

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this announcement, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



HUA XIA HEALTHCARE HOLDINGS LIMITED

華夏醫療集團有限公司*

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 8143)

- (1) PROPOSED OPEN OFFER OF
NOT LESS THAN 899,022,397 OFFER SHARES
AND
NOT MORE THAN 930,100,901 OFFER SHARES
AT HK\$0.05 PER OFFER SHARE
ON THE BASIS OF ONE OFFER SHARE FOR
EVERY TWO SHARES HELD ON RECORD DATE
PAYABLE IN FULL ON APPLICATION (WITH BONUS SHARES
IN THE PROPORTION OF TWO BONUS SHARES FOR
EVERY ONE OFFER SHARE TAKEN UP UNDER THE OPEN OFFER);
AND
(2) AMENDMENTS TO ARTICLES OF ASSOCIATION;
AND
(3) INCREASE IN AUTHORISED SHARE CAPITAL;
AND
(4) RESUMPTION OF TRADING**

Financial adviser to the Company



INCU Corporate Finance Limited

Underwriters



**華富嘉洛證券有限公司
Quam Securities Company Limited**

and



**博大證券有限公司
Partners Capital Securities Limited**

* *for identification purpose only*

(1) PROPOSED OPEN OFFER WITH BONUS ISSUE

The Company proposes to raise not less than approximately HK\$44.95 million, before expenses, by an open offer of not less than 899,022,397 Offer Shares and not more than 930,100,901 Offer Shares at a subscription price of HK\$0.05 per Offer Share, payable in full on application, on the basis of one Offer Share for every two Shares held on Record Date with Bonus Issue.

As at the date of this announcement, the Company has 145,167,340 outstanding Post-IPO Share Options, 1,368,822 outstanding Pre-IPO Share Options and 58,141,587 outstanding Conversion Shares which in aggregate entitling holders thereof to subscribe for 204,677,749 Shares. Save as disclosed above, the Company does not have any other outstanding warrants or securities in issue which are convertible or exchangeable into Shares.

The net proceeds of the Open Offer (after deduction of commission and expenses) are expected to amount to approximately HK\$42.5 million (assuming no outstanding Share Options and no rights attaching to the Convertible Notes are exercised on or before the Record Date) will be used to finance future investments in the promising healthcare sector in the PRC, business development of the Group and towards general working capital. As at the date of this announcement, the Company has not identified specific investment opportunities.

The Open Offer is fully underwritten by the Underwriters and is subject to the terms and conditions of the Underwriting Agreement. If the Underwriters terminate the Underwriting Agreement (details are set out in the paragraph headed “Termination of the Underwriting Agreement” in the section headed “Underwriting Agreement” in this announcement) or the conditions of the Open Offer (details are set out in the paragraph headed “Conditions of the Open Offer” in the section headed “Underwriting Agreement” in this announcement) are not fulfilled, the Open Offer will not proceed. **Accordingly, the Open Offer with Bonus Issue may or may not proceed and the Shareholders and potential investors are advised to exercise caution when dealing in the Shares and consult their professional advisers if they are in any doubt about their positions.**

On the basis of two (2) Bonus Shares for every one (1) Offer Share taken up under the Open Offer, not less than 1,798,044,794 Bonus Shares and not more than 1,860,201,802 Bonus Shares will be issued to the first registered holder of the Offer Shares.

As the Open Offer with the Bonus Issue will increase the issued share capital of the Company by more than 50% within the 12 month period immediately preceding the date of this announcement, the Open Offer is subject to approval by the Independent Shareholders at the EGM by poll in accordance with the requirements of Rules 10.39, 10.39A and 10.39B of the GEM Listing Rules. Given that there is no controlling Shareholder, Shareholders who are interested in or involved in the Open Offer, being the Directors, namely Mr Yung, Ms Shum and Mr Zheng and Easeglory, a company

wholly and beneficially owned by Mr Yung, together with their respective associates, will abstain from voting at the EGM in respect of the resolution to approve the Open Offer with Bonus Issue pursuant to Rule 10.39(1) of the GEM Listing Rules. An independent board committee of the Company will be established by the Company to give recommendation to the Independent Shareholders in respect of the Open Offer with Bonus Issue. An independent financial adviser will be appointed to advise the independent board committee of the Company.

(2) AMENDMENTS TO THE ARTICLES

The Board proposes to put forward a special resolution to the Shareholders for approval at the EGM in respect of the amendments to Article 147 of the Articles to allow the allotment and issue of the Bonus Shares which are not in proportion to the shareholding of the Shareholders by way of capitalisation of the share premium account of the Company.

(3) INCREASE IN AUTHORISED SHARE CAPITAL

As at the date of this announcement, the authorised share capital of the Company is HK\$250,000,000 divided into 5,000,000,000 Shares of HK\$0.05 each of which 1,798,044,795 Shares have been allotted and issued and fully paid or credited as fully paid. In order to accommodate future expansion and growth of the Group, the Directors propose to increase the authorised share capital of the Company from HK\$250,000,000 divided into 5,000,000,000 Shares of HK\$0.05 each to HK\$500,000,000 divided into 10,000,000,000 Shares of HK\$0.05 each.

