss for the year attributable to:				
Owners of the Company	(43,372)	13,802	(22,248)	(22,248)
Non-controlling interests	(1,724)	(340)	–	(2,064)
	(45,096)			(53,882)
Total comprehensive loss for the year attributable to:				
Owners of the Company	(63,278)	29,935	(22,248)	(55,591)
Non-controlling interests	(8,275)	2,451	–	(5,824)
	(71,553)			(61,415)

UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF CASH FLOW OF THE REMAINING GROUP

	Consolidated statement of cash flow of the Group for the year ended 31 March 2016	Pro forma adjustments		Unaudited pro forma consolidated statementof cash flow of the Remaining Group for the year ended 31 March 2016
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	Note 8	*Note 9*	*Note 7*	
Cash flow from operating activities				
Loss before taxation	(41,154)	12,304	(22,248)	(51,098)
Adjustments for:				
Interest income	(1,206)	220	–	(986)
Interest expenses	19,464	(16,365)	–	3,099
Amortisation of prepaid lease payments	1,405	(365)	–	1,040
Depreciation of property, plant and equipment	18,679	(6,449)	–	12,230
Change in fair value of Investment property	490	(490)	–	–
Change in fair value of derivative financial instrument	(17)	–	–	(17)
Loss on disposal of property, plant and equipment	551	(337)	–	214
Loss on disposal of subsidiaries	772	(772)	22,248	22,248
Impairment loss recognised in respect of trade and other receivables	5,595	(1,176)	–	4,419
Reversal of impairment loss recognised in respect of trade and other receivables	(910)	683	–	(227)
Equity-settled share-based payments	19,376	–	–	19,376
Operating cash inflows before movements in working capital	23,045			10,298

	Consolidated statement of cash flow of the Group for the year ended 31 March 2016	Pro forma adjustments		Unaudited pro forma consolidated statementof cash flow of the Remaining Group for the year ended 31 March 2016
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	Note 8	*Note 9*	*Note 7*	
Decrease/(increase) in inventories	13,803	(16,132)	–	(2,329)
Decrease in trade and other receivable and deposits	166,066	(157,463)	–	8,603
Increase in amounts due from fellow subsidiaries	–	(11,242)	–	(11,242)
Increase in amounts due from the immediate holding company	–	(15)	–	(15)
Decrease in trade and other payables	(12,053)	5,514	–	(6,539)
Increase in amounts due to the ultimate holding company	–	4,030	–	4,030
Decrease in amounts due to non-controlling shareholders	(485)	–	–	(485)
Net cash generated from operating activities	190,376			2,321
PRC Enterprise Income Tax paid	(5,754)	4,469	–	(1,285)
Net cash generated from operating activities	184,622			1,036
Cash flows from investing activities				
Interest received	1,206	(220)	–	986
Purchase of property, plant and equipment	(43,335)	3,957	–	(39,378)
Additions of prepaid lease payments	(7,934)	7,934	–	–
Net cash inflow/(outflow) on disposal of subsidiaries	2,107	(2,107)	(500)	(500)
Deemed disposal of interest in a subsidiary	16,314	(16,314)	–	–
Net cash used in investing activities	(31,642)			(38,892)

	Consolidated statement of cash flow of the Group for the year ended 31 March 2016	Pro forma adjustments		Unaudited pro forma consolidated statementof cash flow of the Remaining Group for the year ended 31 March 2016
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	Note 8	*Note 9*	*Note 7*	
Cash flows from financing activities				
Interest paid	(12,927)	11,699	–	(1,228)
Decrease in pledged bank deposit	6,874	(6,874)	–	–
Proceeds from issue of convertible note, net of cost	82,225	(82,225)	–	–
Proceeds from exercise of share options	25,159	–	–	25,159
Proceeds from bank borrowings	124,059	(97,341)	–	26,718
Repayment of bank borrowings	(190,252)	186,399	–	(3,853)
Net cash generated from financing activities	35,138			46,796
Net increase in cash and cash equivalents	188,118			8,940
Cash and cash equivalents at the beginning of the year	88,793	(43,029)	–	45,764
Effect of foreign currency exchange rate changes	(27,199)	18,207	–	(8,992)
Cash and cash equivalents at the end of the year	249,712			45,712

Notes to the Unaudited Pro Forma Financial Information:

1. The amounts are extracted from the unaudited condensed consolidated statement of financial position of the Group as at 30 September 2016 as set out in the published interim financial statement of the Group for the six months ended 30 September 2016.

2. These adjustment represent the exclusion of the assets and liabilities of Wanjia Group assuming the Distribution had been taken place on 30 September 2016. The balances as at 30 September 2016 were extracted from the published interim financial statement of Wanjia Group for the six months ended 30 September 2016. The adjustment is not expected to have a continuing effect of the Group.

3. The reclassification represents the amount payable to Wanjia Group of approximately HK$7,925,000 and amount receivable from Wanjia Group of approximately HK$730,000 upon completion of the Distribution.

4. The Distribution will result to a disposal of Wanjia Group. The adjustments represent the gain on disposal of the Wanjia Group assuming the Distribution had been taken place on 30 September 2016 is calculated as follow:

   Calculation of pro forma gain on disposal of subsidiaries:

	HK$'000
Fair value of the Distribution *(note a)*	196,540
Less: Net assets of Wanjia Group as at 30 September 2016	(268,423)
Add: Non-controlling interest derecognised on completion of the Distribution	163,339
Net assets of the Wanjia Group as at 30 September 2016	(105,084)
Reclassification of cumulative translation reserve upon disposal of the Wanjia Group to profit or loss	(7,234)
Initial recognition of interest in available-for-sales investment *(note c)*	9,419
Estimated legal and professional fee directly attributable to the Distribution *(note b)*	(500)
Pro forma gain on disposal of subsidiaries	93,141

(a) The fair value of the Distribution of approximately HK$196,540,000, which estimates at the fair value of Wanjia Shares as at 30 September 2016 and assuming the Company will distribute 393,080,000 Wanjia Shares to the Shareholders.

(b) The amount of estimated legal and professional fee directly attributable to the Distribution is estimated by directors of the Company and assumed that they were settled by cash.

(c) Available-for-sales investments represented the fair value of equity interests of Wanjia Group held by the Remaining Group as at 30 September 2016, upon the completion of the Distribution.

The final gain or loss on disposal of subsidiaries may be different from the amount described above would be subject to the carrying amount of the assets and liabilities of Wanjia Group on the date of completion of the Distribution. Such actual amount may be different from the amount presented herein and such difference may be significant.

