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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)

**PROPOSED RIGHTS ISSUE ON THE BASIS OF
ONE RIGHTS SHARE FOR EVERY THREE SHARES
HELD ON RECORD DATE**

Financial adviser



Mitsubishi UFJ Securities (HK) Capital, Limited

Underwriter to the Rights Issue



KGI Capital Asia Limited

PROPOSED RIGHTS ISSUE

The Company proposes to carry out the Rights Issue to raise not less than approximately HK\$92.9 million but not more than approximately HK\$97.9 million before expenses by way of rights to the Shareholders. The Rights Issue involves the issue of not less than 1,498,370,662 Rights Shares but not more than 1,578,651,396 Rights Shares at the Subscription Price of HK\$0.062 per Rights Share, subject to any issue of new Shares by the Company on or before the Record Date on conversion of the outstanding Convertible Notes or exercise of Share Options by the holders thereof.

The Company will provisionally allot one Rights Share in nil-paid form for every three Shares held by the Qualifying Shareholders on the Record Date. The Rights Issue is not available to the Non-Qualifying Shareholders. Based on the minimum number of Rights Shares of 1,498,370,662 Rights Shares, the estimated net proceeds of the Rights Issue will be approximately HK\$86.1 million. The Company intends to use not more than half of the net proceeds to repay part of the Shareholder's loan and the remaining net proceeds will be used as general working capital of the Group.

* For identification purpose only

The Rights Issue is fully underwritten by the Underwriter and is subject to the terms and conditions of the Underwriting Agreement. If the Underwriter terminates the Underwriting Agreement (details are set out in the paragraph headed “Termination of the Underwriting Agreement” in the section headed “Underwriting Agreement” in this announcement) or the conditions of the Rights Issue (details are set out in the paragraph headed “Conditions of the Rights Issue” in the section headed “Underwriting Agreement” in this announcement) are not fulfilled, the Rights Issue will not proceed.

Any dealings in the Shares from the date of this announcement up to the date on which all the conditions of the Rights Issue are fulfilled, and any dealings in the Rights Shares in their nil-paid form will accordingly bear the risk that the Rights Issue may not become unconditional or may not proceed. Any Shareholders or other persons contemplating any dealings in the Shares or the Rights Shares in their nil-paid form are advised to consult their own professional advisers.

The expected timetable for the implementation of the Rights Issue and the associated trading arrangements will be announced by the Company in due course.

GENERAL

Since the Rights Shares will not increase the issued share capital or the market capitalisation of the Company by more than 50% within the 12 month period immediately preceding this announcement, the Rights Issue itself is not subject to the Shareholders’ approval.

The Company will send the Prospectus Documents containing, among others, details of the Rights Shares, to the Qualifying Shareholders. The Company will send the Prospectus to Non-Qualifying Shareholders, if any, for their information only but the Company will not send any PAL and EAF to the Non-Qualifying Shareholders, if any, as soon as practicable.

PROPOSED RIGHTS ISSUE

Issue statistics

Basis of the Rights Issue	:	One Rights Share for every three Shares held on the Record Date
Number of Shares in issue	:	4,495,111,986 Shares as at the date of this announcement
Minimum number of Rights Shares	:	1,498,370,662 Rights Shares
Maximum number of Rights Shares	:	1,578,651,396 Rights Shares
Subscription Price	:	HK\$0.062 per Rights Share

Minimum enlarged issued share capital : 5,993,482,648 Shares
upon completion of the Rights Issue
assuming no exercise of the remaining
Share Options and no conversion of
the Convertible Notes

Maximum enlarged issued share : 6,314,605,585 Shares
capital upon completion of the Rights
Issue assuming full exercise of the
Share Options (excluding the Excluded
Options)

As at the date of this announcement, the Company has 480,860,833 outstanding Post-IPO Share Options (of which 230,400,000 Post-IPO Share Options (including 5,100,000 Post-IPO Share Options held by Mr. Yung) are under vesting period and not exercisable on or before the Latest Lodging Date), 2,281,370 outstanding Pre-IPO Share Options, the Convertible Notes with an aggregate outstanding principal amount of HK\$6,500,000 conferring rights to convert to a total of 30,805,687 Shares and 4,833,333,333 CP Shares conferring rights to convert to a total of 4,833,333,333 Shares which in aggregate entitling holders thereof to subscribe for 5,347,281,223 Shares. Save as disclosed above, the Company does not have any other outstanding warrants or securities in issue which are convertible or exchangeable into Shares.

