

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 TRANSACTIONS

The Board announces that on 7 March 2012, Huihao Sihai, executed the Mortgages in favour of the Bank to secure the obligations, liabilities and indebtedness of Sanming Medicine owed to the Bank under the Loans.

To the best knowledge, information and belief of the Directors on 7 March 2012, Sanming Medicine, an Independent Third Party, entered into the Loan Agreements pursuant to which the Bank has agreed to grant the Loans in the aggregate principal sum of RMB6,500,000 to Sanming Medicine for its general business overheads for a term of 12 months commencing from the drawdown date of each of the Loans.

The entering into of the Mortgages by Huihao Sihai in favour of the Bank would be regarded provisions of financial assistance under the GEM Listing Rule 19.04(1)(e). The transactions contemplated thereunder the Mortgages therefore constitute discloseable transactions for the Company under Chapter 19 of the GEM Listing Rules as the applicable percentage ratios calculated under Rule 19.07 of the GEM Listing Rules exceed 5% but are less than 25%.

INTRODUCTION

On 8 March 2012, the Board was informed by the management staff in the PRC that on 7 March 2012, Huihao Sihai, executed the Mortgages in favour of the Bank to secure the obligations, liabilities and indebtedness of Sanming Medicine owed to the Bank under the Loans.

* For identification purpose only

To the best knowledge, information and belief of the Directors, on 7 March 2012, Sanming Medicine, an Independent Third Party, entered into the Loan Agreements pursuant to which the Bank has agreed to grant the Loans in the aggregate principal sum of RMB6,500,000 to Sanming Medicine for its general business overheads for a term of 12 months commencing from the drawdown date of each of the Loans. Pursuant to the Loan Agreements, Huihao Sihai has executed the Mortgages in favour of the Bank to secure the obligations, liabilities and indebtedness of Sanming Medicine owed to the Bank under the Loans.

(1) The First Mortgage

Date: 7 March 2012

Parties: (1) Huihao Sihai as the mortgagor; and
(2) the Bank as the mortgagee

Subject matter:

Under the First Mortgage, Huihao Sihai has agreed to pledge the First Property with the Bank to secure the obligations, liabilities and indebtedness of Sanming Medicine under the First Loan up to RMB1,000,000 together with interest accrued thereon the First Loan.

The First Property is a shop premises of gross area of approximately 94.43 square metres. The First Property is located at Ground Floor, No. 4, Block 79, Gaoyan Xincun, Meilei District, Sanming City, Fujian Province, the PRC (中國福建省三明市梅列區高岩新村70幢一層4號#). As at the date of this announcement, the First Property is occupied by Huihao Sihai as pharmaceutical retail shop. According to the valuation of the Bank, the First Property has a market value of approximately RMB1,904,300.

Term: 12 months commencing from the date on which the First Loan to be drawn.

Condition Precedent: The First Mortgage is unconditional.

Fee or interest: No fee or interest is or will be payable to Huihao Sihai by Sanming Medicine for the execution of the First Mortgage.

As at the date of this announcement, the First Loan has not yet been drawn down.

(2) The Second Mortgage

Date: 7 March 2012

Parties: (1) Huihao Sihai as the mortgagor; and
(2) the Bank as the mortgagee

Subject matter:

Under the Second Mortgage, Huihao Sihai has agreed to pledge the Second Property with the Bank to secure the obligations, liabilities and indebtedness of Sanming Medicine under the Second Loan up to RMB1,500,000 together with interest accrued thereon the Second Loan.

The Second Property is a shop premises of gross area of approximately 747.83 square metres. The Second Property is located at Ground Floor, No. 1, Hangye Building, Shaowu Wusi Road, Nanping City, Fujian Province, the PRC (中國福建省南平市邵武五四路恒業大廈1層1號#). As at the date of this announcement, the Second Property is leased out by Huihao Sihai. According to the valuation of the Bank, the Second Property has a market value of approximately RMB8,497,600.

Term: 12 months commencing from the date on which the Second Loan to be drawn.

Condition Precedent: The Second Mortgage is unconditional.

Fee or interest: No fee or interest is or will be payable to Huihao Sihai by Sanming Medicine for the execution of the Second Mortgage.

As at the date of this announcement, the Second Loan has not yet been drawn down.