5. The amounts are extracted from the audited consolidated statement of profit or loss and other comprehensive income for the year ended 31 March 2016 as set out in the annual report of the Group for the year ended 31 March 2016.

6. The adjustment represent the exclusion of the results of Wanjia Group for the year ended 31 March 2016, which is extracted from the audited consolidated statement of profit or loss and other comprehensive income of Wanjia Group for the year ended 31 March 2016 as set out in the published annual report of Wanjia Group for the year ended 31 March 2016, assuming the Distribution had been completed on 1 April 2015.

7. The adjustments represent the loss on disposal of the Wanjia Group assuming the Distribution had been taken place on 1 April 2015 is calculated as follow:

Calculation of pro forma loss on disposal of subsidiaries:

	HK$'000
Fair value of the Distribution *(note a)*	167,059
Less: Net assets of Wanjia Group as at 1 April 2015 *(note b)*	(283,044)
Add: Non-controlling interest derecognised on completion of the Distribution	103,054
Net assets disposed of as at 1 April 2015	(179,990)
Reclassification of cumulative translation reserve upon disposal of the Wanjia Group to profit or loss	(16,823)
Initial recognition of interest in available-for-sales investment *(note d)*	8,006
Estimated legal and professional fee directly attributable to the Distribution *(note c)*	(500)
Pro forma loss on disposal of subsidiaries	(22,248)

(a) The fair value of the Distribution of approximately HK$167,059,000, which estimates at the fair value of Wanjia Shares as at 1 April 2015 and assuming the Company will distribute 393,080,000 Wanjia Shares to the Shareholders.

(b) The net assets of Wanjia Group as at 1 April 2015 are assumed to be the same as the carrying amounts as at 31 March 2015 and are extracted from the published annual report of Wanjia Group for the year ended 31 March 2015.

(c) The amount of estimated legal and professional fee directly attributable to the Distribution is estimated by directors of the Company and assumed that they were settled by cash.

(d) Available-for-sales investment represented the fair value of equity interests of Wanjia Group held by the Remaining Group as if the completion taken place on 1 April 2015.

The final gain or loss on disposal of subsidiaries may be different from the amount described above would be subject to the carrying amount of the assets and liabilities of Wanjia Group on the date of completion of the Distribution. Such actual amount may be different from the amount presented herein and such difference may be significant.

8. The amounts are extracted from the audited consolidated cash flow statement of the Group for the year ended 31 March 2016 as set out in the issued annual report of the Group for the year ended 31 March 2016.

9. These adjustment represent the exclusion of cash flow of the Wanjia Group for the year ended 31 March 2016 as if the Distribution had been completed on 1 April 2015. The balances have been extracted from the consolidated cash flow statement of the Wanjia Group for the year ended 31 March 2016 as set out in the published annual report of Wanjia Group.

REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP

國衛會計師事務所有限公司
Hodgson Impey Cheng Limited

31/F, Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

27 January 2017

INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION INCLUDED IN AN INVESTMENT CIRCULAR

TO THE DIRECTORS OF HUA XIA HEALTHCARE HOLDINGS LIMITED

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Hua Xia Healthcare Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") by the directors of the Company for illustrative purposes only. The pro forma financial information consists of the pro forma consolidated statement of financial position as at 30 September 2016, the pro forma consolidated statement of profit or loss and other comprehensive income for the year ended 31 March 2016, the pro forma consolidated statement of cash flows for the year ended 31 March 2016 and related notes as set out in APPENDIX III on pages 2 to 11 of the investment circular dated 27 January 2017 (the "Circular") issued by the Company. The applicable criteria on the basis of which the directors of the Company have compiled the unaudited pro forma financial information are described in APPENDIX III on page 1 of the Circular.

The unaudited pro forma financial information has been compiled by the directors of the Company to illustrate the impact of the Distribution (as defined in the Circular) on the Group's financial position as at 30 September 2016 and the Group's financial performance and cash flows for the year ended 31 March 2016 as if the Distribution had taken place at 30 September 2016 and 1 April 2015 respectively. As part of this process, information about the Group's financial position as at 30 September 2016, financial performance and cash flows for the year ended 31 March 2016 has been extracted by the directors of the Company from the Group's financial statements for the six months ended 30 September 2016, on which no audit or review report has been published and the Group's financial statements for the year ended 31 March 2016, on which an audit report has been published.

Directors' Responsibilities for the Pro Forma Financial Information

The directors of the Company are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 7.31 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "GEM Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The firm applies Hong Kong Standard on Quality Control 1 "Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements" and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, as required by paragraph 7.31(7) of the GEM Rules, on the pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the directors of the Company have compiled the pro forma financial information in accordance with paragraph 7.31 of the GEM Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma financial information.

The purpose of the unaudited pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 30 September 2016 or 1 April 2015 would have been as presented.

A reasonable assurance engagement to report on whether the pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors of the Company in the compilation of the pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

(a) the pro forma financial information has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the pro forma financial information as disclosed pursuant to paragraph 7.31(1) of the GEM Rules.

HLB Hodgson Impey Cheng Limited
Certified Public Accountants

Wong Sze Wai, Basilia
Practising Certificate Number: P05806

Hong Kong, 27 January 2017

The following discussion should be read in conjunction with the financial information of the Group and the historical financial information and operating data included in this circular. The financial statements of the Group have been prepared in accordance with the Hong Kong Financial Reporting Standards.

The management's discussion and analysis of the Remaining Group is set out below, in which Wanjia Group will cease to be subsidiaries of the Company, and the Company will retain approximately 2.91% of the entire issued share capital of Wanjia Group.

MANAGEMENT DISCUSSION AND ANALYSIS OF THE REMAINING GROUP

(1) For the year ended 31 March 2016

Liquidity and financial resources

The Remaining Group had total cash and cash equivalents of approximately HK$46.212 million as at 31 March 2016.

The Remaining Group recorded total current assets of approximately HK$104.408 million as at 31 March 2016 and total current liabilities of approximately HK$46.957 million as at 31 March 2016. The current ratio of the Remaining Group, calculated by dividing the current assets by the current liabilities, was approximately 2.223 as at 31 March 2016.

As at 31 March 2016, the Remaining Group's gearing ratio was not applicable based on outstanding debts (comprising bill payables, bank borrowings, convertible notes and promissory note) less cash and cash equivalents over total equity (including all capital and reserves of the Remaining Group).

Capital commitments

As at 31 March 2016, the Remaining Group had no material capital commitment.

Acquisition and disposal of subsidiaries

On 8 July 2016, the Remaining Group announced that Best Winna, as the purchaser, and Kingfull, as the vendor, entered into the non-legally binding MOU setting out the preliminary understanding in relation to the possible acquisition by Best Winna from the Kingfull of the entire issued share capital of Glowing Smart Investment Limited.