GENERAL

The Company will send the Circular containing, among other things, details of the Open Offer with Bonus Issue, the recommendation from the independent board committee of the Company, the advice from the independent financial adviser to the independent board committee of the Company and the Independent Shareholders in respect of the Open Offer with Bonus Issue, the amendments to the Articles, the increase in the authorised share capital of the Company, and a notice convening the EGM to Shareholders as soon as practicable in accordance with the GEM Listing Rules.

(4) SUSPENSION AND RESUMPTION OF TRADING

At the request of the Company, trading in the Shares on the Stock Exchange was suspended from 9:30 a.m. on 29 December 2008 pending the release of this announcement. Application has been made to the Stock Exchange for resumption of trading in Shares with effect from 9:30 a.m. on 31 December 2008.

(1) OPEN OFFER WITH BONUS ISSUE

Issue Statistics

Basis of the Open Offer:	One (1) Offer Share for every two (2) Shares held on the Record Date
Number of existing Shares in issue:	1,798,044,795 Shares as at the date of this announcement
Number of Open Offer Shares to be issued:	Not less than 899,022,397 Offer Shares and not more than 930,100,901 Offer Shares (as holders holding an aggregated 142,520,740 Post-IPO Share Options have undertaken to the Company, the Underwriters and/or Mr Yung not to exercise the Post-IPO Share Options respectively held by them on or before the Latest Lodging Date)
Number of Bonus Shares:	Not less than 1,798,044,794 Bonus Shares and not more than 1,860,201,802 Bonus Shares to be issued to the first registered holders of the Offer Shares on the basis of two (2) Bonus Shares for every one (1) Offer Share taken up under the Open Offer
Subscription Price:	HK\$0.05 per Offer Share payable in full on application

As at the date of this announcement, the Company has 145,167,340 outstanding Post-IPO Share Options, 1,368,822 outstanding Pre-IPO Share Options and 58,141,587 outstanding Conversion Shares which in aggregate entitling holders thereof to subscribe for 204,677,749 Shares. Save as disclosed above, the Company does not have any other outstanding warrants or securities in issue which are convertible or exchangeable into Shares.

Bonus Issue

Subject to the satisfaction of the conditions of the Open Offer, the Bonus Shares will be issued to the first registered holder of the Offer Shares on the basis of two (2) Bonus Shares for every one (1) Offer Share taken up under the Open Offer.

On the basis of not less than 899,022,397 Offer Shares and not more than 930,100,901 Offer Shares to be issued under the Open Offer, not less than 1,798,044,794 Bonus Shares and not more than 1,860,201,802 Bonus Shares will be issued.

Subscription Price

The Subscription Price of HK\$0.05 per Offer Share will be payable in full upon application for the Offer Shares under the Open Offer. Taking into account the Bonus Shares to be issued, the subscription price per Offer Share with Bonus Issue would be HK\$0.0167 per Share (“Subscription Price for Offer Share and Bonus Share”). The Subscription Price and the Subscription Price for Offer Share and Bonus Share represent:

1. a discount of approximately 7.41% and 69.07% respectively to the closing price of HK\$0.054 per Share as quoted on the Stock Exchange on 24 December 2008, being the last trading day of the Shares on the Stock Exchange prior to the suspension of the trading in the Shares;
2. a discount of approximately 3.85% and 67.88% respectively to the average of the closing prices of HK\$0.052 per Share quoted on the Stock Exchange for the five trading days up to and including 24 December 2008;
3. a discount of approximately 5.12% and 68.31% respectively to the average of the closing prices of HK\$0.0527 per Share quoted on the Stock Exchange for the 10 trading days up to and including 24 December 2008; and
4. a premium of approximately 58.23% over and a discount of approximately 47.15% to the theoretical ex-entitlement price of HK\$0.0316 respectively based on the closing price of HK\$0.054 per Share as quoted on the Stock Exchange on 24 December 2008.

The Subscription price and the Subscription Price for Offer Share and Bonus Share were arrived at after arm’s length negotiation between the Company and the Underwriters with reference to the market price of the Shares under the prevailing market conditions. In view of the recent financial requirements of the Group as mentioned in the section headed “REASONS FOR THE OPEN OFFER” and taking into consideration of the theoretical ex-entitlement price per Share, in order to increase the attractiveness of the Open Offer with Bonus Issue to the Qualifying Shareholders, the Directors (including the independent non-executive Directors) consider that the proposed discount of the Subscription Price and the Subscription Price for Offer Share and Bonus Share to the market price is appropriate. Each Qualifying Shareholder is entitled to subscribe for the Offer Shares at the same price in proportion to his/her/its existing shareholding in the Company. The Directors (including the independent non-executive Directors) consider the Subscription Price and the Subscription Price for Offer Share and Bonus Share are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

Qualifying Shareholders

The Company will send the Prospectus Documents to the Qualifying Shareholders only.

To qualify for the Open Offer, a Shareholder must be registered as a member of the Company as at the close of business on the Record Date, and not be a Prohibited Shareholder.

In order to be registered as members on the Record Date, Shareholders must lodge any transfers of Shares (together with the relevant share certificates) with the Company's share registrar and transfer office in Hong Kong, Tricor Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong by 4:30 p.m. on Wednesday, 11 February 2009.

The invitation to apply for the Offer Shares to be made to the Qualifying Shareholders will not be transferable or capable of renunciation and there will not be any trading of nil-paid entitlements of the Offer Shares on the Stock Exchange.

Closure of register of members

The register of members of the Company in Hong Kong will be closed from Thursday, 12 February 2009 to Monday, 16 February 2009, both dates inclusive, to determine the eligibility of the Shareholders to the Open Offer. No transfer of Shares will be registered during this period.