(3) The Third Mortgage

Date: 7 March 2012

Parties: (1) Huihao Sihai as the mortgagor; and
(2) the Bank as the mortgagee

Subject matter:

Under the Third Mortgage, Huihao Sihai has agreed to pledge the Third Property with the Bank to secure the obligations, liabilities and indebtedness of Sanming Medicine under the Third Loan up to RMB4,000,000 together with interest accrued thereon the Third Loan.

The Third Property is a shop premises of gross area of approximately 246.75 square metres. The Third Property is located at Ground Floor, Block 40, Jiangbing Xincun, Meilei District, Sanming City, Fujian Province, the PRC (中國福建省三明市梅列區江濱新村40幢一層#). As at the date of this announcement, the Third Property is occupied by Huihao Sihai as pharmaceutical retail shop. According to the valuation of the Bank, the Third Property has a market value of approximately RMB8,894,800.

Term: 12 months commencing from the date on which the Third Loan to be drawn down.

Condition Precedent: The Third Mortgage is unconditional.

Fee or interest: No fee or interest is or will be payable to Huihao Sihai by Sanming Medicine for the execution of the Third Mortgage.

As at the date of this announcement, the Third Loan has not yet been drawn down.

Information on Sanming Medicine

Sanming Medicine is a company established in the PRC with limited liability. To the best knowledge, information and belief of the Director, Sanming Medicine is an Independent Third Party.

From September 2011 to December 2011, Fuzhou Huihao entered into the Fuzhou Huihao Loan Agreements with another bank in the PRC in relation to the grant of loans up to RMB27,400,000 for various terms from 6 months to 12 months. Pursuant to the Fuzhou Huihao Loan Agreements, Sanming Medicine, being one of the guarantors, has executed a guarantee in favour of such bank to secure the obligations, liabilities and indebtedness of Fuzhou Huihao owed to such bank under the Fuzhou Huihao Loan Agreements up to the limit of RMB30,000,000. Fuzhou Huihao has drawn the loan up to RMB27,400,000 as at the date of this announcement.

On 1 April 2011, Huihao Sihai entered into the Huihao Sihai Loan Agreement with the Bank in relation to the grant of a loan of RMB5,500,000 for a term from 12 months. Pursuant to the Huihao Sihai Loan Agreement, Sanming Medicine, being the guarantor, has executed a guarantee in favour of the Bank to secure the obligations, liabilities and indebtedness of Huihao Sihai owed to the Bank under the Huihao Sihai Loan Agreement up to the limit of RMB18,500,000. Huihao Sihai has drawn the loan up to RMB5,500,000 as at the date of this announcement.

REASONS FOR THE PROVISION OF FINANCIAL ASSISTANCE

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.

As disclosed in the circular of the Company dated 29 December 2011, in contemplating the launch of new government tenders for the provision of pharmaceutical products in the coming few years, Fuzhou Huihao and Huihao Sihai expect that the demand of pharmaceutical products in Fujian Province, the PRC will increase significantly. If the Group can win the tenders, the estimated annual turnover generated from the selling of pharmaceutical products may increase by RMB300,000,000. The Board therefore anticipates that additional amount of working capital of approximately RMB100,000,000 is required to be injected into the pharmaceutical business of the Group in order to capture new business opportunities arising from the new government tenders.

In view of recent credit financing condition in the PRC, it is difficult to obtain loans and bank facilities from the PRC banks, unless the borrowers can provide a third party corporate guarantee or security. With the assistance of Sanming Medicine, the Group managed to obtain the loans under the Fuzhou Huihao Loan Agreements and the Huihao Sihai Loan Agreement.

The Company has conducted a financial due diligence review on Sanming Medicine and the Board is satisfied with the due diligence results and considers the financial position of Sanming Medicine is sound. According to the audited financial statement of Sanming Medicine for the two years ended 31 December 2010 and 31 December 2011, its profits before tax were approximately RMB94.3 million and RMB94.4 million respectively and its net asset value as at 31 December 2011 exceeded RMB300 million.

The Directors consider that it is mutual benefit for the Group and Sanming Medicine to provide cross guarantee to each other. In consideration of the provision of corporate guarantee by Sanming Medicine to secure the loans under the Fuzhou Huihao Loan Agreements and the Huihao Sihai Loan Agreement, the Board is of the view that the terms of the provision of financial assistance under the Mortgages are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

GEM LISTING RULES IMPLICATIONS

The entering into of the Mortgages by Huihao Sihai in favour of the Bank would be regarded provisions of financial assistance under the GEM Listing Rule 19.04(1)(e). The transactions contemplated thereunder the Mortgages therefore constitute discloseable transactions for the Company under Chapter 19 of the GEM Listing Rules as the applicable percentage ratios calculated under Rule 19.07 of the GEM Listing Rules exceed 5% but are less than 25%.

