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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)

**(I) CONNECTED TRANSACTION IN RELATION TO
THE PROPOSED ALTERATION;
(II) CONVERSION OF CPS-II INVOLVING
AN APPLICATION FOR A WHITEWASH WAIVER; AND
(III) RESUMPTION OF TRADING**

Financial adviser to the Company



INCU Corporate Finance Limited

The Board announces that on 9 January 2015 (after trading hours of the Stock Exchange), the Company entered into the Deed of Amendments with Mr. Yung and New Hope International, being the CPS-II Holders, in relation to (i) the Proposed Alteration; and (ii) the Conversion.

(I) CONNECTED TRANSACTION IN RELATION TO THE PROPOSED ALTERATION

The Proposed Alteration is subject to:

- (a) the passing by the Independent Shareholders at the EGM to be convened and held of the necessary resolution(s) to approve the Deed of Amendments and the transactions contemplated thereunder;
- (b) the obtaining of all necessary consents and approvals required on the part of the Company and on the part of the CPS-II Holders in respect of the Deed of Amendments and the transactions contemplated thereunder; and

* For identification purpose only

- (c) the obtaining of all the approval from the Stock Exchange on the Proposed Alteration in accordance with the GEM Listing Rules.

As Mr. Yung, being one of the CPS-II Holders, is the executive Director, chairman of the Board and the chief executive officer of the Company, and is therefore a connected person of the Company, the entering into of the Deed of Amendments for the Proposed Alteration constitutes a connected transaction of the Company under Chapter 20 of the GEM Listing Rules.

(II) CONVERSION OF CPS-II INVOLVING AN APPLICATION FOR A WHITEWASH WAIVER

Pursuant to the Deed of Amendments, each of Mr. Yung and New Hope International has conditionally exercised the conversion rights attached to all the CPS-II held by them, subject to the fulfilment of the following conditions:

- (a) the Proposed Alteration has been unconditional;
- (b) the Executive or his delegate granting the Whitewash Waiver to the Concert Party Group and the satisfaction of all conditions (if any) attached to the Whitewash Waiver granted;
- (c) the passing by the Independent Shareholders at the EGM to be convened and held of the necessary resolution(s) to approve the Whitewash Waiver; and
- (d) all necessary consents and approvals required to be obtained on the part of the Company in respect of the Conversion having been obtained and remaining in full force and effect.

Assuming that the Proposed Alteration having become effective and the Conversion become unconditional, and no further Shares will be issued or repurchased from the date of this announcement until the allotment and issue of the Conversion Shares, the Conversion would result in the increase of the Concert Party Group's percentage shareholding in Shares from approximately 22.25% to approximately 45.85%. Accordingly, Mr. Yung and New Hope International will be obliged to make a mandatory general offer for all the issued Shares not already owned or agreed to be acquired by them under Rule 26.1 of the Takeovers Code, unless the Whitewash Waiver is granted by the Executive. An application to the Executive for the Whitewash Waiver in respect of the Conversion and the issue of the Conversion Shares will be made on behalf of the CPS-II Holders and parties acting in concert with any of them. The Whitewash Waiver, if granted by the Executive, would be subject to, among other things, the approval by the Independent Shareholders by way of poll at the EGM.

(III) GENERAL

The EGM will be convened and held for the purpose of considering and, if thought fit, approving the Deed of Amendments, the Proposed Alteration and the Whitewash Waiver contemplated under the Conversion and the respective transactions contemplated thereunder.

The Proposed Alteration and the Whitewash Waiver contemplated under the Conversion are subject to the approval of the Independent Shareholders by passing the necessary resolution(s) by way of poll at the EGM. **The Concert Party Group and their respective associates, holding in aggregate 257,507,375 Shares, representing approximately 22.25% of the entire issued ordinary share capital of the Company as at the date of this announcement, shall abstain from voting at the EGM in respect of the resolutions approving the Deed of Amendments, the Proposed Alteration, the Whitewash Waiver and the transactions contemplated respectively thereunder.**

The Connected Transaction Independent Board Committee comprising all independent non-executive Directors, namely Ms. Wong Ka Wai, Jeanne, Prof. Hu Shanlian and Prof. Lu Chuanzhen, will be established pursuant to the GEM Listing Rules to advise the Independent Shareholders in respect of the proposed resolutions(s) to approve the Deed of Amendments, the Proposed Alteration and the transactions contemplated thereunder. The Whitewash Waiver Independent Board Committee, comprising the non-executive Director, namely Dr. Wong Yu Man, James, and all independent non-executive Directors, namely Ms. Wong Ka Wai, Jeanne, Prof. Hu Shanlian and Prof. Lu Chuanzhen, will be established in accordance with Rule 2.8 of the Takeovers Code to advise the Independent Shareholders in respect of the proposed resolution(s) to approve the Whitewash Waiver contemplated under the Conversion.

The Independent Financial Adviser will be appointed by the Company with the approval of the Connected Transaction Independent Board Committee and the Whitewash Waiver Independent Board Committee respectively to advise the Connected Transaction Independent Board Committee, the Whitewash Waiver Independent Board Committee and the Independent Shareholders as to whether the Deed of Amendments, the Proposed Alteration and the Whitewash Waiver contemplated under the Conversion are fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole respectively, and to make recommendation to the Independent Shareholders on how to vote at the EGM. Further announcement will be made immediately following the appointment of the Independent Financial Adviser.

A circular containing, among other things, further details of (i) the Deed of Amendments; (ii) the Proposed Alteration; (iii) the Conversion; (iv) the Whitewash Waiver; (v) the recommendation of the Connected Transaction Independent Board Committee to the Independent Shareholders; (vi) the recommendation of the Whitewash Waiver Independent Board Committee to the Independent Shareholders; (vii) a letter of advice from the Independent Financial Adviser to (a) the Connected Transaction Independent Board Committee and the Independent Shareholders in respect of the Proposed Alteration; and (b) the Whitewash Waiver Independent Board Committee and the Independent Shareholders in respect of the Whitewash Waiver; and (viii) the notice of EGM will be despatched to the Shareholders. Pursuant to Rule 8.2 of the Takeovers Code, the Company is required to send to the Shareholders the circular in relation to the Whitewash Waiver within 21 days after the date of this announcement, which is on or before 5 February 2015.

Shareholders and the potential investors should note that the Proposed Alteration and the Whitewash Waiver contemplated under the Conversion are conditional upon satisfaction of the respective conditions precedent as set out in this announcement and therefore, the Proposed Alteration and the Conversion may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealings in the Shares, and if they are in any doubt about their position, they should consult their professional advisers.

(IV) RESUMPTION OF TRADING

At the request of the Company, trading in the Shares on the Stock Exchange has been halted with effect from 9:00 a.m. on Monday, 12 January 2015 pending the release of this announcement. Application has been made to the Stock Exchange for the resumption of trading of the Shares on the Stock Exchange with effect from 9:00 a.m. on Friday, 16 January 2015.

(I) BACKGROUND

Reference is made to the circular of the Company dated 19 August 2013 in relation to, among other things, the subscription for 504,201,680 CPS-II by Mr. Yung at the issue price of HK\$0.238 per CPS-II and the CPS-II Terms, which contains, amongst other things, the 30% Threshold Restriction.

On 24 April 2014, Mr. Yung entered into the Disposal Agreement with New Hope International, pursuant to which Mr. Yung disposed of 343,217,539 CPS-II to New Hope International. As at the date of this announcement, the Company has 504,201,680 CPS-II, of which 160,984,141 CPS-II, representing approximately 31.93% of the issued share capital of CPS-II, are held by Mr. Yung; and 343,217,539 CPS-II, representing approximately 68.07% of the issued share capital of CPS-II, are held by New Hope International. If all the CPS-II Holders have exercised the conversion rights attached to the CPS-II in full, it would have represented more than 30% of the entire issued ordinary share capital of the Company as enlarged by the Conversion Shares. However, the full conversion of CPS-II by the CPS-II Holders is prohibited by the 30% Threshold Restriction. The CPS-II Holders therefore sought the Company's consent to amend the CPS-II Terms, in particular, to remove the 30% Threshold Restriction.

On 9 January 2015 (after trading hours of the Stock Exchange), the Company, Mr. Yung and New Hope International entered into the Deed of Amendments for the Proposed Alteration, details of which are set out below.

(II) CONNECTED TRANSACTION IN RELATION TO THE PROPOSED ALTERATION

Deed of Amendments

Date:

9 January 2015

Parties:

- (i) the Company;
- (ii) Mr. Yung; and
- (iii) New Hope International

As Mr. Yung is the executive Director, chairman of the Board and the chief executive officer of the Company, he is a connected person of the Company in accordance with Rule 20.07(1) of the GEM Listing Rules.

Save for being the CPS-II Holder, New Hope International is an Independent Third Party.

Amendments to the CPS-II Terms

Details of the Proposed Alteration are set out below:

	Existing terms	The Proposed Alteration
Limitation on conversion:	<p>Conversion of the CPS-II shall be effected in such manner as the Directors shall subject to the CPS-II Terms, the articles of association of the Company, the Statutes, the Hong Kong Laws, and to any other applicable law and regulations, from time to time determine provided that no Conversion shall take place if (1) to do so would result in the Conversion Shares being issued at a price below their nominal value as at the applicable Conversion Date; (2) to the extent that following such exercise, the relevant holder of CPS-II and parties acting in concert with it, taken together, will directly or indirectly, control or be interested in 30 per cent. or more of the entire issued Shares (or in such lower percentage as may from time to time be specified in the Takeovers Code as being the level for triggering a mandatory general offer); or (3) if immediately after such conversion, the public float of the Shares falls below the minimum public float requirements stipulated under the GEM Listing Rules or as required by the Stock Exchange.</p>	<p>Conversion of the CPS-II shall be effected in such manner as the Directors shall subject to the CPS-II Terms, the articles of association of the Company, the Statutes, the Hong Kong Laws, and to any other applicable law and regulations, from time to time determine provided that no Conversion shall take place if (1) to do so would result in the Conversion Shares being issued at a price below their nominal value as at the applicable Conversion Date; or (2) immediately after such conversion, the public float of the Shares falls below the minimum public float requirements stipulated under the GEM Listing Rules or as required by the Stock Exchange.</p>

“Statutes” means the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands and every other law of the legislature of Cayman Islands for the time being in force applying to or affecting the Company, its memorandum of association and/or the articles of association of the Company or the CPS-II Terms.

“Conversion Date” means, subject to provisions of CPS-II Terms, 12:00 noon on the business day immediately following the date of the surrender of the relevant certificate of CPS-II and delivery of the conversion notice, in such form as the Directors may from time to time specify, stating that a holder of CPS-II wishes to exercise the conversion right in respect of one or more CPS-II therefor accompanied by the documents referred to in the CPS-II Terms.

Apart from the above proposed amendments, all the other existing terms and conditions of the CPS-II shall remain intact and unchanged.

Conditions precedent for the Proposed Alteration

The Proposed Alteration is subject to:

- (a) the passing by the Independent Shareholders at the EGM to be convened and held of the necessary resolution(s) to approve the Deed of Amendments and the transactions contemplated thereunder;
- (b) the obtaining of all necessary consents and approvals required on the part of the Company and on part of the CPS-II Holders in respect of the Deed of Amendments and the transactions contemplated thereunder; and
- (c) the obtaining of all the approval from the Stock Exchange on the Proposed Alteration in accordance with the GEM Listing Rules.

None of the above conditions are capable of being waived. If any of the above conditions is not fulfilled on or before 30 April 2015 or such later date as the parties hereto may agree, the Proposed Alteration will not proceed, and all the existing terms and conditions of the CPS-II shall remain intact and unchanged.

As at the date of this announcement, save for the approval from the Stock Exchange set out in condition (c) above has been conditionally obtained, none of the above conditions has been satisfied.

Reasons for the Proposed Alteration

The Proposed Alteration was made at the request of the CPS-II Holders. The Board (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 who had abstained from voting at the Board meeting to approve the Deed of Amendments and the transactions contemplated thereunder) believes that the Proposed Alteration is fair and reasonable and will be in the interests of the Company and the Shareholders as a whole for the following reasons:

- (i) Mr. Yung has been the substantial Shareholder since February 2005, with Mr. Yung's sophisticated experience in the healthcare and pharmaceutical sectors in the PRC and his extensive business network, the Group has migrated from the environment protection products and services business to healthcare business in the PRC. The Board considers that the Proposed Alteration will allow Mr. Yung to become a controlling Shareholder who will then commit more to the Group and the Group would leverage more the value (in particular, the leadership and extensive business network) of Mr. Yung in furtherance the growth of the Group;

- (ii) Mr. Liu is a prominent businessman in the PRC (as set out in the section headed “**Information on New Hope International and Mr. Liu**” below), the introduction of Mr. Liu as a controlling Shareholder will enhance the status of the Group in the capital market and will attract more professional institutional investors;
- (iii) the Proposed Alteration would offer improved incentive to both Mr. Yung and Mr. Liu to commit more in the development of the Group since the increase in their shareholding of the Company will make them become controlling Shareholders; and
- (iv) on the other hand, if the Proposed Alteration is not approved by the Independent Shareholders, New Hope International may or may not exercise the Put Option to require Mr. Yung to buy back all the CPS-II acquired by it under the Disposal Agreement. If such Put Option is exercised, the Company will lose the opportunities to work with Mr. Liu for the furtherance of the business horizon which will be beneficial to the Group.

In addition, the Group has also entered into a memorandum of understanding dated 28 October 2014 with Beijing Vantone Greatcity, for the cooperation opportunities in projects of the Beijing Vantone Greatcity. The Board considers that leveraging on the management experience and expertise of Mr. Yung and the prominent background and business network of Mr. Liu, the Group would have the opportunity to broaden its business horizon in future, if suitable opportunities arise.

Implications under the GEM Listing Rules

As Mr. Yung is a connected person of the Company, the entering into of the Deed of Amendments for the Proposed Alteration constitutes a connected transaction of the Company under Chapter 20 of the GEM Listing Rules and is subject to the Independent Shareholders’ approval at the EGM.

Pursuant to Rule 22.03 of the GEM Listing Rules, any alteration in the terms of convertible equity securities after issue must be approved by the Stock Exchange, except where the alterations take effect automatically under the existing terms of such convertible equity securities. The Company has, for itself and on behalf of the CPS-II Holders, sought the approval from the Stock Exchange on the Proposed Alteration. By a letter dated 18 December 2014, the Stock Exchange approved the Proposed Alteration subject to the approval of the Independent Shareholders at the EGM.

(III) CONVERSION OF CPS-II INVOLVING AN APPLICATION FOR A WHITEWASH WAIVER

Pursuant to the Deed of Amendments, each of Mr. Yung and New Hope International has conditionally exercised the conversion rights attached to all the CPS-II held by them, subject to the fulfilment of the following conditions:

- (a) the Proposed Alteration has been unconditional;

- (b) the Executive or his delegate granting the Whitewash Waiver to the Concert Party Group and the satisfaction of all conditions (if any) attached to the Whitewash Waiver granted;
- (c) the passing by the Independent Shareholders at the EGM to be convened and held of the necessary resolution(s) to approve the Whitewash Waiver; and
- (d) all necessary consents and approvals required to be obtained on the part of the Company in respect of the Conversion having been obtained and remaining in full force and effect.

None of the above conditions are capable of being waived. If any of the above conditions is not fulfilled on or before 30 April 2015 or such later date as the parties hereto may agree, the Conversion shall cease and determine.

As at the date of this announcement, Mr. Yung is directly interested in 136,546,875 Shares and indirectly (through his controlled corporation, namely Marshal International Investments Limited which in turn holds the entire issued share capital of Easeglory Holdings Limited) interested in 120,960,500 Shares. Mr. Yung is also directly holding 1,700,000 Share Options, 98,500,000 CPS-I and 160,984,141 CPS-II.

As at the date of this announcement, New Hope International is directly interested in 343,217,539 CPS-II. Under the Disposal Agreement, Mr. Yung had irrevocably granted the Put Option to New Hope International, pursuant to which New Hope International is entitled to serve a written notice to require Mr. Yung to acquire or procure other third party(ies) to buy back all the CPS-II (and/or the Shares if such CPS-II has been converted) acquired by New Hope International under the Disposal Agreement.

Whitewash Waiver

Assuming that the Proposed Alteration having become effective and the Conversion become unconditional, and no further Shares will be issued or repurchased from the date of this announcement until the allotment and issue of the Conversion Shares, the Conversion would result in the increase of the Concert Party Group's percentage shareholding in Shares from approximately 22.25% to approximately 45.85%. Accordingly, Mr. Yung and New Hope International will be obliged to make a mandatory general offer for all the issued Shares not already owned or agreed to be acquired by them under Rule 26.1 of the Takeovers Code, unless the Whitewash Waiver is granted by the Executive.

An application to the Executive for the Whitewash Waiver in respect of the Conversion and the issue of the Conversion Shares will be made on behalf of the CPS-II Holders and parties acting in concert with any of them. The Whitewash Waiver, if granted by the Executive, would be subject to, among other things, the approval by the Independent Shareholders by way of poll at the EGM. The Concert Party Group and their respective associates will abstain from voting at the EGM on the proposed resolutions approving the Deed of Amendments, the Proposed Alteration and the Whitewash Waiver and the transactions contemplated respectively thereunder.

Dealing and interest of the Concert Party Group

The Concert Party Group confirmed that, as at the date of this announcement, each of the members of the Concert Party Group:

- (i) does not own, control or has direction over any other outstanding options, warrants or securities that are convertible into the Shares, nor has it entered into any outstanding derivatives in respect of any securities in the Company, nor hold any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company, save and except for (i) 136,546,875 Shares, 98,500,000 CPS-I, 160,984,141 CPS-II and 1,700,000 Share Options directly and beneficially held by Mr. Yung, (ii) 120,960,500 Shares indirectly held by Mr. Yung through the controlled corporation, namely Easeglory Holdings Limited; and (iii) 343,217,539 CPS-II directly held by New Hope International;
- (ii) has not received an irrevocable commitment to vote in favour of or against the resolution in respect of the Whitewash Waiver at the EGM;
- (iii) has not borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company;
- (iv) does not have any arrangement referred to in Note 8 to Rule 22 of the Takeovers Code (whether by way of option, indemnity or otherwise) in relation to the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company which might be material to the proposed Conversion and the Whitewash Waiver;
- (v) does not have any agreement or arrangement to which it is a party which relates to the circumstances in which it may or may not invoke or seek to invoke a pre-condition or a condition to the proposed Conversion and the Whitewash Waiver; and
- (vi) has not dealt in the Shares, CPS, outstanding options, derivatives, warrants or other securities convertible or exchangeable into the Shares, during the six months prior to the date of this announcement.

In the event the Whitewash Waiver is not granted by the Executive and/or voted down by the Independent Shareholders at the EGM, the Conversion will not proceed and the Concert Party Group could only convert the CPS-II to the extent that their aggregated voting rights will not exceed the 30% Threshold Restriction.

Shareholding structure of the Company

As at the date of this announcement, the Company has 1,157,388,264 Shares in issue. The Company also has (i) 98,500,000 CPS-I which are held by Mr. Yung; (ii) 504,201,680 CPS-II, of which 160,984,141 CPS-II are held by Mr. Yung and 343,217,539 CPS-II are held by New Hope International; (iii) 32,801,287 Share Options conferring rights to subscribe for an aggregate of 32,801,287 new Shares at exercise prices ranging from HK\$0.5 to HK\$3.61 per Share; and (iv) Convertible Note with an outstanding principal amount of HK\$6,500,000 which entitle the holder thereof to convert into 3,421,053 Shares at the conversion price of HK\$1.90 per Share.

Save as disclosed, the Company has no other outstanding convertible securities, options, warrants or other derivatives in issue which are convertible or exchangeable into Shares as at the date of this announcement.

Assuming the Proposed Alteration having become effective and the Conversion become unconditional, no further Shares will be issued or repurchased by the Company prior to the issue of the Conversion Shares and no acquisition or disposal of Shares by any of the following parties prior to the allotment and issue of the Conversion Shares, the shareholding structure of the Company (i) as at the date of this announcement; (ii) upon full conversion of CPS-II (assuming no Share Option has been exercised and no CPS-I and Convertible Note has been converted); (iii) upon full conversion of all CPS (assuming no Share Option has been exercised and no Convertible Note has been converted); (iv) upon the exercise of all Share Options and full conversion of all CPS and Convertible Note are as follows:

	(i) As at the date of this announcement		(ii) Upon full conversion of CPS-II (assuming no Share Option has been exercised and no CPS-I and Convertible Note has been converted)		(iii) Upon full conversion of all CPS (assuming no Share Option has been exercised and no Convertible Note has been converted)		(iv) Upon exercise of all Share Options and full conversion of all CPS and Convertible Note	
	Number of Shares	Approx. %	Number of Shares	Approx. %	Number of Shares	Approx. %	Number of Shares	Approx. %
Easeglory Holdings Limited (<i>Note</i>)	120,960,500	10.45	120,960,500	7.28	120,960,500	6.87	120,960,500	6.73
Mr. Yung	136,546,875	11.80	297,531,016	17.91	396,031,016	22.50	397,731,016	22.14
New Hope International	–	–	343,217,539	20.66	343,217,539	19.50	343,217,539	19.11
Sub-total of the Concert Party Group	257,507,375	22.25	761,709,055	45.85	860,209,055	48.87	861,909,055	47.98
Other Directors	6,104,000	0.53	6,104,000	0.36	6,104,000	0.35	11,594,140	0.65
Public Shareholders	893,776,889	77.22	893,776,889	53.79	893,776,889	50.78	922,809,089	51.37
Total	1,157,388,264	100.00	1,661,589,944	100.00	1,760,089,944	100.00	1,796,312,284	100.00

Note: The entire issued share capital of Easeglory Holdings Limited is owned by Marshal International Investments Limited which is in turn wholly and beneficially owned by Mr. Yung. Mr. Yung is deemed to have interest in those 120,960,500 Shares held by Easeglory Holdings Limited.

Information on the Group

The Company is incorporated in the Cayman Islands with limited liability whose issued Shares are listed on the GEM and, through its subsidiaries, is principally engaged in the provision of general hospital services and hospital management. It operates three general hospitals in Chongqing, Jiaxing and Zhuhai, principally engaged in the provision of general hospital services and hospital management including but not limited to medical wards, surgical wards, cosmetic surgery, dermatology and medical check-up and examination.

The Company is also engaged in the provision of pharmaceutical wholesale and distribution and pharmaceutical retail chain business in the PRC through an indirect non-wholly owned subsidiary of the Company, Wanjia. The chain of retail pharmacies are operated in six prefectural-level districts in the PRC.

Information on New Hope International and Mr. Liu

New Hope International is a company incorporated in Hong Kong and is principally engaged in trading of foodstuff and investment. As at the date of this announcement, New Hope International is owned by South Hoper Industry Co. Ltd.# (南方希望實業有限公司) and New Hope Group Co. Ltd.# (新希望集團有限公司) (together with its subsidiaries collectively refer to “**NH Group**”) as to 75% and 25% respectively. South Hoper Industry Co. Ltd. is 51% held by New Hope Group Co., Ltd and 49% held by Tibet Hengyefeng Industrial Co., Ltd.# (西藏恒業峰實業有限公司). New Hope Group Co., Ltd is approximately 62% held by Mr. Liu and approximately 38% held by his associates, being his wife and his daughter. Tibet Hengyefeng Industrial Co., Ltd. is approximately 27% held by Mr. Liu, and the remaining equity interest is owned by his associates, being his wife and his daughter.

NH Group is the holding company of New Hope Liuhe Co. Limited# (新希望六和股份有限公司) which is listed on Shenzhen Stock Exchange (with stock code: 000876) and is engaged in the manufacturing and distribution of feedstuffs, animal husbandry and meat products in the PRC and other countries. NH Group also held other listed company investment, such as approximately 1.81% interest in Kelun Pharmaceutical Co. Ltd. (四川科倫藥業股份有限公司), (a company listed on Shenzhen Stock Exchange with stock code: 002422).

Mr. Liu is a renowned investor. He has diversified investments in different sector, including but not limited to real estate, bank, food and tourism. He has been listed in Forbes magazine with his three brothers for being one of China’s wealthiest entrepreneurs in 2001. In 2000, Mr. Liu was regarded as “Star of Asia” by the United States of America “Business Week”.

Mr. Liu is the founder of China Minsheng Banking Corp., Ltd, (中國民生銀行股份有限公司) (a company listed on Shanghai Stock Exchange with stock code: 600016 and also listed on the Main Board of the Stock Exchange with stock code: 1988), and is the second largest shareholder and vice-chairman of China Minsheng Banking Corp., Ltd. as at the date of this announcement.

Mr. Liu is also one of the controlling shareholders of Beijing Vantone Greatcity. Mr. Liu introduced cooperation opportunities to the Group. On 28 October 2014, Shanghai Whole-Care Hospital Management Co., Limited# (上海厚康醫院管理有限公司), a wholly-owned subsidiary of the Company and Beijing Vantone Greatcity entered into a memorandum of understanding for a term of 5 years, pursuant to which the parties agreed to form a strategic alliance for the management service of hospitals, clinics and other healthcare institutions to be constructed in residential development project(s). The cooperation opportunities, if materialise, would broaden the revenue source of the Group.

Future intention of the Concert Party Group

The Concert Party Group is optimistic about the future of the healthcare business in the PRC. Following the grant and approval of the Whitewash Waiver and completion of the Conversion, the Concert Party Group will become controlling Shareholders under the GEM Listing Rules. The Concert Party Group intends to continue the existing businesses of the Group after the Conversion.

Proposed change of composition of the Board

As at the date of this announcement, there are four executive Directors, one non-executive Director and three independent non-executive Directors. The Concert Party Group intends to nominate one new member as Director after the Conversion, but such candidate has not yet been determined as at the date of this announcement. Any new appointment of Director(s) will be made in accordance with the Takeovers Code and the GEM Listing Rules.

Save as the aforesaid, the Concert Party Group does not intend to introduce any major change to the existing operations and management structure of the Group, as a result of the Conversion, including the continued employment of the employees of the Group and the redeployment of the fixed assets of the Group.

(IV) GENERAL

The EGM will be convened and held for the purpose of considering and, if thought fit, approving the Deed of Amendments, the Proposed Alteration and the Whitewash Waiver contemplated under the Conversion and the respective transactions contemplated thereunder.

The Proposed Alteration and the Whitewash Waiver contemplated under Conversion are subject to the approval of the Independent Shareholders by passing the necessary resolutions by way of poll at the EGM. **The Concert Party Group and their respective associates, holding in aggregate 257,507,375 Shares, representing approximately 22.25% of the entire issued ordinary share capital of the Company as at the date of this announcement, shall abstain from voting at the EGM in respect of the resolutions approving the Deed of Amendments, the Proposed Alteration, the Whitewash Waiver and the transactions contemplated respectively thereunder.**

The Connected Transaction Independent Board Committee comprising all independent non-executive Directors, namely Ms. Wong Ka Wai, Jeanne, Prof. Hu Shanlian and Prof. Lu Chuanzhen, will be established pursuant to the GEM Listing Rules, to advise the Independent Shareholders in respect of the proposed resolution(s) to approve the Deed of Amendments, the Proposed Alteration and the transactions contemplated thereunder. The Whitewash Waiver Independent Board Committee, comprising the non-executive Director, namely Dr. Wong Yu Man, James, and all independent non-executive Directors, namely Ms. Wong Ka Wai, Jeanne, Prof. Hu Shanlian and Prof. Lu Chuanzhen, will be established in accordance with Rule 2.8 of the Takeovers Code to advise the Independent Shareholders in respect of the resolution(s) to approve the Whitewash Waiver contemplated under the Conversion.

The Independent Financial Adviser will be appointed by the Company with the approval of the Connected Transaction Independent Board Committee and the Whitewash Waiver Independent Board Committee respectively to advise the Connected Transaction Independent Board Committee, the Whitewash Waiver Independent Board Committee and the Independent Shareholders as to whether the Deed of Amendments, the Proposed Alteration and the Whitewash Waiver contemplated under the Conversion are fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole respectively, and to make recommendation to the Independent Shareholders on how to vote at the EGM. Further announcement will be made immediately following the appointment of the Independent Financial Adviser.

A circular containing, among other things, further details of (i) the Deed of Amendments; (ii) the Proposed Alteration; (iii) the Conversion; (iv) the Whitewash Waiver; (v) the recommendation of the Connected Transaction Independent Board Committee to the Independent Shareholders; (vi) the recommendation of the Whitewash Waiver Independent Board Committee to the Independent Shareholders; (vii) a letter of advice from the Independent Financial Adviser to (a) the Connected Transaction Independent Board Committee and the Independent Shareholders in respect of the Proposed Alteration; and (b) the Whitewash Waiver Independent Board Committee and the Independent Shareholders in respect of the Whitewash Waiver; and (viii) the notice of EGM will be despatched to the Shareholders. Pursuant to Rule 8.2 of the Takeovers Code, the Company is required to send to the Shareholders the circular in relation to the Whitewash Waiver within 21 days after the date of this announcement, which is on or before 5 February 2015.

Shareholders and the potential investors should note that the Proposed Alteration and the Whitewash Waiver contemplated under the Conversion are conditional upon satisfaction of the respective conditions precedent as set out in this announcement and therefore, the Proposed Alteration and the Conversion may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealings in the Shares, and if they are in any doubt about their position, they should consult their professional advisers.

(V) RESUMPTION OF TRADING

At the request of the Company, trading in the Shares on the Stock Exchange has been halted with effect from 9:00 a.m. on Monday, 12 January 2015 pending the release of this announcement. Application has been made to the Stock Exchange for the resumption of trading of the Shares on the Stock Exchange with effect from 9:00 a.m. on Friday, 16 January 2015.

(VI) DEFINITIONS

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

“30% Threshold Restriction”	being one of the conversion restrictions of the CPS-II that no conversion of the CPS-II would be permitted, if the Conversion Shares to be allotted and issued upon exercise of the conversion rights attached to CPS-II by the holder(s) of CPS-II together with the Shares already held by the holder(s) and his/her/its/their parties acting in concert represent 30% or more of the then issued ordinary share capital of the Company (or otherwise pursuant to other provisions of the Takeovers Code) and trigger a mandatory general offer obligation under Rule 26 of the Takeovers Code on the part of the holder(s) of the CPS-II
“Beijing Vantone Greatcity”	Beijing Vantone Greatcity Investments Limited# (北京萬通立體之城投資有限公司), a company established in the PRC with limited liability, is owned as to 40.5% indirectly by Mr. Liu, 59% directly by four parties, who are independent of the Company, its connected persons and the Concert Party Group and the remaining 0.5% directly by a director of New Hope Group Co. Ltd and certain companies under the NH Group
“Board”	the board of Directors
“Business Day(s)”	a day (other than a Saturday, Sunday and public holiday) on which licensed banks are generally open for business in Hong Kong throughout their normal business hours
“Company”	Hua Xia Healthcare Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the issued Shares of which are listed on the GEM (stock code: 8143)

“Concert Party Group”	Mr. Yung, New Hope International, Mr. Liu and parties acting in concert with any of them
“connected person(s)”	has the meanings ascribed to it in the GEM Listing Rules
“Connected Transaction Independent Board Committee”	the independent board committee of the Company to be formed by all the independent non-executive Directors to advise the Independent Shareholders on the Deed of Amendments, the Proposed Alteration and the transactions contemplated thereunder pursuant to the GEM Listing Rules
“Conversion”	subject to the terms and conditions of the Deed of Amendments, the full conversion of the CPS-II held by each of Mr. Yung and New Hope International
“Conversion Share(s)”	the Shares to be allotted and issued by the Company upon the exercise of the conversion rights attached to the CPS
“Convertible Note”	the convertible note of the Company with principal amount of HK\$6,500,000, which bears interest of 2% per annum, convertible into Shares at the conversion price of HK\$1.90 per Share
“CPS”	collectively refer to CPS-I and CPS-II
“CPS-I”	the outstanding 98,500,000 non-redeemable convertible preference shares, which were allotted and issued by the Company on 8 March 2010 to Mr. Yung to satisfy part of the consideration payable by the Company to Mr. Yung in accordance with the sale and purchase agreement dated 13 November 2009, each CPS-I has the right to convert into 1 Share
“CPS-II”	the outstanding 504,201,680 non-redeemable convertible preference shares, which were allotted and issued by the Company on 10 October 2013 to Mr. Yung pursuant to the subscription agreement dated 10 April 2013, each CPS-II has the right to convert into 1 Share
“CPS-II Holders”	collectively, Mr. Yung and New Hope International

“CPS-II Terms”	the terms and conditions constituting the CPS-II
“Deed of Amendments”	a deed of amendments dated 9 January 2015 entered into among the Company, Mr. Yung and New Hope International in relation to the Proposed Alteration and the Conversion
“Disposal Agreement”	the sale and purchase agreement dated 24 April 2014 in respect of the disposal of 343,217,539 CPS-II by Mr. Yung to New Hope International
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be held and convened for the purpose of considering and, if thought fit, approving the Deed of Amendments, the Proposed Alteration, the Whitewash Waiver contemplated under the Conversion and the transactions contemplated thereunder
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or his delegates
“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”	Hong Kong Special Administrative Region of the PRC
“Independent Financial Adviser”	the independent financial adviser to be appointed by the Company to advise the Connected Transaction Independent Board Committee, the Whitewash Waiver Independent Board Committee and the Independent Shareholders in respect of the Deed of Amendments, the Proposed Alteration and the Whitewash Waiver
“Independent Shareholder(s)”	the shareholder(s) of the Company, apart from: (i) Mr. Yung, New Hope International, Mr. Liu and parties acting in concert with any of them and their associates, and (ii) those who are involved in or interested in the Proposed Alteration, the Whitewash Waiver and the transactions contemplated thereunder, who are entitled to vote for or against the Proposed Alteration, the Whitewash Waiver and the transactions contemplated thereunder at the EGM

“Independent Third Party(ies)”	any person or company 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
“Mr. Liu”	Mr. Liu Yonghao (劉永好), a renowned PRC entrepreneur, one of the ultimate beneficial owners of New Hope International, a renowned investor
“Mr. Yung”	Mr. Yung Kwok Leong (翁國亮), an executive Director, chairman of the Board and the chief executive officer of the Company
“New Hope International ”	New Hope International (Hong Kong) Limited (新希望國際(香港)有限公司), a company incorporated in Hong Kong with limited liability, the purchaser to the Disposal Agreement and one of the CPS-II Holders
“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
“Proposed Alteration”	the proposed alteration of the CPS-II Terms by removing the 30% Threshold Restriction pursuant to the Deed of Amendments
“Put Option”	the right granted by Mr. Yung to New Hope International to require Mr. Yung to acquire or procure other third parties to acquire the CPS-II (and/or the Shares if such CPS-II have been converted) according to the terms of the Disposal Agreement, which is exercisable on or before 31 December 2015
“SFC”	the Securities and Futures Commission of Hong Kong
“Share(s) ”	ordinary share(s) of HK\$0.01 each in the capital of the Company
“Shareholder(s)”	holder(s) of the Shares

“Share Option(s)”	the share option(s) of the Company granted pursuant to the share option scheme adopted on 20 April 2002, conferring rights to subscribe for an aggregate of 32,801,287 new Shares at exercise prices ranging from HK\$0.5 to HK\$3.61 per Share upon exercise of the subscription rights attaching thereto
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	the Code on Takeovers and Mergers in Hong Kong
“Wanjia”	Wanjia Group Holdings Limited, a company incorporated in the Cayman Islands with limited liability, an indirect non-wholly owned subsidiary of the Company, the issued shares of which are listed on the Main Board of the Stock Exchange (stock code: 401)
“Whitewash Waiver”	a waiver from the Executive pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code in respect of the obligation of Mr. Yung and New Hope International to make a mandatory general offer to the Shareholders in respect of the Shares and securities issued by the Company not already owned or agreed to be acquired by the Concert Party Group as a result of the Conversion in accordance with Rule 26 of the Takeovers Code
“Whitewash Waiver Independent Board Committee”	the independent board committee of the Company to be formed by all the non-executive Director and independent non-executive Directors to advise the Independent Shareholders on the Whitewash Waiver contemplated under the Conversion pursuant to the Takeovers Code
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong

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

Hong Kong, 15 January 2015

The English translation of the Chinese name(s) in this announcement, where indicated, is included for information only, and should not be regarded as the official English name(s) of such Chinese name(s).

As at the date of this announcement, the executive Directors are Mr. Yung Kwok Leong, Dr. Jiang Tao, Mr. Zheng Gang, and Dr. Huang Jiaqing, 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.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this announcement (other than that relating to Mr. Yung and New Hope International) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this announcement have been arrived at after due and careful consideration and there are no other facts not contained in this announcement, the omission of which would make any statement in this announcement misleading.

Each of Mr. Yung and the director(s) of New Hope International, namely Ms. Li Wei (李巍), Ms. Liu Chang (劉暢), Mr. Wang Xinbiao (王新彪) and Mr. Zhang Guokun (張國昆), jointly and severally accept full responsibility for the accuracy of the information contained in this announcement (other than that relating to the Group) and confirms having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this announcement have been arrived at after due and careful consideration and there are no other facts not contained in this announcement, the omission of which would make any statement in this announcement misleading.

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 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 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.