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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 CAPITAL REORGANISATION**

#### **PROPOSED CAPITAL REORGANISATION**

The Board proposes the Capital Reorganisation, pursuant to which

- (a) the issued share capital of the Company will be reduced by (i) HK\$0.49 per Existing Ordinary Share by cancelling an equivalent amount of paid-up capital per Existing Ordinary Share so that the par value of each New Ordinary Share in issue will be HK\$0.01 and the relevant amount of issued capital hereby cancelled be made available for issue of New Ordinary Shares; and (ii) HK\$0.49 per Existing CP Share by cancelling an equivalent amount of paid-up capital per Existing CP Share so that the par value of each New CP Share in issue will be HK\$0.01 and the relevant amount of issued share capital hereby cancelled be made available for issue of New CP Shares; and
- (b) each of the unissued Shares in the existing authorised but unissued share capital of the Company shall be sub-divided into 50 shares of a nominal value of HK\$0.01 each.

Immediately upon the Capital Reorganisation taking into effect, and assuming that the Company does not allot or issue or repurchase any further Existing Ordinary Shares and Existing CP Shares prior thereto, the authorised share capital of the Company shall be HK\$1,500,000,000 comprising 110,000,000,000 New Ordinary Shares and 40,000,000,000 New CP Shares, Immediately upon the Capital Reorganisation taking into effect, the Company's issued share capital shall be HK\$11,824,382.64 comprising 672,438,264 New Ordinary Shares and 510,000,000 New CP Shares.

#### **GENERAL**

The Capital Reorganisation is subject to, among other things, the approval of the Shareholders at the AGM. A circular containing, among other things, details of the proposed Capital Reorganisation and the notice of the AGM, will be despatched to the Shareholders on or about 12 July 2011.

\* *for identification purpose only*

## **PROPOSED CAPITAL REORGANISATION**

The Board announces that the Company proposes to implement the Capital Reorganisation comprising the following (1) the Capital Reduction; and (2) the Sub-division of unissued Shares.

### **CAPITAL REDUCTION**

Pursuant to the Capital Reduction, the issued share capital of the Company will be reduced by (i) HK\$0.49 per Existing Ordinary Share by cancelling an equivalent amount of paid-up capital per Existing Ordinary Share so that the par value of each New Ordinary Share in issue will be HK\$0.01 and the relevant amount of issued capital hereby cancelled be made available for issue of New Ordinary Shares; and (ii) HK\$0.49 per Existing CP Share by cancelling an equivalent amount of paid-up capital per Existing CP Share so that the par value of each New CP Share in issue will be HK\$0.01 and the relevant amount of issued capital hereby cancelled be made available for issue of New CP Shares.

### **SUB-DIVISION OF UNISSUED SHARES**

The Board also proposes to sub-divide each unissued Share in the existing authorised but unissued share capital of the Company into 50 shares of a nominal value of HK\$0.01 each.

### **EFFECTS OF THE CAPITAL REORGANISATION**

As at the date of this announcement, the authorised share capital of the Company amounts to HK\$1,500,000,000 divided into 2,200,000,000 Existing Ordinary Shares and 800,000,000 Existing CP Shares, of which 672,438,264 Existing Ordinary Shares and 510,000,000 Existing CP Shares have been allotted and issued as fully paid or credited as fully paid.

Immediately upon the Capital Reorganisation taking into effect, the authorised share capital of the Company remains in value of HK\$1,500,000,000. Immediately upon the Capital Reorganisation taking into effect, and assuming that the Company does not allot or issue or repurchase any further Existing Ordinary Shares or Existing CP Shares prior thereto, the authorised share capital of the Company shall be HK\$1,500,000,000 comprising 110,000,000,000 New Ordinary Shares and 40,000,000,000 New CP Shares. Immediately upon the Capital Reorganisation taking into effect, the Company's issued share capital shall be HK\$11,824,382.64 comprising 672,438,264 New Ordinary Shares and 510,000,000 New CP Shares. A credit of approximately HK\$579,394,749.36 will arise in the books of the Company as a result of the Capital Reduction.

As at the date of this announcement, there is Convertible Note in the outstanding principal amount of HK\$6,500,000. Assuming exercise in full of the conversion rights attaching to the Convertible Note at the conversion price of HK\$1.90 per Existing Ordinary Share by the holder of the Convertible Note before the Capital Reorganisation taking into effect, an additional 3,421,053 new Existing Ordinary Shares would be issued by the Company pursuant to the terms and conditions of the Convertible Note (assuming no adjustment has been made) and an additional credit of HK\$1,676,315.97 would arise in the books of the Company as a result of the Capital Reduction. The Capital Reorganisation will not have any effect on the conversion price or the number of New Ordinary Shares which fall to be issued upon exercise of the conversion rights attached to the Convertible Note.

