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)

DISCLOSEABLE TRANSACTION INVOLVING ISSUE OF CONSIDERATION SHARES AND RESUMPTION OF TRADING

Financial adviser to the Company

CAF Securities
wholly owned subsidiary of Agricultural Bank of China

THE ACQUISITION AND THE SUBSCRIPTION

On 14 August 2007, the Purchaser entered into the Agreement with the Vendor pursuant to which the Purchaser agreed to (i) acquire from the Vendor the Sale Share and Sale Loan; and (ii) subscribe for the Subscription Shares, for the Total Consideration of HK$80,850,000.

The Total Consideration for the Sale Share, the Sale Loan and the Subscription Shares of HK$80,850,000, shall be settled by the Purchaser in the forms of cash and Consideration Shares.

The Target Group upon completion of the Target Group Reorganisation, will be principally engaged in the provision of general hospital medical services in the PRC.

The Acquisition and the Subscription, in aggregate, constitute a discloseable transaction for the Company under the GEM Listing Rules. It is proposed that the Consideration Shares will be issued under a specific mandate to be sought at the EGM where resolution(s) will be proposed to seek approval from the Shareholders in relation thereof. As no Shareholder is materially interested in the Acquisition or the Subscription, no Shareholder is required under the GEM Listing Rules to abstain from voting at the EGM in respect of the issue of the Consideration Shares.

* *For identification purpose only*

GENERAL

A circular containing details of, among other things, the Acquisition, the Subscription and a notice to convene the EGM will be despatched as soon as practicable to the Shareholders in compliance with the GEM Listing Rules.

As Completion of the Acquisition and the Subscription are subject to a number of conditions precedent, the Acquisition and the Subscription may or may not proceed. The Shareholders and the public should exercise caution in dealing in the securities of the Company.

RESUMPTION OF TRADING

At the request of the Company, trading in the Shares was suspended with effect from 9:30 a.m. on 15 August 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 20 August 2007.

THE ACQUISITION AND THE SUBSCRIPTION

Introduction

On 14 August 2007, the Purchaser entered into the Agreement with the Vendor pursuant to which the Purchaser agreed to i) acquire from the Vendor the Sale Share and the Sale Loan; and (ii) subscribe for the Subscription Shares, for the Total Consideration of HK$80,850,000.

The agreement

Date: 14 August 2007

Parties:

(i) Purchaser:

Mega Mix Group Limited (鴻聯集團有限公司), a wholly-owned subsidiary of the Company;

(ii) Vendor:

吳建國先生(Mr. Wu Jianguo)#, who currently owns 100% direct interest in the Target; and

(iii) Target:

Merry Sky Investments Limited (悅天投資有限公司).

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Vendor, the Target and its ultimate beneficial owner, being the Vendor, are Independent Third Parties.

Assets to be acquired

Pursuant to the Agreement,

(i) the Purchaser agreed to acquire and the Vendor agreed to sell the Sale Share, being one share of nominal value of US$1.00 in the share capital of the Target, representing its entire issued share capital as at the date of the Agreement and the Sale Loan; and

(ii) the Purchaser agreed to subscribe and the Target agreed to issue and allot the Subscription Shares, being 8,999 shares of nominal value of US$1.00 each in the share capital of the Target.

As at the date of the Agreement, the amount of Sale Loan is nil. There will be no adjustments to be made to the Total Consideration in case the Sale Loan will not be nil in balance at Completion of the Acquisition and the Subscription and there is no restriction on the Target Group to incur any Sale Loan after the entering into of the Agreement.

Upon completion of the Target Group Reorganisation, which is further elaborated below, the Target Group will comprise three investment holding companies and one 55% owned major operating subsidiary, namely, Jiaxing Shuguang Hospital. Details about the structure of Target Group are set out under the sub-heading "Group Structure" and information on the business activities carried on by it is further elaborated under the heading "Information on the Target Group" below.