DEFINITIONS

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

“Bank”	China Construction Bank Co., Ltd. Sanming Branch, being the lender of the Loans
“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
“First Loan”	the loan in the principal sum of RMB1,000,000 to be advanced by the Bank to Sanming Medicine under the First Loan Agreement

“First Loan Agreement”	the loan agreement dated 7 March 2012 and entered into between the Bank and Sanming Medicine pursuant to which the Bank has agreed to grant to Sanming Medicine the First Loan
“First Mortgage”	the unconditional mortgage dated 7 March 2012 and executed by Huihao Sihai in favour of the Bank, pursuant to which Huihao Sihai pledged the First Property with the Bank to secure the obligations, indebtedness and liabilities of Sanming Medicine under the First Loan
“First Property”	a shop premises located at Ground Floor, No. 4, Block 79, Gaoyan Xincun, Meilei District, Sanming City, Fujian Province, the PRC (中國福建省三明市梅列區高岩新村70幢一層4號#) which is legally and beneficially owned by Huihao Sihai
“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, a wholly-owned subsidiary of Huihao Hong Kong
“Fuzhou Huihao Loan Agreements”	four loan agreements entered into between a bank in the PRC and Fuzhou Huihao from September 2011 to December 2011 pursuant to which such bank has agreed to grant to Fuzhou Huihao loans up to RMB27,400,000
“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 PRC
“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

“Huihao Sihai Loan Agreement”	the loan agreement dated 1 April 2011 and entered into between the Bank in the PRC and Huihao Sihai pursuant to which such bank has agreed to grant to Huihao Sihai a loan up to RMB5,500,000
“Independent Third Party”	a company established in the PRC, 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
“Loans”	together, the First Loan, the Second Loan and the Third Loan
“Loan Agreements”	together, the First Loan Agreement, the Second Loan Agreement and the Third Loan Agreement
“Mortgages”	together, the First Mortgage, the Second Mortgage and the Third Mortgage
“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
“Sanming Medicine”	Sanming Medicine Shares Company Limited (三明醫藥股份有限公司#), a company established in PRC with limited liability
“Second Loan”	the loan in the principal sum of RMB1,500,000 to be advanced by the Bank to Sanming Medicine under the Second Loan Agreement
“Second Loan Agreement”	the loan agreement dated 7 March 2012 and entered into between the Bank and Sanming Medicine pursuant to which the Bank has agreed to grant to Sanming Medicine the Second Loan

“Second Mortgage”	the unconditional mortgage dated 7 March 2012 and executed by Huihao Sihai in favour of the Bank, pursuant to which Huihao Sihai pledged the Second Property with the Bank to secure the obligations, indebtedness and liabilities of Sanming Medicine under the Second Loan
“Second Property”	a shop premises located at Ground Floor, No. 1, Hangye Building, Shaowu Wusi Road, Nanping City, Fujian Province, the PRC (中國福建省南平市邵武五四路恒業大廈1層1號#) which is legally and beneficially owned by Huihao Sihai
“Shareholders”	holders of the shares of HK\$0.01 each in the capital of the Company
“Third Loan”	the loan in the principal sum of RMB4,000,000 to be advanced by the Bank to Sanming Medicine under the Third Loan Agreement
“Third Loan Agreement”	the loan agreement dated 7 March 2012 and entered into between the Bank and Sanming Medicine pursuant to which the Bank has agreed to grant to Sanming Medicine the Third Loan
“Third Mortgage”	the unconditional mortgage dated 7 March 2012 and executed by Huihao Sihai in favour of the Bank, pursuant to which Huihao Sihai pledged the Third Property with the Bank to secure the obligations, indebtedness and liabilities of Sanming Medicine under the Third Loan
“Third Property”	a shop premises located at Ground Floor, Block 40, Jiangbing Xincun, Meilei District, Sanming City, Fujian Province, the PRC (中國福建省三明市梅列區江濱新村40幢一層#) which is legally and beneficially owned by Huihao Sihai
“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, 9 March 2012

As at the date of this announcement, the executive directors of the Company are Mr. Yung Kwok Leong, Dr. Jiang Tao, Mr. Weng Jiaxing, 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.