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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)

**PLACING OF EXISTING SHARES
SUBSCRIPTION FOR NEW SHARES
AND
RESUMPTION OF TRADING**

Financial Adviser and Sole Bookrunner



Placing Agents



PLACING OF EXISTING SHARES AND SUBSCRIPTION FOR NEW SHARES

On 15 May 2007, Easeglory, the Company and the Placing Agents entered into the Placing Agreement, pursuant to which the Placing Agents have conditionally agreed to place, on best effort basis, an aggregate of up to 256,000,000 Placing Shares to not less than six independent places who are individual, institutional or professional investors at a price of HK\$0.58 per Placing Share.

On the same day, Easeglory and the Company entered into the Subscription Agreement under which, Easeglory has agreed to subscribe for up to 256,000,000 New Shares at a subscription price of HK\$0.58 per New Share. The total number of New Shares to be subscribed will be equal to the total number of Placing Shares placed and that the Subscription Price will also be the same as the Placing Price.

After 256,000,000 Placing Shares have been placed and assuming the completion of the Subscription, the total number of New Shares represents approximately 17.63% of the existing issued share capital of the Company and 14.98% of the enlarged issued share capital of the Company immediately after the allotment and issue of the New Shares. The Company intends to apply the net proceeds for future investments in the healthcare sector in the PRC and general working capital of the Group.

* for identification purpose only

The Subscription is conditional upon, among other things, the Stock Exchange granting listing of, and permission to deal in, the New Shares. The New Shares are proposed to be issued pursuant to the existing general mandate given to the Directors to allot and issue Shares.

RESUMPTION OF TRADING

At the request of the Company, trading in the Shares was suspended with effect from 9:30 a.m. on 15 May 2007 pending the release of this announcement. An application has been made by the Company to the Stock Exchange for resumption of trading in the Shares with effect from 9:30 a.m. on 18 May 2007.

PLACING OF EXISTING SHARES AND SUBSCRIPTION FOR NEW SHARES

THE PLACING AGREEMENT

Date: 15 May 2007

The Vendor: Easeglory, which, as at the date of this announcement, is interested in 264,206,000 Shares, representing approximately 18.19% of the existing issued share capital of the Company

The Placing Agents: CAF Securities Company Limited, which is and whose beneficial owners are not connected persons of the Company

Sun Hung Kai International Limited, which is and whose beneficial owners are not connected persons of the Company

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, each of the Placing Agents is independent of and not connected with the Company and its connected persons.

The Placing Agents will receive an aggregate of placing commission and fee of 2.8% of the gross proceeds from the Placing of the Placing Shares. The Directors consider the said placing commission and fee to be fair and reasonable and in the interest of the Company and its shareholders as a whole.

The Placees:

Each of the Placing Agents confirms that the placees (and their respective ultimate beneficial owners) (i) are not connected persons of the Company, (ii) are independent of and not connected with the Company or its connected persons, and (iii) are not parties acting in concert (as defined in the Hong Kong Code on Takeovers and Mergers) with Easeglory. The Placing Agents also confirm that the Placing Shares were placed to not less than six independent placees who are individual, institutional or professional investors and it is expected that none of them will become a substantial shareholder (as defined in the GEM Listing Rules) of the Company immediately after completion of the Placing.

Number of Placing Shares:

An aggregate of 256,000,000 Placing Shares were placed by the Placing Agents on best effort basis, which represent approximately 17.63% of the existing issued share capital of the Company.

Placing Price:

HK\$0.58 per Placing Share, which is equivalent to the Subscription Price. The aggregate value of the Placing is HK\$148.5 million. The Placing Price represents:

- (i) a discount of approximately 6.45% to the closing price of HK\$0.62 per Share as quoted on the Stock Exchange on 14 May 2007, being the latest trading day of the Shares immediately before and including the date of this announcement;
- (ii) a discount of approximately 5.23% to the average closing price of HK\$0.612 per Share as quoted on the Stock Exchange for the last five trading days ended 14 May 2007; and
- (iii) a discount of approximately 6.15% to the average closing price of HK\$0.618 per Share as quoted on the Stock Exchange for the last ten trading days ended 14 May 2007.

The Placing Price was arrived at after arm's length negotiations among the Company, Easeglory and the Placing Agents by reference to the closing price of the Shares on 14 May 2007, the recent trading prices of the Shares and the current positive market sentiment. The Directors (including the independent non-executive Directors) consider that the Placing Price and the terms of the Placing Agreement are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

Rights attached to Placing Shares:

The Placing Shares are sold free from any lien, charge, encumbrance, and together with all rights attaching to the Placing Shares, including the right to dividend and other distribution declared, made or paid on or after the date of completion of the Placing.

Completion of the Placing:

The Placing of 256,000,000 Placing Shares will take place on the second Business Day after trading of the Shares has been resumed, which is expected to be on 22 May 2007.

