

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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)

DISCLOSEABLE AND CONNECTED TRANSACTIONS AND FURTHER DELAY IN DESPATCH OF CIRCULAR

THE DISCLOSEABLE AND CONNECTED TRANSACTIONS

The Board announces that on 15 December 2011, Huihao Sihai has executed the Sihai Undertaking 2 in favour of Fujian Huihao, pursuant to which, Huihao Sihai has conditionally undertaken to Fujian Huihao that subject to the approval of the Independent Shares at the EGM, Huihao Sihai will enter into the Fujian Huihao Mortgage in favour of ABC Bank to secure the obligations, liabilities and indebtedness of Fujian Huihao to be owed to ABC Bank under the Fujian Huihao Loan 2.

To the best knowledge information and belief of the Directors, Fujian Huihao intends to enter into the Fujian Huihao Loan Agreement 2. So far as the Directors are aware of, Fujian Huihao is a company established in the PRC, and owned as to 55% by Mr. Weng Jiale, a nephew of Mr. Yung and as to 45% by an Independent Third Party. Hence, Fujian Huihao is a connected person on the part of the Company.

Given that the counterparty in the Fujian Huihao Guarantee and the Fujian Huihao Mortgage is the one and the same bank, namely ABC Bank and both the Fujian Huihao Guarantee and the Fujian Huihao Mortgage are for the purpose of securing the obligations, liabilities and indebtedness of Fujian Huihao to be owed to ABC Bank under the Fujian Huihao Loans, the transactions to be contemplated under the Fujian Huihao Guarantee and under the Fujian Huihao Mortgage would be aggregated. As the applicable percentage ratios calculated under Rule 19.07 of the GEM Listing Rules in respect of the aggregated secured obligation under the Fujian Huihao Security Documents exceed 5% but are less than 25% and the total liability of the Group will exceed HK\$10,000,000, the Sihai Undertakings, the Fujian Huihao Guarantee and the Fujian Huihao Mortgage and the transactions to be contemplated thereunder would constitute discloseable and connected transactions on the part of the Company and will be subject to the approval of the Independent Shareholders at the EGM by way of poll.

* For identification purpose only

Mr. Yung and his associates, who hold approximately 22.76% of the entire issued share capital of the Company as at the date of this announcement, will abstain from voting for the relevant resolution(s) at the EGM to approve the Fujian Huihao Security Documents and the transactions to be contemplated thereunder due to their interests in the transactions.

FURTHER DELAY IN DESPATCH OF CIRCULAR

As mentioned in the announcement of the Company dated 2 December 2011, the circular in relation to the Sihai Undertaking 1 and the Fujian Huihao Guarantee was planned to be despatched to Shareholders on or before 19 December 2011. Given the transactions to be contemplated under the Sihai Undertaking 1 and the Sihai Undertaking 2 would be aggregated and would constitute discloseable and connected transactions on the part of the Company, additional information will be required to be disclosed in the circular and additional time is required to finalise the contents of the circular. A circular containing, among other things, details of the Sihai Undertakings, the Fujian Huihao Security Documents and transactions to be contemplated thereunder, the letter from the independent financial adviser to the Independent Board Committee and the Independent Shareholders, the recommendation of the Independent Board Committee to the Independent Shareholders on the Sihai Undertakings and the Fujian Huihao Security Documents and a notice of the EGM, will be despatched to the Shareholders on or before 30 December 2011.

References are made to the announcements of the Company dated 17 November 2011 and dated 22 November 2011 respectively in relation to the entering into of a conditional undertaking in favour of Fujian Huihao, pursuant to which, Huihao Sihai has conditionally undertaken to Fujian Huihao that subject to the approval of the Independent Shareholders at the EGM, Huihao Sihai will enter into the Fujian Huihao Guarantee jointly with Mr. Yung and his associates in favour of ABC Bank to secure the obligations, liabilities and indebtedness of Fujian Huihao to be owed to ABC Bank under the Fujian Huihao Loan 1.

THE DISCLOSEABLE AND CONNECTED TRANSACTIONS

The Sihai Undertaking 2

Date: 15 December 2011

Parties: (1) Huihao Sihai; and
(2) Fujian Huihao

To the best knowledge, information and belief of the Directors having made the reasonable enquiry, Fujian Huihao is a company established in the PRC, and owned as to 55% by Mr. Weng Jiale, a nephew of Mr. Yung and as to 45% by an Independent Third Party. Hence, Fujian Huihao is a connected person on the part of the Company.