On 14 September 2016, Best Winna as the purchaser, Kingfull as the vendor, and Mr. Lin Jinzong as the guarantor, entered into the SPA in relation to the acquisition by Best Winna from Kingfull of the entire issued share capital of Glowing Smart Investment Limited and the sale loan amounted to approximately HK$23,520,440 as at the date of the sale and purchase agreement, for an aggregate consideration of HK$149,501,540. Upon completion on 30 September 2016, Glowing Smart Investment Limited is wholly and beneficially owned by the Remaining Group.

Contingent liabilities

As at 31 March 2016, no member of the Remaining Group was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened against any member of the Remaining Group.

Financing and treasury policies

The Remaining Group continues to adopt prudent financing and treasury policies. All the Remaining Group's financing and treasury activities are centrally managed and controlled. Implementation of the Remaining Group's related policies is made under collective but extensive considerations on liquidity risk, financing cost and exchange rate risk.

Foreign exchange risk

Since almost all transactions of the Remaining Group are denominated in Renminbi and Hong Kong dollars and most of the bank deposits are being kept in Renminbi and Hong Kong dollars to minimise exposure to foreign exchange risk, the Directors consider that the Remaining Group's risk exposure to currency fluctuations to be minimal. Therefore, the Remaining Group had not implemented any formal hedging or other alternative policies to deal with such exposure during the year.

Charges on Remaining Group's assets

As at 31 March 2016, the Remaining Group had bank borrowings outstanding balances and bills payables of approximately HK$17.999 million and HK$Nil million respectively. The Remaining Group's pledged bank deposits, prepaid lease payments and investment properties of approximately HK$Nil million, HK$23.550 million and HK$Nil million, respectively, were pledged as collateral to secure banking facilities granted to the Remaining Group.

Segment information

The revenue of the Remaining Group was principally generated from provision of general hospital services.

Capital Structure

As at 31 March 2016, the total issued share capital of the Remaining Group was approximately HK$11.493 million divided into 1,050,844,644 ordinary shares and 98,500,000 non-voting convertible preference shares of HK$0.01 each.

Employees and remuneration policy

As at 31 March 2016, the Remaining Group had 997 full time employees (including Directors), in which 11 employees were located in Hong Kong and 986 employees were located in PRC.

For the year ended 31 March 2016, staff costs (including Directors emoluments) amounted to approximately HK$99.401 million. The Remaining Group remunerates its employees based on individual performance and qualification. Apart from the basic remuneration, staff benefits include the contribution to the Mandatory Provident Fund Scheme, bonus and medical coverage in Hong Kong; and basic insurance for the elderly, basic medical insurance, work injury insurance and unemployment insurance to the employees in the PRC. The Remaining Group also adopted employee share option schemes to provide eligible employees a performance incentive for continuous and improved services with the Remaining Group and to enhance their contributions to increase profits by encouraging capital accommodation and share ownership.

(2) For the year ended 31 March 2015

Liquidity and financial resources

The Remaining Group had total cash and bank balances of approximately HK$45.764 million as at 31 March 2015.

The Remaining Group recorded total current assets of approximately HK$114.504 million as at 31 March 2015 and total current liabilities of approximately HK$42.696 million as at 31 March 2015. The current ratio of the Remaining Group, calculated by dividing the current assets by the current liabilities, was approximately 2.682 as at 31 March 2015.

As at 31 March 2015, the Remaining Group's gearing ratio was approximately 29.35% based on outstanding debts (comprising bill payables, bank borrowings, convertible note and promissory note) less cash and cash equivalents over total equity (including all capital and reserves of the Remaining Group).

Capital commitments

As at 31 March 2015, the Remaining Group had no material capital commitment.

Acquisition of subsidiaries

On 9 April 2014, Fujian Province Fuzhou City Huihao Pharmaceutical Co. Limited# (福建省福州市惠好藥業有限公司, "**Fuzhou Huihao**"), a wholly-owned subsidiary of the Remaining Group being the purchaser and Hui Hao Yi Yao (Xiamen) Company Limited* (formerly known as Xiamen Hui Sheng Yi Yao Company Limited) (惠好醫藥(廈門)有限公司, "**Xiamen Huihao**"), a PRC pharmaceutical wholesale and distribution corporation, entered into an arrangement agreement in relation to the conditional acquisition of 60% of net assets value of Xiamen Huihao by Fuzhou Huihao. The consideration of the acquisition was approximately RMB4.945 million (equivalent to approximately HK$6.204 million). Upon completion on 21 April 2014, Xiamen Huihao became a 60% owned subsidiary of the Remaining Group.

In June 2014, Fuzhou Huihao being the purchaser and Hui Hao Yi Yao (Nanping) Company Limited (formerly known as Fu Jian Sheng Heng Chang Yao Ye Company Limited) ("**Nanping Huihao**"), a PRC pharmaceutical wholesale and distribution corporation, entered into an arrangement agreement in relation to the conditional acquisition of 60% of net assets value of Nanping Huihao by Fuzhou Huihao. The consideration of the acquisition was approximately RMB7.5 million (equivalent to approximately HK$9.417 million). Upon completion on 15 June 2014, Nanping Huihao became a 60% owned subsidiary of the Remaining Group.

On 1 September 2014, Fuzhou Jiahui Enterprise Management Consultancy Limited# (福州嘉匯企業管理諮詢有限公司, "**Fuzhou Jiahui**"), an indirect wholly-owned subsidiary of the Remaining Group being the purchaser, entered into the agreement with the vendors in respect of acquisition of Zhuhai Jiulong Hospital Company Limited# (珠海九龍醫院有限公司, "**Zhuhai Jiulong**"), pursuant to which Fuzhou Jiahui has agreed to acquire (i) the entire equity interests of Zhuhai Jiulong, and its wholly-owned subsidiary and (ii) a loan, from the vendors, at the consideration of approximately RMB37,941,000 (equivalent to approximately HK$47,707,000). The consideration was satisfied by Fuzhou Jiahui assuming all the payment obligations and the liabilities of the loan instead and in the place of the vendors. Upon completion on 4 September 2014, Zhuhai Jiulong is wholly and beneficially owned by the Remaining Group.

Contingent liabilities

As at 31 March 2015, no member of the Remaining Group was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened against any member of the Remaining Group.

Financing and treasury policies

The Group continues to adopt prudent financing and treasury policies. All the Group's financing and treasury activities are centrally managed and controlled. Implementation of the Group's related policies is made under collective but extensive considerations on liquidity risk, financing cost and exchange rate risk.