THE SUBSCRIPTION AGREEMENT

Date: 15 May 2007

The Issuer: The Company

The Subscriber: Easeglory

Number of New Shares:

Under the Subscription Agreement, Easeglory has conditionally agreed to subscribe for up to 256,000,000 New Shares, which will be equal to the total number of Placing Shares placed. After 256,000,000 Placing Shares have been placed and assuming the Subscription is completed, the New Shares represent approximately 17.63% of the existing issued share capital of the Company and approximately 14.98% of the total issued share capital of the Company as enlarged by the allotment and issue of the New Shares.

Subscription Price:

HK\$0.58 per New Share, which is the same as the Placing Price.

In line with the market practice and inasmuch as Easeglory is facilitating the fund raising activity of the Group, the Company will bear the expenses properly incurred in connection with the Placing (including without limitation the commission and fee payable to the Placing Agents, stamp duty, the SFC transaction levy, the Stock Exchange trading fee and special levy, printing and publishing costs and legal fees).

After the Placing and the Subscription of 256,000,000 Shares, taking into account the estimated expenses of the Placing and the Subscription, the net price per Placing Share (or New Share) is approximately HK\$0.55 and the aggregate nominal value of the New Shares is HK\$12,800,000.

Rights:

The New Shares, when issued and fully paid, will rank pari passu in all respects with the existing Shares in issue on the date of allotment including the rights to all dividends and other distributions declared, made or paid at any time after the date of allotment.

General Mandate to issue the New Shares:

The New Shares will be issued pursuant to the general mandate granted to the Directors at the extraordinary general meeting of the Company held on 3 May 2007 to allot, issued and deal in up to 256,419,440 Shares, representing 20% of the issued share capital of the Company as at that date.

Conditions of the Subscription:

The Subscription is conditional upon the following conditions having been fulfilled by 25 May 2007:

- (i) the completion of the Placing; and
- (ii) the GEM Listing Committee of the Stock Exchange granting listing of and permission to deal in the New Shares and such listing and permission not subsequently being revoked prior to the allotment and issue of the New Shares.

In the event that the conditions of the Subscription are not fulfilled in full by the date stipulated, the Subscription Agreement and all rights and obligations under the Subscription Agreement will cease and terminate.

Application for Listing:

An application will be made to the GEM Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the New Shares.

Completion of the Subscription:

Completion of Subscription will take place on the date immediately following the date on which all conditions of the Subscription have been fulfilled. The Subscription must be completed on or before 29 May 2007, being 14 days from the date of the Placing Agreement in order to be exempted from approval by the Shareholders excluding Easeglory and its associates under the GEM Listing Rules.

CHANGES OF SHAREHOLDING STRUCTURE

The shareholding structure of the Company as a result of the Placing and the Subscription are as follows:

	As at the date of this announcement		Immediately after completion of the Placing but before issue of the New Shares		Immediately after completion of the Placing and the Subscription	
	<i>No. of</i>	<i>Approx.</i>	<i>No. of</i>	<i>Approx.</i>	<i>No. of</i>	<i>Approx.</i>
	<i>Shares held</i>	<i>Share-holding %</i>	<i>Shares held</i>	<i>Share-holding %</i>	<i>Shares held</i>	<i>Share-holding %</i>
Easeglory Holdings Limited & Mr. Yung Kwok Leong (<i>Note 1</i>)	270,393,500	18.62	14,393,500	0.99	270,393,500	15.83
Ms. Shum Ngai Pan (<i>Note 2</i>)	5,400,000	0.37	5,400,000	0.37	5,400,000	0.32
Mr. Weng Jiaxing (<i>Note 3</i>)	5,625,000	0.39	5,625,000	0.39	5,625,000	0.33
Mr. Wu Wendong (<i>Note 4</i>)	146,000,000	10.05	146,000,000	10.05	146,000,000	8.55
Mr. Lau Kam Shui (<i>Note 5</i>)	170,320,000	11.73	170,320,000	11.73	170,320,000	9.97
Placees	–	–	256,000,000	17.63	256,000,000	14.98
Public	854,678,700	58.84	854,678,700	58.84	854,678,700	50.02
Total	<u>1,452,417,200</u>	<u>100.00</u>	<u>1,452,417,200</u>	<u>100.00</u>	<u>1,708,417,200</u>	<u>100.00</u>

Note:

1. Mr. Yung Kwok Leong, 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 Kwok Leong, is interested in 264,206,000 Shares as at the date of this announcement.
2. Ms. Shum Ngai Pan is an executive Director and the chief executive officer of the Company.
3. Mr. Weng Jiaxing is an executive Director.
4. Mr. Wu Wendong is a substantial Shareholder and is a director of three non-wholly owned subsidiaries of the Company.
5. Mr. Lau Kam Shui is a substantial Shareholder and is a director of three wholly owned subsidiaries of the Company.

REASONS FOR THE PLACING AND THE SUBSCRIPTION AND USE OF PROCEEDS

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, 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. The Directors intended 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. In view of the business development and the principal business carried on by the Group, a strong financial position is no doubt advantageous.