Rights of Prohibited Shareholders

The Prospectus Documents will not be registered or filed under the applicable securities legislation of any jurisdiction other than Hong Kong. To determine the identities of the Prohibited Shareholders and in compliance with the relevant GEM Listing Rules, the Company will make necessary enquiries regarding the legal restrictions, if any, under the laws of the relevant jurisdictions and will only exclude the Prohibited Shareholders for the Open Offer if it would be necessary or expedient on account either of the legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place after making relevant enquiries. The Company will send the Prospectus to Prohibited Shareholders for their information only but the Company will not send any Application Forms to the Prohibited Shareholders.

Status of the Offer Shares and Bonus Shares

The Offer Shares (when allotted and fully paid) and the Bonus Shares will rank pari passu with the then existing Shares in issue in all respects on the date of allotment and issue of the Offer Shares and Bonus Shares. Holders of fully paid Offer Shares and holders of the Bonus Shares will be entitled to receive all future dividends and distributions which are declared, made or paid after the date of allotment and issue of the Offer Shares and Bonus Shares.

Share Certificates for Offer Shares and Bonus Shares

Subject to the fulfillment of the conditions of the Open Offer as set out in the section headed "Conditions of the Open Offer" below, certificates for all fully-paid Offer Shares and Bonus Shares are expected to be posted on or before 13 March 2009 to those Qualifying Shareholders who have accepted and (where applicable) applied for, and paid for the Offer Shares by ordinary post at their own risks.

No application for excess Offer Shares

No Qualifying Shareholder is entitled to apply for any Offer Shares which are in excess to his/her/its entitlement. Any Offer Shares not taken up by the Qualifying Shareholders, and the Offer Shares to which the Prohibited Shareholders would otherwise have been entitled to under the Open Offer, will not be available for subscription by other Qualifying Shareholders by way of excess application and will be taken up by the Underwriters.

The Directors hold the view that the Open Offer allows the Qualifying Shareholders to maintain their respective pro rata shareholdings in the Company and to participate in the future growth and development of the Group. After arm's length negotiation with the Underwriters, and taking into account that the related administration costs would be lowered in the absence of excess applications, the Directors consider that it is fair and reasonable and in the interests of the Company and the Shareholders as a whole not to offer any excess application to the Shareholders.

Fractions of Offer Shares

Fractional entitlements of Offer Shares will not be allotted and will be aggregated. All Offer Shares arising from the aggregation of such fractional entitlements will be taken up by the Underwriters.

Odd lots arrangements

The Company will not procure an agent to arrange for odd lots matching service.

Application for listing

The Company will apply to the GEM Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Offer Shares and Bonus Shares. The Offer Shares and Bonus Shares are expected to continue to be traded in existing board lot of 20,000 Shares. Dealings in the Offer Shares and Bonus Shares on the Stock Exchange will be subject to the payment of stamp duty in Hong Kong, Stock Exchange trading fees, SFC transaction levy and other applicable fees and charges in Hong Kong.

Subject to the granting of listing of, and permission to deal in, the Offer Shares and Bonus Shares on the Stock Exchange, the Offer Shares and Bonus Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the Offer Shares and Bonus Shares on the Stock Exchange or such other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

UNDERWRITING ARRANGEMENT

Underwriting Agreement

Date: 24 December 2008 (after trading hours)

Underwriters: Quam Securities; and
PCSL

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Underwriters and their respective ultimate beneficial owners are third parties independent of the Company and its connected persons (as defined in the GEM Listing Rules)

Number of Offer Shares: Not less than 899,022,397 Offer Shares and not more than 930,100,901 Offer Shares (as holders holding an aggregated 142,520,740 Post-IPO Share Options have undertaken to the Company, the Underwriters and/or Mr Yung not to exercise the Post-IPO Share Options respectively held on or before the Latest Lodging Date)

Number of Bonus Shares: Not less than 1,798,044,794 Bonus Shares and not more than 1,860,201,802 Bonus Shares to be issued to the first registered holders of the Offer Shares on the basis of two (2) Bonus Shares for every one (1) Offer Share taken up under the Open Offer

Number of Underwritten Shares: Not less than 703,575,647 Offer Shares and not more than 734,654,151 Offer Shares

Commission: an underwriting commission of 2.75% of the aggregate Subscription Price in respect of the maximum number of Underwritten Shares

Undertakings

As at the date of this announcement, Mr Yung was interested in 6,187,500 Shares and 9,042,085 Post-IPO Share Options conferring rights to subscribe for 9,042,085 Shares and Easeglory, a company wholly owned by Mr Yung, was interested in 375,706,000 Shares. Pursuant to the Underwriting Agreement, Mr Yung has irrevocably undertaken to the Company and the Underwriters (i) not to exercise any of the 9,042,085 Post-IPO Share Options granted to him on or before the Latest Lodging Date and (ii) to subscribe for or procure the subscription of 3,093,750 Offer Shares and 187,853,000 Offer Shares to which he and Easeglory respectively are entitled pursuant to the Open Offer.