Undertakings

Undertaking from Mr. Yung

As at the date of this announcement, Mr. Yung is the legal and beneficial owner of 15,468,750 Shares, representing approximately 0.34% of the entire issued share capital of the Company and the entire issued share capital of Easeglory Holdings Limited. Easeglory Holdings Limited is the legal and beneficial owner of 1,209,605,000 Shares, representing approximately 26.91% of the entire issued share capital of the Company. Mr. Yung is also the legal and beneficial owner of 4,833,333,333 CP Shares. Mr. Yung has given an irrevocable undertaking in favour of the Company and the Underwriter not to, among others, exercise the conversion right attached to the CP Shares and his 17,000,000 Post-IPO Share Options (including those 5,100,000 Post-IPO Share Options which are under vesting period and not exercisable on or before the Latest Lodging Date) on or before the Latest Lodging Date. Mr. Yung has also informed the Board that he has no intention to subscribe for and procure to subscribe for the provisional allotment or to apply for any excess Rights Shares under the EAF.

Undertaking from holder of the Convertible Notes

The holder of the Convertible Notes has given an irrevocable undertaking in favour of the Company and the Underwriter not to, among others, exercise any of the conversion rights attaching to the Convertible Notes on or before the Latest Lodging Date.

Qualifying Shareholders

The Company will send the Prospectus Documents to the Qualifying Shareholders only. For the Non-Qualifying Shareholders, the Company will send copies of the Prospectus to them for their information only, but the Company will not send any PAL and EAF to the Non-Qualifying Shareholders.

To qualify for the Rights Issue, a Shareholder must be registered as a member of the Company at the close of business on the Record Date and must be a Qualifying Shareholder.

In order to be registered as members of the Company at the close of business on the Record Date, Shareholders must lodge any transfers of Shares (together with the relevant share certificates) with the Company's branch share registrar and transfer office in Hong Kong, Tricor Tengis Limited at 26/F, Tesbury Centre, 28 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on the date to be announced by the Company in due course. No transfers of Shares will be registered during the book closure period.

Subscription Price

The Subscription Price is HK\$0.062 per Rights Share, payable in full upon acceptance of the relevant provisional allotment of Rights Shares and, where applicable, application for excess Rights Shares under the Rights Issue or when a transferee of nil-paid Rights Shares applies for Rights Shares. The Subscription Price represents:

1. a discount of approximately 36.1% to the closing price of HK\$0.097 per Share as quoted on the Stock Exchange on 27 September 2010, being the last trading day of the Shares on the Stock Exchange;
2. a discount of approximately 36.7% to the average of the closing prices of HK\$0.098 per Share quoted on the Stock Exchange for the five trading days up to and including 27 September 2010;

3. a discount of approximately 36.7% to the average of the closing prices of HK\$0.098 per Share quoted on the Stock Exchange for the 10 trading days up to and including 27 September 2010; and
4. a discount of approximately 29.5% to the theoretical ex-entitlement price of approximately HK\$0.088 based on the closing price of HK\$0.097 per Share as quoted on the Stock Exchange on 27 September 2010.

The Subscription Price was determined after arm's length negotiations between the Company and the Underwriter with reference to the current market price of the Shares. As the Rights Shares are offered to all Qualifying Shareholders, the Directors would like to set the Subscription Price at a level that would attract the Qualifying Shareholders to participate in the Rights Issue. The Directors consider the terms of the Rights Issue, including the Subscription Price, are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Basis of provisional allotment

The basis of the provisional allotment shall be one Rights Share for every three Shares held by the Qualifying Shareholders on the Record Date at the Subscription Price of HK\$0.062 per Rights Share. Application for all or any part of a Qualifying Shareholder's provisional allotment should be made by completing the PAL and lodging the same with a remittance for the Rights Shares being applied for.

Status of the Rights Shares

The Rights Shares, when allotted and fully paid, will rank pari passu in all respects with the Shares then in issue. Holders of fully-paid Rights Shares will be entitled to receive all future dividends and distributions which are declared, made or paid after the date of allotment of the Rights Shares.