Consideration

The Total Consideration for the Sale Share, the Sale Loan and the Subscription Shares is HK$80,850,000, of which HK$71,851,000 will be consideration for the Sale Share and the Sale Loan and HK$8,999,000 will be consideration for the Subscription Shares. The consideration for the Sale Share and the Sale Loan shall be payable in the following manner:

(i) as to HK$36,850,999.975 (being the Cash Payment) to be paid by the Purchaser to the Vendor within three Business Days after signing of the Agreement; and

(ii) as to HK$35,000,000.025 by procuring the Company to allot and issue the Consideration Shares at an issue price of HK$0.395 per Consideration Share to the Vendor upon Completion of the Acquisition and the Subscription.

Details of the Consideration Shares are further elaborated under the heading "Terms of Consideration Shares" below.

The consideration for the Subscription Shares shall be HK$8,999,000 (being the Subscription Price) which shall be payable to the Target by cash within three Business Days from the date of the Agreement.

The Refundable Payment (i.e. the aggregate of the Cash Payment and the Subscription Price) will be refunded to the Purchaser by the Vendor and the Target if the Agreement is terminated in accordance with its terms, in particular, for non satisfaction of conditions set out under the heading "Conditions Precedent" below. If the termination of the Agreement is due to default of the Vendor, the Refundable Payment shall be refunded with interest of 1% per month to be accrued thereon from the date of receipt of the Refundable Payment until full refund of the Refundable Payment together with interests accrued thereon.

Further announcement will be made by the Company in the event that the Agreement is terminated.

The Total Consideration, including the payment terms, was determined after arm's length negotiation between the Purchaser and the Vendor after having considered: (i) the Profit Guarantee given by the Vendor; (ii) reasons for the Acquisition and the Subscription as elaborated further under the heading "Reasons for the Acquisition and the Subscription"; and (iii) the future prospect of the business of the Target Group. The Directors consider the relevant payment terms to be normal commercial terms and the Total Consideration is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The Group intends to finance the cash portion of the Total Consideration by internal resources of the Group, in particular, the net proceeds from the top-up placement completed on 28 May 2007, which details have been disclosed in the announcement of the Company dated 17 and 28 May 2007 respectively.

Profit Guarantee

In the Agreement, the Vendor guarantees and warrants to the Purchaser that the Target Group, which comprises the Target, Sino Matrix Limited (誠民有限公司), Fujian Rongpeng and Jiaxing Shuguang Hospital, will not incur losses for the year ending 31 December 2007 (the "**2007 Breakeven Guarantee**") and the audited consolidated net profit after taxation and extraordinary or exceptional items and minority interests of the Target Group for the year ending 31 December 2008 (the "**2008 Net Profit**") shall not be less than HK$8,250,000 (the "**2008 Guaranteed Profit**").

In the event the Target Group records a net loss in its audited consolidated accounts for the year ending 31 December 2007, the Vendor shall pay compensation to the Purchaser in the amount of the actual audited net loss incurred for the year ending 31 December 2007. If the 2008 Guaranteed Profit is not achieved, the Vendor shall compensate the Purchaser by paying an amount equal to the difference between the actual 2008 Net Profit and the 2008 Guaranteed Profit. In the event the Target Group records a net loss in its audited consolidated accounts for the year ending 31 December 2008 ("**2008 Net Loss**"), the compensation amount under the Profit Guarantee will be the aggregation of the amount of the 2008 Net Loss (expressed in positive figure) and the amount of the 2008 Guaranteed Profit.

For the purpose of the Profit Guarantee, the audited consolidated accounts of the Target Group for the year ending 31 December 2007 and 31 December 2008 shall be prepared in accordance with the Hong Kong Financial Reporting Standards. The Vendor shall assist the then auditor of the Company to complete the preparation of the audited consolidated accounts of the Target Group for the year ending 31 December 2007 and 31 December 2008 in three months from the relevant financial year end date. In the event the Target Group does not satisfy the 2007 Breakeven Guarantee and/or the 2008 Guaranteed Profit (as the case may be), the compensation for the shortfalls shall be payable in five Business Days from the date of delivery of the audited consolidated accounts for the relevant financial year.