As at the date of this announcement, Ms Shum was interested in 5,400,000 Shares and 10,805,240 Post-IPO Share Options conferring rights to subscribe for 10,805,240 Shares. Pursuant to the undertaking letter from Ms Shum, Ms Shum has irrevocably undertaken to the Company, the Underwriters and Mr Yung (i) not to exercise any of the 10,805,240 Post-IPO Share Options granted to her on or before the Latest Lodging Date and (ii) to subscribe for or procure the subscription of 2,700,000 Offer Shares to which Ms Shum is entitled pursuant to the Open Offer.

As at the date of this announcement, Mr Zheng was interested in 3,600,000 Shares. Pursuant to the undertaking letter from Mr Zheng, Mr Zheng has irrevocably undertaken to the Company, the Underwriters and Mr Yung to subscribe for or procure the subscription of 1,800,000 Offer Shares to which Mr Zheng is entitled pursuant to the Open Offer.

In addition, the holders with an aggregate of 133,478,655 Post-IPO Share Options (excluding the 9,042,085 Post-IPO Share Options which Mr Yung is interested in but including 10,805,240 Post-IPO Share Options, 10,781,160 Post-IPO Share Options and 10,781,160 Post-IPO Share Options of which Ms Shum, Mr Jiang Tao and Mr Chen Jin Shan, all being executive Directors are respectively interested in and 101,111,095 Post-IPO Share Options which employees and consultants of the Company are interested in) granted under the Post-IPO Share Option Scheme have given an irrevocable undertaking to the Company, the Underwriters and Mr Yung not to exercise on or before the Latest Lodging Date the Post-IPO Share Options granted to the holder.

Subject to and upon the terms and conditions of the Underwriting Agreement, the Underwriters have agreed to underwrite:

- i. not less than 703,575,647 Underwritten Shares (assuming all the Pre-IPO Share Options, Post-IPO Share Options and the conversion rights attaching to the Convertible Notes are not being exercised on or before the Latest Lodging Date); and
- ii. not more than 734,654,151 Underwritten Shares (assuming all the Pre-IPO Share Options, Post-IPO Share Options (excluding the Excluded Options) and the conversion rights attaching to the Convertible Notes are being exercised on or before the Latest Lodging Date).

Termination of the Underwriting Agreement

If, prior to the Latest Time for Termination (provided that if the date of the Latest Time for Termination shall be a business day on which a Storm Warning is or remains hoisted between 9.00 a.m. and 4.00 p.m. on that day, the date of the Latest Time for Termination shall be the next business day on which no Storm Warning is or remains hoisted between 9:00 a.m. and 4:00 p.m. on that day):

- (1) in the reasonable opinion of Quam Securities on behalf of the Underwriters, the success of the Open Offer would be materially and adversely affected by:
 - (a) 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 reasonable opinion of Quam Securities on behalf of the Underwriters 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 Open Offer; or
 - (b) 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 reasonable opinion of Quam Securities on behalf of the Underwriters 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 Open Offer or otherwise makes it inexpedient or inadvisable to proceed with the Open Offer; or
- (2) 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 reasonable opinion of Quam Securities on behalf of the Underwriters is likely to materially or adversely affect the success of the Open Offer or otherwise makes it inexpedient or inadvisable to proceed with the Open Offer; or
- (3) there is any change in the circumstances of the Company or any member of the Group which in the reasonable opinion of Quam Securities on behalf of the Underwriters 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
- (4) any event of force majeure including, without limiting the generality thereof, any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, terrorism, strike or lock-out; or

- (5) any other material adverse change in relation to the business or the financial or trading position or prospects of the Group as a whole whether or not ejusdem generis with any of the foregoing; or
- (6) any matter which, had it arisen or been discovered immediately before the date of the Prospectus and not having been disclosed in the Prospectus, would have constituted, in the reasonable opinion of Quam Securities on behalf of the Underwriters, a material omission in the context of the Open Offer; or
- (7) 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 this announcement or the Prospectus Documents or other announcements or circulars in connection with the Open Offer,

Quam Securities on behalf of the Underwriters shall be entitled by notice in writing to the Company, served prior to the Latest Time for Termination, to terminate the Underwriting Agreement.

If the Underwriters terminate the Underwriting Agreement, the Open Offer with Bonus Issue will not proceed.

CONDITIONS OF THE OPEN OFFER

The Open Offer is conditional, inter alia, upon:

- (1) the delivery to the Stock Exchange for authorisation and the 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) and otherwise in compliance with the GEM Listing Rules and the Companies Ordinance not later than the Prospectus Posting Date;
- (2) the posting of the Prospectus Documents to the Qualifying Shareholders and the posting of the Prospectus and a letter in the agreed form to the Prohibited Shareholders, if any, for information purpose only explaining the circumstances in which they are not permitted to participate in the Open Offer on or before the Prospectus Posting Date;
- (3) the GEM 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 the Offer Shares and the Bonus Shares by no later than the first day of their dealings;
- (4) the obligations of the Underwriters becoming unconditional and that the Underwriting Agreement is not terminated in accordance with its terms;

- (5) compliance with and performance of an irrevocable undertaking by each of Ms Shum and Mr Zheng in favour of the Company, the Underwriters and Mr Yung to subscribe for 2,700,000 Offer Shares and 1,800,000 Offer Shares to which Ms Shum and Mr Zheng respectively entitled under the Open Offer;
- (6) compliance with and performance of an irrevocable undertaking by each of the holders of the Excluded Options in favour of the Company, the Underwriters and/or Mr Yung not to exercise the Post-IPO Share Options;
- (7) compliance with and performance of all undertakings and obligations of Mr Yung under the Underwriting Agreement; and
- (8) the passing by no later than the Prospectus Posting Date by the Shareholders (or, where appropriate, Independent Shareholders) at the EGM the following resolutions:
 - (i) a special resolution to approve the amendments to the Articles to allow the allotment and issue of the Bonus Shares which are not in proportion to the shareholding of the Shareholders by way of capitalisation of the share premium account of the Company; and
 - (ii) an ordinary resolution to approve the Open Offer with Bonus Issue by way of poll.