Fractions of Rights Shares

The provisional allotment for the Qualifying Shareholders will be rounded down to the nearest whole number of Rights Shares. Fractions of Rights Shares will not be allotted to Qualifying Shareholders. Such fractional entitlements will be aggregated and, if possible, sold in the market. The net proceeds of such sales (after deduction of expenses) will be aggregated and an equivalent amount will accrue for the ultimate benefit of the Company.

Odd lots arrangements

The Company has agreed to procure KGI Asia Limited to arrange for matching services regarding the sale and purchase of odd lots of Rights Shares from 15 November 2010 to 22 November 2010 (both days). Shareholders of odd lots of the Rights Shares may contact Mr. Tim Choi/Mr. Joe Lo of KGI Asia Limited (telephone number: (852) 2878 4384) during the aforesaid period.

Rights of Non-Qualifying Shareholders

As at the date of this announcement, the Company does not have any Overseas Shareholders. If on the Record Date, there exists any Overseas Shareholder, the Company will make enquiries regarding the feasibility of extending the Rights Issue to the Overseas Shareholders. If based on legal opinions provided by the legal advisers, the Directors consider that it is necessary or expedient not to offer the Rights Shares to the Overseas Shareholders on account either of the legal restrictions under the laws of the places of their registered addresses or the requirements of the relevant regulatory bodies or stock exchanges in those places outside Hong Kong, the Rights Issue will not be available to such Overseas Shareholders. The basis for excluding the Non-Qualifying Shareholders, if any, from the Rights Issue will be set out in the Prospectus. If they are excluded, the Company will send copies of the Prospectus to the Non-Qualifying Shareholders for their information only, but the Company will not send any PAL and EAF to the Non-Qualifying Shareholders.

Arrangements will be made for Rights Shares which would otherwise have been provisionally allotted to the Non-Qualifying Shareholders to be sold on the market in their nil-paid form as soon as practicable after dealings in the Rights Shares in their nil-paid form have commenced and before dealings in Rights Shares in their nil-paid form end, if a premium (net of expenses) can be obtained. The proceeds of such sale, less expenses, of more than HK\$100 will be paid pro rata to the Non-Qualifying Shareholders. The Company will retain individual amounts of HK\$100 or less for its own benefit. Any unsold entitlement of Non-Qualifying Shareholders, together with any Rights Shares provisionally allotted but not accepted and the fractional entitlement to the Rights Shares which are not sold, will be made available for excess application on EAFs by Qualifying Shareholders.

Application for excess Rights Shares

Qualifying Shareholders may apply, by way of excess application, for any unsold entitlements of the Non-Qualifying Shareholders and for any Rights Shares provisionally allotted but not accepted.

Applications for excess Rights Shares may be made by completing the EAF and lodging the same with a separate remittance for the excess Rights Shares being applied for. The Directors will allocate the excess Rights Shares at their sole discretion on a fair and equitable basis, preference will be given to applications for less than a board lot of Rights Shares where they appear to the Directors that such applications are made to round up odd-lot holdings to whole-lot holdings and that such applications are not made with intention to abuse the mechanism of application for excess Rights Shares.

Shareholders whose Shares are held by nominee companies should note that the Board will regard a nominee company as a single Shareholder according to the register of members of the Company. Accordingly, Shareholders whose Shares are registered in the name of a nominee company should note that the aforesaid arrangement in relation to the allocation of excess Rights Shares will not be extended to them individually. Shareholders with their Shares held by nominee companies are advised to consider whether they would like to arrange for registration of the relevant Shares in the name of the beneficial owner(s) prior to the Record Date.

For Shareholders whose Shares are held by their nominee(s) and would like to have their names registered on the register of members of the Company, they must complete the relevant registration with Tricor Tengis Limited, the Company's branch share registrar and transfer office in Hong Kong by 4:30 p.m. on the Business Day immediately prior to the closure of register of members of the Company. The timing for the closure of register of members of the Company will be announced by the Company in due course.

Application for listing

The Company will apply to the Listing Division of the Stock Exchange for the listing of and permission to deal in the Rights Shares, in both their nil-paid and fully-paid forms, to be allotted and issued pursuant to the Rights Issue.

Dealings in the Rights Shares in both their nil-paid and fully-paid forms, both in board lots of 20,000, which are registered in the branch register of members of the Company in Hong Kong will be subject to the payment of stamp duty in Hong Kong.

