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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 OPEN OFFER OF NOT LESS THAN 350,692,167 OFFER SHARES AND NOT MORE THAN 368,117,579 OFFER SHARES
AT HK\$0.08 PER OFFER SHARE
ON THE BASIS OF ONE OFFER SHARE FOR EVERY TWO SHARES HELD ON RECORD DATE
PAYABLE IN FULL ON APPLICATION

Financial adviser to the Company



博大資本國際有限公司 Partners Capital International Limited

Underwriters



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



博 大 證 券 有 限 公 司 Partners Capital Securities Limited



Hantec Capital Limited

PROPOSED OPEN OFFER

The Company proposes to raise not less than approximately HK\$28.06 million, before expenses, by an open offer of not less than 350,692,167 Offer Shares and not more than 368,117,579 Offer Shares at a subscription price of HK\$0.08 per Offer Share, payable in full on application, on the basis of one Offer Share for every two Shares held on Record Date.

As at the date of this announcement, the Company has 42,500,000 outstanding Post-IPO Share Options, 1,034,400 outstanding Pre-IPO Share Options, 103,414,000 outstanding Warrants and 33,816,425 outstanding Conversion Shares which in aggregate entitling holders thereof to subscribe for 180,764,825 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.

^{*} for identification purpose only

The net proceeds of the Open Offer (after deduction of commission and expenses) are expected to amount to approximately HK\$26.06 million (assuming no outstanding Share Options, no outstanding Warrants and no rights attaching to the Convertibles Notes are exercised on or before the Record Date), of which approximately HK\$23.06 million will be used to finance future investments such as in the healthcare sectors in Hong Kong and the PRC, including, but not limited to, the payment of the considerations relating to the letter of intent for possible formation of joint ventures with Town Health International Holdings Company Limited for operating dental services and beauty services as announced by the Company on 19 October 2006 and the letters of intent for proposed acquisition of PRC hospitals as announced by the Company on 24 November 2006 and 12 July 2006, if such possible formation of joint ventures and proposed acquisition materialize, and approximately HK\$3 million towards general working capital of the Group.

The Open Offer is fully underwritten by the Underwriters and is subject to the terms and conditions of the Underwriting Agreement. If Quam Securities on behalf of the Underwriters terminates the Underwriting Agreement (details are set out in the paragraph headed "Termination of the Underwriting Agreement" in the section headed "UNDERWRITING ARRANGEMENT" in this announcement) or the conditions of the Open Offer (details are set out in the section headed "CONDITIONS OF THE OPEN OFFER" in this announcement) are not fulfilled, the Open Offer will not proceed. Accordingly, the Open Offer 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.

As the Open Offer, when aggregated with the rights issue of the Company announced by the Company in March 2006, 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 or involved in the Open Offer, being the Directors, namely Mr. Yung, Ms. Shum and Mr. Weng 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 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. An independent financial adviser will be appointed to advise the independent board committee of the Company and the Independent Shareholders in this regard. A circular containing further details of the Open Offer, 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 and a notice of the EGM, will be despatched by the Company to the Shareholders as soon as possible.

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 12 December 2006 pending the release of this announcement. Application has been made to the Stock Exchange for resumption of trading in the Shares with effect from 9:30 a.m. on 15 December 2006.

OPEN OFFER

Issue Statistics

Basis of the Open Offer: One Offer Share for every two Shares held on the Record Date

Number of existing Shares in issue: 701,384,334 Shares as at the date of this announcement

Number of Open Offer Shares Not less than 350,692,167 Offer Shares and not more than to be issued:

368,117,579 Offer Shares (as holders of the Post-IPO Share Options)

be issued: 368,117,579 Offer Shares (as holders of the Post-IPO Share Options and the Warrants have undertaken the Company, the Underwriters

and Mr. Yung not to exercise the Post-IPO Share Options and the

Warrants on or before the Latest Lodging Date)

Subscription Price: HK\$0.08 per Offer Share payable in full on application

As at the date of this announcement, the Company has 42,500,000 outstanding Post-IPO Share Options, 1,034,400 outstanding Pre-IPO Share Options, 103,414,000 outstanding Warrants and 33,816,425 outstanding Conversion Shares which in aggregate entitling holders thereof to subscribe for 180,764,825 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.