The Company shall use all reasonable endeavours to procure the fulfillment of all the conditions precedent by the Latest Time for Termination or such other date as the Company and the Underwriters may agree and in particular shall furnish such information, supply such documents, pay such fees, give such undertakings and do all such acts and things as may be necessary in connection with the listing of the Offer Shares and Bonus Shares or to give effect to the Open Offer with Bonus Issue and the arrangements contemplated in the Underwriting Agreement.

WARNING OF RISKS OF DEALING IN SHARES

If the Underwriters terminate the Underwriting Agreement or the conditions of the Open Offer are not fulfilled, the Open Offer will not proceed. **Accordingly, the Open Offer with Bonus Issue may or may not proceed and the Shareholders and potential investors are advised to exercise caution when dealing in the Shares and consult their professional advisers if they are in any doubt about their positions.**

Shareholders should note that the Shares will be dealt with on an ex-entitlement basis commencing from Tuesday, 10 February 2009 and that dealings in such Shares will take place while the conditions to which the Underwriting Agreement is subject remain unfulfilled. Any Shareholder or other person dealing in such Shares up to the date on which all conditions to which the Open Offer is subject to are fulfilled (which is expected to be on or before 4:00 p.m. on Thursday, 12 March 2009), will accordingly bear the risk that the Open Offer with Bonus Issue cannot become unconditional and may not proceed.

CHANGES IN THE SHAREHOLDING STRUCTURE OF THE COMPANY ARISING FROM THE OPEN OFFER WITH BONUS ISSUE

Scenario 1:

Assuming all the Pre-IPO Share Options, the Post-IPO Share Options and the conversion rights attaching to the Convertible Notes are not being exercised on or before the Latest Lodging Date:

	As at the date of this announcement		Immediately following completion of the Open Offer with Bonus Issue on the assumption as set out in Note 1		Immediately following completion of the Open Offer with Bonus Issue on the assumption as set out in Note 2	
	Number of Shares	%	Number of Shares	%	Number of Shares	%
Mr Yung and Easeglory (Note 3)	381,893,500	21.24%	954,733,750	21.24%	954,733,750	21.24%
Ms Shum (Note 4)	5,400,000	0.30%	13,500,000	0.30%	13,500,000	0.30%
Mr Zheng (Note 4)	3,600,000	0.20%	9,000,000	0.20%	9,000,000	0.20%
Underwriters (Note 5):						
PCSL (Note 5)	–	–	–	–	900,000,000	20.02%
Quam Securities (Note 5)	–	–	–	–	<u>1,210,726,941</u>	<u>26.93%</u>
Subtotal	–	–	–	–	2,110,726,941	46.95%
Public Shareholders	<u>1,407,151,295</u>	<u>78.26%</u>	<u>3,517,878,236</u>	<u>78.26%</u>	<u>1,407,151,295</u>	<u>31.31%</u>
Total	<u><u>1,798,044,795</u></u>	<u><u>100%</u></u>	<u><u>4,495,111,986</u></u>	<u><u>100%</u></u>	<u><u>4,495,111,986</u></u>	<u><u>100%</u></u>

Scenario 2 :

Assuming all the Pre-IPO Share Options, the Post-IPO Share Options (excluding Excluded Options) and the conversion rights attaching to the Convertible Notes are being exercised on or before the Latest Lodging Date:

	As at the date of this announcement		Assuming all the Pre-IPO Share Options, the Post-IPO Share Options (excluding Excluded Options) and the conversion rights attaching to the Convertible Notes are being exercised on or before the Latest Lodging Date		Immediately following completion of the Open Offer with Bonus Issue on the assumption as set out in Note 1		Immediately following completion of the Open Offer with Bonus Issue on the assumption as set out in Note 2	
	Number of Shares	%	Number of Shares	%	Number of Shares	%	Number of Shares	%
Mr Yung and Easeglory (Note 3)	381,893,500	21.24%	381,893,500	20.53%	954,733,750	20.53%	954,733,750	20.53%
Ms Shum (Note 4)	5,400,000	0.30%	5,400,000	0.29%	13,500,000	0.29%	13,500,000	0.29%
Mr Zheng (Note 4)	3,600,000	0.20%	3,600,000	0.19%	9,000,000	0.19%	9,000,000	0.19%
Underwriters (Note 5)								
PCSL (Note 5)	-	-	-	-	-	-	900,000,000	19.35%
Quam Securities (Note 5)	-	-	-	-	-	-	1,303,962,453	28.04%
Subtotal	-	-	-	-	-	-	2,203,962,453	47.39%
Holders of the Pre-IPO Share Options	-	-	1,368,822	0.07%	3,422,055	0.07%	1,368,822	0.03%
Holders of the Post-IPO Share Options (Note 6)	-	-	2,646,600	0.14%	6,616,500	0.14%	2,646,600	0.06%
Holder of the Convertible Notes	-	-	58,141,587	3.13%	145,353,966	3.13%	58,141,587	1.25%
Public Shareholders	1,407,151,295	78.26%	1,407,151,295	75.65%	3,517,878,236	75.65%	1,407,151,295	30.26%
Total	1,798,044,795	100%	1,860,201,804	100%	4,650,504,507	100%	4,650,504,507	100%