The Directors therefore consider that the Placing and the Subscription represent an opportunity for the Group to enhance its working capital and strengthen its capital base and financial position in furtherance of the Group's business plans, including future investments in the healthcare sector in the PRC and other business opportunities when they arise.

The gross proceeds and the estimated net proceeds of the Subscription amount to approximately HK\$148.5 million and approximately HK\$142.0 million respectively, based on the Subscription Price which is same as the Placing Price. The Company intends to apply approximately HK\$137.0 million of the net proceeds for future investments in the healthcare sector in the PRC and approximately HK\$5.0 million for general working capital of the Group.

FUND 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:

- (i) A 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, as intended, approximately HK\$1.5 million towards general working capital of the Group;

- (ii) An open offer of 355,523,083 offer Shares at HK\$0.08 per offer Share on the basis of one offer share for every two Shares held on the record date payable in full on application which has become unconditional on 12 February 2007. The net proceeds of the open offer was approximately HK\$26.44 million, of which approximately HK\$23.44 million were used, as intended, to finance investments in the healthcare sector in Hong Kong and the PRC, including but not limited to, the payment of the considerations relating to the 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, partial payment of acquisition of the equity interest in Hero Vision Enterprises Limited, which in turn holds indirectly 55% equity interest in 重慶愛德華醫院有限公司 (Chongqing Edward Hospital Company Limited[#]), and approximately HK\$3.0 million towards general working capital of the Group; and
- (iii) A placing of 200,000,000 new Shares at the issue price of HK\$0.352 per Share as stated in the announcement of the Company dated 20 March 2007. The net proceeds of approximately HK\$67.9 million were intended to be used for settlement of the subscription price for new equity interest in Hero Vision Enterprises Limited, finance future investments in the healthcare sector in the PRC and general working capital of the Group. As at the date of this announcement, approximately HK\$41.0 million has been applied, as intended, as part of the consideration for the said acquisition and approximately HK\$7.0 million has been used, as intended, to finance the Group's development in the healthcare related business in the PRC. The Company intends to apply the remaining approximately HK\$19.9 million of unused proceeds for future investments in the healthcare sector in the PRC and for general working capital of the Group.

RESUMPTION OF TRADING

At the request of the Company, trading in the Shares was suspended with effect from 9:30 a.m. on 15 May 2007 pending the release of this announcement. An application has been made by the Company to the Stock Exchange for resumption of trading in the Shares with effect from 9:30 a.m. on 18 May 2007.

DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise:

“Board”	the board of Directors
“Business Day(s)”	any day (excluding Saturdays, Sundays and public or statutory holidays in Hong Kong) on which licensed banks generally are open for business in Hong Kong throughout their normal business hours
“Company”	Hua Xia Healthcare Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the issued shares of which are listed on GEM

“connected person(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Director(s)”	the director(s) of the Company
“Easeglory”	Easeglory Holdings Limited, a Shareholder of the Company beneficially and wholly-owned by Mr. Yung Kwok Leong, the chairman of the Company
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“New Shares”	up to 256,000,000 Shares for which Easeglory has conditionally agreed to subscribe pursuant to the Subscription Agreement
“Placing”	the placing of the Placing Shares by Easeglory through the Placing Agents at the Placing Price
“Placing Agents”	CAF Securities Company Limited and Sun Hung Kai International Limited, the placing agents specified in the Placing Agreement
“Placing Agreement”	the conditional placing agreement dated 15 May 2007 entered between Easeglory, the Company and the Placing Agents in relation to the Placing
“Placing Shares”	up to 256,000,000 existing Shares held by Easeglory immediately prior to the entering into of the Placing Agreement
“Placing Price”	HK\$0.58 per Placing Share as confirmed on 16 May 2007
“PRC”	the People’s Republic of China, excluding Hong Kong for the purpose of this announcement
“SFC”	the Securities and Futures Commission of Hong Kong
“Shareholder(s)”	holder(s) of existing Shares
“Share(s)”	ordinary share(s) of HK\$0.05 each in the issued and unissued share capital of the Company

“Subscription”	the subscription of the New Shares by Easeglory at the Subscription Price
“Subscription Agreement”	the conditional subscription agreement dated as 15 May 2007 made between the Company, Easeglory in relation to the Subscription
“Subscription Price”	HK\$0.58 per Subscription Share
“HK\$” and “cents”	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong
“%”	per cent

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

Hong Kong, 17 May 2007

The English transliteration of the Chinese names in this announcement, where indicated, is included for information only, and should not be regarded as the official English names of such Chinese names.

As at the date of this announcement, the executive Directors are Mr. Yung Kwok Leong, Ms. Shum Ngai Pan, Mr. Chen Jin Shan, Mr. Weng Jiaxing and Mr. Jiang Tao. The non-executive Director is Dr. Wong Yu Man, James. The independent non-executive Directors are Mr. Chan Francis Ping Kuen, Mr. Hsu William Shiu Foo 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 remain on the “Latest Company Announcement” page of the GEM website at www.hkgem.com and website of the Company at www.huaxia-healthcare.com for at least 7 days from the date of its posting.