As at the date of this announcement, the Company has 237,777 outstanding Pre-IPO Share Options granted under the Pre-IPO Share Option Scheme and 46,559,016 outstanding Post-IPO Share Options granted under the Post-IPO Share Option Scheme. Assuming exercise in full of subscription rights attaching to the Pre-IPO Share Options and the Post-IPO Share Options by the holders thereof before the Capital Reorganisation taking into effect, an additional 46,796,793 new Existing Ordinary Shares would be issued by the Company and an additional credit of HK\$22,930,428.57 would arise in the books of the Company as a result of the Capital Reduction. The Capital Reorganisation will not have any effect on the exercise price or the number of New Ordinary Shares which fall to be issued upon exercise of the share options.

An independent financial adviser or the auditors of the Company will be engaged by the Company in accordance with the terms of the Pre-IPO Share Option Scheme, the Post-IPO Share Option Scheme, the Existing CP Shares and the Convertible Note to certify in writing as to the adjustments (if any) required to be made in respect of the outstanding Pre-IPO Share Options and the Post-IPO Share Options, the Existing CP Shares and the Convertible Note as a result of the Capital Reorganisation. The Company will make a further announcement about the adjustments in due course. Save as aforesaid, the Company has no other outstanding convertible securities, options or warrants in issue which confer any right to subscribe for, convert or exchange into Shares as at the date of this announcement.

Subject to the approval of and to the extent permitted by the Court, assuming all the Convertible Note has been converted into 3,421,053 new Existing Ordinary Shares and all the Pre-IPO Share Options and the Post-IPO Share Options have been exercised for subscribing for 46,796,793 new Existing Ordinary Shares prior to the Capital Reduction becoming effective, the total credit of HK\$604,001,493.90 arising from the Capital Reduction will be credited to the capital reserve account of the Company.

The Shares are currently traded in board lots of 4,000 Existing Ordinary Shares. Upon the Capital Reorganisation becoming effective, the board lots of the New Ordinary Shares will remain unchanged and will be traded in the board lots of 4,000 New Ordinary Shares.

Save for the expenses to be incurred in relation to the Capital Reorganisation, the Capital Reorganisation will not, by itself, have any effect on the underlying assets, business operations, management or financial positions of the Company and of the Group, nor the proportionate interests of the Shareholders in the Company.

## **REASONS FOR THE CAPITAL REORGANISATION**

The main purpose for implementing 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.

## **STATUS OF THE NEW ORDINARY SHARES AND THE NEW CP SHARES**

The New Ordinary Shares will rank pari passu in all respects with each other and the New CP Shares will rank pari passu in all respects with each other. The Capital Reorganisation will not result in any change in the relative rights of the Shareholders.

## **CONDITIONS OF THE CAPITAL REORGANISATION**

The implementation of the Capital Reorganisation and the listing of the New Ordinary Shares are conditional upon:

- (1) the passing of the relevant resolution(s) by the Shareholders at the AGM to approve the Capital Reorganisation;
- (2) an order being made by the Court confirming the Capital Reduction;
- (3) the registration by the Registrar of Companies in the Cayman Islands of a copy of the Court order and the minutes approving by the Court pursuant to the Companies Law;

- (4) compliance with any conditions which the Court may impose; and
- (5) the Listing Committee of the Stock Exchange granting listing of, and permission to deal in, the New Ordinary Shares.

An application will be made by the Company to the Listing Committee of the Stock Exchange for the listing of, and the permission to deal in, the New Ordinary Shares. Save as the GEM, the Existing Ordinary Shares are not, and the New Ordinary Shares will not be, listed on any stock exchanges.

Subject to the granting of the listing of, and permission to deal in, the New Ordinary Shares on the Stock Exchange, the New Ordinary Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the New Ordinary Shares on the Stock Exchange or, under contingent situation, such other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

#### **EXPECTED EFFECTIVE DATE OF THE CAPITAL REORGANISATION**

Upon the conditions mentioned above being fulfilled, the Capital Reorganisation and the listing of the New Ordinary Shares will become effective immediately after the registration of the court order and the minutes referred to in condition (3) above.

#### **FREE EXCHANGE OF CERTIFICATES**

Subject to the Capital Reorganisation becoming effective, Shareholders may, on or after 25 October 2011 and until 4:30 p.m. on 25 November 2011 (both dates inclusive), submit their existing certificates for the Existing Ordinary Shares in blue color to the Hong Kong branch share registrars of the Company, Tricor Tengis Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong to exchange for certificates for the New Ordinary Shares in brown color at the expense of the Company. Thereafter, certificates for the Existing Ordinary Shares will be accepted for exchange only on payment of a fee of HK\$2.5 (or such higher amount as may from time to time be allowed by the Stock Exchange) by the Shareholders for each certificate issued or cancelled, whichever is higher. Certificates for the Existing Ordinary Shares will continue to be good evidence of legal title but will cease to be valid for dealings, trading and settlement purpose and may be exchanged for certificates for the New Ordinary Shares at any time in accordance with the foregoing.