Notes:

1. Assuming all Shareholders take up their respective entitlements to the Offer Shares under the Open Offer.
2. Assuming none of the Shareholders (save for Mr Yung and Easeglory, Ms Shum and Mr Zheng who have undertaken to subscribe for, or procure the subscription of their pro-rata entitlement to Offer Shares in full under the Open Offer) take up their respective entitlements to the Offer Shares under the Open Offer and, accordingly, the Underwriters will take up the Underwritten Shares in full pursuant to the terms of the Underwriting Agreement.
3. Mr Yung, being an executive Director and the chairman of the Company is interested in 6,187,500 Shares and Easeglory, a company wholly owned by Mr Yung, is interested in 375,706,000 Shares.
4. Ms Shum and Mr Zheng are executive Directors.
5. The Underwriters have entered and/or will enter into sub-underwriting agreements with sub-underwriters. At the close of the Open Offer, none of the Underwriters and the sub-underwriters will be a substantial Shareholder holding 10% or more shareholding in the Company. Each of the sub-underwriters and their respectively ultimate beneficial owners are third parties independent of the Company and its connected persons (as defined under the GEM Listing Rules).
6. The 2,646,600 Post-IPO Share Options held by a consultant of the Company, represents the total number of Post-IPO Share Options less the Excluded Share Options.

FUNDS RAISED DURING THE PAST 12 MONTHS

During the past 12 months immediately preceding the date of this announcement, the Company has not conducted any fund raising activities.

REASONS FOR THE OPEN OFFER

The Group is principally engaged in the provision of general hospital and healthcare and hospital management services in the PRC.

Under the environment of fast economic growth in the PRC and more people becoming aware of the importance of health, the directors believe that the healthcare market in the PRC provides abundant business opportunities for the Group in the future. As indicated in the annual report of the Company for the year ended 31 March 2008, the provision of general hospital and healthcare and hospital management services in the PRC by the Group were the main contribution in generating revenue for the Group. The Directors intend to explore more business opportunities in the promising healthcare sector in the PRC including but not limited to possible future investments in or cooperations with hospitals in the PRC (including but not limited to taking equity interests in hospitals in the PRC which the Directors believe will have growth potentials) in order to benefit from the growth in the healthcare sector and enhance shareholders' returns in the long-run.

In order to achieve the acquisition strategy of the Group, the Group's working capital requirements have accordingly increased. The Board therefore considers that the Open Offer with Bonus Issue represents an opportunity for the Company to enhance its working capital and strengthen its capital base and financial position. Upon completion of the Open Offer, the Company will be in a good position to capture any potential business opportunity and facilitate its business expansion and 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 interests of the Company and its Shareholders as a whole to raise the capital which through the Open Offer with Bonus 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.

USE OF PROCEEDS

The net proceeds of the Open Offer (after deduction of commission and expenses) are expected to amount to approximately HK\$42.5 million (assuming no outstanding Share Options and no rights attaching to the Convertible Notes are exercised on or before the Record Date) will be used to finance future investments in the promising healthcare sector in the PRC, business development of the Group and towards general working capital. As at the date of this announcement, the Company has not identified specific investment opportunities.

EXPECTED TIMETABLE

The expected timetable for the Open Offer is set out below:

2009

Last day of dealings in Shares on a cum-entitlement basis	Monday, 9 February
First day of dealings in Shares on an ex-entitlement basis	Tuesday, 10 February
Latest Lodging Date	4:30 p.m. on Wednesday, 11 February
Register of members of the Company closes (both dates inclusive)	Thursday, 12 February to Monday, 16 February
EGM.	Monday, 16 February
Record Date	Monday, 16 February
Register of members re-opens.	Tuesday, 17 February
Despatch of the Prospectus Documents.	Thursday, 19 February
Latest time for acceptance of, and payment for, the Open Offer	4:00 p.m. on Friday, 6 March

Latest Time for Termination 4:00 p.m. on
Thursday, 12 March

Expected time for all conditions to which
the Open Offer is subject are fulfilled and
the Open Offer becomes unconditional 4:00 p.m. on
Thursday, 12 March

Announcement of results of
the Open Offer on the GEM's website Thursday, 12 March

Certificates for the Offer Shares and
Bonus Shares to be despatched on or before Friday, 13 March

Dealings in fully-paid Offer Shares and
Bonus Shares commence on Tuesday, 17 March

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 Open Offer will be announced by the Company as and when appropriate.

