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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)**

**DEEMED DISPOSAL OF INTERESTS IN A SUBSIDIARY  
IN RELATION TO THE PROPOSED SPIN-OFF AND  
SEPARATE LISTING OF  
THE PHARMACEUTICAL WHOLESALE AND DISTRIBUTION  
BUSINESS AND PHARMACEUTICAL RETAIL CHAIN BUSINESS  
ON THE MAIN BOARD OF  
THE STOCK EXCHANGE OF HONG KONG LIMITED**

**Financial adviser to the Company**



**INCU Corporate Finance Limited**

This announcement is made pursuant to Rule 17.10 and Practice Note 3 to the GEM Listing Rules.

As set out in the announcement of the Company dated 16 July 2012, the Company submitted a spin-off proposal to the Stock Exchange pursuant to Practice Note 3 to the GEM Listing Rules in relation to the Proposed Spin-off. The Stock Exchange has confirmed that the Company may proceed with the Proposed Spin-off on 17 September 2012.

\* For identification purpose only

On 18 September 2012, Wanjia submitted a listing application form (Form A1) to the Stock Exchange for an application for the listing of, and permission to deal in, the Wanjia Shares in issue and to be issued under the listing by way of introduction (including the Wanjia Shares to be issued upon the exercise of the options that may be granted under the Wanjia Share Option Scheme) on the Main Board. The Proposed Spin-off is subject to among others, the Remaining Group fulfilling the requirements under Practice Note 3 to the GEM Listing Rules and other relevant provisions of the GEM Listing Rules and the Spun-off Group fulfilling the requirements under the Main Board Listing Rules.

A corporate reorganisation will be carried out pursuant to which Wanjia will become the holding company of the Spun-off Group, which are principally engaged in the pharmaceutical wholesale and distribution business and pharmaceutical retail chain business in the PRC.

The Proposed Spin-off, should it materialise, will result in a reduction of the Company's percentage holding in the issued share capital of Wanjia although it is intended that Wanjia will remain as a non-wholly owned subsidiary of the Company. Such reduction of the Company's shareholding interest in Wanjia will constitute a deemed disposal for the Company under Rule 19.29 of the GEM Listing Rules. Upon completion of the Proposed Spin-off and the Distribution, Wanjia will become a non-wholly owned subsidiary of the Company, in which the Company is expected to be interested in 60% equity interest in Wanjia (subject to finalisation of the structure of the Proposed Spin-off). Should the deemed disposal constitute a major transaction or above for the Company, Shareholders' approval will be required. In addition, the Wanjia Share Option Scheme will also require the approval of the Shareholders under Chapter 23 of the GEM Listing Rules. Further announcement(s) will be made by the Company upon finalisation of the structure of the Proposed Spin-off and the Distribution.

**Shareholders and potential investors should note that the Proposed Spin-off is subject to, among others, the approvals from the Shareholders and the Stock Exchange, and may or may not proceed. Accordingly, Shareholders and potential investors are reminded to exercise caution when dealing in the securities of the Company.**

## INTRODUCTION

This announcement is made pursuant to Rule 17.10 and Practice Note 3 to the GEM Listing Rules.

As set out in the announcement of the Company dated 16 July 2012, the Company submitted a spin-off proposal to the Stock Exchange pursuant to Practice Note 3 to the GEM Listing Rules in relation to the Proposed Spin-off and separate listing of the pharmaceutical wholesale and distribution business and pharmaceutical retail chain business of the Group by way of introduction and the Company was considering a proposal to declare and distribute the Shareholders a special dividend in connection with the Proposed Spin-off.

The Board is pleased to announce that the Stock Exchange has confirmed that the Company may proceed with the Proposed Spin-off.

On 18 September 2012, Wanjia submitted a listing application form (Form A1) to the Stock Exchange for an application for the listing of, and permission to deal in, the Wanjia Shares in issue and to be issued under the listing by way of introduction (including the Wanjia Shares to be issued upon the exercise of the options that may be granted under the Wanjia Share Option Scheme) on the Main Board. The Proposed Spin-off is subject to among others, the Remaining Group fulfilling the requirements under Practice Note 3 to the GEM Listing Rules and other relevant provisions of the GEM Listing Rules and the Spun-off Group fulfilling the requirements under the Main Board Listing Rules.

It is currently proposed that the Proposed Spin-off will be conducted by way of introduction whereby 40% of the Wanjia Shares (subject to finalisation of the structure of Proposed Spin-off) will be distributed to the then existing Shareholders by way of distribution in specie. In accordance with the requirements of Practice Note 3 to the GEM Listing Rules, the Board proposes to give due regard to the interests of Shareholders by providing qualifying Shareholders with an assured entitlement to Wanjia Shares by way of a distribution in specie of 40% (subject to finalisation of the structure of Proposed Spin-off) of the entire issued share capital of Wanjia immediately before the completion of the Proposed Spin-off if the Proposed Spin-off proceeds. Details of such assured entitlement have not yet been finalised. The Company will make further announcement(s) in this regard as and when appropriate.