Foreign exchange risk

Since almost all transactions of the Remaining Group are denominated in Renminbi and Hong Kong dollars and most of the bank deposits are being kept in Renminbi and Hong Kong dollars to minimise exposure to foreign exchange risk, the Directors consider that the Remaining Group's risk exposure to currency fluctuations to be minimal. Therefore, the Remaining Group had not implemented any formal hedging or other alternative policies to deal with such exposure during the year.

Charges on Remaining Group's assets

As at 31 March 2015, the Remaining Group had bank borrowings outstanding balances and bills payables of approximately HK$Nil million and HK$Nil million respectively. The Remaining Group's pledged bank deposits, prepaid lease payments and investment properties of approximately HK$Nil million, HK$25.913 million and HK$Nil million, respectively, were pledged as collateral to secure banking facilities granted to the Remaining Group.

Segment information

During the year 2015, the revenue of the Remaining Group was principally generated from provision of general hospital services.

Capital structure and right issue

As at 31 March 2015, the total issued share capital of the Company was approximately HK$11.117 million divided into 1,013,184,644 ordinary shares and 98,500,000 non-voting convertible preference shares of HK$0.01 each.

On 22 June 2015, the Remaining Group and the underwriter entered into an underwriting agreement. The Remaining Group proposes to raise not less than approximately HK$240 million but not more than approximately HK$260 million, before expenses, by way of the rights issue of not less than 334,633,988 rights shares but not more than approximately 360,908,387 rights shares to the qualifying shareholders at a subscription price of HK$0.72 per rights share on the basis of one (1) rights share for every five (5) shares held on the record date. On 8 July 2015, the underwriter and the Remaining Group mutually agreed to terminate the underwriting agreement due to the view of significant change in market conditions and the sentiment of the investors.

Employees and remuneration policy

As at 31 March 2015, the Remaining Group had 890 full time employees (including Directors) in which 12 employees were located in Hong Kong and 878 employees were located in PRC.

For the year ended 31 March 2015, staff costs (including Directors emoluments) amounted to approximately HK$47.798 million. The Remaining Group remunerates its employees based on individual performance and qualification. Apart from the basic remuneration, staff benefits include the contribution to the Mandatory Provident Fund Scheme, bonus and medical coverage in Hong Kong; and basic insurance for the elderly, basic medical insurance, work injury insurance and unemployment insurance to the employees in the PRC. The Remaining Group also adopted employee share option schemes to provide eligible employees a performance incentive for continuous and improved services with the Remaining Group and to enhance their contributions to increase profits by encouraging capital accommodation and share ownership.

(3) For the year ended 31 March 2014

Liquidity and financial resources

The Remaining Group had total cash and bank balances of approximately HK$48.780 million as at 31 March 2014.

The Remaining Group recorded total current assets of approximately HK$151.761 million as at 31 March 2014 and total current liabilities of approximately HK$23.822 million as at 31 March 2014. The current ratio of the Remaining Group, calculated by dividing the current assets by the current liabilities, was approximately 6.371 as at 31 March 2014.

As at 31 March 2014, the Remaining Group's gearing ratio was approximately 9% based on outstanding debts (comprising bill payables, bank borrowings, convertible note and promissory note) less cash and cash equivalents over total equity (including all capital and reserves of the Remaining Group).

Capital commitments

As at 31 March 2014, the Remaining Group had no material capital commitment.

Contingent liabilities

As at 31 March 2014, no member of the Remaining Group was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened against any member of the Remaining Group.

Foreign exchange risk

Since almost all transactions of the Remaining Group are denominated in Renminbi and Hong Kong dollars and most of the bank deposits are being kept in Renminbi and Hong Kong dollars to minimise exposure to foreign exchange risk, the Directors consider that the Remaining Group's risk exposure to currency fluctuations to be minimal. Therefore, the Remaining Group had not implemented any formal hedging or other alternative policies to deal with such exposure during the year.

Charges on Remaining Group's assets

As at 31 March 2014, the Remaining Group had bank borrowings outstanding balances and bill payables of approximately HK$Nil million and HK$Nil million respectively. The Remaining Group's pledged bank deposits, prepaid lease payments and investment properties of approximately HK$Nil million, HK$26.856 million and HK$Nil million respectively were pledged as collateral to secure banking facilities granted to the Remaining Group.

Segment information

During the year 2014, the revenue of the Remaining Group was principally generated from provision of general hospital services.

Capital Structure

As at 31 March 2014, the total issued share capital of the Remaining Group was approximately HK$11.078 million divided into 505,082,964 ordinary shares and 602,701,680 non-voting convertible preference shares of HK$0.01 each.

Employees and remuneration policy

As at 31 March 2014, the Remaining Group had 544 full time employees (including Directors) in which 7 employees were located in Hong Kong and 537 employees were located in PRC.

For the year ended 31 March 2014, staff costs (including Directors emoluments) amounted to approximately HK$38.837 million. The Remaining Group remunerates its employees based on individual performance and qualification. Apart from the basic remuneration, staff benefits include the contribution to the Mandatory Provident Fund Scheme, bonus and medical coverage in Hong Kong; and basic insurance for the elderly, basic medical insurance, work injury insurance and unemployment insurance to the employees in the PRC. The Remaining Group also adopted employee share option scheme to provide eligible employees a performance incentive for continuous and improved services with the Remaining Group and to enhance their contributions to increase profits by encouraging capital accommodation and share ownership.

*The following is the particulars of (i) Mr. Lin Jinzong ("**Mr. Lin**"), the executive Director; (ii) Mr. Chan Chi Ming, Tony ("**Mr. Chan**"), the non-executive Director; and (iii) Prof. Zhang Bin ("**Prof. Zhang**"), the independent non-executive Director proposed to be re-elected at the EGM:*

Mr. Lin Jinzong, *executive Director*

Mr. Lin, aged 41, was appointed as an executive Director in November 2016. He obtained his bachelor degree in management engineering from the Military School of Economics of the People's Liberation Army# (中國人民解放軍軍事經濟學院), the PRC in June 2009; and his executive master of business administration from the Guanghua School of Management, Peking University, the PRC in July 2012.

Mr. Lin has over 10 years of experience in the management and operations of private hospitals, and actively promotes medical hi-tech development in the PRC. He was the chairman of Yonder International Investment Co., Ltd (北京遠大國際投資有限公司) since 2009.