ADJUSTMENTS IN RELATION TO THE SHARE OPTION SCHEMES AND THE CONVERTIBLE NOTES

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

(2) AMENDMENTS TO THE ARTICLES

The Board proposes to put forward a special resolution to the Shareholders for approval at the EGM in respect of the amendments to Article 147 of the Articles, to allow the allotment and issue of the Bonus Shares which are not in proportion to the shareholding of the Shareholders by way of capitalisation of the share premium account of the Company, by deleting Article 147 in its entirety and substituting the following therefor:

“The Company may in general meeting, upon the recommendation of the Board, at any time and from time to time pass an ordinary resolution to the effect that it is desirable to capitalise all or any part of the amount for the time being standing to the credit of any of reserve or fund (including a share premium account and capital redemption reserve and the profit and loss account) whether or not the same is available for dividend or

otherwise available for distribution and such amount be set free for distribution among the Members or any class of Members who would be entitled to receive the same if distributed by way of dividend and in the same proportions, or among such of the members or such other persons and in such different proportions as recommended by the Board (such non-pro-rata distribution is to be approved by Company in general meeting on every occasion when the Board recommend the same), and that the same be applied on behalf of such members or such other persons either in or towards paying up in full any unpaid shares, or paying up in full, at par or at such premium as the resolution may provide, any unissued shares or debentures of the Company which shall be allotted, issued and distributed among such members or such other persons and in such proportions as the resolution may provide, and the Board shall give effect to such resolution”

(3) INCREASE IN AUTHORISED SHARE CAPITAL

As at the date of this announcement, the authorised share capital of the Company is HK\$250,000,000 divided into 5,000,000,000 Shares of HK\$0.05 each of which 1,798,044,795 Shares have been allotted and issued and fully paid or credited as fully paid. In order to accommodate future expansion and growth of the Group, the Directors propose to increase the authorised share capital of the Company from HK\$250,000,000 divided into 5,000,000,000 Shares of HK\$0.05 each to HK\$500,000,000 divided into 10,000,000,000 Shares of HK\$0.05 each. The Directors have no present intention of issuing the authorised share capital proposed to be increased.

GENERAL

As the Open Offer with the Bonus Issue will increase the issued share capital of the Company by more than 50% within the 12 month period immediately preceding the date of this announcement, the Open Offer is subject to approval by the Independent Shareholders at the EGM by poll in accordance with the requirements of Rules 10.39, 10.39A and 10.39B of the GEM Listing Rules. Given that there is no controlling Shareholder, Shareholders who are interested in or involved in the Open Offer, being the Directors, namely Mr Yung, Ms Shum and Mr Zheng and Easeglory, a company wholly and beneficially owned by Mr Yung, together with their respective associates, will abstain from voting at the EGM in respect of the resolution to approve the Open Offer with Bonus Issue pursuant to Rule 10.39(1) of the GEM Listing Rules. An independent board committee of the Company will be established by the Company to give recommendation to the Independent Shareholders in respect of the Open Offer with Bonus Issue. An independent financial adviser will be appointed to advise the independent board committee of the Company and the Independent Shareholders in this regard.

The Company will send the Circular containing, among other things, details of the Open Offer with Bonus Issue, the recommendation from the independent board committee of the Company, the advice from the independent financial adviser to the independent board committee of the Company and the Independent Shareholders in respect of the Open Offer with Bonus Issue, the amendments to the Articles, the increase in the authorised share capital of the Company, and a notice convening the EGM to Shareholders as soon as practicable in accordance with the GEM Listing Rules.

(4) SUSPENSION AND RESUMPTION OF TRADING

At the request of the Company, trading in the Shares on the Stock Exchange was suspended from 9:30 a.m. on 29 December 2008 pending the release of this announcement. Application has been made to the Stock Exchange for resumption of trading in Shares with effect from 9:30 a.m. on 31 December 2008.

DEFINITION

“Application Form(s)”	the form of application for use by the Qualifying Shareholders to apply for the Offer Shares
“Articles”	articles of association of the Company
“associates”	has the meaning ascribed thereto in the GEM Listing Rules
“Board”	the board of Directors
“Bonus Issue”	the issue of the Bonus Shares pursuant to the terms and conditions of the Underwriting Agreement
“Bonus Share(s)”	the bonus Shares to be issued (for no additional payment) to the first registered holder of Offer Shares on the basis of two (2) Bonus Shares for every one (1) Offer Share taken up under the Open Offer subject to the terms and conditions as set out in the Underwriting Agreement
“business day”	any day (other than a Saturday or Sunday or public holidays) on which licensed banks in Hong Kong are generally open for business throughout their normal business hours
“CCASS”	the Central Clearing and Settlement System established and operated by Hong Kong Securities Clearing Company Limited
“Circular”	the circular to Shareholders, which will have annexed thereto the Notice, proposed to be despatched to the Shareholders on or about 20 January 2009 (or such other time as may be agreed between the Company and Quam Securities on behalf of the Underwriters) in the agreed form
“Companies Ordinance”	the Companies Ordinance, Chapter 32 of the Laws of Hong Kong (as amended from time to time)
“Company”	Hua Xia Healthcare Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the issued Shares of which are listed on GEM