Further announcement will be made by the Company in the event that the Profit Guarantee cannot be fulfilled.

Conditions precedent

Completion of the Acquisition and the Subscription is subject to, among other things, the following conditions having been fulfilled or waived (as the case may be):

(i) all necessary consents and approvals required to be obtained on the part of the Vendor, the Purchaser and the Target in respect of the sale and purchase of the Sale Share, the Sale Loan and the Subscription as well as the matters contemplated thereunder having been obtained;

(ii) the warranties in respect of the operation of the Target Group given by the Vendor under the Agreement remaining true and accurate in all respects;

(iii) the passing by the Shareholders at the EGM of an ordinary resolution to approve the issue of the Consideration Shares credited as fully paid to the Vendor under a specific mandate;

(iv) the obtaining of a PRC legal opinion (in form and substance satisfactory to the Purchaser) in relation to the validity and legality of the incorporation of Fujian Rongpeng and Jiaxing Shuguang Hospital and their operations as going concern entities and the transactions contemplated under the Agreement, as well as the transformation of Fujian Rongpeng into a wholly foreign owned enterprise;

(v) the Purchaser being satisfied with the results of the due diligence review to be conducted on the assets, liabilities, operations and affairs of the Target Group;

(vi) the Listing Committee of the Stock Exchange granting listing of and permission to deal in the Consideration Shares; and

(vii) the completion of the Target Group Reorganisation.

Only conditions (ii), (iv) and (v) are waivable by the Purchaser under the Agreement. The Purchaser has no current intention to waive any of such conditions.

The Agreement further provides that should the satisfaction of all of the above conditions, if not waived by the Purchaser, not occur on or before 90 days from the date of Agreement, that is 12 November 2007, or such later date as the Purchaser, the Vendor and the Target may agree in writing, the Agreement shall terminate and neither party shall have any liability to the other except for antecedent breaches of the Agreement and the obligation to return the Refundable Payment together with, if applicable, the interest accrued thereon.

Completion

Completion of the Acquisition and the Subscription shall take place within three Business Days after all the conditions of the Agreement having been fulfilled or waived or such later date as may be agreed between the Vendor, the Purchaser and the Target.

In the event that Completion of the Acquisition and the Subscription does not take place, the Vendor and the Target shall refund the Refundable Payment to the Purchaser pursuant to the Agreement. If the non-completion is due to default of the Vendor, the Refundable Payment shall be refunded with interest of 1% per month to be accrued thereon from the date of receipt of the Refundable Payment until full refund of the Refundable Payment together with the interests accrued thereon.

Indemnity

In early 2006, an action in the PRC has been taken out by 嘉興市凱旋電子有限公司 (Jiaxing City Triumph Electric Company Limited)# against Jiaxing Shuguang Hospital suing for rental payment of an aggregate of RMB875,000 (equivalent to approximately HK$893,000) for the period from 1 September 2003 to 1 March 2006, which is claimed with reference to annual rental payment of RMB350,000 (equivalent to approximately HK$357,000) in respect of the leased property on which Jiaxing Shuguang Hospital is currently occupied and operated (the "**Property in Dispute**") under a legally binding tenancy agreement entered into with 嘉興市新開元工貿有限公司 (Jiaxing City Xin Kai Yuan Industrial Trading Company Limited)#. 嘉興市新開元工貿有限公司 (Jiaxing City Xin Kai Yuan Industrial Trading Company Limited)# has been joined as a third party to the action (the "**Shuguang Dispute**").