The Company had entered into a service agreement with Mr. Lin, pursuant to which Mr. Lin shall hold office until the next annual general meeting of the Company and thereafter shall be subject to retirement by rotation and re-election at the Company's annual general meeting in accordance with the Articles. Mr. Lin is entitled to a director's fee of HK$30,000 per month which is determined by arm's length negotiation between Mr. Lin and the Company and with reference to his duties and responsibilities. The amount of the remuneration has been approved by the Board and the remuneration committee (the "**Remuneration Committee**") of the Company.

As at the Latest Practicable Date, Kingfull was interested in 320,000,000 Shares. The entire issued share capital of Kingfull is wholly-owned by Mr. Lin. Mr. Lin is deemed to be interested in the Shares owned by Kingfull under Part XV of the SFO.

Save as disclosed above, Mr. Lin does not hold any other positions with the Company or its subsidiaries, nor has he held any directorships in other listed public companies in the past three years; Mr. Lin does not have any other relationships with any of the Directors, senior management, substantial or controlling Shareholders of the Company; and Mr. Lin does not have any other interests in the Shares or underlying Shares of the Company which are required to be disclosed pursuant to Part XV of the SFO.

Mr. Chan Chi Ming, Tony, *non-executive Director*

Mr. Chan, aged 49, was appointed as a non-executive Director in November 2016. He obtained his bachelor degree in commerce (majoring in accounting) from The Australian National University in April 1990. He was admitted as a member of CPA Australia; and a member of The Hong Kong Institute of Certified Public Accountants.

Mr. Chan has about 20 years of experience in business advisory, accounting and auditing. He was formerly a senior manager of an international accounting firm. Mr. Chan is an independent non-executive director of Theme International Holdings Limited (stock code: 990) since May 2015; an executive director of Wan Kei Group Holdings Limited (stock code: 1718) since November 2016; and is currently the company secretary and authorised representative of Good Resources Holdings Limited (previously known as Good Fellow Resources Holdings Limited) (stock code: 109), all being companies listed on the main board of the Stock Exchange.

The Company had entered into a letter of appointment with Mr. Chan, pursuant to which Mr. Chan shall hold office until the next annual general meeting of the Company and thereafter shall be subject to retirement by rotation and re-election at the Company's annual general meeting in accordance with the Articles. Mr. Chan is entitled to a director's fee of HK$5,000 per month which is determined by arm's length negotiation between Mr. Chan and the Company and with reference to his duties and responsibilities. The amount of the remuneration has been approved by the Board and the Remuneration Committee.

Save as disclosed above, Mr. Chan does not hold any other positions with the Company or its subsidiaries, nor has he held any directorships in other listed public companies in the past three years; Mr. Chan does not have any other relationships with any of the Directors, senior management, substantial or controlling Shareholders of the Company; and Mr. Chan does not have any other interests in the Shares or underlying Shares of the Company which are required to be disclosed pursuant to Part XV of the SFO.

Professor Zhang Bin, *independent non-executive Director*

Prof. Zhang, aged 61, was appointed as an independent non-executive Director in October 2016. He obtained his bachelor degree from Zhongshan School of Medicine, Sun Yat-sen University, the PRC in December 1982; and obtained his doctorate degree from Saitama Medical University, Japan in March 1995. Prof. Zhang is a practising doctor in the PRC and has over 30 years of relevant experience in sexual function research. He joined the Third Affiliated Hospital of Zhongshan University, the PRC in 2000 and established the infertility and sexual dysfunction department. Prof. Zhang is currently the professor and chief physician of infertility and sexual medicine at the said university.

The Company had entered into a letter of appointment with Prof. Zhang, pursuant to which Prof. Zhang shall hold office until the next annual general meeting of the Company and thereafter shall be subject to retirement by rotation and re-election at the Company's annual general meeting in accordance with the Articles. Prof. Zhang is entitled to a director's fee of HK$8,000 per month which is determined by arm's length negotiation between Prof. Zhang and the Company and with reference to his duties and responsibilities. The amount of the remuneration has been approved by the Board and the Remuneration Committee.

Save as disclosed above, Prof. Zhang does not hold any other positions with the Company or its subsidiaries, nor has he held any directorships in other listed public companies in the past three years. Prof. Zhang does not have any other relationships with any of the Directors, senior management, substantial or controlling Shareholders of the Company. Prof. Zhang does not have any other interests in the Shares or underlying Shares of the Company which are required to be disclosed pursuant to Part XV of the SFO.

Save as disclosed, there is no other information required to be disclosed pursuant to any of the requirements of Rule 17.50(2)(h) to (v) of the GEM Listing Rules and there are no other matters in relation to the re-election of Mr. Lin, Mr. Chan and Prof. Zhang that need to be brought to the attention of the Shareholders.

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 Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (i) the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive; and (ii) there are no other matters the omission of which would make any statement in this circular misleading.

2. DISCLOSURE OF INTERESTS

(a) Directors' and chief executives' interests in the Company

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance ("**SFO**")) which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or otherwise notified to the Company and the Stock Exchange pursuant to the required standards of dealings by Directors of the Company as referred to in Rules 5.46 to 5.67 of the GEM Listing Rules, were as follows:

(i) Interests in Shares:

Name of Director	Nature of interest	Number of Shares	Position	Approximate percentage of the total issued ordinary Shares
Mr. Yung Ka Chun ("**Mr. Yung**")	Corporate interest (*Note 1*)	516,991,516	Long	21.92%
	Personal interest (*Note 1*)	2,640,000	Long	0.11%
Dr. Jiang Tao	Personal interest	9,300,000	Long	0.39%
Mr. Zheng Gang	Personal interest	6,044,000	Long	0.26%
Dr. Huang Jiaqing	Personal interest	1,400,000	Long	0.06%
Mr. Lin Jinzong	Corporate interest (*Note 2*)	320,000,000	Long	13.57%

*Note 1: These Shares are held through Easeglory Holdings Limited ("**Easeglory**"), a company incorporated in the British Virgin Islands with limited liability, the entire issued share capital of which is directly owned by Mr. Yung. By virtue of the SFO, Mr. Yung is deemed to have interest of 98,500,000 convertible preference shares held by Easeglory, which represented approximately 4.18% of the issued share capital of the Company. Together with the preference shares held by Easeglory, Mr. Yung is deemed to have approximately 26.1% of the total issued ordinary share of the Company.*

Note 2: These Shares are held through Kingfull, the entire issued share capital of which is directly owned by Mr. Lin Jinzong. Mr. Lin Jinzong is deemed to be interested in the shares in which Kingfull is interested.