Pursuant to the Sihai Undertaking 2, Huihao Sihai has conditionally undertaken to Fujian Huihao that subject to the approval of the Independent Shareholders at the EGM, Huihao Sihai will enter into the Fujian Huihao Mortgage in favour of ABC Bank to secure the obligations, liabilities and indebtedness of Fujian Huihao to be owed to ABC Bank under the Fujian Huihao Loan 2.

To the best knowledge, information and belief of the Directors, Fujian Huihao intends to enter into the Fujian Huihao Loan Agreement 2, pursuant to which ABC Bank will agree to grant the Fujian Huihao Loan 2 in the principal sum of RMB8,900,000 to Fujian Huihao for a term of one year for its general business overheads subject to the terms and conditions of the Fujian Huihao Loan Agreement 2.

No fee or interest is payable to Huihao Sihai by Fujian Huihao for the entering into of the Sihai Undertaking 2.

The Fujian Huihao Mortgage

Parties:

- (1) Huihao Sihai as the mortgagor
- (2) ABC Bank as the mortgagee

To the best knowledge, information and belief of the Directors having made the reasonable enquiry, ABC Bank is an Independent Third Party.

Subject matter:

Under the Fujian Huihao Mortgage, Huihao Sihai will agree to pledge a land property legally and beneficially owned by it with ABC Bank to secure the obligations, liabilities and indebtedness of Fujian Huihao under the Fujian Huihao Loan 2.

The land property is a shop premises located at nos.106-108, block 4, Xingye Plaza, No. 71 Yanjiang Zhonglu, Yongan City, Sanming, Fujian Province, PRC# (中國福建省三明永安市燕江中路71號興業廣場4幢106-108號房產) which will be pledged to secure the liabilities of Fujian Huihao under the Fujian Huihao Loan Agreement 2 up to RMB2,140,000.

Term: the Fujian Huihao Mortgage will expire on the maturity date of the Fujian Huihao Loan 2.

Condition precedent: the Fujian Huihao Mortgage is unconditional.

Fee or interest: no fee or interest is or will be payable to Huihao Sihai by Fujian Huihao for the entering into of the Fujian Huihao Mortgage.

Each of the Fujian Huihao Guarantee and the Fujian Huihao Mortgage is not conditional upon each other.

Information on Fujian Huihao

To the best knowledge, information and belief of the Directors, Fujian Huihao is a company established in the PRC, and owned as to 55% by Mr. Weng Jiale, a nephew of Mr. Yung and as to 45% by an Independent Third Party. Hence, Fujian Huihao is a connected person on the part of the Company. As advised by the board of directors of Fujian Huihao, Fujian Huihao is principally engaged in wholesale and trading of pharmaceutical and the related products in Fujian Province, the PRC.

Pursuant to the Fujian Huihao Undertaking Letters, Fujian Huihao unconditionally and irrevocably undertakes to Fuzhou Huihao and Huihao Sihai that it will provide aggregate corporate guarantee up to the limit of RMB30,000,000 in favour of the bank under the Fuzhou Huihao Loan Agreement to secure the obligations, liabilities and indebtedness of Fuzhou Huihao owed to such bank under the Fuzhou Huihao Loan Agreement.

No fee or interest is or will be payable to Fujian Huihao by the Group for Fujian Huihao to provide additional guarantee in respect of the Fuzhou Huihao Loan Agreement or for the entering into the second letter of undertaking by Fujian Huihao.

REASONS FOR ENTERING INTO THE FUJIAN HUIHAO MORTGAGE

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.

To the best knowledge, information and belief of the Directors, Fujian Huihao is a company established in the PRC, and owned as to 55% by Mr. Weng Jiale, a nephew of Mr. Yung and as to 45% by an Independent Third Party. Hence, Fujian Huihao is a connected person on the part of the Company. As advised by the board of directors of Fujian Huihao, Fujian Huihao is principally engaged in distribution and wholesale of pharmaceutical products in Fujian Province, the PRC.

