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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)

PROPOSED DISTRIBUTION BY THE COMPANY

**Financial Adviser to
Hua Xia Healthcare Holdings Limited**

VEDA | CAPITAL
智略資本

The Board is pleased to announce that, on 9 November 2016, it has approved a special dividend in the form of a distribution in specie of up to 393,080,000 Wanjia Shares, held by the Company to the Qualifying Shareholders, being registered Shareholders whose names appear on the register of members of the Company on the Record Date, if the Distribution becomes unconditional. Each Qualifying Shareholder will be entitled to four (4) Wanjia Shares for every 25 Shares or CPS held on the Record Date.

No fraction of a Wanjia Share will be distributed. The total number of Wanjia Shares to be transferred to any Shareholders will be rounded down to a whole number. Any fractional entitlements of the Wanjia Shares will not be transferred to the Shareholders, but will be aggregated and sold by the Company for the benefit of the Company. For the avoidance of doubt, registered holders of less than 25 Shares or CPS on the Record Date will not be entitled to any Wanjia Shares.

Upon completion of the Distribution, the Company will retain not less than 18,837,648 Wanjia Shares, representing approximately 2.91% of the entire issued share capital of Wanjia and the Wanjia Group will cease to be subsidiaries of the Company. Wanjia will be accounted as an investment of the Company. The Group will no longer participate in pharmaceutical wholesale, distribution and pharmaceutical retail chain businesses in the PRC.

* For identification purpose only

The Distribution will be subject to the approval of the Shareholders at the EGM. A circular containing further information on the (i) Distribution, including the Record Date, the book closure dates, the date of the EGM, the date of despatch of the share certificates for the relevant Wanjia Shares; (ii) financial information of the Remaining Group; (iii) financial information of the Wanjia Group; and (iv) notice convening the EGM will be despatched to the Shareholders on or before 30 November 2016.

As the Distribution is subject to the approval by the Shareholders, the Distribution may or may not proceed. Shareholders and/or potential investors of the Company are advised to exercise caution in dealing in the Shares.

SPECIAL DIVIDEND BY WAY OF DISTRIBUTION IN SPECIE

Basis of entitlement

The Board is pleased to announce that, on 9 November 2016, it has approved a special dividend in the form of a distribution in specie of up to 393,080,000 Wanjia Shares, held by the Company to the Qualifying Shareholders, being registered Shareholders whose names appear on the register of members of the Company on the Record Date, if the Distribution becomes unconditional. Each Qualifying Shareholder will be entitled to four (4) Wanjia Shares for every 25 Shares or CPS held on the Record Date.

Fraction of Wanjia Shares

No fraction of a Wanjia Share will be distributed. The total number of Wanjia Shares to be transferred to any Shareholders will be rounded down to a whole number. Any fractional entitlements of the Wanjia Shares will not be transferred to the Shareholders, but will be aggregated and sold by the Company for the benefit of the Company. For the avoidance of doubt, registered holders of less than 25 Shares or CPS on the Record Date will not be entitled to any Wanjia Shares.

Shareholder's approval

The Distribution will be subject to the approval of the Shareholders at the EGM.

Overseas Shareholder(s)

If there exists any Overseas Shareholder(s) on the Record Date, the Company will make enquiries regarding the feasibility of extending the Distribution to the Overseas Shareholder(s). If based on legal opinions provided by the legal advisers, the Directors consider that it is necessary or expedient not to extend the Distribution to particular Overseas Shareholder(s) on account either of the legal restrictions under the laws of the place(s) of its/his/her/their registered addresses or the requirements of the relevant regulatory bodies or stock exchanges in those places outside Hong Kong, the assured entitlement to Wanjia Shares will not be available to such Overseas Shareholder(s). Instead, the Excluded Shareholders will receive a cash amount representing the net proceeds of the sale by the Company on their behalf of the Wanjia Shares to which it/he/she/they would otherwise be entitled pursuant to the Distribution at the prevailing market price. The Company will ensure that the purchaser(s) of such Wanjia Shares is/are not connected persons of the Company and are third parties independent of the Company and its connected persons in accordance with the GEM Listing Rules. The proceeds of such sale, net of expenses, of more than HK\$100 will be paid to the relevant Excluded Shareholders in Hong Kong dollars. The Company will retain individual amounts of HK\$100 or less for its own benefit.

INFORMATION ON THE WANJIA GROUP

Wanjia is an investment holding company listed on the Main Board of the Stock Exchange, and the Wanjia Group is principally engaged in pharmaceutical wholesales and distribution and pharmaceutical retail chain business in the PRC.

The 393,080,000 Wanjia Shares to be distributed represent approximately 95.43% of the issued share capital of Wanjia held by the Company and approximately 60.62% of the entire issued share capital of Wanjia as at the date of this announcement.