## **EXPECTED TIMETABLE**

Set out below is the expected timetable for the Capital Reorganisation:

Despatch of the circular and notice of the AGM .....	12 July 2011
Latest time for lodging forms of proxy for the AGM (not less than 48 hours) .....	11:00 a.m. 8 August 2011
Date and time of the AGM .....	11:00 a.m. 10 August 2011
Announcement of results of AGM .....	10 August 2011
Expected date on which the Capital Reorganisation is confirmed by the Courts .....	14 October 2011
Expected date of registration of a copy of the court order confirming the Capital Reorganisation and the minute approved by the Court pursuant to the Companies Law .....	21 October 2011
Expected effective date of the Capital Reorganisation .....	25 October 2011
First day for free exchange of existing certificates for Existing Ordinary Shares for new certificates for New Ordinary Shares .....	25 October 2011
Commencement of dealings in New Ordinary Shares on the Stock Exchange .....	25 October 2011
Last day for free exchange of existing certificates for Existing Ordinary Shares for new certificates for New Ordinary Shares .....	25 November 2011

### *Notes:*

- (1) All times in this timetable refer to Hong Kong time.
- (2) Dates or times specified in this announcement for events in the timetable for (or otherwise in relation to) the Capital Reorganisation are indicative only and may be excluded or varied due to the timetable and availability of the Court, additional time required for compliance with the regulatory requirements in the Cayman Islands and/or with any requirements imposed by the Court or varied by the Company. Any change to the expected timetable for the Capital Reorganisation will be published as and when appropriate.

## **GENERAL**

The Capital Reorganisation is subject to, among other things, the approval of the Shareholders at the AGM. A circular containing, among other things, details of the proposed Capital Reorganisation and the notice of the AGM, will be despatched to the Shareholders on or about 12 July 2011.

## **DEFINITIONS**

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

“AGM”	annual general meeting of the Company to be held to consider and, if thought fit, approve the relevant resolution(s) in respect of, among other matters, the Capital Reorganisation
“Board”	the board of Directors of the Company
“Capital Reduction”	proposed capital reduction pursuant to which the par value of each Existing Ordinary Share and Existing CP Share will be reduced from HK\$0.50 to HK\$0.01
“Capital Reorganisation”	the proposed reorganisation of the capital of the Company by way of (a) the Capital Reduction and (b) the Sub-division of unissued Shares
“CCASS”	the Central Clearing and Settlement System
“Companies Law”	Cayman Islands Companies Law (2011 Revision)
“Company”	Hua Xia Healthcare Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on GEM
“Convertible Note”	the convertible note with an aggregate outstanding principal amount of HK\$6,500,000 conferring rights to convert to a total of 3,421,053 Existing Ordinary Shares on the basis of an initial conversion price of HK\$1.90 per Existing Ordinary Share (subject to adjustment)
“Court”	the Grand Court of the Cayman Islands
“Directors”	the director(s) of the Company

“Existing Ordinary Shares”	existing ordinary shares of HK\$0.50 each in the capital of the Company
“Existing CP Share”	existing convertible preference shares of HK\$0.50 each in the capital of the Company carrying no voting right but conferring rights to convert to the Existing Ordinary Shares
“GEM”	the Growth Enterprise Market of the Stock Exchange
“Group”	the Company and its subsidiaries
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“New Ordinary Shares”	ordinary shares of HK\$0.01 each in the capital of the Company upon the Capital Reorganisation becoming effective
“New CP Shares”	convertible preference shares of HK\$0.01 each in the capital of the Company upon the Capital Reorganisation becoming effective
“Post-IPO Share Options”	options to subscribe for the Existing Ordinary Shares granted under the Post-IPO Share Option Scheme
“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 Existing Ordinary Shares on GEM on 10 May 2002
“Pre-IPO Share Options”	options to subscribe for the Existing Ordinary Shares granted under the Pre-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 Existing Ordinary Shares on GEM on 10 May 2002
“Shareholders”	holders of the issued Shares



“Shares”	the Existing Ordinary Share(s) or, as the case may be, the New Ordinary Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Sub-division of unissued Shares”	the sub-division of each unissued Share in the authorised but unissued capital of the Company into 50 shares of a nominal value of HK\$0.01 each
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.

**Hua Xia Healthcare Holdings Limited**  
**Yung Kwok Leong**  
*Chairman*

Hong Kong, 5 July 2011

*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 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 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 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](http://www.huaxia-healthcare.com).*