THE UNDERWRITING AGREEMENT

Taking into account the undertakings from Mr. Yung and the holder of the Convertible Notes and the Excluded Options not exercisable on or before the Latest Lodging Date, the Underwriter has agreed to fully underwrite not less than 1,498,370,662 Rights Shares and not more than 1,578,651,396 Rights Shares at the Subscription Price of HK\$0.062 per Rights Share. The Underwriting Agreement provides that the Underwriter will be obliged to subscribe or procure subscribers for any Rights Shares not taken up by the Qualifying Shareholders or transferee(s) of nil-paid Rights Shares.

Conditions of the Rights Issue

The Rights Issue is conditional on each of the following conditions being fulfilled:

- (i) the delivery to the Stock Exchange and registration with the Registrar of Companies in Hong Kong respectively one copy of each of the Prospectus Documents duly signed by two Directors (or by their agents duly authorised in writing) as having been approved by resolution of the Directors (and all other documents required to be attached thereto) not later than the Prospectus Posting Date and otherwise in compliance with the GEM Listing Rules and the Companies Ordinance;
- (ii) the posting of the Prospectus Documents to Qualifying Shareholders on the Prospectus Posting Date;
- (iii) the Listing Division of the Stock Exchange granting or agreeing to grant (subject to allotment) and not having withdrawn or revoked listing of and permission to deal in all the Rights Shares (in their nil-paid and fully-paid forms) by no later than the Prospectus Posting Date;

- (iv) compliance with and performance of all the undertakings and obligations of the Company under the Underwriting Agreement;
- (v) the obligations of the Underwriter becoming unconditional and that the Underwriting Agreement is not terminated in accordance with its terms;
- (vi) compliance with and performance of an irrevocable undertaking by Mr. Yung in favour of the Company and the Underwriter not to exercise all the conversion rights attaching to the CP Shares on or before the Latest Lodging Date; and
- (vii) compliance with and performance of an irrevocable undertaking by the holder of the Convertible Notes in favour of the Company and the Underwriter not to exercise all the conversion rights attaching to the Convertible Notes on or before the Latest Lodging Date.

The conditions set out above are not capable of being waived. If the conditions of the Rights Issue under the Underwriting Agreement are not fulfilled by the relevant dates and times specified in the Underwriting Agreement (or, in each case, such later date or time as the Underwriter may agree in writing with the Company pursuant to the Underwriting Agreement), the Underwriting Agreement will terminate and no party thereto will have any claim against any other party for costs, damages compensation or otherwise save for any antecedent breaches. If the Underwriting Agreement terminates in accordance with its terms, the Rights Issue will not proceed. The irrevocable undertakings by Mr. Yung and the holder of the Convertible Notes as described above will lapse.

Underwriting Commission

The Company will pay the Underwriter an underwriting commission of 6% of the aggregate Subscription Price of the maximum amount of Underwritten Shares (i.e. 1,578,651,396), out of which the Underwriter may pay sub-underwriting fees. The Company considers the underwriting commission is in line with the market rate. The Directors (including the independent non-executive Directors) are also of the view that the underwriting commission is fair and reasonable.

Termination of the Underwriting Agreement

If prior to the Latest Time for Termination:

- (a) in the sole and absolute opinion of the Underwriter, the success of the Rights Issue would be materially and adversely affected by:
 - (i) the introduction of any new law or regulation or any change in existing law or regulation (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may in the sole and absolute opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or is materially adverse in the context of the Rights Issue; or