Set out below is the consolidated financial information of Wanjia, for the two years ended 31 March 2015 and 2016 and the six months ended 30 September 2016, extracted from its published financial statements:

	For the year ended 31 March 2015	For the year ended 31 March 2016	For the six months ended 30 September 2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i> (unaudited)
Turnover	1,567,687	1,321,763	528,349
Loss before tax	(765,330)	(12,304)	(10,470)
Loss after tax	(773,280)	(13,462)	(11,621)

The unaudited net assets of Wanjia as at 30 September 2016 was approximately HK\$268,423,000.

EFFECTS AND BENEFITS OF THE DISTRIBUTION IN SPECIE

The Company is an investment holding company listed on GEM, and 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 four hospitals in Chongqing, Jiaying, Zhuhai and Beijing, respectively, in the PRC.

Following completion of the Distribution, the Company will retain not less than 18,837,648 Wanjia Shares, representing approximately 2.91% of the entire issued share capital of Wanjia and the Wanjia Group will cease to be subsidiaries of the Company. Wanjia will be accounted as an investment of the Company. The Group will no longer participate in pharmaceutical wholesale, distribution and pharmaceutical retail chain businesses in the PRC.

Shareholders' equity of the Group will be reduced by the distribution of Wanjia Shares for approximately HK\$162,735,000 with reference to the unaudited financial information of Wanjia as at 30 September 2016. The profit and loss implications on the Group as a result of the distribution of Wanjia Shares upon completion of the Distribution may only be determined following the date of settlement of the Distribution. The Company is working closely with its auditors on this and relevant disclosures will be made if and when appropriate. The Board is of the view that the Distribution will allow further streamlining of the Group's business activities. It will also provide the Qualifying Shareholders with an opportunity to directly participate in the investment of, and enjoy returns from, the Wanjia Shares, and the flexibility to determine the level of their participation in investing in Wanjia at their own discretion.

GENERAL

The Distribution does not constitute a transaction under Chapter 19 of the GEM Listing Rules.

A circular containing further information on the (i) Distribution, including the Record Date, the book closure dates, the date of the EGM, the date of despatch of the share certificates for the relevant Wanjia Shares; (ii) financial information of the Remaining Group; (iii) financial information of the Wanjia Group; and (iv) notice convening the EGM will be despatched to the Shareholders on or before 30 November 2016.

As the Distribution is subject to the approval by the Shareholders, the Distribution may or may not proceed. Shareholders and/or potential investors of the Company are advised to exercise caution in dealing in the Shares.

DEFINITIONS

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

“Board”	the board of Directors
“Company”	Hua Xia Healthcare Holdings Limited, a company incorporated in the Cayman Islands with limited liability and the issued shares of which are listed on GEM (stock code: 8143)
“connected person”	has the meaning ascribed to it under the GEM Listing Rules
“CPS”	the non-redeemable convertible preference shares of HK\$0.01 in the share capital of the Company
“Director(s)”	the director(s) of the Company
“Distribution”	the payment of a special dividend by the Company to its Qualifying Shareholders by way of distribution of four (4) Wanjia Share for every 25 Shares or CPS held by the Qualifying Shareholders on the Record Date, details of which are subject to final decision of the Board
“EGM”	the extraordinary general meeting to be convened and held by the Company for the purpose of approving, amongst other things, the Distribution

“Excluded Shareholder(s)”	the Overseas Shareholder(s) whom the Board, after making enquiries considers it necessary or expedient not to transfer the Wanjia Shares to, 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
“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 (before the Distribution)
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Overseas Shareholder(s)”	the Shareholder(s) whose addresses appear on the register of members of the Company at the close of business on the Record Date are in jurisdictions outside Hong Kong
“PRC”	the People’s Republic of China, which for the purpose of this announcement, excludes Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
“Qualifying Shareholder(s)”	the Shareholder(s) and the holder(s) of the convertible preference shares whose names appear on the register of members of the Company at the close of business on the Record Date other than the Excluded Shareholders
“Record Date”	the date for ascertaining Qualifying Shareholders’ entitlements to the Distribution which will be announced by the Company when the timetable for the Distribution is determined
“Remaining Group”	the Group other than the Wanjia Group
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the issued Shares or CPS
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Wanjia”	Wanjia Group Holdings Limited, a company incorporated in the Cayman Islands with limited liability and the issued shares of which are listed on the Main Board of the Stock Exchange (stock code: 401)
“Wanjia Group”	Wanjia and its subsidiaries
“Wanjia Shares”	ordinary share(s) of HK\$0.01 each in the share capital of Wanjia
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.

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

Hong Kong, 9 November 2016

As at the date of this announcement, the Board comprises Dr. Jiang Tao, Mr. Yung Ka Chun, Mr. Zheng Gang and Dr. Huang Jiaqing 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, Prof. Lu Chuanzhen and Prof. Zhang Bin 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 purposes 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 be published on the GEM website at <http://www.hkgem.com> on the “Latest Company Announcement” page for at least 7 days from the date of publication and on the Company’s website at www.huaxia-healthcare.com.