In consideration of Fujian Huihao agrees to provide the aggregate corporate guarantee to secure the Fuzhou Huihao Loan Agreement up to the limit of RMB30,000,000, the Directors (excluding the independent non-executive Directors whose views will be given after taking into account the advice from the independent financial adviser and Mr. Yung had abstained at the Board meetings to approve the Fujian Huihao Security Documents and the transactions to be contemplated thereunder) are of the view that the terms of the Fujian Huihao Security Documents are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

GEM LISTING RULES IMPLICATIONS

Given that the counterparty in the Fujian Huihao Guarantee and the Fujian Huihao Mortgage is the one and the same bank, namely ABC Bank and both the Fujian Huihao Guarantee and the Fujian Huihao Mortgage are for the purpose of securing the obligations, liabilities and indebtedness of Fujian Huihao to be owed to ABC Bank under the Fujian Huihao Loans, the transactions to be contemplated under the Fujian Huihao Guarantee and under the Fujian Huihao Mortgage would be aggregated. As the applicable percentage ratios calculated under Rule 19.07 of the GEM Listing Rules in respect of the aggregated secured obligation under the Fujian Huihao Security Documents exceed 5% but are less than 25% and the total liability of the Group will exceed HK\$10,000,000, the Sihai Undertakings, the Fujian Huihao Guarantee and the Fujian Huihao Mortgage and the transactions to be contemplated thereunder would constitute discloseable and connected transactions on the part of the Company and will be subject to the approval of the Independent Shareholders at the EGM by way of poll.

Mr. Yung and his associates, who hold approximately 22.76% of the entire issued share capital of the Company as at the date of this announcement, will abstain from voting for the relevant resolution(s) at the EGM to approve the Fujian Huihao Security Documents and the transactions to be contemplated thereunder due to their interests in the transactions.

The Independent Board Committee comprising all the independent non-executive Directors has been formed to advise the Independent Shareholders as to the fairness and reasonableness of the provision of finance assistance under the Fujian Huihao Security Documents. An independent financial adviser will be appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

FURTHER DELAY IN DESPATCH OF CIRCULAR

As mentioned in the announcement of the Company dated 2 December 2011, the circular in relation to the Sihai Undertaking 1 and the Fujian Huihao Guarantee was planned to be despatched to Shareholders on or before 19 December 2011. Given the transactions to be contemplated under the Sihai Undertaking 1 and the Sihai Undertaking 2 would be aggregated and would constitute discloseable and connected transactions on the part of the Company, additional information will be required to be disclosed under the circular and additional time is required to finalise the contents of the circular. A circular containing, among other things, details of the Sihai Undertakings, the Fujian Huihao Security Documents and transactions to be contemplated thereunder, the letter from the independent financial adviser to the Independent Board Committee and the Independent Shareholders, the recommendation of the Independent Board Committee to the Independent Shareholders on the Sihai Undertakings and the Fujian Huihao Security Documents and a notice of the EGM, will be despatched to the Shareholders on or before 30 December 2011.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the following meaning:

“ABC Bank”	Agricultural Bank of China Limited. Fuzhou Dongghu Branch, being the lender of the Fujian Huihao Loans
“associates”	the meaning ascribed thereto in the GEM Listing Rules
“Board”	the board of Directors
“Business Day”	a day on which banks in Hong Kong are open for business other than a Saturday or a Sunday
“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

“Directors”	the directors of the Company
“EGM”	an extraordinary general meeting of the Company to be convened for the purpose of considering, and if thought fit, approving the Sihai Undertakings and the Fujian Huihao Security Documents and the transactions to be contemplated thereunder
“Fujian Huihao”	Fujian Huihao Pharmaceutical Co. Ltd# (福建惠好藥業有限公司), a company established in the PRC, and owned as to 55% by Mr. Weng Jiale, a nephew of Mr. Yung and as to 45% by an Independent Third Party
“Fujian Huihao Guarantee”	the unconditional guarantee to be jointly executed by Huihao Sihai, Mr. Yung, Weng Jiale and Weng Qingjie in favour of ABC Bank to secure the obligations, indebtedness and liabilities of Fujian Huihao Loan 1
“Fujian Huihao Loan 1”	the loan in the principal sum of RMB19,000,000 to be advanced by ABC Bank to Fujian Huihao under the Fujian Huihao Loan Agreement 1
“Fujian Huihao Loan 2”	the loan in the principal sum of RMB8,900,000 to be advanced by ABC Bank to Fujian Huihao under the Fujian Huihao Loan Agreement 2
“Fujian Huihao Loan Agreement 1”	a loan agreement to be entered into between ABC Bank and Fujian Huihao pursuant to which ABC Bank will agree to grant to Fujian Huihao the Fujian Huihao Loan 1
“Fujian Huihao Loan Agreement 2”	the loan agreement to be entered into between ABC Bank and Fujian Huihao pursuant to which ABC Bank will agree to grant to Fujian Huihao the Fujian Huihao Loan 2
“Fujian Huihao Loans”	together the Fujian Huihao Loan 1 and the Fujian Huihao Loan 2
“Fujian Huihao Mortgage”	the unconditional mortgage to be executed by Huihao Sihai in favour of ABC Bank, pursuant to which Huihao Sihai shall pledge a land property with ABC Bank to secure the obligations, indebtedness and liabilities of Fujian Huihao under the Fujian Huihao Loan 2