Subscription Price

The Subscription Price of HK\$0.08 per Offer Share will be payable in full upon application for the Offer Shares and (where applicable) application for excess Offer Shares under the Open Offer. The Subscription Price represents:

- 1. a discount of approximately 67.35% to the closing price of HK\$0.2450 per Share as quoted on the Stock Exchange on 11 December 2006, 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 65.03% to the average of the closing prices of HK\$0.2288 per Share quoted on the Stock Exchange for the 5 trading days up to and including 11 December 2006;

- 3. a discount of approximately 68.24% to the average of the closing prices of HK\$0.2519 per Share quoted on the Stock Exchange for the 10 trading days up to and including 11 December 2006; and
- 4. a discount of approximately 57.89% to the theoretical ex-rights price of HK\$0.1900 based on the closing price of HK\$0.2450 per Share as quoted on the Stock Exchange on 11 December 2006.

As (i) the Subscription Price was determined after arm's length negotiation between the Company and the Underwriter with reference to the low liquidity of the Shares in the market as indicated by the average daily trading volume of approximately 1,300,000 Shares for the last 30 trading days up to and including 11 December 2006, representing approximately 0.19% of the existing issued share capital of the Company; (ii) to increase the attractiveness of the Open Offer to the Qualifying Shareholders, the Qualifying Shareholders are offered a chance to subscribe for the Offer Shares at a relatively low price and to maintain their respective pro-rata shareholdings in the Company; and (iii) the Open Offer is subject to approval of the Independent Shareholders, the Directors consider the terms of the Open Offer (including the setting of the Subscription Price at a discount to the average closing prices as mentioned above) to be fair and reasonable and in the interests 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 registrars and transfer office in Hong Kong, Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong by 4:30 p.m. on Thursday, 18 January 2007.

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 will be closed from Friday, 19 January 2007 to Wednesday, 24 January 2007, 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 or Excess Application Forms to the Prohibited Shareholders.

Application for excess Offer Shares

Under the Open Offer, Qualifying Shareholders may apply for any unsold entitlements of the Prohibited Shareholders and any Offer Shares not taken up by the Qualifying Shareholders. Application can be made by completing the Excess Application Form and lodging the same with a separate remittance for the excess Offer Shares being applied for.

The Directors will allocate the excess Offer Shares at their discretion and on a fair and equitable basis by reference to the number of excess Offer Shares applied for by each Qualifying Shareholder, but will give preference to topping up odd lots to whole board lots.

Shareholders with Shares held by a nominee company are advised to consider whether they would like to arrange for registration of the relevant Shares in the name of the beneficial owner(s) prior to the Record Date.

Status of the Offer Shares

The Offer Shares (when allotted and fully paid) 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. Holders of fully paid Offer 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.

Share Certificates for Offer Shares and refund cheques

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 refund cheques in respect of unsuccessful excess applications (if any) are expected to be posted on or before 14 February 2007 to those Shareholders who have accepted and (where applicable) applied for, and paid for the Offer Shares at their own risks.

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 arrangement

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

Application for listing

The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Offer Shares. Dealings in the Offer Shares on the Stock Exchange will be subject to the payment of stamp duty and any other applicable fees and charges in Hong Kong.

