

IN THE GRAND COURT OF THE CAYMAN ISLANDS
FINANCIAL SERVICES DIVISION

CAUSE NO. FSD 01 51
OF 2011()

IN THE MATTER OF Hua Xia Healthcare Holdings Limited (formerly known as
Grandy Corporation)

AND in the matter of section 15 of the Companies Law

AND the Grand Court Rules 1995 Order 102

PETITION

TO The Grand Court of the Cayman Islands.

THE PETITION of Hua Xia Healthcare Holdings Limited (formerly known as Grandy Corporation) shows as follows:

1. The object of this Petition is to seek an Order of the Court pursuant to section 15 of the Companies Law (the "**Companies Law**") confirming a reduction of the capital of your Petitioner Hua Xia Healthcare Holdings Limited formerly known as Grandy Corporation (the "**Company**").
2. The Company was incorporated under the Companies Law on 28 May 2001 and registered in the Cayman Islands as an exempted company with registration number CR-110513.
3. The registered office of the Company is situated at the offices of Codan Trust Company (Cayman) Limited, Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111 Cayman Islands.

4. Upon the date of incorporation of the Company, its authorised share capital US\$50,000 divided into 50,000 ordinary shares with a nominal or par value of US\$1.00 each.
5. On 16 October 2001, the authorised share capital of the Company was changed to HK\$390,000 divided into 39,000,000 shares of HK\$0.01 each following a re-denomination and sub-division of shares.
6. On 20 April 2002, the authorised share capital was increased from HK\$390,000 to HK\$15,000,000 divided into 1,500,000,000 shares with a nominal or par value of HK\$0.01 each.
7. On 12 May 2005, every 5 issued and unissued shares of HK\$0.01 was consolidated into 1 share of HK\$0.05 each.
8. On 8 November 2005, an ordinary resolution was passed by the shareholders at an extraordinary general meeting of the Company to increase the authorised share capital of the Company from HK\$15,000,000 to HK\$30,000,000 divided into 600,000,000 shares with a nominal or par value of HK\$0.05 each.
9. On 9 May 2006, an ordinary resolution was passed by the shareholders at an extraordinary general meeting of the Company to increase the authorised share capital from HK\$30,000,000 divided into 600,000,000 shares of HK\$0.05 each to HK\$100,000,000 divided into 2,000,000,000 shares of HK\$0.05 each.
10. On 9 March 2007, an ordinary resolution was passed by the shareholders at an extraordinary general meeting of the Company to increase the authorised share capital of the Company from HK\$100,000,000 to HK\$250,000,000 divided into 5,000,000,000 shares with a nominal or par value of HK\$0.05 each.

11. On 16 February 2009, an ordinary resolution was passed by the shareholders at an extraordinary general meeting of the Company whereby the authorised share capital was increased from HK\$250,000,000 to HK\$500,000,000 divided into 10,000,000,000 shares of HK\$0.05 each.
12. On 3 March 2010, an ordinary resolution was passed by the shareholders at an extraordinary general meeting of the Company whereby the authorised share capital of the Company was increased from HK\$500,000,000 to HK\$1,500,000,000 divided into 22,000,000,000 shares of HK\$0.05 each and 8,000,000,000 non-voting convertible preference shares of HK\$0.05 each.
13. On 10 December 2010, every ten existing issued and unissued ordinary shares of par value HK\$0.05 each in the share capital of the Company was consolidated into one ordinary share of par value HK\$0.50 and every ten existing issued and unissued non-voting convertible preference shares of par value HK\$0.05 each in the share capital of the Company was consolidated into one non-voting convertible preference share of par value HK\$0.50.
14. The Ordinary Shares have been listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 10 May 2002. As at the date of this Affirmation, the authorised share capital of the Company is HK\$1,500,000,000 divided into 2,200,000,000 ordinary shares and 800,000,000 non-voting convertible preference shares of HK\$0.50 each and its issued share capital is HK\$591,219,132 divided into 672,438,264 ordinary shares of HK\$0.50 each and 510,000,000 non-voting convertible preference shares of HK\$0.50 each.
15. The objects for which the Company was established are unrestricted. The Company acts as an investment holding company while its subsidiaries are

principally engaged in the provision of general hospital and healthcare and hospital management services, pharmaceutical wholesale and distribution and pharmaceutical retail chain business in the People's Republic of China.

16. The Articles of Association of the Company provide, *inter alia*, as follows:

"4. The Company may from time to time by ordinary resolution in accordance with the Law alter the conditions of its Memorandum of Association to:

- (a) increase its capital by such sum, to be divided into shares of such amounts, as the resolution shall prescribe;
- (b) consolidate and divide all or any of its capital into shares of larger amount than its existing shares;
- (c) divide its shares into several classes and without prejudice to any special rights previously conferred on the holders of existing shares attach thereto respectively any preferential, deferred, qualified or special rights, privileges, conditions or such restrictions which in the absence of any such determination by the Company in general meeting, as the Directors may determine provided always that where the Company issues shares which do not carry voting rights, the words "non-voting" shall appear in the designation of such shares and where the equity capital includes shares with different voting rights, the designation of each class of shares, other than those with the most favourable voting rights, must include the words "restricted voting" or "limited voting";

- (d) sub-divide its shares, or any of them, into shares of smaller amount than is fixed by the memorandum of association (subject, nevertheless, to the Law), and may by such resolution determine that, as between the holders of the shares resulting from such sub-division, one or more of the shares may have any such preferred, deferred or other rights or be subject to any such restrictions as compared with the other or others as the Company has power to attach to unissued or new shares;
- (e) cancel any shares which, at the date of the passing of the resolution, have not been taken, or agreed to be taken, by any person, and diminish the amount of its capital by the amount of the shares so cancelled or, in the case of shares, without par value, diminish the number of shares into which its capital is divided."