(ii) Interests in the issued share capital of the Company's associated corporation:

Name of Director	Name of associated corporation	Capacity/Nature of interest	Number of shares	Position	Approximate percentage of shareholdings in the associated corporation's issued share capital
Nil					

(iii) Interests in share options under share option scheme:

Name of Director	Exercise period	Exercise price	Number of share options granted	Position
Mr. Yung	18 April 2015 to 17 April 2018	HK$0.68	3,960,000	Long
Dr. Jiang Tao	18 April 2015 to 17 April 2018	HK$0.68	4,410,000	Long
Mr. Zheng Gang	18 April 2015 to 17 April 2018	HK$0.68	4,410,000	Long
Dr. Huang Jiaqing	18 April 2015 to 17 April 2018	HK$0.68	4,200,000	Long
Dr. Wong Yu Man, James	18 April 2015 to 17 April 2018	HK$0.68	1,000,000	Long
Mr. Tang Xun	18 April 2015 to 17 April 2018	HK$0.68	3,000,000	Long

Save as disclosed above, as at the Latest Practicable Date, none of the Directors nor the chief executives 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) Substantial Shareholders and other persons' interests in Shares and underlying Shares

As at the Latest Practicable Date, so far as any Directors are aware, the interest or short positions owned by the following parties (other than the Directors or chief executives of the Company) in the Shares, underlying Shares or debentures of the Company which are required to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO or which were required to be recorded in the register of the Company required to be kept under section 336 of the SFO were as follows:

Long positions in Shares and underlying Shares of the Company

Name of shareholder	Number of shares	Position	Capacity	Approximate percentage of the total issued ordinary shares
Easeglory Holdings Limited *(Notes 5 & 6)*	516,991,516	Long	Beneficial owner	21.92%
New Hope International (Hong Kong) Limited *(Note 7)*	343,217,539	Long	Beneficial owner	14.55%
Southern Hope Enterprise Co., Ltd.# (南方希望實業有限公司) *(Note 7)*	343,217,539	Long	Corporate interest	14.55%
New Hope Group Co., Ltd.# (新希望集團有限公司) *(Note 7)*	343,217,539	Long	Corporate interest	14.55%

Name of shareholder	Number of shares	Position	Capacity	Approximate percentage of the total issued ordinary shares
Tibet Hengye Feng Industrial Co., Ltd.# (西藏恒業鋒實業有限公司) *(Note 7)*	343,217,539	Long	Corporate interest	14.55%
Mr. Liu Yonghao *(Note 7)*	343,217,539	Long	Corporate interest	14.55%
Ms. Liu Chang *(Note 7)*	343,217,539	Long	Corporate interest	14.55%
Ms. Li Wei *(Note 7)*	343,217,539	Long	Interest of spouse	14.55%
Kingfull Corporate Development Limited *(Note 8)*	320,000,000	Long	Beneficial owner	13.57%

Note 5: *Easeglory is interested in 418,491,516 shares and 98,500,000 convertible preference shares in the Company. The issued share capital of Easeglory is wholly-owned by Mr. Yung. Mr. Yung is deemed to be interested in the shares and the convertible preference shares in which Easeglory is interested in.*

Note 6: *Easeglory has charged 418,491,516 shares and 98,500,000 convertible preference shares to Golden Prince Group Limited ("**Golden Prince**") and Mr. Ng Leung Ho respectively. The issued capital of Golden Prince is wholly-owned by Mr. Ng Leung Ho. Mr. Ng Leung Ho is deemed to be interested in the 418,491,516 shares and is interested in the 98,500,000 convertible preference shares.*

Note 7: *The issued share capital of New Hope International (Hong Kong) Limited is owned as to 75% by Southern Hope Enterprise Co., Ltd#* which is in turn owned as to 51% by New Hope Group Co., Ltd.# and as to 49% by Tibet Hengye Feng Industrial Co., Ltd.#. Both New Hope Group Co., Ltd.# and Tibet Hengye Feng Industrial Co., Ltd.# are owned as to 62.34% by Mr. Liu Yonghao, as to 36.35% by Ms. Liu Chang and as to 1.31% by Ms. Li Wei. Mr. Liu Yonghao, Ms. Liu Chang and Ms. Li Wei are deemed to be interested in the shares in which New Hope International (Hong Kong) Limited is interested in.*

Note 8: *Kingfull is interested in 320,000,000 Shares. The issued share capital of Kingfull is wholly-owned by Mr. Lin Jinzong. Mr. Lin Jinzong is deemed to be interested in the shares in which Kingfull is interested.*

Saved as disclosed above, as at the Latest Practicable Date, the Directors are not aware of any interests or short positions owned by any persons (other than the Directors or chief executives of the Company) in the Shares or underlying Shares of the Company which were required to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO or which were required to be recorded in the register of the Company required to be kept under Section 336 of the SFO.

3. DIRECTORS' SERVICE CONTRACTS

None of the Directors had entered or been proposed to enter into any service contract with the Company or any other member of the Group which is not determinable by the Group within one year without payment of compensation (other than statutory compensation) as at the Latest Practicable Date.

4. DIRECTORS' INTEREST IN CONTRACTS AND ASSETS

There was no contract or arrangement in which any of the Directors is materially interested and which is significant in relation to the business of the Group subsisted as at the Latest Practicable Date.

As at the Latest Practicable Date, none of the Directors had, or has had, any direct or indirect interests in any assets which have been acquired or disposed of by or leased to, or which are proposed to be acquired or disposed of by or leased to, any member of the Group since 31 March 2016, the date to which the latest published audited consolidated financial statements of the Group were made up.

5. DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at the Latest Practicable Date, none of the Directors or their respective associates had any interests in a business which competed or might compete with the businesses of the Group or had any other conflicts of interest with the Group.

6. LITIGATION

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

7. EXPERTS AND CONSENTS

The following are the qualifications of the experts who have given opinions or advice which are contained in this circular:

Name	Qualification
Veda Capital Limited	a corporation licensed to carry out Type 6 (advising on corporate finance) regulated activity under the SFO
HLB Hodgson Impey Cheng Limited	Certified Public Accountants
Royal Excalibur Corporate Finance Company Limited	a corporation licensed to carry out Type 6 (advising on corporate finance) regulated activity under the SFO

Each of the above experts has given and confirmed that it has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter, report, valuation certificate, advice, opinion and/or references to its name in the form and context in which they respectively appear.

As at the Latest Practicable Date, each of the above experts did not have any shareholding in any member of the Group or the 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.