- (ii) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date hereof) of a political, military, financial, economic or other nature (whether or not ejusdem generis with any of the foregoing), or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities markets which may, in the sole and absolute opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or materially and adversely prejudice the success of the Rights Issue or otherwise makes it inexpedient or inadvisable to proceed with the Rights Issue; or
 - (iii) any material adverse change in the business or in the financial or trading position of the Group as a whole; or
- (b) any adverse change in market conditions (including without limitation, any change in fiscal or monetary policy, or foreign exchange or currency markets, suspension or material restriction or trading in securities) occurs which in the sole and absolute opinion of the Underwriter is likely to materially or adversely affect the success of the Rights Issue or otherwise makes it inexpedient or inadvisable to proceed with the Rights Issue; or
 - (c) there is any change in the circumstances of the Company or any member of the Group which in the sole and absolute opinion of the Underwriter will adversely affect the prospects of the Company, including without limiting the generality of the foregoing the presentation of a petition or the passing of a resolution for the liquidation or winding up or similar event occurring in respect of any of member of the Group or the destruction of any material asset of the Group; or
 - (d) any suspension in the trading of securities generally or the Company's securities on the Stock Exchange for a period of more than ten consecutive Business Days, excluding any suspension in connection with the clearance of this announcement or the Prospectus Documents or other announcements in connection with the Rights Issue, or
 - (e) the Prospectus or announcements of the Company published since the date of the Underwriting Agreement when published contain information (either as to business prospects or the condition of the Group or as to its compliance with any laws or the GEM Listing Rules or any applicable regulations) which has not prior to the date hereof been publicly announced or published by the Company and which may in the sole and absolute opinion of the Underwriter is material to the Group as a whole and is likely to affect materially and adversely the success of the Rights Issue or might cause a prudent investor not to accept the Rights Shares provisionally allotted to it,

the Underwriter shall at its sole and absolute discretion be entitled by notice in writing to the Company, served prior to the Latest Time for Termination, to terminate the Underwriting Agreement.

The Underwriter shall be entitled by notice in writing to rescind the Underwriting Agreement if prior to the Latest Time for Termination:

- (a) any material breach of any of the warranties or undertakings contained in the Underwriting Agreement above comes to the knowledge of the Underwriter; or
- (b) any Specified Event comes to the knowledge of the Underwriter.

Any such notice shall be served by the Underwriter prior to the Latest Time for Termination.

If the Underwriter gives a notice of termination to the Company in accordance with the terms of the Underwriting Agreement, all obligations of the Underwriter under the Underwriting Agreement shall cease and no party shall have any claim against any other party in respect of any matter or thing arising out of or in connection with the Underwriting Agreement provided that the Company shall remain liable to pay to the Underwriter any reasonable legal fees and other reasonable out of pocket expenses incurred by the Underwriter, except that the underwriting commission described above shall not be payable to the Underwriter if the Underwriting Agreement does not become unconditional or if it is terminated by the Underwriter pursuant to the Underwriting Agreement. If the Underwriter exercises its right to terminate the Underwriting Agreement, the Rights Issue will not proceed.

WARNING OF THE RISKS OF DEALING IN THE SHARES AND RIGHTS SHARES IN NIL-PAID FORM

The Rights Issue is conditional, inter alia, upon the fulfillment of the conditions set out below under the section headed “Conditions of the Rights Issue”. The Underwriter is entitled under the Underwriting Agreement to terminate the Underwriting Agreement on the occurrence of certain events, including but not limited to force majeure, as more particularly described in the sub-section headed “Termination of the Underwriting Agreement” above. The Rights Issue is therefore also subject to the Underwriter not terminating the Underwriting Agreement. Accordingly, the Rights Issue may or may not proceed.

Any dealings in the Shares from the date of this announcement up to the date on which all the conditions of the Rights Issue are fulfilled, and any dealings in the Rights Shares in their nil-paid form will accordingly bear the risk that the Rights Issue may not become unconditional or may not proceed. Any Shareholders or other persons contemplating any dealings in the Shares or the Rights Shares in their nil-paid form are advised to consult their own professional advisers.

CHANGES IN THE SHAREHOLDING STRUCTURE OF THE COMPANY ARISING FROM THE RIGHTS ISSUE

The existing shareholding structure of the Company as at the date of this announcement and the shareholding structure of the Company immediately upon completion of the Rights Issue are set out below:

(1) Assuming no exercise of any Share Options on or before the Record Date

Shareholders	As at the date of this announcement		Immediately after completion of the Rights Issue			
	<i>Number of Shares</i>	<i>Approximate %</i>	Assuming all Shareholders (save for Mr. Yung and his associates) accept to participate in the Rights Issue		Assuming no Shareholders accept to participate in the Rights Issue	
	<i>Number of Shares</i>	<i>Approximate %</i>	<i>Number of Shares</i>	<i>Approximate %</i>	<i>Number of Shares</i>	<i>Approximate %</i>
Mr Yung (notes 1 and 2)	15,468,750	0.34	15,468,750	0.26	15,468,750	0.26
Easeglory Holdings Limited (note 1)	1,209,605,000	26.91	1,209,605,000	20.18	1,209,605,000	20.18
	1,225,073,750	27.25	1,225,073,750	20.44	1,225,073,750	20.44
Weng Jiaxing	14,062,500	0.31	18,750,000	0.31	14,062,500	0.23
Zheng Gang (note 2)	9,000,000	0.20	12,000,000	0.20	9,000,000	0.15
Sub-total	1,248,136,250	27.76	1,255,823,750	20.95	1,248,156,250	20.82
Underwriter	–	–	408,357,917	6.81	1,498,370,662	25.00
Public	3,246,975,736	72.24	4,329,300,981	72.24	3,246,975,736	54.18
Total	4,495,111,986	100.00	5,993,482,648	100.00	5,993,482,648	100.00

(2) Assuming full exercise of the Share Options (excluding the Excluded Options) on or before the Record Date

Shareholders	As at the date of this announcement		Immediately after completion of the Rights Issue			
	<i>Number of Shares</i>	<i>Approximate %</i>	Assuming full exercise of the Share Option (excluding the Excluded Options) and all Shareholders (save for Mr. Yung and his associates) accept to participate in the Rights Issue		Assuming no Shareholders accept to participate in the Rights Issue	
	<i>Number of Shares</i>	<i>Approximate %</i>	<i>Number of Shares</i>	<i>Approximate %</i>	<i>Number of Shares</i>	<i>Approximate %</i>
Mr Yung (<i>notes 1 and 2</i>)	15,468,750	0.34	15,468,750	0.24	15,468,750	0.24
Easeglory Holdings Limited (<i>note 1</i>)	1,209,605,000	26.91	1,209,605,000	19.16	1,209,605,000	19.16
	1,225,073,750	27.25	1,225,073,750	19.40	1,225,073,750	19.40
Weng Jiaxing (<i>notes 2 and 3</i>)	14,062,500	0.31	28,883,333	0.46	21,662,500	0.34
Zheng Gang (<i>notes 2 and 3</i>)	9,000,000	0.20	42,266,667	0.67	31,700,000	0.50
Chen Jin Shan (<i>notes 2 and 3</i>)	–	–	26,533,333	0.42	19,900,000	0.32
Jiang Tao (<i>notes 2 and 3</i>)	–	–	15,466,667	0.24	11,600,000	0.18
Huang Jiaqing (<i>notes 2 and 3</i>)	–	–	6,933,333	0.11	5,200,000	0.08
Sub-total	1,248,136,250	27.76	1,345,157,083	21.30	1,315,136,250	20.82
The Underwriter Public (<i>note 4</i>)	–	–	408,357,917	6.46	1,578,651,396	25.00
	3,246,975,736	72.24	4,561,090,585	72.24	3,420,817,939	54.18
Total	4,495,111,986	100.00	6,314,605,585	100.00	6,314,605,585	100.00

Notes:

1. Easeglory Holdings Limited, a company incorporated in the BVI with limited liability, the entire issued share capital of which is wholly owned by Mr. Yung. Mr. Yung is deemed to be interested in the 1,209,605,000 Shares by virtue of the SFO.
2. They are Directors.
3. As at the date of this announcement, Mr. Weng Jiaxing, Mr. Zheng Gang, Mr. Chen Jin Shan, Mr. Jiang Tao and Mr. Huang Jiaqing are the beneficial owners of 7,600,00 Post-IPO Share Options, 22,700,000 Post-IPO Share Options, 19,900,000 Post-IPO Share Options, 11,600,000 Post-IPO Share Options, and 5,200,000 Post-IPO Share Options respectively.
4. Inclusive of the assumed exercise in full of (i) 171,560,833 Share Options under the Post-IPO Share Option Scheme and (ii) 2,281,370 Share Options under the Pre-IPO Share Option Scheme.

FUNDS RAISED DURING THE PAST 12 MONTHS

During the past 12 months immediately preceding the date of this announcement, the Company has not conducted any fund raising activities.

REASONS FOR THE RIGHTS ISSUE

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

In the early this year, the Company has completed the acquisition of the pharmaceutical wholesale and distribution and pharmaceutical retail chain business in the PRC from Mr. Yung. A promissory note with the principal amount of HK\$290 million was issued by the Company to satisfy part of the consideration payable under such acquisition. The promissory note carries an interest rate of 1% per annum, payable semi-annually in arrears. To strength the financial position of the Company and to lower the gearing ratio of the Company, the Board intends to repay part of the promissory note.

The Board therefore considers that the Rights Issue represents an opportunity for the Company to enhance its working capital and strengthen its capital base and financial position so as to enhance its earning potential, and therefore enhance the overall value of the Shares. Moreover, the Board is of the view that it is in the interests of the Company and its Shareholders as a whole to raise the capital through the Rights Issue since it would allow the Qualifying Shareholders to maintain their respective pro rata shareholdings in the Company and participate in the future growth and development of the Group.

USE OF PROCEEDS

The net proceeds of the Rights Issue (after deduction of underwriting commission and expenses) are expected to amount to approximately HK\$86.1 million (assuming no outstanding Share Options, no rights attaching to the Convertible Notes and CP Shares are exercised on or before the Record Date). The Board intends to use not more than half of which to repay part of the Shareholder's loan and the remaining net proceeds will be used as general working capital of the Group.

The estimated expenses of the Rights Issue are about HK\$6.8 million which include underwriting commission and professional fees payable to the financial adviser, lawyers and financial printer, etc. and will be borne by the Company.

EXPECTED TIMETABLE

The expected timetable for the implementation of the Rights Issue and the associated trading arrangements will be announced by the Company in due course.

ADJUSTMENTS IN RELATION TO THE SHARE OPTION SCHEMES, THE CONVERTIBLE NOTES AND THE CP SHARES

Pursuant to the terms of the Share Option Schemes, the Convertible Notes and the CP Shares, the exercise prices, the subscription price and conversion price of the respective Share Options, the Convertible Notes and CP Shares will be adjusted in accordance with the Share Option Schemes, the respective deed polls of the Convertible Notes and the terms of the CP Shares upon the Rights Issue becoming unconditional. Such adjustments will be verified by the auditors of the Company and the Company will notify the holders of the Share Options, the holders of the Convertible Notes and holders of CP Shares the respective adjustments upon the Rights Issue becoming unconditional. The Company will notify the holders of the Share Options, the Convertible Notes and the CP Shares the required adjustment(s) as soon as practicable and details of adjustments will be provided in the Prospectus in respect of the Rights Issue to be despatched to the Shareholders.

GENERAL

Since the Rights Shares will not increase the issued share capital or the market capitalisation of the Company by more than 50% within the 12 month period immediately preceding this announcement, the Rights Issue itself is not subject to the Shareholders' approval.

The Company will send the Prospectus Documents containing, among others, details of the Rights Issue, to the Qualifying Shareholders. The Company will send the Prospectus to Non-Qualifying Shareholders, if any, for their information only but the Company will not send any PAL and EAF to the Non-Qualifying Shareholders, if any, as soon as practicable.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms shall have the following meanings:

“Board”	the board of Directors or a duly authorised committee thereof
“Business Day”	any day (other than a Saturday) on which licensed banks are generally open for business in Hong Kong throughout their normal business hours
“Companies Ordinance”	the Companies Ordinance, Chapter 32 of the Laws of Hong Kong

“Convertible Notes”	the convertible notes with an aggregate outstanding principal amount of HK\$6,500,000 conferring rights to convert to a total of 30,805,687 Shares at an initial conversion price of HK\$0.211 per Share (subject to adjustment)
“CP Shares”	convertible preference shares, a second class of shares of the Company carrying no voting right but conferring rights to convert to a total of 4,833,333,333 Shares which as at the date hereof is legally and beneficially owned by Mr. Yung
“Directors”	directors of the Company
“EAF”	the excess application form(s) to be issued in connection with the Rights Issue
“Excluded Options”	the 230,400,000 Post-IPO Share Options (including 5,100,000 Post-IPO Share Options held by Mr. Yung) which are under vesting period and not exercisable on or before the Latest Lodging Date and 11,900,000 Post-IPO Share Options granted to Mr. Yung who undertakes not to exercise them on or before the Latest Lodging Date
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	Rules Governing the Listing of Securities on the GEM
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Latest Lodging Date”	the latest time for lodging transfer of the Shares and/or exercising the Share Options other than the Excluded Options
“Latest Time for Acceptance”	4:00 p.m. on the last date for acceptance of, and payment for, the Rights Shares

“Latest Time for Termination”	4:00 p.m. on the fifth Business Day after the Latest Time for Acceptance or such other time as may be agreed between the Company and the Underwriter
“Mr. Yung”	Mr. Yung Kwok Leong, the chairman of the Board, an executive Director, a substantial Shareholder and the holder of the CP Shares and 17,000,000 Post-IPO Share Options
“Nil-paid Rights”	the nil-paid rights of Shareholders to be allotted pursuant to the Rights Issue
“Non-Qualifying Shareholder(s)”	those Overseas Shareholders to whom the Company considers it necessary or expedient not to offer the Rights Shares based on the enquiry regarding the legal restrictions, if any, under the laws of the relevant jurisdictions where the Overseas Shareholders reside
“Overseas Shareholder(s)”	Shareholders whose registered addresses as shown in the register of members of the Company on the Record Date are outside of Hong Kong
“PAL”	the provisional allotment letter(s) to be issued in connection with the Rights Issue
“Post-IPO Share Option Scheme”	the post-IPO share option scheme adopted by the Company and became effective on 20 April 2002 which came into effect after the initial listing of the Shares on GEM on 10 May 2002
“Post-IPO Share Options”	options to subscribe for Shares granted under the Post-IPO Share Option Scheme
“Pre-IPO Share Option Scheme”	the pre-IPO share option scheme adopted by the Company and became effective on 20 April 2002 which came into effect prior to the initial listing of the Shares on GEM on 10 May 2002
“Pre-IPO Share Options”	options to subscribe for Shares granted under the Pre-IPO Share Option Scheme
“Prospectus”	the prospectus to be issued by the Company to the Shareholders containing details of the Rights Issue
“Prospectus Documents”	together, the Prospectus, the PAL and the EAF

“Prospectus Posting Date”	the date of posting the Prospectus Documents to Qualifying Shareholders and the Prospectus to Non-Qualifying Shareholders for their information only
“Qualifying Shareholder(s)”	Shareholders whose names appear on the register of members of the Company on the Record Date, other than the Non-Qualifying Shareholders
“Record Date”	the date by reference to which entitlements to the Rights Issue are to be determined
“Rights Issue”	the issue by way of rights of the Rights Shares on the terms and subject to the conditions as set out in the Underwriting Agreement and in the Prospectus
“Rights Share(s)”	not less than 1,498,370,662 new Shares and not more than 1,578,651,396 new Shares proposed to be offered to Qualifying Shareholders by way of rights on the terms set out in the Underwriting Agreement and in the Prospectus
“SFC”	Securities and Futures Commission of Hong Kong
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	the ordinary share(s) of HK\$0.05 each in the share capital of the Company
“Shareholder(s)”	holders of the issued Shares
“Share Option(s)”	options to subscribe for Shares granted under together, the Pre-IPO Share Option Scheme and the Post-IPO Share Option Scheme
“Share Option Schemes”	together, the Pre-IPO Share Option Scheme and the Post-IPO Share Option Scheme
“Specified Event”	an event occurring or matter arising on or after the date hereof and prior to the Latest Time for Termination which if it had occurred or arisen before the date hereof would have rendered any of the warranties contained in the Underwriting Agreement untrue or incorrect in any material respect
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Price”	the issue price of HK\$0.062 per Rights Share at which the Rights Shares are proposed to be offered for subscription

“Underwriter”	KGI Capital Asia Limited, a licensed corporation to carry on Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
“Underwriting Agreement”	the underwriting agreement dated 27 September 2010 and entered into between the Underwriter and the Company in relation to the Rights Issue
“Underwritten Share(s)”	the total number of Rights Shares to which holders of Shares are entitled pursuant to the Rights Issue being not less than 1,498,370,662 Rights Shares and not more than 1,578,651,396 Rights Shares
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.

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

Hong Kong, 27 September 2010

As at the date of this announcement, the executive directors of the Company are Mr. Yung Kwok Leong, Dr. Jiang Tao, Mr. Weng Jiaying, Mr. Zheng Gang, Dr. Huang Jiaqing 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, Prof. Hu Shanlian and Prof. Lu Chuanzhen.

This announcement for which the directors of the Company collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of the Stock Exchange for the purpose of giving information with regard to the Company. The directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

This announcement will remain on the GEM website 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.