"6. The Company may from time to time by special resolution, subject to any confirmation or consent required by the Law, reduce its share capital or any share premium account or any capital redemption reserve or other undistributable reserve in any manner permitted by law."

17. By a special resolution of the Company (the "**Special Resolution**") duly passed in accordance with section 14(1) of the Companies Law at an annual general meeting held on 10 August 2011 (the "**Annual General Meeting**"), it was resolved:

"THAT subject to and conditional upon (i) an order being made by the Grand Court (the "**Court**") of the Cayman Islands confirming the Capital Reduction (as defined below); (ii) the registration by the Registrar of Companies in the Cayman Islands of a copy of the Court order and the minute approved by the Court confirming the particulars required under the Cayman Islands Companies Law

(2009 Revision) in respect of the Capital Reduction (as defined below); (iii) compliance with any conditions which the Court may impose; and (iv) the Listing Committee of The Stock Exchange of Hong Kong Limited granting listing of, and permission to deal in, the New Shares (as defined below), upon the date (the “**Effective Date**”) on which the Capital Reduction becomes effective:

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

(b) the credit arising from the Capital Reduction be credited to the capital reserve account of the Company or for such purposes as permitted by the articles of association of the Company and the laws of the Cayman Islands (the “**Application of Credit**”);

(c) conditional upon the Capital Reduction taking effect, each of the unissued shares of the Company of par value HK\$0.50 in the existing authorised

but unissued share capital of the Company be sub-divided into 50 unissued New Shares of the Company of a par value HK\$0.01 each (“Share Sub-division”),

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

Each of the capitalised terms referred to in the Special Resolution above is defined in the information circular exhibited to the affirmation of Mr. Zheng Gang.

18. The number of members of the Company present and voting in person or by corporate representatives or by proxy at the Annual General Meeting was as set out in the table below:

	Present & Voting	For	Against
How Present	No.	No. of ordinary shares voted	No. of ordinary shares voted
In person/by corporate representatives	2 members	146,071,375 shares	0 shares
By proxy	5 members	144,866,226 shares	0 shares
Total	7 members	290,937,601 shares	0 shares

The resolution was voted on by way of poll and the members present and voting in person or by corporate representatives or by proxy at the Annual General

Meeting represents more than three-fourths of the votes cast for the resolution approved the Capital Reduction and therefore the chairman of the Annual General Meeting declared the resolution passed in accordance with the Articles of Association of the Company.

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

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

20. The proposed Capital Reduction does not involve either the diminution of any liability in respect of unpaid capital and the Company has no intention to make any payment of paid up capital to any shareholder. Furthermore, the Capital Reduction will not alter the underlying assets, business operations, management

or financial position of the Company nor will it affect the proportionate interests of the shareholders of the Company.

21. The form of Minute proposed to be registered is as follows:

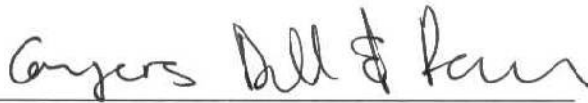
“The issued share capital of Hua Xia Healthcare Holdings Limited (formerly known as Grandy Corporation) (the “Company”) was by virtue of a Special Resolution passed on 10 August 2011 and with the sanction of an Order of the Grand Court of the Cayman Islands dated [●] 2011, reduced from HK\$0.50 per each issued Ordinary Share to HK\$0.01 per each issued Ordinary Share and from HK\$0.50 per each issued CP Share to HK\$0.01 per each issued CP Share (the “Capital Reduction”). At the date of the registration of this Minute, all such shares have been fully paid up or deemed to be fully paid up. The authorised share capital of the Company, on the registration of this Minute, is HK\$1,500,000,000 divided into 110,000,000,000 new ordinary shares with a nominal or par value of HK\$0.01 each and 40,000,000,000 new non-voting convertible preference shares of HK\$0.01 each”

Your Petitioner, the Company, therefore prays as follows:

- (1) That the Capital Reduction of the Company proposed to be effected by the Special Resolution set forth in paragraph 11 of this Petition may be confirmed and that the above-mentioned Minute may be approved by the Court.
- (2) That to this end, all necessary inquiries and directions may be made and given.
- (3) Such further and other order as this Honourable Court shall think fit.

NOTE: It is intended to serve this Petition on Hua Xia Healthcare Holdings Limited (formerly known as Grandy Corporation), at its registered office located at the offices of Codan Trust Company (Cayman) Limited, at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111 Cayman Islands.

DATED THIS 31ST DAY OF August 2011.



CONYERS DILL & PEARMAN
Attorneys-at-Law for the Petitioner

Notice of Hearing

This Petition having been presented to the Court on the ___ day of _____ 2011 will be heard at the Law Courts, George Town, Grand Cayman on the ___ day of _____ 2011 at _____ am/pm or as soon thereafter as the Petition can be heard.

This Petition was filed by Conyers Dill & Pearman, Attorneys-at-Law for and on behalf of the Petitioner herein whose address for service is that of its Attorneys, Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands