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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)

RIGHTS ISSUE ON THE BASIS OF ONE RIGHTS SHARE FOR EVERY FIVE SHARES HELD ON THE RECORD DATE

Financial Adviser

WAG Worldsec Corporate Finance Limited

Sole Underwriter



RIGHTS ISSUE

The Company proposes to raise not less than approximately HK\$240 million but not more than approximately HK\$260 million, before expenses, by way of the Rights Issue of not less than 334,633,988 Rights Shares but not more than approximately 360,908,387 Rights Shares to the Qualifying Shareholders at a Subscription Price of HK\$0.72 per Rights Share on the basis of one (1) Rights Share for every five (5) Shares held on the Record Date. The Company will provisionally allot one (1) Rights Share in nil-paid form for every five (5) Shares held by the Qualifying Shareholders on the Record Date. The Rights Issue is not available to the Excluded Shareholders.

* For identification purpose only

The Company intends to use the net proceeds from the Rights Issue, after deducting estimated expenses in relation to the Rights Issue, of approximately HK\$230 million as to (i) approximately HK\$150 million for the development of the new branch hospital of Yunnan Tumor Hospital as contemplated under the proposed co-operation between the Company and Yunnan Tumor Hospital as disclosed in the announcement of the Company dated 18 May 2015, or in the event that the co-operation with Yunnan Tumor Hospital does not materialise, the Company will apply the sum on other potential co-operation initiative(s), acquisition(s) and business development; (ii) approximately HK\$20 million as general working capital of the Group; and (iii) approximately HK\$60 million for repayment of part of the Promissory Note.

To qualify for the Rights Issue, a Qualifying Shareholder's name must appear on the register of members of the Company on the Record Date. In order for their owners to be registered as members on the Record Date, any transfers of the Shares (with the relevant share certificates) must be lodged for registration by 4:30 p.m. on the Latest Lodging Date.

GENERAL

Since the Rights Issue will not increase the issued share capital or the market capitalisation of the Company by more than 50% within the 12 month period immediately preceding this announcement, and the Rights Issue is fully underwritten by the Underwriter, which is not a director, chief executive or substantial shareholder of the Company (or an associate of any of them), pursuant to Rules 10.39 and 10.42(2) of the GEM Listing Rules, the Rights Issue itself is not subject to the Shareholders' approval.

The Prospectus Documents containing, among other things, further details of the Rights Issue are expected to be despatched by the Company to the Qualifying Shareholders on or before Monday, 13 July 2015 and the Prospectus will be despatched to the Excluded Shareholders for information only.

WARNING OF THE RISKS OF DEALING IN THE SHARES AND THE NIL-PAID RIGHTS SHARES

The Underwriting Agreement contains provisions granting the Underwriter a right to terminate its obligations under the Underwriting Agreement upon occurrence of certain events. The Rights Issue is conditional upon the Underwriting Agreement becoming unconditional and not being terminated in accordance with its terms. If this condition is not fulfilled, the Rights Issue will not proceed and a further announcement will be made by the Company at the relevant time.

Any Shareholder or other person contemplating transferring, selling or purchasing the Shares and/or the Rights Shares in their nil-paid form is advised to exercise caution when dealing in the Shares and/or the Rights Shares in their nil-paid form.

RIGHTS ISSUE

Issue statistics

Basis of the Rights Issue	:	One (1) Rights Share for every five (5) Shares held on the Record Date
Subscription Price	:	HK\$0.72 per Rights Share
Number of Shares in issue at the date of this announcement	:	1,673,169,944 Shares
Minimum number of Rights Shares	:	334,633,988 Rights Shares (assuming no new Shares will be issued on or before the Record Date)
Maximum number of Rights Shares	:	360,908,387 Rights Shares (assuming all the Share Options (excluding the Excluded Options) and the CP Shares have been exercised and converted in full, respectively)
Aggregate nominal value of the Rights Shares	:	Not less than HK\$3,346,339.88 (assuming no Shares have been allotted and issued pursuant to the exercise of the subscription rights attaching to the 32,871,991 Share Options (excluding the Excluded Options) and the 98,500,000 CP Shares on or before the Record Date) and not more than HK\$3,609,083.87 (assuming a total of 32,871,991 Shares have been allotted and issued upon full exercise of the subscription rights attaching to the 32,871,991 Share Options (excluding the Excluded Options) and the conversion of the 98,500,000 CP Shares on or before the Record Date)
Underwriter	:	Quam Securities Company Limited
Minimum enlarged issued share capital upon completion of the Rights Issue assuming no exercise of the remaining Share Options and CP Shares	:	2,007,803,932 Shares

Maximum enlarged issued share : 2,165,450,322 Shares
capital upon completion of
the Rights Issue assuming
full exercise of the Share Options
(excluding the Excluded Options)
and the 98,500,000 CP Shares on
or before the Record Date

The number of Rights Shares to be issued pursuant to the Rights Issue represents approximately 20% of the issued ordinary share capital of the Company as at the date of this announcement and approximately 16.67% of enlarged issued ordinary share capital of the Company immediately following the completion of the Rights Issue.

As at the date of this announcement, the Company has (i) 90,920,000 outstanding 2011 Share Options (of which part thereof are the Excluded Options; (ii) 1,951,991 outstanding 2002 Share Options; (iii) the Convertible Notes with an aggregate outstanding principal amount of HK\$6,500,000 conferring rights to convert to a total of 3,421,053 Shares; and (iv) 98,500,000 CP Shares conferring rights to convert to a total of 98,500,000 Shares, which in aggregate entitling holders thereof to subscribe for 194,793,044 Shares.

Save as disclosed above, the Company does not have any share options outstanding under any share option scheme of the Company or any other derivatives, options, warrants and conversion rights or other similar rights which are convertible or exchangeable into Shares.

Subscription Price

The Subscription Price is HK\$0.72 per Rights Share, payable in full upon acceptance under the PAL(s).

The Subscription Price represents:

- (i) a discount of approximately 48.2% to the closing price of HK\$1.39 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a discount of approximately 48.6% to the average of the closing prices of approximately HK\$1.40 per Share as quoted on the Stock Exchange for the five consecutive trading days up to and including the Last Trading Day;
- (iii) a discount of approximately 7.9% to the theoretical ex-rights price of approximately HK\$1.28 per Share as adjusted for the effect of the Rights Issue, based on the closing price of HK\$1.39 per Share as quoted on the Stock Exchange on the Last Trading Day.

The Subscription Price was arrived at after arm's length negotiations between the Company and the Underwriter with reference to, among others, (i) the market price and trading liquidity of the Shares under the prevailing market conditions, (ii) the fluctuation of the market prices of the Company in the past three months before the Last Trading Day with the closing prices of the Shares ranging from HK\$0.56 per Share to HK\$1.92 per Share, (iii) the theoretical ex-rights price of HK\$1.28; and (iv) the discount of approximately 48.2% to the closing price of HK\$1.39 per Share as quoted on the Stock Exchange on the Last Trading Day falls within the range of the discounts for other listed companies that also proposed to conduct Rights Issue or rights issue in the past three months.

The Directors consider that the Subscription Price is set at a discount with an objective to lower the further investment cost of the Shareholders, to encourage them to take up their entitlements and to participate in the potential growth of the Company. In order to increase the attractiveness of the Rights Issue to the Qualifying Shareholders, the Directors consider that the proposed discount of the Subscription Price to the market price is appropriate. Given that each Qualifying Shareholder is entitled to subscribe for the Rights Shares at the same price in proportion to his/her/its existing shareholding in the Company, the Directors consider that the terms of the Rights Issue and the Subscription Price are fair and reasonable and in the interest of the Company and the Shareholders as a whole. The net price per Rights Share will be approximately HK\$0.69.

Basis of provisional allotments

The Rights Shares will be allotted on the basis of one (1) Rights Share for every five (5) Shares held on the Record Date. Acceptances of all or any part of a Qualifying Shareholder's provisional allotment can be made only by completing the PAL and lodging the same with a remittance for the Rights Shares being applied for by the latest time for acceptance of the Rights Issue, i.e. by 4:00 p.m. on Monday, 27 July 2015.

Status of the Rights Shares

The Rights Shares, when allotted, issued and fully-paid, shall rank pari passu in all respects with the Shares then in issue, including as to the right to receive all future dividends and distributions which may be declared, made or paid on or after the date of allotment and issue of the fully-paid Rights Shares.

Fractional entitlements to the Rights Shares

The Company will not provisionally allot to and will not accept applications for any fractions of Rights Shares from Qualifying Shareholders. Fractional entitlements will be rounded down to the nearest whole number of Rights Shares. Such fractional entitlements will be aggregated and the fractions of nil-paid Rights Shares shall be provisionally allotted to a nominee of the Company. The Company shall procure such of its nominees, if possible, to sell all the fractions of the nil-paid Rights Shares in the market and the net proceeds of such sales, after deduction of expenses, will be aggregated and an equivalent amount will accrue for the benefit of the Company.

Odd lots arrangements

The Company has agreed to procure Quam Securities Company Limited to arrange for matching services regarding the sale and purchase of odd lots of Rights Shares. Shareholders of odd lots of the Rights Shares may contact Mr. Eric Ho of Quam Securities Company Limited (telephone numbers: (852) 2847-2203/2217-2851) during a period to be specified in due course.

Qualifying Shareholders

The Rights Issue is only available to the Qualifying Shareholders. To qualify for the Rights Issue, a Shareholder must be registered as a member of the Company and not be an Excluded Shareholder at the close of business on the Record Date. Overseas Shareholders whose names appear on the register of members of the Company at the close of business on the Record Date whom the Company, based on legal opinions to be provided by legal advisers, considers necessary or expedient not to offer the Rights Shares on account either of legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place will not be regarded as Qualifying Shareholders.

Further information in this connection will be set out in the Prospectus to be despatched to the Shareholders.

In order to be registered as members of the Company at the close of business on the Record Date, beneficial owners must lodge any transfers of Shares (together with the relevant share certificates) with the Company's branch share registrar and transfer office in Hong Kong, Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on Latest Lodging Date.

The Company will send the Prospectus Documents to the Qualifying Shareholders on or about Monday, 13 July 2015.

Excluded Shareholders

The Company will send the Prospectus only (without PAL) to the Excluded Shareholders, if any, for their information.

Prior to the despatch of the Prospectus Documents, the Company will make enquiries as to whether the offer or issue of Rights Shares to the Overseas Shareholders may contravene the applicable securities legislation of the relevant overseas jurisdictions or the requirements of the relevant regulatory bodies or stock exchanges pursuant to Rule 17.41(1) of the GEM Listing Rules. If after making such enquiry, the Board is of the opinion that it will be necessary or expedient not to offer the Rights Shares to such Overseas Shareholders, the Rights Issue will not be available to such Overseas Shareholders. Accordingly, the Rights Shares will not be offered to the Excluded Shareholders and no application for the Rights Shares will be accepted from the Excluded Shareholders.

Arrangement will be made for Rights Shares which would otherwise have been provisionally allotted to the Excluded Shareholders to be sold on the market in their nil-paid form as soon as practicable after dealings in the nil-paid Rights Shares commence and before dealings in nil-paid Rights Shares end, if a premium (net of expenses) can be obtained. The net proceeds of such sale, less expenses, of more than HK\$100 shall distribute pro rata to the Excluded Shareholders the net proceeds of sale provided that individual amounts of HK\$100 or less and the proceeds generated on such sale of the Rights Shares shall be retained by the Company for its own benefit.

Any unsold entitlement of the Excluded Shareholders, together with any Rights Shares provisionally allotted but not accepted, will be taken up by the Underwriter.

No application for excess Rights Shares

Considering that the Rights Issue will give the Qualifying Shareholders an equal and fair opportunity to maintain their respective pro rata shareholding interests in the Company and is negotiated on an arm's length basis with the Underwriter, if application for excess Rights Shares is arranged, the Company will be required to put in additional effort and costs (estimated to be HK\$100,000 to HK\$200,000) to administer the excess application procedures. As disclosed in the section headed "Reasons for the Rights Issue and use of proceeds" below, the estimated net proceeds for the Rights Issue has been earmarked for specific uses and balance of approximately HK\$20 million of the net proceeds from the Rights Issue are intended to be used as the working capital of the Group. The Board considers that it is important for the Group to minimise all costs which may be incurred during the fund raising. Notwithstanding excess application arrangement will not be made available to the Qualifying Shareholders, the Board considers that a discount to the Subscription Price offered to the Qualifying Shareholders would encourage them to participate in the Rights Issue and to participate in the potential growth of the Company. In light of the above, the Board considers that the Rights Issue in the absence of excess application arrangement is in the interests of the Shareholders. Any Rights Shares not taken up by the Qualifying Shareholders will

be taken up by the Underwriter pursuant to the terms of the Underwriting Agreement. Accordingly, no excess Rights Shares will be offered to the Qualifying Shareholders and any Rights Shares not taken up by the Qualifying Shareholders will be underwritten by the Underwriter.

Closure of register of members

The register of members of the Company will be closed from Friday, 3 July 2015 to Tuesday, 7 July 2015 (both dates inclusive) to determine the entitlement to the Rights Issue. No transfers of Shares will be registered during this period.

Application for listing

The Company will apply to the Stock Exchange for the listing of, and the permission to deal in, the Rights Shares, in both their nil-paid and fully-paid forms.

No part of the securities of the Company is listed or dealt in or on which listing or permission to deal is being or is proposed to be sought on any other stock exchange.

Subject to the granting of the listing of, and permission to deal in, the Rights Shares in both their nil-paid and fully-paid forms on the Stock Exchange as well as compliance with the stock admission requirement of HKSCC, the Rights Shares in both their nil-paid and fully-paid forms will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement dates of the dealings in the Rights Shares in both their nil-paid and fully-paid forms or such other dates as may be determined by HKSCC.

Dealing in the Rights Shares in both their nil-paid and fully-paid forms will be in the existing board lots of 4,000 Shares. Dealing in the Rights Shares will be subject to the payment of the stamp duty and other applicable fees and charges in Hong Kong.

Certificates for the Rights Issue

Subject to the fulfillment of the conditions of the Rights Issue as set out in the paragraph headed “Conditions of the Rights Issue” below, share certificates for all fully-paid Rights Shares are expected to be posted on or before Friday, 31 July 2015 to those who have accepted and paid for the Rights Shares, by ordinary post at their own risk.

Conditions of the Rights Issue

The Rights Issue is conditional upon the followings:

- (i) the delivery to the Stock Exchange and registration with the Registrar of Companies in Hong Kong respectively one copy of each of the Prospectus Documents duly signed by two Directors (or by their agents duly authorised in writing) as having been approved by resolution of the Directors (and all other documents required to be attached thereto) not later than the Posting Date and otherwise in compliance with the GEM Listing Rules and the Companies (WUMP) Ordinance;
- (ii) the posting of the Prospectus Documents to the Qualifying Shareholders on the Posting Date, and the posting of the Prospectus and a letter in the agreed form to the Excluded Shareholders, if any, for information purpose only explaining the circumstances in which they are not permitted to participate in the Rights Issue within two business days after the Posting Date;
- (iii) the Listing Committee of the Stock Exchange granting or agreeing to grant (subject to allotment) and not having withdrawn or revoked listing of and permission to deal in all the Rights Shares (in their nil-paid and fully-paid forms) by no later than the Posting Date;
- (iv) compliance with and performance of all the undertakings and obligations of the Company under the terms of the Underwriting Agreement;
- (v) the obligations of the Underwriter becoming unconditional and that the Underwriting Agreement is not terminated in accordance with the terms of the Underwriting Agreement;
- (vi) compliance with and performance of an irrevocable undertaking by Mr. Yung in favour of the Company and the Underwriter to, among others, subscribe for 340,000 Rights Shares to which Mr. Yung is entitled to under the Rights Issue;
- (vii) compliance with and performance of an irrevocable undertaking by Easeglory in favour of the Company and the Underwriter to, among others, subscribe for 83,698,303 Rights Shares to which Easeglory is entitled to under the Rights Issue;
- (viii) compliance with and performance of an irrevocable undertaking by New Hope in favour of the Company and the Underwriter to, among others, subscribe for 68,643,507 Rights Shares to which New Hope is entitled to under the Rights Issue; and
- (ix) compliance with and performance of an irrevocable undertaking by the holder of the Convertible Notes in favour of the Company and the Underwriter not to, among others, exercise all the conversion rights attaching to the Convertible Notes on or before the Latest Lodging Date.

The conditions set out in Clause 2.1 are incapable of being waived. If all of the above conditions are not satisfied by 4:00 p.m. (Hong Kong time) on Wednesday, 29 July 2015, the Latest Time for Termination, or such later date or dates as the Underwriter may agree with the Company in writing, the Underwriting Agreement shall terminate and no party will have any claim against any other party for costs, damages, compensation or otherwise save for any antecedent breaches, and the Rights Issue will not proceed.

UNDERWRITING ARRANGEMENT FOR THE RIGHTS ISSUE

Date: Monday, 22 June 2015

Underwriter: Quam Securities Company Limited

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, each of the Underwriter and their respective ultimate beneficial owners are Independent Third Parties

Number of Rights Shares: Not less than 334,633,988 Rights Shares (assuming no new Shares will be issued on or before the Record Date) and not more than 360,908,387 Rights Shares (assuming all the Share Options (excluding the Excluded Options) and the CP Shares have been exercised in full)

Number of Underwritten Shares: Not less than 181,952,179 Rights Shares (assuming no new Shares will be issued on or before the Record Date) and not more than 208,226,577 Rights Shares (assuming all the Share Options (excluding the Excluded Options) and the CP Shares have been exercised in full)

Commission: 2.75% of the aggregate Subscription Price in respect of 208,226,577 Underwritten Shares

The commission rate was determined between the Company and the Underwriter by reference to the market rate. The Directors (including the independent non-executive Directors) consider the terms of the Underwriting Agreement including the commission rate to be fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Undertakings

Undertakings from Mr. Yung and Easeglory

As at the date of this announcement, Mr. Yung is the legal and beneficial owner of 1,700,000 Shares, representing approximately 0.10% of the existing issued ordinary share capital of the Company, and also the legal and beneficial owner of 98,500,000 CP Shares. Mr. Yung is the legal and beneficial owner of the entire issued share capital of Easeglory. Mr. Yung has given an irrevocable undertaking in favour of the Company and the Underwriter to not dispose any of the 1,700,000 Shares registered in his own name and to remain as the legal and beneficial owner of those 1,700,000 Shares up to and including the Latest Lodging Date. Mr. Yung has given an irrevocable undertaking in favour of the Company and the Underwriter to subscribe for 340,000 Rights Shares to which Mr. Yung is personally entitled to under the Rights Issue.

As at the date of this announcement, Easeglory is the legal and beneficial owner of 418,491,516 Shares, representing approximately 25.01% of the existing issued ordinary share capital of the Company. Easeglory has given an irrevocable undertaking in favour of the Company and the Underwriter to not dispose any of the 418,491,516 Shares registered in the name of Easeglory and to remain as the legal and beneficial owner of those 418,491,516 Shares up to and including the Latest Lodging Date. Easeglory has given an irrevocable undertaking in favour of the Company and the Underwriter to subscribe for 83,698,303 Rights Shares to which Easeglory is entitled to under the Rights Issue.

Undertaking from New Hope

As at the date of this announcement, New Hope is the legal and beneficial owner of 343,217,539 Shares, representing approximately 20.51% of the existing issued ordinary share capital of the Company. New Hope has given an irrevocable undertaking in favour of the Company and the Underwriter to not dispose any of the 343,217,539 Shares registered in the name of New Hope and to remain as the legal and beneficial owner of those 343,217,539 Shares up to and including the Latest Lodging Date. New Hope has given an irrevocable undertaking in favour of the Company and the Underwriter to subscribe for 68,643,507 Rights Shares to which New Hope is entitled to under the Rights Issue.

Undertaking from holder of the Convertible Notes

The holder of the Convertible Notes has given an irrevocable undertaking in favour of the Company and the Underwriter not to, among others, exercise any of the conversion rights attaching to the Convertible Notes on or before the Latest Lodging Date.

The Underwriter may by notice in writing to the Company served at any time prior to 4:00 p.m. on the Latest Time for Termination or such later time as the Company and the Underwriter may agree, terminate the Underwriting Agreement if any of the following grounds of termination happens:

- (a) in the sole and absolute opinion of the Underwriter, the success of the Rights Issue would be materially and adversely affected by:
 - (i) the introduction of any new law or regulation or any change in existing law or regulation (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may in the sole and absolute opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or is materially adverse in the context of the Rights Issue; or
 - (ii) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date hereof) of a political, military, financial, economic or other nature (whether or not ejusdem generis with any of the foregoing), or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities markets which may, in the sole and absolute opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or materially and adversely prejudice the success of the Rights Issue or otherwise makes it inexpedient or inadvisable to proceed with the Rights Issue; or
 - (iii) any material adverse change in the business or in the financial or trading position of the Group as a whole; or
- (b) any adverse change in market conditions (including without limitation, any change in fiscal or monetary policy, or foreign exchange or currency markets, suspension or material restriction or trading in securities) occurs which in the sole and absolute opinion of the Underwriter is likely to materially or adversely affect the success of the Rights Issue or otherwise makes it inexpedient or inadvisable to proceed with the Rights Issue; or
- (c) there is any change in the circumstances of the Company or any member of the Group which in the sole and absolute opinion of the Underwriter will adversely affect the prospects of the Company, including without limiting the generality of the foregoing the presentation of a petition or the passing of a resolution for the liquidation or winding up or similar event occurring in respect of any of member of the Group or the destruction of any material asset of the Group; or

- (d) any suspension in the trading of securities generally or the Company's securities on the Stock Exchange for a period of more than ten consecutive business days, excluding any suspension in connection with the clearance of the Announcement or the Prospectus Documents or other announcements in connection with the Rights Issue, or
- (e) the Prospectus or announcements of the Company published since the date of the Underwriting Agreement when published contain information (either as to business prospects or the condition of the Group or as to its compliance with any laws or the GEM Listing Rules or any applicable regulations) which has not prior to the date hereof been publicly announced or published by the Company and which may in the sole and absolute opinion of the Underwriter is material to the Group as a whole and is likely to affect materially and adversely the success of the Rights Issue or might cause a prudent investor not to accept the Rights Shares provisionally allotted to it,

The Underwriter shall at its sole and absolute discretion be entitled by notice in writing to the Company, served prior to the Latest Time for Termination, to terminate the Underwriting Agreement.

Upon the giving of such notice, all obligations of the Underwriter thereunder shall cease and determine and no party shall have any claim against any other party in respect of any matter or thing arising out of or in connection with the Underwriting Agreement provided that the Company shall remain liable to pay to the Underwriter such fees as may then be agreed by the parties hereto. If the Underwriter exercises such right, the Rights Issue will not proceed.

CHANGES IN THE SHAREHOLDING STRUCTURE OF THE COMPANY ARISING FROM THE RIGHTS ISSUE

The shareholding structure of the Company as at the date of this announcement and immediately upon completion of the Rights Issue based on the following scenarios are set out below, for illustrative purposes only:

- (1) as at the date of this announcement ("**Scenario 1**");
- (2) upon full exercise of all Shareholders' rights under the Rights Issue (assuming no Share Option has been exercised and no CP Share has been converted) ("**Scenario 2**");
- (3) upon no exercise of the Shareholders' rights under the Rights Issue, save for those pursuant to the undertakings (assuming no Share Option has been exercised and no CP Share has been converted) ("**Scenario 3**");

- (4) upon full exercise of all Shareholders' rights under the Rights Issue (assuming exercise of all Share Option (excluding Excluded Options) and full conversion of all CP Shares) (“**Scenario 4**”); and
- (5) upon no exercise of the Shareholders' rights under the Rights Issue, save for those pursuant to the undertakings (assuming exercise of all Share Options (excluding Excluded Options) and full conversion of all CP Shares) (“**Scenario 5**”).

	Scenario 1		Scenario 2		Scenario 3		Scenario 4		Scenario 5	
	Number of Shares	Approx. %	Number of Shares	Approx. %	Number of Shares	Approx. %	Number of Shares	Approx. %	Number of Shares	Approx. %
Mr. Yung (Note 1)	1,700,000	0.10	2,040,000	0.10	2,040,000	0.10	120,240,000	5.55	120,240,000	5.50
Easeglory (Note 1)	418,491,516	25.01	502,189,819	25.01	502,189,819	25.01	502,189,819	23.19	502,189,819	22.98
	<u>420,191,516</u>	<u>25.11</u>	<u>504,229,819</u>	<u>25.11</u>	<u>504,229,819</u>	<u>25.11</u>	<u>622,429,819</u>	<u>28.74</u>	<u>622,429,819</u>	<u>28.48</u>
New Hope	343,217,539	20.51	411,861,047	20.51	411,861,047	20.51	411,861,047	19.02	411,861,047	18.85
Zheng Gang (Note 2)	3,104,000	0.19	3,724,800	0.19	3,104,000	0.15	7,252,800	0.33	6,044,000	0.28
Jiang Tao (Note 3)	2,800,000	0.17	3,360,000	0.17	2,800,000	0.14	6,888,000	0.32	5,740,000	0.26
Huang Jiaqing (Note 4)	1,000,000	0.06	1,200,000	0.06	1,000,000	0.05	4,560,000	0.21	3,800,000	0.17
Yung Ka Chun (Note 5)	2,640,000	0.16	3,168,000	0.16	2,640,000	0.13	3,168,000	0.15	2,640,000	0.12
Tang Xun (Note 6)	-	-	-	-	-	-	1,440,000	0.07	1,200,000	0.05
Wong Yu Man, James (Note 7)	-	-	-	-	-	-	480,000	0.02	400,000	0.02
Sub-total	<u>772,953,055</u>	<u>46.20</u>	<u>927,543,666</u>	<u>46.20</u>	<u>925,634,866</u>	<u>46.10</u>	<u>1,058,079,666</u>	<u>48.86</u>	<u>1,054,114,866</u>	<u>48.24</u>
Underwriter	-	-	-	-	181,952,178	9.06	-	-	208,226,576	9.53
Public	<u>900,216,889</u>	<u>53.80</u>	<u>1,080,260,267</u>	<u>53.80</u>	<u>900,216,889</u>	<u>44.84</u>	<u>1,107,370,656</u>	<u>51.14</u>	<u>922,808,880</u>	<u>42.23</u>
Total	<u>1,673,169,944</u>	<u>100.00</u>	<u>2,007,803,933</u>	<u>100.00</u>	<u>2,007,803,933</u>	<u>100.00</u>	<u>2,165,450,322</u>	<u>100.00</u>	<u>2,185,150,322</u>	<u>100.00</u>

Notes:

- Mr. Yung is the legal and beneficial owner of 1,700,000 Shares, and also the legal and beneficial owner of 98,500,000 CP Shares as at the date of this announcement. The issued share capital of Easeglory is 100% beneficially owned by Mr. Yung.
- Mr. Zheng Gang is a Director, and owns 7,350,000 Share Options as at the date of this announcement.
- Dr. Jiang Tao is a Director, and owns 7,350,000 Share Options as at the date of this announcement.
- Dr. Huang Jiaqing is a Director, and owns 7,000,000 Share Options as at the date of this announcement.
- Mr. Yung Ka Chun is a Director, and owns 3,960,000 Share Options as at the date of this announcement.
- Mr. Tang Xun is a Director, and owns 3,000,000 Share Options as at the date of this announcement.
- Dr. Wong Yu Man, James is a Director, and owns 1,000,000 Share Options as at the date of this announcement.

REASONS FOR THE RIGHTS ISSUE AND USE OF PROCEEDS

The Group is principally engaged in the provision of general hospital services and pharmaceutical wholesale, distribution and pharmaceutical retail chain businesses in the PRC. The Group is operating three hospitals in Chongqing, Jiaying and Zhuhai, respectively, in the PRC.

On 18 May 2015, the Company and Yunnan Tumor Hospital (雲南省腫瘤醫院[#]) entered into the non-legally binding memorandum of understanding in relation to the proposed cooperation for the construction of a new branch hospital of Yunnan Tumor Hospital, which will further strengthen the development of high-end cancer treatment and rehabilitation services for the Group, if the said proposed cooperation materialised.

In 2010, the Company issued the Promissory Note to Mr. Yung to satisfied part of the consideration payable by the Group in respect of the acquisition of the pharmaceutical wholesale and distribution and pharmaceutical retail chain business in the PRC from Mr. Yung. The Promissory Note carries an interest rate of 1% per annum, payable semi-annually in arrears. As at the date of this announcement, the outstanding balance of the Promissory Note is HK\$80 million. To strength the financial position of the Company and to lower the gearing ratio of the Company, the Board intends to repay part of the Promissory Note.

The gross proceeds and the estimated net proceeds of the Rights Issue will be approximately HK\$240 million and HK\$230 million respectively. The Company intends to apply such net proceeds from the Rights Issue as to (i) approximately HK\$150 million for the development of the new branch hospital of Yunnan Tumor Hospital as contemplated under the proposed co-operation between the Company and Yunnan Tumor Hospital, or in the event that the co-operation with Yunnan Tumor Hospital does not materialise, the Company will apply the sum on other potential co-operation initiative(s), acquisition(s) and business development; (ii) approximately HK\$20 million as general working capital of the Group; and (iii) approximately HK\$60 million for repayment of part of the Promissory Note.

The Board therefore considers that the Rights Issue represents an opportunity for the Company to enhance its working capital and strengthen its capital base and financial position so as to enhance its earning potential, and therefore enhance the overall value of the Shares. Moreover, the Board is of the view that it is in the interest of the Company and its Shareholders as a whole to raise the capital through the Rights Issue since it would allow the Qualifying Shareholders to maintain their respective *pro rata* shareholdings in the Company and participate in the future growth and development of the Group.

FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

The Company has not conducted any equity fund raising activities in the past 12 months immediately preceding the date of this announcement.

EXPECTED TIMETABLE

Last day of dealing in Shares on a cum-rights basis	Monday, 29 June 2015
First day of dealing in Shares on an ex-rights basis	Tuesday, 30 June 2015
Latest time for Shareholders to lodge transfer of Shares to qualify for the Rights Issue	4:30 p.m. on Thursday, 2 July 2015
Closure of register of members (both days inclusive)	Friday, 3 July 2015 to Tuesday, 7 July 2015
Record date for determining entitlements to the Rights Issue	Tuesday, 7 July 2015
Register of members re-opens	Wednesday, 8 July 2015
Despatch of Prospectus Documents	Monday, 13 July 2015
Commencement of dealings in nil-paid Rights Shares	9:00 a.m. on Wednesday, 15 July 2015
Latest time for splitting nil-paid Rights Shares	4:00 p.m. on Friday, 17 July 2015
Last day of dealing in nil-paid Rights Shares	4:00 p.m. on Wednesday, 22 July 2015
Latest time for acceptance of and payment for the Rights Shares	4:00 p.m. on Monday, 27 July 2015
Latest time for Termination of the Underwriting Agreement	4:00 p.m. on Wednesday, 29 July 2015
Announcement of the allotment results of the Rights Issue	Thursday, 30 July 2015
Share certificates for the fully-paid Rights Shares to be despatched on or before	Friday, 31 July 2015
Commencement of dealings in fully-paid Rights Shares	9:00 a.m. on Monday, 3 August 2015

All references to time in this announcement are references to Hong Kong time. Dates stated in this announcement for events in the timetable are indicative only and may be extended or varied. Any changes to the anticipated timetable for the Rights Issue will be announced by the Company as and when appropriate.

ADJUSTMENTS IN RELATION TO THE SHARE OPTION SCHEMES, THE CONVERTIBLE NOTES AND THE CP SHARES

Pursuant to the terms of the Share Option Schemes, the Convertible Notes and the CP Shares, the exercise prices, the subscription price and conversion price of the respective Share Options, the Convertible Notes and CP Shares will be adjusted in accordance with the Share Option Schemes, the respective deed polls of the Convertible Notes and the terms of the CP Shares upon the Rights Issue becoming unconditional. Such adjustments will be verified by the auditors of the Company and the Company will notify the holders of the Share Options, the holders of the Convertible Notes and holders of CP Shares the respective adjustments upon the Rights Issue becoming unconditional. The Company will notify the holders of the Share Options, the Convertible Notes and the CP Shares the required adjustment(s) as soon as practicable and details of adjustments will be provided in the Prospectus in respect of the Rights Issue to be despatched to the Shareholders.

WARNING OF THE RISKS OF DEALINGS IN THE SHARES AND NIL-PAID RIGHTS SHARES

The Shares will be dealt in on an ex-rights basis from Tuesday, 30 June 2015. Dealings in the Rights Shares in the nil-paid form will take place from Wednesday, 15 July 2015 to Wednesday, 22 July 2015 (both dates inclusive). If the conditions of the Rights Issue are not fulfilled or the Underwriting Agreement is terminated, the Rights Issue will not proceed.

Any Shareholders or other persons contemplating transferring, selling or purchasing Shares and/or Rights Shares in their nil-paid form who are in any doubt about their position are recommended to consult their professional advisers. Any Shareholders or other persons dealing in Shares up to the date on which all the conditions to which the Rights Issue is subject are fulfilled (and the date on which the Underwriter's right of termination of the Underwriting Agreement ceases) and any persons dealing in the nil-paid Rights Shares during the period from Wednesday, 15 July 2015 to Wednesday, 22 July 2015 (both dates inclusive) will accordingly bear the risk that the Rights Issue may not become unconditional and may not proceed.

GENERAL

Since the Rights Issue will not increase the issued share capital or the market capitalisation of the Company by more than 50% within the 12 month period immediately preceding this announcement, and the Rights Issue is fully underwritten by the Underwriter, which is not a director, chief executive or substantial shareholder of the Company (or an associate of any of them), pursuant to Rules 10.39 and 10.42(2) of the GEM Listing Rules, the Rights Issue itself is not subject to the Shareholders' approval.

The Prospectus Documents containing, among other things, further details of the Rights Issue is expected to be despatched by the Company to Qualifying Shareholders on or before Monday, 13 July 2015, and the Prospectus will be despatched to the Excluded Shareholders for information only.

DEFINITIONS

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

“2002 Share Option Scheme”	the share option scheme approved and adopted by the Company and became effective on 20 April 2002, which came into effect after the initial listing of the Shares on GEM on 10 May 2002, and terminated at the annual general meeting on 10 August 2011
“2002 Share Options”	options to subscribe for Shares granted under the 2002 Share Option Scheme
“2011 Share Option Scheme”	the share option scheme approved and adopted by the Company and became effective at the annual general meeting on 10 August 2011
“2011 Share Options”	options to subscribe for Shares granted under the 2011 Share Option Scheme
“associates”	has the meaning ascribed to this term under the GEM Listing Rules
“Board”	the board of Directors
“Business Day”	any day (excluding Saturdays and Sundays) on which banks generally are open for business in Hong Kong

“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Company”	Hua Xia Healthcare Holdings Limited (stock code: 8143), a company incorporated in the Cayman Islands with limited liability, the issued Shares of which are listed on GEM
“Companies (WUMP) Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance, Chapter 32 of the Laws of Hong Kong
“Convertible Notes”	the convertible notes with an aggregate outstanding principal amount of HK\$6,500,000 conferring rights to convert to a total of 3,421,053 Shares at the conversion price of HK\$1.90 per Share (subject to adjustment)
“CP Shares”	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 CP Share confers a right on the holder to convert into one (1) Share
“Directors”	the directors of the Company
“Easeglory”	Easeglory Holdings Limited, a company incorporated in the British Virgin Islands with limited liability, the entire issued share capital of which is wholly and beneficially owned by Marshal, the legal and beneficial owner of 418,491,516 Shares, representing approximately 25.01% of the existing issued ordinary share capital of the Company as at the date of this announcement
“Excluded Options”	the 60,000,000 2011 Share Options which are under vesting period and not exercisable on or before the Latest Lodging Date
“Excluded Shareholder(s)”	those Overseas Shareholder(s) who, in the opinion of the Directors based on enquiry made in compliance with the GEM Listing Rules, are necessary or expedient to be excluded from the Rights Issue on account of the legal restrictions under the laws or requirements of the relevant regulatory body or stock exchange in the places where such Overseas Shareholders reside

