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HUA XIA HEALTHCARE HOLDINGS LIMITED

華夏醫療集團有限公司*

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 8143)

**(1) PROPOSED AMENDMENTS TO
THE ARTICLES OF ASSOCIATION;
(2) PROPOSED MODIFICATION TO TERMS OF
CONVERTIBLE NOTES; AND
(3) PROPOSED CANCELLATION OF OPTIONS GRANTED**

PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION

The Board announces that it has decided to put forward for Shareholders' consideration and approval at the forthcoming AGM of the Company certain amendments of the Articles of Association of the Company. The proposed amendments of the Articles of Association will be passed by way of special resolution at the AGM.

PROPOSED MODIFICATION TO TERMS OF CONVERTIBLE NOTES

Reference is made to the announcements dated 20 March 2007 and 17 April 2009 and the circular dated 16 April 2007 respectively in relation to the Convertible Notes of the Company.

On 5 June 2009, the Company received a notice given by the Noteholder, requesting the Company to extend the maturity date of the Convertible Notes for a period of seven years from 8 May 2010 to 9 May 2017. The proposed modification to the terms of the Convertible Notes will be passed by way of ordinary resolution at the AGM.

PROPOSED CANCELLATION OF OPTIONS GRANTED

The Directors propose, subject to the consent of the Optionholders granted under the Share Option Scheme, to surrender the relevant outstanding Options to the Company for cancellation, to cancel the outstanding Options which entitle the holders thereof to subscribe for up to an aggregate of 210,084,734 Shares. The proposed cancellation of the Options granted will be passed by way of ordinary resolution at the AGM.

* *For identification purpose only*

GENERAL

A circular containing, among other matters, further details of the proposed amendments to the Articles of Association, proposed modification to the terms of the convertible notes and proposed cancellation of the Options granted will be despatched to the Shareholders of the Company as soon as practicable.

(1) PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION

The Board of the Company announces that it has decided to put forward for Shareholders' consideration and approval at the forthcoming AGM of the Company certain amendments of the Articles of Association of the Company. The Board proposes that the Regulation No. 6 and No. 146(1) of the Articles of Association be amended, so that the sanction of a special resolution is not required for a reduction of the share premium account, and the Board will have the power to apply the share premium account of the Company in writing off accumulated losses of the Company. The proposed amendments are considered to be beneficial to the Company and its Shareholders since the Company will have the flexibility to apply the share premium account to offset any accumulated losses, hence making any future distribution of dividend possible. The Company will then be in a better position to attract investors.

The proposed amendments to the Articles of Association are subject to the approval of the Shareholders of the Company at the AGM by way of special resolution.

(2) PROPOSED MODIFICATION TO TERMS OF CONVERTIBLE NOTES

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

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

After further negotiations, the Company and the Noteholder have reached an agreement on the terms of the Convertible Notes. On 5 June 2009, the Company received a notice given by the Noteholder, requesting the Company to extend the maturity date of the Convertible Notes for a period of seven years from 8 May 2010 to 9 May 2017. The Board has been informed of the receipt of the said notice and believes that the Extension will enable the Company to retain its funds for general working capital purpose. In addition, the interest rate payable by the Company under the Convertible Notes of 2% per annum is much less than the cost of bank borrowings of for the year ended 31 March 2008 of 4.7% per annum as disclosed in the annual report. Save for the Extension, all other terms of the Convertible Notes remain unchanged.

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

In view of the above, the Directors consider that the Extension is fair and reasonable and the Extension of the maturity date of the Convertible Notes is in the interests of the Company and the Shareholders as a whole.

(3) PROPOSED CANCELLATION OF OPTIONS GRANTED

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

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

In accordance with Clause 14.01 of the Share Option Scheme, the cancellation of the outstanding Options will require the approval by the Shareholders in general meeting on a poll with the Optionholders and their respective associates abstaining from voting. Those abstaining include Mr Yung Kwok Leong, Dr Jiang Tao, Ms Shum Ngai Pan, Mr Chen Jin Shan, Ms Chen Jing, Ms Lin Bi Xing, Ms Lin Dan, Ms Lin Jian Qing, Ms Mi Na, Ms Shen Hua, Mr Wang Yue, Mr Weng Jiaying, Ms Xie Lan Lan and Ms Zhou Yam Mei. Insofar as the Company is aware or has been notified, as at the Latest Practicable Date, they are interested in 1,252,636,250, Shares in aggregate, representing approximately 27.90% of the entire issued share capital of the Company. Should the Company re-issue new Options to the same Optionholders, the issue of such new Options may only be made under a share option scheme with available unissued Options (excluding the cancelled Options) within the limit approved by the Shareholders. Pursuant to the Share Option Scheme, the total number of Shares in respect of which the Options may be granted shall not exceed 10% of the total number of Shares as at the date of the annual general meeting at which the refreshed limit was approved but must not exceed 171,591,720 Shares in aggregate. As at the date of this announcement, the Share Option Scheme has available unissued Options to subscribe for 591,720 Shares taking into account the Options to subscribe for 171,000,000 Shares had been granted on 30 March 2009.