“Fujian Huihao Security Documents”	together, the Fujian Huihao Guarantee and the Fujian Huihao Mortgage
“Fujian Huihao Undertaking Letters”	together, the letter of undertaking dated 18 November 2011 and the letter of undertaking dated 15 December 2011 both executed by Fujian Huihao, pursuant to which Fujian Huihao unconditionally and irrevocably undertakes to Fuzhou Huihao and Huihao Sihai that it will provide aggregate corporate guarantee up to the limit of RMB30,000,000 in favour of the bank under the Fuzhou Huihao Loan Agreement
“Fuzhou Huihao”	Fujian Province Fuzhou City Huihao Pharmaceutical Co. Ltd# (福建省福州市惠好藥業有限公司), a company established in the PRC, an indirect wholly-owned subsidiary of the Company
“Fuzhou Huihao Loan Agreement”	the loan agreement to be entered into between a bank in the PRC and Fuzhou Huihao pursuant to which such bank will agree to grant to Fuzhou Huihao a loan up to RMB50,000,000
“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
“Huihao Sihai”	Fujian Huihao Sihai Pharmaceutical Chain Company Limited# (福建惠好四海醫藥連鎖有限責任公司), a company established in the PRC with limited liability, 99.29% equity interests of which is owned by the Group
“Independent Third Party”	any person or a company, who and its ultimate beneficial owner(s), to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, are third parties independent of the Company and its connected persons

“Independent Board Committee”	an independent board committee, comprising Ms. Wong Ka Wai, Jeanne, Prof. Hu Shanlian and Prof. Lu Chuanzhen. All being the independent non-executive Directors, to advise the Independent Shareholders as to the fairness and reasonableness of the Fujian Huihao Security Documents and the transactions contemplated thereunder
“Independent Shareholders”	shareholders who are not required to abstain from voting on the resolutions to be proposed at the EGM to approve the connected transactions to be constituted by the Fujian Huihao Security Documents
“Mr. Yung”	Mr. Yung Kwok Leong, an executive Director and a substantial Shareholder
“PRC”	the People’s Republic of China, which for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Shareholders”	holders of the shares of HK\$0.01 each in the capital of the Company
“Sihai Undertaking 1”	a conditional undertaking dated 22 November 2011 executed by Huihao Sihai in favour of Fujian Huihao, in relation to the entering into the Fujian Huihao Guarantee in favour of ABC Bank to secure the obligations, liabilities and indebtedness of Fujian Huihao to be owed to ABC Bank under the Fujian Huihao Loan 1
“Sihai Undertaking 2”	a conditional undertaking dated 15 December 2011 executed by Huihao Sihai in favour of Fujian Huihao, in relation to the entering into the Fujian Huihao Mortgage in favour of ABC Bank to secure the obligations, liabilities and indebtedness of Fujian Huihao to be owed to ABC Bank under the Fujian Huihao Loan 2
“Sihai Undertakings”	together the Sihai Undertaking 1 and the Sihai Undertaking 2
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“HK\$”	Hong Kong dollars, the lawful currency for the time being of Hong Kong
“RMB”	Renminbi, the lawful currency for the time being of the PRC
“%”	per cent.

The English transliteration of the Chinese names in this announcement, where indicated, is included for information only, and should not be regarded as the official English names of such Chinese names.

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

Hong Kong, 15 December 2011

As at the date of this announcement, the executive Directors 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 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.