“Conversion Shares”	Shares to be allotted and issued upon exercise of the conversion rights attaching to the Convertible Notes
“Convertible Notes”	the Convertible Notes I and the Convertible Notes II
“Convertible Notes I”	the convertible notes with an aggregate principal amount of HK\$15,000,000 conferring rights to convert to a total of 42,613,637 Shares on the basis of an initial conversion price of HK\$0.352 per Share (subject to adjustment)
“Convertible Notes II”	the convertible notes with an aggregate principal amount of HK\$2,500,000 conferring rights to convert to subscribe a total of 15,527,950 Shares on the basis of an initial conversion price of HK\$0.161 per Share (subject to adjustment)
“Directors”	directors of the Company
“Easeglory”	Easeglory Holdings Limited, a company incorporated in the British Virgin Islands, the entire issued share capital of which is wholly owned by Mr Yung
“EGM”	the extraordinary general meeting of the Company to be convened and held on or about 16 February 2009 to consider and approve among other matters, the Open Offer with Bonus Issue and the transactions contemplated hereby
“Excluded Options”	a total of 142,520,740 Post-IPO Share Options granted under the Post-IPO Share Option Scheme, including the 9,042,085 Post-IPO Share Options granted to Mr Yung
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Shareholders”	Shareholders other than the Directors (excluding the independent non-executive Directors) and their respective associates
“Latest Lodging Date”	being 4:30 p.m. on 11 February 2009 or such other date and/or time as Quam Securities on behalf of the Underwriters and the Company may agree as the latest time for lodging transfer of the Shares and/or exercising the Share Options, and Convertible Notes in order to qualify for the Open Offer

“Latest Time for Acceptance”	4:00 p.m. on 6 March 2009 or such later time or date as may be agreed between the Company and Quam Securities on behalf of the Underwriters, being the latest time for acceptance of, and payment for, the Offer Shares as described in the Prospectus
“Latest Time for Termination”	4:00 p.m. on the fourth business day after the Latest Time for Acceptance or such later time or date as may be agreed between the Company and Quam Securities on behalf of the Underwriters, being the latest time to terminate the Underwriting Agreement
“Mr Yung”	Mr Yung Kwok Leong, an executive Director and the chairman of the Company
“Ms Shum”	Ms Shum Ngai Pan, an executive Director
“Mr Zheng”	Mr Zheng Gang, an executive Director
“Offer Share(s)”	not less than 899,022,397 new Shares and not more than 930,100,901 new Shares, proposed to be offered to the Qualifying Shareholders for subscription on the terms and subject to the conditions set out in the Underwriting Agreement and in the Prospectus
“Open Offer”	the proposed offer for subscription by the Qualifying Shareholders for the Offer Shares at the Subscription Price on the terms and subject to the conditions set out in the Underwriting Agreement and the Prospectus Documents
“Overseas Shareholders”	Shareholders with registered addresses (as shown in the register of members of the Company on the Record Date) which are outside Hong Kong
“PCSL”	Partners Capital Securities Limited, a licensed corporation to carry on type 1 (dealing in securities) regulated activity under the SFO
“Post-IPO Share Option Scheme”	the post-IPO share option scheme adopted by the Company on 20 April 2002 which only came into effect after the initial listing of the Shares on GEM on 10 May 2002
“Post-IPO Share Options”	options to subscribe for Shares granted under the Post-IPO Share Option Scheme
“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

“Pre-IPO Share Option Scheme”	the pre-IPO share option scheme adopted by the Company on 20 April 2002 which came into effect prior to the initial listing of the Shares on GEM on 10 May 2002
“Pre-IPO Share Options”	options to subscribe for Shares granted under the Pre-IPO Share Option Scheme
“Prohibited Shareholder(s)”	those Overseas Shareholders to whom the Company considers it necessary or expedient not to offer the Offer Shares based on the enquiry regarding the legal restrictions, if any, under the laws of the relevant jurisdictions where the Overseas Shareholders reside
“Prospectus”	a prospectus containing details of the Open Offer
“Prospectus Documents”	the Prospectus and the Application Form
“Prospectus Posting Date”	19 February 2009 or such later date as may be agreed between the Underwriters and the Company for the despatch of the Prospectus Documents
“Qualifying Shareholders”	Shareholders whose names appear on the register of members of the Company on the Record Date, other than the Prohibited Shareholders
“Quam Securities”	Quam Securities Company Limited, a licensed corporation to carry on type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities) and Type 9 (asset management) regulated activities under the SFO
“Record Date”	16 February 2009 or such other date as may be agreed between the Company and the Underwriters for the determination of the entitlements under the Open Offer
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share Option Schemes”	the Pre-IPO Share Option Scheme and the Post-IPO Share Option Scheme
“Share Options”	options to subscribe for Shares granted under the Share Option Schemes
“Share(s)”	existing ordinary share(s) of HK\$0.05 each in the share capital of the Company
“Shareholder(s)”	holder(s) of Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Subscription Price”	HK\$0.05 per Offer Share
“Underwriters”	Quam Securities and PCSL
“Underwriting Agreement”	the underwriting agreement amongst the Company, the Underwriters and Mr Yung dated 24 December 2008 in relation to the Open Offer with Bonus Issue
“Underwritten Shares”	not less than 703,575,647 Offer Shares and not more than 734,654,151 Offer Shares, being all Offer Shares less such number of Offer Shares agreed to be taken up or procured to be taken up by Mr Yung, Ms Shum and Mr Zheng
“HK\$”	Hong Kong dollars
“%”	per cent.

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

Hong Kong, 30 December 2008

As at the date of this announcement, the executive directors of the Company are Mr Yung Kwok Leong, Dr. Jiang Tao, Mr Zheng Gang, Ms Shum Ngai Pan and Mr Chen Jin Shan, the non-executive Director is Dr. Wong Yu Man, James, and the independent non-executive Directors are Ms Wong Ka Wai, Jeanne, Mr Hsu William Shiu Foo and Prof. Yu Chai Mei.

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief that: – (i) the information contained in this announcement is accurate and complete in all material respects and not misleading; (ii) there are no other matters the omission of which would make any statement in this announcement misleading; and (iii) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

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.