The proposed cancellation of the Options granted will be passed by way of ordinary resolution at the AGM.

GENERAL

A circular containing, among other matters, further details of the proposed amendments to the Articles of Association, proposed modification to the terms of the convertible notes and proposed cancellation of the Options granted and a notice convening the AGM, will be despatched to the Shareholders of the Company as soon as practicable.

TERMS USED IN THIS ANNOUNCEMENT

In this announcement, the following expressions have the same meanings set out below unless the context requires otherwise”

“AGM”	the annual general meeting of the Company to be convened at which resolutions will be proposed to seek the approval of the Shareholders for the proposed amendments to the Articles of Association, proposed modification to the terms of the convertible notes and proposed cancellation of the Options granted
“Articles of Association”	articles of association of the Company adopted pursuant to the written resolutions of the then shareholders of the Company passed on 20 April 2002 and as amended from time to time
“associates”	have the same meaning as prescribed in the GEM Listing Rules
“Bonus Issue”	the issue of the Bonus Shares pursuant to the terms and conditions of the underwriting agreement dated 24 December 2008
“Bonus Shares”	the Bonus Shares to be issued (for no additional payment) to the first registered holders of Offer Shares on the basis of two (2) Bonus Shares for every Offer Share taken up under the Open Offer subject to the terms and conditions of the underwriting agreement dated 24 December 2008
“Board”	board of Directors
“Company”	Hua Xia Healthcare Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the issued Shares of which are listed on GEM of the Stock Exchange
“Convertible Notes”	the convertible notes with an outstanding principal amount of HK\$6,500,000 conferring rights to convert a total of 30,805,687 Shares on the basis of the adjusted conversion price of HK\$0.211 per Share
“Director(s)”	the director(s) of the Company
“Extension”	the extension of the Convertible Notes for seven years from 9 May 2010 to 8 May 2017

“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Noteholder”	the holder(s) of the Convertible Notes from time to time
“Offer Share(s)”	899,022,397 new Shares to be offered to the qualifying shareholders for subscription on the terms and subject to the conditions set out in the underwriting agreement dated 28 December 2008 and in the prospectus documents dated 19 February 2009
“Open Offer”	the proposed offer for subscription by the qualifying shareholders for the Offer Shares at the subscription price of HK\$0.05 per Offer Share on the terms and subject to the conditions set out in the underwriting agreement dated 28 December 2008 and in the prospectus documents dated 19 February 2009
“Option(s)”	a right/rights granted to subscribe for Shares pursuant to the Pre-IPO Scheme and/or the Share Option Scheme
“Optionholders”	the relevant holders of the Options
“Participants”	(i) employees of the Company (whether full-time or part time) or any of its subsidiaries or associated companies; (ii) Directors (whether executive Directors or non-executive Directors or independent non-executive Directors) of the Company or any of its subsidiaries or associated companies; (iii) suppliers of goods and/or services to the Company or any of its subsidiaries or associated companies; (iv) customers of the Company or any of its subsidiaries or associated companies; (v) any person or entity that provides research, development or other technological support to the Company or any of its subsidiaries or associated companies; and (vi) any Shareholder of any member of the Group or any of its subsidiaries or associated companies or any holder of any securities issued by any member of the Group or any of its subsidiaries or associated companies

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

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

Hong Kong, 5 June 2009

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

This announcement, 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 that:– (i) the information contained in this announcement is accurate and complete in all material respects and not misleading; (ii) there are no other matters the omission of which would make any statement in this announcement misleading; and (iii) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

This announcement will remain on the GEM website at www.hkgem.com on the “Latest Company Announcements” page for at least 7 days from the date of its posting and on the website of the Company at www.huaxia-healthcare.com.