UNDERWRITING ARRANGEMENT

Underwriting Agreement

Date: 11 December 2006

Underwriters: Quam Securities, PCSL and Hantec

Each of the Underwriters and its respective ultimate beneficial owners are third parties independent of the Company and connected persons (as defined in the GEM Listing Rules) of the Company

Number of Offer Shares: Not less than 350,692,167 Offer Shares and not more than

368,117,579 Offer Shares (as the holders of the Post-IPO Share Options and the Warrants have undertaken the Company, the Underwriters and Mr. Yung not to exercise the Post-IPO Share Options and the Warrants on or before the Latest Lodging Date)

Number of Underwritten Shares:

Not less than 283,552,667 Offer Shares and not more than 300,978,079 Offer Shares (of which Quam Securities underwrites not less than 163,552,667 Offer Shares and not more than 180,978,079 Offer Shares, PCSL underwrites 70,000,000 Offer Shares and Hantec underwrites 50,000,000 Offer Shares)

If the number of Underwritten Shares that are not being taken up is less than or equal to 283,522,667 Offer Shares, or is less than or equal to 300,978,079 Offer Shares, as the case may be, the Underwriters shall subscribe for, or procure subscription of all those Underwritten Shares not being taken up in proportion to their respective entitlement (subject to the adjustment in accordance with the provision of the set-off arrangements as set out in the Underwriting Agreement), as the case may be

Commission:

an underwriting commission of 2.5% 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 4,125,000 Shares and 2,450,000 Post-IPO Share Options conferring rights to subscribe for 2,450,000 Shares and Easeglory, a company wholly owned by Mr. Yung, was interested in 122,804,000 Shares. Pursuant to the Underwriting Agreement, Mr. Yung has irrevocably undertaken the Company and the Underwriters in the Underwriting Agreement (i) not to exercise any of the 2,450,000 Post-IPO Share Options granted to him on or before the Latest Lodging Date and (ii) to subscribe or procure the subscription of the 2,062,500 Offer Shares and 61,402,000 Offer Shares to which Mr. Yung and Easeglory respectively are entitled pursuant to the Open Offer.

As at the date of this announcement, Ms. Shum was interested in 3,600,000 Shares and 2,800,000 Post-IPO Share Options conferring rights to subscribe for 2,800,000 Shares. Pursuant to the undertaking letters from Ms. Shum, Ms. Shum has irrevocably undertaken the Company, the Underwriters and Mr. Yung (i) not to exercise any of the 2,800,000 Post-IPO Share Options granted to her on or before the Latest Lodging Date and (ii) to subscribe or procure the subscription of the 1,800,000 Offer Shares to which Ms. Shum is entitled pursuant to the Open Offer.

As at the date of this announcement, Mr. Weng was interested in 3,750,000 Shares and 2,700,000 Post-IPO Share Options conferring rights to subscribe for 2,700,000 Shares. Pursuant to the undertaking letters from Mr. Weng, Mr. Weng has irrevocably undertaken the Company, the Underwriters and Mr. Yung (i) not to exercise any of the 2,700,000 Post-IPO Share Options granted to him on or before the Latest Lodging Date and (ii) to subscribe or procure the subscription of the 1,875,000 Offer Shares to which Mr. Weng is entitled pursuant to the Open Offer.

Other than Mr. Yung, Ms. Shum and Mr. Weng, each of the other holders of the Post-IPO Share Options granted under the Post-IPO Share Option Scheme has 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.

Each of the holders of the Warrants has given an irrevocable undertaking to the Company, the Underwriters and Mr. Yung not to exercise on or before the Latest Lodging Date the subscription rights attaching to the Warrants held by the holder.

Each of Ms. Shum, Mr. Weng, all other holders of the Post-IPO Options and holders of the Warrants has given an irrevocable undertaking to the Company, the Underwriters and Mr. Yung as mentioned above, as the Company, the Underwriters and Mr. Yung are parties to the Underwriting Agreement. The Company considers that as Mr. Yung is the single largest Shareholder and the chairman of the Group, Mr. Yung was added as a party to the Underwriting Agreement.

Subject to and upon the terms and conditions of the Underwriting Agreement, the Underwriters have agreed to underwrite not less than 283,552,667 Underwritten Shares (assuming all the Pre-IPO Share Options and the conversion rights attaching to the Convertible Notes are not being exercised on or before the Latest Lodging Date) and not more than 300,978,079 Underwritten Shares (assuming all the Pre-IPO Share 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, the Circular 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 will not proceed.