In the Shuguang Dispute, whereas the Property in Dispute is legally registered under the name of 嘉興市新開元工貿有限公司 (Jiaxing City Xin Kai Yuan Industrial Trading Company Limited)# and a legally binding tenancy agreement has been entered into between Jiaxing Shuguang Hospital and 嘉興市新開元工貿有限公司 (Jiaxing City Xin Kai Yuan Industrial Trading Company Limited)#, 嘉興市凱旋電子有限公司 (Jiaxing City Triumph Electric Company Limited)# alleged that it owns part of the interest in the Property in Dispute and that Jiaxing Shuguang Hospital has a verbal agreement with it whereby Jiaxing Shuguang Hospital has agreed to rent from it the Property in Dispute. The Shuguang Dispute is now stayed pending the outcome of the dispute between 嘉興市凱旋電子有限公司 (Jiaxing City Triumph Electric Company Limited)# and 嘉興市新開元工貿有限公司 (Jiaxing City Xin Kai Yuan Industrial Trading Company Limited)# regarding the ownership of the Property in Dispute. According to the Vendor, since the beginning of the legally binding tenancy with 嘉興市新開元工貿有限公司 (Jiaxing City Xin Kai Yuan Industrial Trading Company Limited)# and up to present, Jiaxing Shuguang Hospital has been making due and punctual rental payments thereunder and that there had not been any agreement, whether verbal or in writing, made between Jiaxing Shuguang Hospital and 嘉興市凱旋電子有限公司 (Jiaxing City Triumph Electric Company Limited)#.

The Company has been advised by its PRC legal adviser that Jiaxing Shuguang Hospital has a strong defense as the Property in Dispute is legally registered under the name of 嘉興市新開元工貿有限公司 (Jiaxing City Xin Kai Yuan Industrial Trading Company Limited)# and that there had been a legally binding tenancy agreement entered into between Jiaxing Shuguang Hospital and 嘉興市新開元工貿有限公司 (Jiaxing City Xin Kai Yuan Industrial Trading Company Limited)#, which was made in compliance with the relevant PRC law that leasing of property shall be made by way of written agreement, as contrasted with the alleged verbal agreement between Jiaxing Shuguang Hospital and 嘉興市凱旋電子有限公司 (Jiaxing City Triumph Electric Company Limited)#. The PRC legal adviser further advised that in those circumstances, 嘉興市新開元工貿有限公司 (Jiaxing City Xin Kai Yuan Industrial Trading Company Limited)# shall be responsible for the Shuguang Dispute.

Notwithstanding the advice from the PRC legal adviser, the Vendor has undertaken to fully indemnify and keep the Purchaser fully indemnified under the Agreement for any depletion in value of assets, losses, costs and expenses arising as a result of the Shuguang Dispute. In addition, the Vendor has further undertaken to secure a replacement of premises of comparable region, size and rent as the Property in Dispute in case Jiaxing Shuguang Hospital is evicted therefrom. In those circumstances, the Vendor will be responsible for all relocation costs and losses.

Pursuant further to the Agreement, the Vendor has agreed to indemnify the Purchaser for any claim of liability on tax or similar sorts arising from operation of the Target Group prior to the date of Completion of the Acquisition and the Subscription.

TERMS OF CONSIDERATION SHARES

88,607,595 Consideration Shares will be issued at an issue price of HK$0.395 per Consideration Share, credited as fully paid. The Consideration Shares, when allotted and issued, shall rank pari passu in all respects with the Shares in issue on the date of allotment and issue of the Consideration Shares including the right to receive all dividends, distributions and other payments made or to be made, the record date for which falls on or after the date of such allotment and issue.

The Consideration Shares represent:

(i) approximately 5.16% of the existing issued share capital of the Company; and

(ii) approximately 4.91% of the total issued share capital of the Company as enlarged by the issue of the Consideration Shares.

The issue price of HK$0.395 per Consideration Share represents:

(i) the closing price of HK$0.395 per Share as quoted on the Stock Exchange on 14 August 2007, being the date of the Agreement and before suspension of trading of the Shares pending release of this announcement (the "**Suspension**");

(ii) a premium of approximately 1.02% to the average closing price of approximately HK$0.391 per Share for the five consecutive trading days up to and including 14 August 2007 before Suspension;

(iii) a premium of approximately 1.54% to the average closing price of approximately HK$0.389 per Share for the ten consecutive trading days up to and including 14 August 2007 before Suspension; and

(iv) a premium of approximately 393.75% over the audited net asset value per Share of HK$0.08 based on the audited consolidated accounts of the Group as of 31 March 2007.