As at the Latest Practicable Date, each of above experts did not have any interest, either directly or indirectly, in any assets which have been since 31 March 2016 (being the date to which the latest published audited consolidated financial statements of the Company were made up) acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

8. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business carried on or intended to be carried on by the Company or any of its subsidiaries) were entered into by members of the Group within the two years preceding the date of this circular which are or may be material:

(a) the placing agreement dated 14 May 2015 and entered into between Wanjia as issuer and Head & Shoulders Securities Limited as the placing agent in relation to the placing of the convertible notes in the principal amount of up to HK$84,292,000 to be issued by Wanjia;

(b) a placing agreement dated 21 July 2016 was entered into between the Company and Kingston Securities Limited as placing agent in respect of the placing of up to 339,000,000 Shares at the placing price of HK$0.31 per Share to not less than six placees who and whose ultimate beneficial owners are independent third parties not connected with the Company and its connected persons with net proceeds of approximately HK$102 million. Further details are set out in the announcements of the Company dated 21 July 2016, 22 July 2016 and 10 August 2016 respectively; and

(c) on 14 September 2016, the Company announced that Best Winna, as the purchaser, Kingfull, as the vendor, and Mr. Lin Jinzong as the guarantor entered into the SPA in relation to the acquisition by Best Winna from Kingfull of the entire issued share capital of Glowing Smart Investment Limited and the sale loan amounted to approximately HK$23,520,440 as at the date of theSPA, at an aggregate consideration of HK$149,501,540. Further details are set out in the announcements of the Company dated 8 July 2016, 14 September 2016 and 30 September 2016 respectively; and

(d) the sale and purchase agreement dated 24 January 2017 and entered into among Fujian Rui Mai Trading Co. Limited# (福建銳邁貿易有限公司), an indirect non wholly-owned subsidiary of the Company as purchaser, Mr. Zheng Zhen Xian (鄭振仙) and Mr. Gao Pan (高盤) as vendors and Fujian Rongwei Real Estate Development Co. Limited# (福建榮威房地產開發有限公司) as guarantor relating to the proposed acquisition of the entire equity interest in Mingxi County Trading Co., Limited# (明溪縣佳維貿易有限公司) at the cash consideration of RMB125,000,000.

9. AUDIT COMMITTEE

As at the Latest Practicable Date, the audit committee of the Board comprised four independent non-executive Directors, namely, Ms. Wong Ka Wai, Jeanne, Prof. Hu Shanlian, Prof. Lu Chuanzhen and Prof. Zhang Bin. Ms. Wong Ka Wai, Jeanne is the chairlady of the Audit Committee. The background, directorship and past directorship (if any) of each of the members of the audit committee of the Board are set out below.

Ms. Wong Ka Wai, Jeanne ("**Ms. Wong**"), aged 52, 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, a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants, a member of the Society of Trust and Estate Practitioner and the Certified Tax Advisor in Hong Kong. Ms. Wong holds a bachelor degree in economics from the University of Sydney, Australia. Ms. Wong is currently the managing director of a private company providing consulting and management services, as well as the chief financial officer of a local law firm and consultant of a local CPA firm. Ms. Wong is also currently an independent non-executive director and a member of the remuneration committee and the chairlady of the audit committee of the Company and Phoenitron Holdings Limited (stock code: 8066), both being companies listed on GEM. Ms. Wong was appointed as an independent non-executive Director on 1 November 2007.

Prof. Hu Shanlian ("**Prof. Hu**"), aged 79, is a professor in Health Economics and has a Master degree in Science from the London School of Tropical Medicine and Hygiene. At present, he is the director of Training Centre for Health Management and Pharmacoeconomics Research and Evaluation Centre at School of Public Health at Fudan University in the PRC. Prof. Hu is also the director of Health Development Research Centre in the Shanghai Bureau of Health. Prof. Hu also held senior positions in the National Health Economic Institution and China Network of Training and Research in Health Economics and Financing between 1991 and 2005, which were supported by the Ministry of Health of the PRC and World Bank respectively. Prof. Hu was appointed as an independent non-executive Director on 30 July 2009.

Prof. Lu Chuanzhen ("**Prof. Lu**"), aged 79, is a neurologist and has over 50 years of medical professional experience. Prof. Lu is currently the lifetime professor of Shanghai Huashan Hospital in the PRC and a director in the World Health Organisation's Neuroscience Research and Training Centre. Prof. Lu was formerly the chairman and director of the Institute of Neurology in Shanghai Medical University, the chairman of the Chinese Association of Neurology and chairman of the Shanghai association of Neurology in the Chinese Medical Society. Prof. Lu also has an international membership with New York Academy of Sciences. Prof. Lu was appointed as an independent non-executive Director on 30 July 2009.

Prof. Zhang Bin ("**Prof. Zhang**"), aged 61, obtained his bachelor degree from Zhongshan School of Medicine, Sun Yat-sen University, the PRC in December 1982; and obtained his doctorate degree from Saitama Medical University, Japan in March 1995. Prof. Zhang is a practising doctor in the PRC and has over 30 years of relevant experience in sexual function research. He joined the Third Affiliated Hospital of Zhongshan University, the PRC in 2000 and established the infertility and sexual dysfunction department. Prof. Zhang is currently the professor and chief physician of infertility and sexual medicine at the said university. Prof. Zhang was appointed as an independent non-executive Director on 25 October 2016.

10. GENERAL

(a) The registered office of the Company is located at P.O. Box 10008, Willow House, Cricket Square, Grand Cayman KY1-1001, Cayman Islands.

(b) The head office and principal place of business in Hong Kong is situated at 19/F., New Wing, 101 King's Road, Hong Kong.

(c) The branch share registrar and transfer office of the Company in Hong Kong is Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.

(d) Mr. Lam Williamson is the Company secretary. He is a member of the Certified Practising Accountant in Australia and a member of the Hong Kong Institute of Certified Public Accountants.

(e) The compliance officer of the Company is Mr. Yung Ka Chun. He obtained his master degree of science in business majoring in accounting from the University of Maryland, College Park in the United States.

(f) In the event of inconsistency, the English text of this circular and the accompanying form of proxy shall prevail over the Chinese text.