CONDITIONS OF THE OPEN OFFER

The Open Offer is conditional upon, inter alia, the following:

(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 passing by the Independent Shareholders at the EGM of an ordinary resolution to approve the Open Offer;
- (3) 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; and
- (4) 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 the Offer Shares by no later than the first day of their dealings.

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 Quam Securities on behalf of 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 or to give effect to the Open Offer and the arrangements contemplated in the Underwriting Agreement.

WARNING OF RISKS OF DEALING IN SHARES

If the Underwriter terminates the Underwriting Agreement or the conditions of the Open Offer are not fulfilled, the Open Offer will not proceed. Accordingly, the Open Offer 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 Wednesday, 17 January 2007 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 are fulfilled (which is expected to be on or before 4:00 p.m. on Monday, 12 February 2007), will accordingly bear the risk that the Open Offer cannot become unconditional and may not proceed.

CHANGES IN THE SHAREHOLDING STRUCTURE OF THE COMPANY ARISING FROM THE OPEN OFFER

Scenario 1: Assuming all the Pre-IPO Share Options and the conversion rights attaching to the Convertible Notes are not being exercised on or before the Latest Lodging Date:

			Immediately		Immediately	
			following c	ompletion	following o	completion
			of the Op	en Offer	of the Op	oen Offer
	As at the	e date of	on the ass	sumption	on the as	sumption
	this announcement		as set out	in Note 1	as set out in Note 2	
	Number of	Approximate	Number of	Approximate	Number of	Approximate
	Shares	%	Shares	%	Shares	%
Mr. Yung and Easeglory						
(<i>Note 3</i>)	126,929,000	18.10	190,393,500	18.10	190,393,500	18.10
Ms. Shum (Note 4)	3,600,000	0.51	5,400,000	0.51	5,400,000	0.51
Mr. Weng (Note 4)	3,750,000	0.53	5,625,000	0.53	5,625,000	0.53
Mr. Wu Wendong (Note 5)	126,000,000	17.96	189,000,000	17.96	126,000,000	11.98
Underwriters (Note 6)	_	_	_	_	283,552,667	26.95
Public Shareholders	441,105,334	62.90	661,658,001	62.90	441,105,334	41.93
Total	701,384,334	100.00	1,052,076,501	100.00	1,052,076,501	100.00

Scenario 2: Assuming all the Pre-IPO Share Options and the conversion rights attaching to the Convertible Notes are being exercised on or before the Latest Lodging Date:

Accuming all

			Assuming	gan				
			the Pre-l	PO				
			Share Optio	ns and				
			the conver	rsion				
			rights attacl	hing to	Immed	iately	Immed	liately
			the Convertib	le Notes	following co	ompletion	following o	completion
			are being ex	ercised	of the Ope	en Offer	of the Op	oen Offer
	As at the	date	on or befor	re the	on the ass	umption	on the as	sumption
	of this annou	cement Latest Lodging Date		as set out in Note 1		as set out in Note 2		
	Number of	Approximate	Number of	Approximate	Number of	Approximate	Number of	Approximate
	Shares	%	Shares	%	Shares	%	Shares	%
Mr. Yung and Easeglory								
(Note 3)	126,929,000	18.10	126,929,000	17.24	190,393,500	17.24	190,393,500	17.24
Ms. Shum (Note 4)	3,600,000	0.51	3,600,000	0.49	5,400,000	0.49	5,400,000	0.49
Mr. Weng (Note 4)	3,750,000	0.53	3,750,000	0.51	5,625,000	0.51	5,625,000	0.51
Mr. Wu Wendong (Note 5)	126,000,000	17.96	126,000,000	17.11	189,000,000	17.11	126,000,000	11.41
Underwriters (Note 7)	-	-	_	-	_	-	300,978,079	27.25
Public Shareholders	441,105,334	62.90	475,956,159	64.65	713,934,238	64.65	475,956,159	43.10
Total	701,384,334	100.00	736,235,159	100.00	1,104,352,738	100.00	1,104,352,738	100.00