“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
“HK\$”	Hong Kong dollars, the lawful currency of the Hong Kong
“HKSCC”	the Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Last Trading Day”	Monday, 22 June 2015, being the last trading day of the Shares on the GEM prior to the release of this announcement
“Latest Lodging Date”	4:30 p.m. on Thursday, 2 July 2015 or such other date and/or time as the Underwriter and the Company may agree as the latest time for lodging transfer of the Shares and/or exercising the Share Options other than the Excluded Options in order to qualify for the Rights Issue
“Latest Time for Termination”	4:00 p.m. on the third business day after the latest time for acceptance of the Rights Issue or such other time as may be agreed between the Company and the Underwriter
“Mr. Yung”	Mr. Yung Kwok Leong, the beneficial owner of 1,700,000 Shares and 98,500,000 CP Shares as at the date of this announcement and the ultimate beneficial owner of the entire issued share capital of Easeglory
“New Hope”	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 legal and beneficial owner of 343,217,539 Shares, representing approximately 20.51% of the existing issued ordinary share capital of the Company as at the date of this announcement
“Overseas Shareholder(s)”	those persons whose addresses as shown on the register of members of the Company as at the Record Date are resident in a place outside Hong Kong

“PAL(s)” or “Provisional Allotment Letter(s)”	the provisional allotment letter in respect of the Rights Issue to be issued to the Qualifying Shareholders
“PRC”	the People’s Republic China (for the purpose of this announcement, excluding Hong Kong, Macau Special Administrative Region of the PRC and Taiwan)
“Promissory Note”	promissory note with the outstanding principal amount of HK\$80,000,000 as at the date of this announcement bearing the interest rate of 1% per annum, which was issued by the Company 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 23 November 2009
“Posting Date”	the date on which the despatch of the Prospectus Documents takes place in accordance with the Underwriting Agreement, tentatively on Monday, 13 July 2015 (or such other date as the Underwriter and the Company may agree from time to time in writing)
“Prospectus”	the prospectus to be issued by the Company in relation to the Rights Issue
“Prospectus Documents”	together, the Prospectus and PAL
“Qualifying Shareholder(s)”	Shareholder(s), other than the Excluded Shareholders, whose name(s) appear on the register of members of the Company at the close of business on the Record Date
“Record Date”	Tuesday, 7 July 2015 or such other date as the Underwriter may agree in writing with the Company as the date by reference to which entitlements to the Rights Issue are expected to be determined
“Rights Issue”	the issue of the Rights Shares by way of rights to the Qualifying Shareholders for subscription on the basis of one (1) Rights Share for every five (5) Shares held at the Record Date subject to the terms to be set out in the Prospectus Documents and summarised herein

“Rights Share(s)”	not less than 334,633,988 new Shares and not more than 360,908,387 new Shares to be offered to the Qualifying Shareholders for subscription pursuant to the Rights Issue
“SFO”	Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong)
“Share(s)”	ordinary share(s) of HK\$0.01 each in the ordinary share capital of the Company
“Share Option(s)”	options to subscribe for Shares granted under, together, the 2002 Share Option Scheme and the 2011 Share Option Scheme
“Shareholder(s)”	holder(s) of issued Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Price”	HK\$0.72 per Rights Share
“Underwriter”	Quam Securities Company Limited, a licensed corporation to carry out Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 6 (advise on corporate finance) and Type 9 (asset management) regulated activities under the SFO
“Underwriting Agreement”	the underwriting agreement dated Monday, 22 June 2015 entered into between the Company and the Underwriter in relation to the underwriting and certain other arrangements in respect of the Rights Issue
“Underwritten Shares”	the number of Rights Shares to be underwritten by the Underwriter, which in maximum up to 208,226,577 Rights Shares
“%”	per cent.

By Order of the Board
Hua Xia Healthcare Holdings Limited
Jiang Tao
Chief Executive Officer

Hong Kong, Monday, 22 June 2015

In this announcement, translated English names of Chinese entities for which no official English translation exists are unofficial translations for identification purposes only, and in the event of inconsistency between the Chinese names and their English translations, the Chinese names shall prevail.

As at the date of this announcement, the Board comprises Dr. Jiang Tao, Mr. Zheng Gang, Dr. Huang Jiaqing and Mr. Yung Ka Chun as executive Directors; Dr. Wong Yu Man, James and Mr. Tang Xun as non-executive Directors; and Ms. Wong Ka Wai, Jeanne, Prof. Hu Shanlian and Prof. Lu Chuanzhen as independent non-executive Directors.

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 <http://www.hkgem.com> on the “Latest Company Announcements” page for at least seven days from the date of its posting and the Company’s website at <http://www.huaxia-healthcare.com>.