11. DOCUMENTS 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 memorandum of association and the articles of association of the Company;

(ii) the annual reports of the Company for the three years ended 31 March 2016, 31 March 2015 and 31 March 2014;

(iii) the interim report of the Company for the six months ended 30 September 2016;

(iv) the annual reports of Wanjia Group for the three years ended 31 March 2016, 31 March 2015 and 31 March 2014;

(v) the interim report of Wanjia Group for the six months ended 30 September 2016;

(vi) the letter from the Board, the text of which is set out on pages 7 to 21 of this circular;

(vii) the letter from the Independent Board Committee, the text of which is set out on page 22 of this circular;

(viii) the letter from the Independent Financial Adviser, the text of which is set out on pages 23 to 34 of this circular;

(ix) the report from HLB Hodgson Impey Cheng Limited in respect of the unaudited pro forma financial information on the Remaining Group, the text of which is set out in Appendix III of this circular;

(x) the material contracts referred to in the paragraph headed "Material contracts" in this appendix;

(xi) the written consents referred to in the paragraph headed "Experts and consents" in this appendix; and

(xii) 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)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the "**Meeting**") of Hua Xia Healthcare Holdings Limited (the "**Company**") will be held at 19/F., New Wing, 101 King's Road, Hong Kong on Thursday, 16 February 2017 at 11:00 a.m. for the purpose of considering and, if thought fit, passing with or without amendments of each of the following resolutions as an ordinary resolution of the Company:

ORDINARY RESOLUTIONS

1. "**THAT**

(a) a distribution (the "**Distribution**") by the Company of a sum to be determined by the directors of the Company (the "**Director(s)**"), being part of the amount standing to the credit of the Company's reserve, by way of special interim dividend to the shareholders of the Company (the "**Shareholders**") whose names appeared on the register of members of the Company on Wednesday, 22 February 2017, being the record date (the "**Record Date**") on the basis of four (4) shares of Wanjia Group Holdings Limited ("**Wanjia Shares**") for every 25 shares of the Company (the "**Shares**") then held by the Shareholders be and is hereby approved, on the condition that the Distribution is to be satisfied by:

(i) procuring the transfer to the Shareholders (other than the Excluded Shareholders (as defined in the circular of the Company dated 27 January 2017)) of such number of Wanjia Shares in the proportion of four (4) Wanjia Shares for every 25 Shares held by them as at the Record Date, provided that all costs due in respect of the transfer of such Wanjia Shares to the Shareholders (other than Excluded Shareholders) shall be borne by the Company; or

(ii) cash payment (after deducting expenses) in Hong Kong dollars to the Excluded Shareholders which equals to the net proceeds of the sale by the Company on their behalf the Wanjia Shares to which the Excluded Shareholders would otherwise be entitled to receive under the Distribution after dealings in the Wanjia Shares commence on the Stock Exchange at the prevailing market price;

* *For identification purposes only*

(b) the Directors be and are hereby authorised to do all such acts and to enter into all such transactions and arrangements as may be necessary or expedient in order to give effect to the Distribution."

2. "**THAT**

(a) subject to paragraph (c) below, pursuant to the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited, the exercise by the Directors during the Relevant Period (as defined in paragraph (d) below) of all the powers of the Company to allot, issue and deal with additional Shares and to make or grant offers, agreements and options (including bonds, warrants, debentures and other securities which carry rights to subscribe for or are convertible into shares of the Company) which would or might require the exercise of such powers be and is hereby generally and unconditionally approved;

(b) the approval in paragraph (a) above shall authorise the Directors during the Relevant Period (as hereinafter defined) to make or grant offers, agreements and options (including bonds, warrants, debentures and other securities which carry rights to subscribe for or are convertible into shares of the Company) which would or might require the exercise of such powers after the end of the Relevant Period;

(c) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted or issued (whether pursuant to options or otherwise) by the Directors pursuant to the approval in paragraph (a) above, otherwise than pursuant to (i) a Rights Issue (as defined in paragraph (d) below); or (ii) the exercise of any options granted under the share option schemes of the Company; or (iii) any scrip dividend or similar arrangements providing for the allotment and issue of Shares in lieu of the whole or part of a dividend on Shares in accordance with the Articles in force from time to time; or (iv) any issue of Shares upon the exercise of rights of subscription or conversion under the terms of any warrants of the Company or any securities which are convertible into Shares, 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 authorised by a separate ordinary resolution of the Shareholders) 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 per cent. of the aggregate nominal amount of the share capital of the Company in issue on the date of the AGM), pursuant to the resolution passed at the AGM;

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

(d) for the purposes of this resolution:

"**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 Articles or the applicable laws of Cayman Islands to be held; or

(iii) the date on which the authority set out in this resolution is revoked or varied by an ordinary resolution of the shareholders of the Company in general meeting;

"**Rights Issue**" means an offer of Shares, 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 on the register on a fixed record date in proportion to their then holdings of Shares (subject to such exclusion or other 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 expense 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 outside Hong Kong or any recognised regulatory body or any stock exchange outside Hong Kong)."

3. "**THAT** Mr. Lin Jinzong be re-elected as an executive Director and the board of Directors be authorised to fix his remuneration."

4. "**THAT** Mr. Chan Chi Ming, Tony be re-elected as a non-executive Director and the board of Directors be authorised to fix his remuneration."

5. "**THAT** Prof. Zhang Bin be re-elected as an independent non-executive Director and the board of Directors be authorised to fix his remuneration."

Yours faithfully,
By order of the Board
Hua Xia Healthcare Holdings Limited
Jiang Tao
Chief Executive Officer

Hong Kong, 27 January 2017

Registered Office:
P.O. Box 10008
Willow House
Cricket Square
Grand Cayman KY1-1001
Cayman Islands

Head Office and Principal Place of Business:
19/F., New Wing
101 King's Road
Hong Kong

Notes:

1. Any member entitled to attend and vote at the EGM is entitled to appoint one or more than one proxy to attend and to vote in his stead in accordance with the articles of association of the Company. A proxy need not to be a member of the Company.

2. Where there are joint registered holders of any share, any one of such persons may vote at the Meeting, either in person or by proxy, in respect of such share as if he/she were solely entitled thereto; but if more than one of such joint holders be present at the Meeting, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose, seniority shall be determined by the order in which the names stand in the register of the members of the Company.

3. To be valid, the form of proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of such power of attorney or authority must be deposited at the Company's branch share registrar and transfer office in Hong Kong, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, not less than 48 hours before the time for holding the above meeting or any adjournment thereof.

4. Delivery of a form of proxy shall not preclude a member from attending and voting in person at the above meeting and in such event, the form of proxy shall be deemed to be revoked.

5. The Chinese version of the notice is for reference only. Should there be any discrepancies, the English version will prevail.

As at the date of this notice, the board of Directors comprises Dr. Jiang Tao, Mr. Yung Ka Chun, Mr. Zheng Gang, Dr. Huang Jiaqing and Mr. Lin Jinzong as executive Directors; Dr. Wong Yu Man, James, Mr. Tang Xun and Mr. Chan Chi Ming, Tony as non-executive Directors; and Ms. Wong Ka Wai, Jeanne, Prof. Hu Shanlian, Prof. Lu Chuanzhen and Prof. Zhang Bin as independent non-executive Directors.