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 the Mr. Yung and Easeglory, Ms. Shum and Mr. Weng who have undertaken to subscribe for, or procure the subscription of) its 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 4,125,000 Shares and Easeglory, a company wholly owned by Mr. Yung, is interested in 122,804,000 Shares.
- 4. Ms. Shum is an executive Director and chief executive officer of the Company. Mr. Weng is an executive Director.
- 5. Mr. Wu Wendong is a substantial Shareholder and is not a director, senior management and/or employee of the Group.
- 6. Quam Securities underwrites not less than 163,552,667 Offer Shares (representing approximately 15.55% of the enlarged issued share capital of the Company immediately following completion of the Open Offer under Scenario 1 above), PCSL underwrites 70,000,000 Offer Shares (representing approximately 6.65% of the enlarged issued share capital of the Company immediately following completion of the Open Offer under Scenario 1 above) and Hantec underwrites 50,000,000 Offer Shares (representing approximately 4.75% of the enlarged issued share capital of the Company immediately following completion of the Open Offer under Scenario 1 above).

7. Quam Securities underwrites not more than 180,978,079 Offer Shares (representing approximately 16.39% of the enlarged issued share capital of the Company immediately following completion of the Open Offer under Scenario 2 above), PCSL underwrites 70,000,000 Offer Shares (representing approximately 6.34% of the enlarged issued share capital of the Company immediately following completion of the Open Offer under Scenario 2 above) and Hantec underwrites 50,000,000 Offer Shares (representing approximately 4.53% of the enlarged issued share capital of the Company immediately following completion of the Open Offer under Scenario 2 above).

FUNDS RAISED DURING THE PAST 12 MONTHS

During the past 12 months immediately preceding the date of this announcement, the Company has conducted the following fund raising activities:

- 1. The placing of unlisted Convertible Notes of HK\$18 million (67,164,179 Shares may be allotted and issued upon full conversion of the Convertible Notes) at a conversion price of HK\$0.268 per Share (subsequently adjusted to HK\$0.207) as stated in the announcement of the Company dated 1 December 2005. The net proceeds of approximately HK\$17.50 million were intended to be used as to approximately HK\$4.38 million towards environmentally-related project, approximately HK\$4.38 million towards general working capital of the Group and the balance towards projects or investments in the healthcare sector in Hong Kong and the PRC. The Company has applied (i) approximately HK\$2 million for acquiring machineries for environmentally related projects in the PRC; (ii) approximately HK\$4.5 million towards general working capital of the Group; and (iii) approximately HK\$11 million for the payment of partial consideration for the acquisition of Day View Group Limited as stated in the announcement of the Company dated 15 June 2006.
- 2. The rights issue of 172,465,166 rights shares at a HK\$0.06 per Share on the basis of one rights share for every two existing Shares as stated in the announcement of the Company dated 3 March 2006. The net proceeds of approximately HK\$9.35 million were intended to be used as to approximately HK\$0.50 million towards general working capital of the Group and the balance towards projects of investments in the healthcare sector. The Company has applied (i) approximately HK\$3 million for the deposit for the proposed acquisition of Shanghai Humanity Hospital as stated in the announcement of the Company dated 12 July 2006; (ii) approximately HK\$0.35 million towards general working capital of the Group and (iii) the balance of approximately HK\$6 million for the payment of partial consideration for the acquisition of Day View Group Limited as stated in the announcement of the Company dated 15 June 2006.
- 3. The private placing of 103,414,000 non-listed Warrants at an issue price of HK\$0.02 per Warrant as stated in the announcement of the Company dated 22 May 2006. The net proceeds of approximately HK\$1.5 million were intended to be used for general working capital of the Group. The Company has applied approximately HK\$1.5 million towards general working capital of the Group.

REASONS FOR THE OPEN OFFER

The Group is principally engaged in the provision of healthcare and hospital management services in the PRC. In addition, it is engaged in the manufacture and sales of environmental protection products as well as provision of related services, manufacture and sales of melamine and its related products.