Details in respect of the Proposed Spin-off, including the size and structure of the introduction and the expected timetable, have not yet been finalised.

## **INFORMATION ON THE WANJIA GROUP**

Wanjia was incorporated as an exempted company in the Cayman Islands on 9 July 2012 and is as at the date of this announcement wholly-owned by the Company. A corporate reorganisation will be carried out pursuant to which Wanjia will become the holding company of the Spun-off Group, which are principally engaged in the pharmaceutical wholesale and distribution business and pharmaceutical retail chain business in the PRC.

The Group (including the Spun-off Group) is principally engaged in the (i) provision of general hospital services in the PRC and (ii) pharmaceutical wholesale and distribution business and pharmaceutical retail chain business in the PRC. The Wanjia Group, which is the subject of the Proposed Spin-off, is principally engaged in the Spun-off Business.

## **REASONS FOR AND BENEFITS OF THE PROPOSED SPIN-OFF**

The Board believes that the separate listing of Wanjia will be beneficial to both the Company and the Wanjia based on the following reasons:

- (a) at present, the Remaining Business is mainly conducted and confined in Chongqing City and Zhejiang Province, the PRC, while majority of the Spun-off Business is conducted in Fujian Province, the PRC, and the expected synergy effect in the business operation between the two groups in terms of minimisation of logistics costs and revenue growth, etc. are not prominently demonstrated. On the other hand, there is a clear delineation between the Spun-off Business and the Remaining Business in terms of their respective operation, management, client base, as well as geographical market. Further, the Spun-off Group and the Remaining Group are believed to have different growth paths and different business strategies and the Proposed Spin-off will allow separate platforms for the development of the businesses of the two groups;
- (b) the Proposed Spin-off could unlock the value of the Company's investment in the Spun-off Group (the unaudited adjusted net asset value of the Spun-off Group was approximately HK\$969.1 million as at 31 March 2012 based on the audited net asset value of the Spun-off Group of approximately HK\$89.8 million as at 31 March 2012 plus current account with the Company of approximately HK\$881.0 million, amounts due to fellow subsidiaries of approximately HK\$1.7 million and less the amounts due from a fellow subsidiary of approximately HK\$3.4 million as at 31 March 2012) while the market capitalisation of the Company was approximately HK\$223 million as at the date of this announcement), and the Proposed Spin-off would unlock the Spun-off Group from the GEM listing umbrella of the Company so that investors would be able to appraise and assess the performance and potential of the Spun-off Group separately and distinct from that of the Remaining Group;
- (c) the Proposed Spin-off will enable future funds raised by the Company to be focused on the development of the Remaining Business;
- (d) the Proposed Spin-off will streamline the operation of both the Remaining Group and the Spun-off Group and increase the transparency of business performance and the financial status of both the Remaining Group and the Spun-off Group, which, in turn, will strengthen support from business partners, banks and financial institutions and enable investors to better assess the respective performance and potential of the Remaining Group and the Spun-off Group;

- (e) the separation of the two distinct businesses will allow each of the Remaining Group and the Spun-off Group to attract focused strategic investors who can produce synergy for each of such businesses to invest in or form strategic partnerships with each of such businesses;
- (f) the Spun-off Group will have greater flexibility to grow and expand its business free of actual or perceived constraints as a non-listed subsidiary, as well as an increased ability to make acquisitions, where appropriate, by using its shares as an acquisition currency; and
- (g) it allows the Spun-off Group to position itself as an independent listed group with direct access to the debt and equity capital markets to finance its future growth and development without relying on the Remaining Group's financial support.

Given that the Group is currently engaged in two distinctive businesses, namely the Remaining Business (i.e. the provision of general hospital services in the PRC by the Remaining Group) and the Spun-off Business (i.e. the provision of pharmaceutical wholesale and distribution and pharmaceutical retail chain business in the PRC), the Directors believe that the Proposed Spin-off would better reflect the value of its provision of the pharmaceutical business for the reasons as stated above, and that the listing by way of introduction would give a clearer corporate identity to the Spun-off Group and would enhance the image of the Spun-off Group for its future growth, while the Remaining Group can focus on the operation of the hospital business with its resources, and therefore the Directors believe that the Proposed Spin-off will be beneficial to both the Group and the Spun-off Group and their respective existing and future shareholders.

## **CONDITIONS PRECEDENT FOR THE PROPOSED SPIN-OFF**

The Proposed Spin-off will be conditional on, among others, the following:

- (i) the Listing Committee of the Stock Exchange granting approval for the Proposed Spin-off and the listing of, and permission to deal in, the Wanjia Shares in issue and to be issued by way of introduction (including Wanjia Shares to be issued upon the exercise of the options that may be granted under the Wanjia Share Option Scheme); and
- (ii) the Shareholders passing ordinary resolution(s) at an extraordinary general meeting of the Company approving the implementation of the Proposed Spin-off and the matters contemplated thereunder.

## **DEEMED DISPOSAL OF INTEREST IN A SUBSIDIARY AND SHAREHOLDERS' APPROVAL**

The Proposed Spin-off, should it materialise, will result in a reduction of the Company's percentage holding in the issued share capital of Wanjia although it is intended that Wanjia will remain as a non-wholly owned subsidiary of the Company. Such reduction of the Company's shareholding interest in Wanjia will constitute a deemed disposal for the Company under Rule 19.29 of the GEM Listing Rules. Upon completion of the Proposed Spin-off and the Distribution and subject to finalization of the structure of the Proposed Spin-off, (i) the Company will be the controlling shareholder of Wanjia holding 60% equity interests in Wanjia and accordingly, Wanjia will become a non-wholly owned subsidiary of the Company; and (ii) Mr. Yung, an executive Director will become a substantial shareholder of Wanjia, immediately following the listing of Wanjia Shares. Should the deemed disposal constitute a major transaction or above for the Company, Shareholders' approval will be required. In addition, the Wanjia Share Option Scheme will also require the approval of the Shareholders under Chapter 23 of the GEM Listing Rules.

Further announcement(s) will be made by the Company upon finalisation of the structure of the Proposed Spin-off and the Distribution.

## **GENERAL**

The Proposed Spin-off and the Distribution are dependent upon, among others, market conditions during the period leading up to the proposed listing of Wanjia and there is also no assurance that the approval for the listing of, and permission to deal in, the Wanjia Shares in issue and to be issued under the listing by way of introduction (including the Wanjia Shares to be issued upon the exercise of the options that may be granted under the Wanjia Share Option Scheme) on the Main Board will be granted.

**Shareholders and potential investors should note that the Proposed Spin-off is subject to, among others, the approvals from the Shareholders and the Stock Exchange, and may or may not proceed. Accordingly, Shareholders and potential investors are reminded to exercise caution when dealing in the securities of the Company.**

## **DEFINITIONS**

“Board”	board of Directors
“Company”	Hua Xia Healthcare Holdings Limited, a company incorporated in the Cayman Islands, the issued shares of which are listed on GEM

“Distribution”	the payment of a special dividend by the Company to be satisfied by way of distribution in specie of Wanjia Shares to the Shareholders whose names appear on the register of members of the Company at the close of business on a record date and the listing of the entire issued share capital of the Wanjia on the Main Board by way of introduction
“Director(s)”	the director(s) of the Company
“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
“Main Board”	the stock market (excluding the option markets) operated by the Stock Exchange which is independent from and operated in parallel with the Growth Enterprise Market of the Stock Exchange
“Main Board Listing Rules”	the Rules Governing the Listing of Securities on Main Board
“Mr. Yung”	Mr. Yung Kwok Leong, an executive Director and the single largest substantial shareholder of the Company
“PRC”	the People’s Republic of China and, for the purpose of this announcement and for geographical reference only, does not include Hong Kong, the Macau Special Administrative Region and Taiwan
“Proposed Spin-off”	the proposed spin-off of the Spun-off Business from the Group by way of a separate listing of Wanjia Shares on the Main Board
“Remaining Business”	the provision of general hospital services in the PRC by the Remaining Group
“Remaining Group”	the Group other than the Spun-off Group

“Shareholder(s)”	the holder(s) of the issued Share(s)
“Share(s)”	ordinary shares of HK\$0.01 each in the share capital of the Company
“Spun-off Business”	the provision of pharmaceutical wholesale and distribution business and pharmaceutical retail chain business in the PRC
“Spun-off Group”	Timely Hero and its subsidiaries, which are principally engaged in the Spun-off Business
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Timely Hero”	Timely Hero Enterprises Limited, a direct wholly-owned subsidiary of the Company
“Wanjia”	Wanjia Group Holdings Limited (萬嘉集團控股有限公司), an exempted company incorporated in the Cayman Islands on 9 July 2012, and an indirect wholly owned subsidiary of the Company
“Wanjia Group”	Wanjia and its subsidiaries (mainly consists of the Spun-off Group) after completion of corporate reorganisation
“Wanjia Shares”	ordinary shares of HK\$0.01 each in the share capital of Wanjia
“Wanjia Share Option Scheme”	the share option scheme proposed to be adopted by Wanjia which will take effect subject to, among others things, the commencement of dealings in the Wanjia Shares on the Main Board

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

Hong Kong, 18 September 2012



*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 at [www.hkgem.com](http://www.hkgem.com) on the “Latest Company Announcements” page for at least 7 days from the date of its posting and on the website of the Company at [www.huaxia-healthcare.com](http://www.huaxia-healthcare.com).*