As mentioned in the annual report of the Company for the year ended 31 March 2006 and the announcement of the Company dated 24 November 2006, 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. Therefore, the Directors believe that potential investments in healthcare sector in the PRC will provide a stable income source to the Group and will bring synergistic effect and positive opportunities in the promising healthcare sector in the PRC, the Directors intend to seek possible future investments in or cooperations with hospitals in the PRC and to consider undertaking those businesses which are complimentary to the existing business.

As disclosed in the joint announcement of the Company and Town Health International Holdings Limited dated 19 October 2006 following the signing of an non-legally binding letter for the proposed acquisition of equity interests in a PRC hospitals announced by the Company on 12 July 2006, the Company has entered into a non-legally binding letter of intent with an objective to leverage on the resources and expertise of Town Health International Holdings Limited and the Company in their cooperative development in the medical and healthcare related business in the PRC. The Company and Town Health International Holdings Limited are still negotiating the terms of the proposed cooperation in order to finalise a formal commercial agreement.

In addition, as disclosed in the announcement of the Company dated 24 November 2006, the Company entered into another non-legally binding letter of intent with Mr. Lin Guo Xiong and Fuzhou Taijiang Hospital, pursuant to which the Company intended to acquire equity interests in a hospital in the PRC. The Company is in the progress of conducting the due diligence exercise on the PRC hospitals. Further announcement will be made by the Company as and when appropriate in accordance with the GEM Listing Rules.

Although the Group has conducted three fund raising exercises during the past 12 months as mentioned above, the net proceeds of the three fund raisings had been utilized as mentioned above. 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 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 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\$26.06 million (assuming no outstanding Share Options, no outstanding Warrants and no rights attaching to the Convertibles Notes are exercised on or before the Record Date), of which approximately HK\$23.06 million will be used to finance future investments such as in the healthcare sectors in Hong Kong and the PRC, including, but not limited to, the payment of the considerations relating to the letter of intent for possible formation of joint ventures with Town Health International Holdings Limited for operating dental services and beauty services as announced by the Company on 19 October 2006 and the letters of intent for proposed acquisition of PRC hospitals as announced by the Company on 24 November 2006 and 12 July 2006, if such possible formation of joint ventures and proposed acquisition materialize, and approximately HK\$3 million towards general working capital of the Group.

EXPECTED TIMETABLE

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

Register of members re-opens
Latest time for acceptance of, and payment for, the Open Offer
Latest Time for Termination
Expected time for all conditions to which the Open Offer is subject are fulfilled and the Open Offer becomes unconditional
Announcement of results of the Open Offer on the Stock Exchange's website
Certificates for the Offer Shares to be despatched on or before
Despatch of refund cheques in respect of excess unsuccessful applications
Dealings in fully-paid Offer Shares commence on Friday, 16 February
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, THE WARRANTS AND THE CONVERTIBLE NOTES

Pursuant to the terms of the Share Option Schemes, the Warrants and the Convertible Notes, the exercise prices, the subscription price and conversion price of the respective Share Options, Warrants and Convertible Notes will be adjusted in accordance with the Share Option Schemes, the deed poll of the Warrants and 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, the holders of the Warrants and the holders of the Convertible Notes the details of respective adjustments in the Prospectus.

GENERAL

As the Open Offer, when aggregated with the rights issue of the Company announced by the Company in March 2006, 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 or involved in the Open Offer, being the Directors, namely Mr. Yung, Ms. Shum and Mr. Weng 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 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. An independent financial adviser will be appointed to advise the independent board committee of the Company and the Independent Shareholders in this regard. A circular containing further details of the Open Offer, 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 and a notice of the EGM, will be despatched by the Company to the Shareholders as soon as possible.

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 12 December 2006 pending the release of this announcement. Application has been made to the Stock Exchange for resumption of trading in the Shares with effect from 9:30 a.m. on 15 December 2006.

TERMS USED IN THIS ANNOUNCEMENT

"Application Form(s)"

	for the Offer Shares
"associates"	has the meaning ascribed thereto in the GEM Listing Rules
"Board"	the board of Directors

the form of application for use by the Qualifying Shareholders to apply

"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

"Company" Hua Xia Helathcare 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 with an outstanding principal amount of

HK\$7,000,000 conferring rights to subscribe a total of 33,816,425 Shares on the basis of an exercise price of HK\$0.207 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 and fully

owned by Mr Yung

"EGM" the extraordinary general meeting of the Company to be convened and

held on or about 24 January 2007 to consider and approve the Open

Offer

"Excess Application Form(s)" the form of application for excess Offer Shares

"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

"Hantec" Hantec Capital Limited, a licensed corporation to carry on type 1 (dealing

in securities) and type 6 (advising on corporate finance) regulated

activities under the SFO

"Hong Kong" the Hong Kong Special Administrative Region of the PRC

"Independent Shareholders" the independent Shareholders (Shareholders other than the controlling

Shareholders and their associates or, where there are no controlling shareholders, directors (excluding independent non-executive directors) and the chief executive of the Company and their respective associates and those who are interested or involved in the Open Offer otherwise

than being the Shareholders)

"Latest Lodging Date" being 4:30 p.m. on 18 January 2007 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, Warrants and Convertible Notes in order to qualify for the Open Offer "Latest Time for Termination" 4:00 p.m. on the third 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. Weng" Mr. Weng Jiaxing, an executive Director "Mr. Yung" Mr. Yung Kwok Leong, an executive Director and the chairman of the Company "Ms. Shum" Ms. Shum Ngai Pan, an executive Director and chief executive officer of the Company "Offer Share(s)" not less than 350,692,167 new Shares and not more than 368,117,579 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

Shareholders with registered addresses (as shown in the register of members of the Company on the Record Date) which are outside Hong Kong

Partners Capital Securities Limited, a licensed corporation to carry on type 1 (dealing in securities) regulated activity under the SFO

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

"Overseas Shareholders"

"Post-IPO Share Option

"PCSL"

Scheme"

"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 the pre-IPO share option scheme adopted by the Company on 20 April Scheme" 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, the Application Form and the Excess Application Form "Prospectus Posting Date" 24 January 2007 or such other date as may be agreed between Quam Securities on behalf of 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) and type 4 (advising on securities) regulated activities under the SFO "Record Date" 24 January 2007 or such other date as may be agreed between the Company and Quam Securities on behalf of 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 Options" options to subscribe for Shares granted under the Share Option Schemes "Share Option Schemes" the Pre-IPO Share Option Scheme and the Post-IPO Share Option Scheme "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\$0.08 per Offer Share "Underwriters" Quam Securities, PCSL and Hantec "Underwriting Agreement" the underwriting agreement amongst the Company, the Underwriters and Mr. Yung dated 11 December 2006 in relation to the Open Offer "Underwritten Shares" not less than 283,552,667 Offer Shares and not more than 300,978,079 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. Weng "Warrants" the 103,414,000 warrants conferring rights to subscribe up to approximately HK\$64,116,680 in aggregate for Shares, equivalent to the aggregate subscription price for a total of 103,414,000 Shares on the basis of an initial subscription price of HK\$0.62 per Share (subject to adjustment) "HK\$" Hong Kong dollars

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

Chairman

Hong Kong, 14 December 2006

"%"

per cent.

As at the date of this announcement, the executive Directors are Mr. Yung Kwok Leong, Ms. Shum Ngai Pan, Mr. Chen Jin Shan and Mr. Weng Jiaxing. The independent non-executive Directors are Mr. Chan Francis Ping Kuen, Mr. Hsu Shiu Foo, William and Mr. 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:

- (1) the information contained in this announcement is accurate and complete in all material respects and not misleading;
- (2) there are no other matters the omission of which would make any statement in this announcement misleading; and
- (3) 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 appear and remain on the "Latest Company Announcements" page of the GEM website at www.hkgem.com for at least 7 days from the date of its posting and on the website of the Company at www.huaxia-healthcare.com.