Based on the closing price of HK$0.395 per Share as quoted on the Stock Exchange on 14 August 2007 before Suspension, the market value of 88,607,595 Consideration Shares is HK$35,000,000.025.

The issue price per Consideration Share was determined after arm's length negotiation between the Purchaser and the Vendor after having considered: (i) the lock-up period for the Consideration Shares; and (ii) the recent trading prices of the Shares. The Directors consider the issue price per Consideration Share to be fair and reasonable and is in the interests of the Company and the Shareholders as a whole.

Non-disposal of Consideration Shares

The Vendor undertakes to and covenants with the Purchaser that, it will not, within the period commencing on the date of issue of the Consideration Shares and ending on the date falling six months after the date of issue of the Consideration Shares, transfer or otherwise dispose of or create any encumbrance or other rights in respect of any of the Consideration Shares except with the prior written consent of the Purchaser.

Application for listing

Application will be made by the Company to the Listing Committee for the listing of, and permission to deal in, the Consideration Shares.

The Board will seek approval from the Shareholders at the EGM for the grant of a specific mandate for the issue of the Consideration Shares.

CHANGES IN SHAREHOLDING STRUCTURE

The following table sets out the shareholding structure of the Company as at the date of this announcement and immediately after issue of the Consideration Shares:

	As at the date of this announcement		Immediately after issue of the Consideration Shares	
	No. of Shares held	Approximate shareholding	No. of Shares held	Approximate shareholding
Easeglory Holdings Limited and Mr. Yung Kwok Leong *(Note 1)*	349,473,500	20.37%	349,473,500	19.37%
Ms. Shum Ngai Pan *(Note 2)*	5,400,000	0.31%	5,400,000	0.30%
Mr. Zheng Gang *(Note 3)*	3,600,000	0.21%	3,600,000	0.20%
Mr. Lau Kam Shui *(Note 4)*	170,320,000	9.93%	170,320,000	9.44%
Mr. Wu Wendong *(Note 5)*	4,000,000	0.23%	4,000,000	0.22%
Public Shareholders:				
The Vendor	–	–	88,607,595	4.91%
Other public Shareholders	1,183,123,700	68.95%	1,183,123,700	65.56%
Total	1,715,917,200	100.00%	1,804,524,795	100.00%

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 343,286,000 Shares.

2. Ms. Shum Ngai Pan is an executive Director and the chief executive officer of the Company.

3. Mr. Zheng Gang is an executive Director.

4. Mr. Lau Kam Shui is a director of three non-wholly owned subsidiaries of the Company.

5. Mr. Wu Wendong is a director of three non wholly-owned subsidiaries of the Company.

Neither the Vendor has any present intention nor does the Agreement confer any right to the Vendor to nominate any representative to the Board as a result of the Acquisition and Subscription.

INFORMATION ON THE TARGET GROUP

The Target is an investment holding company, which was incorporated in BVI on 13 June 2007. The Target Group, upon completion of the Target Group Reorganisation, will be principally engaged in the provision of general hospital medical services in the PRC. The Target Group will comprise the Target, being the ultimate holding company which holds 100% direct and indirect interests in Sino Matrix Limited（誠民有限公司）and Fujian Rongpeng respectively with the latter owning 55% equity interests in Jiaxing Shuguang Hospital upon completion of the Target Group Reorganisation. Save for the activities carried out for the purposes of completing the Target Group Reorganisation, the Target, Sino Matrix Limited（誠民有限公司）and Fujian Rongpeng have not been carrying out operations since their respective dates of incorporation/establishment. Other than having incurred the incorporation expenses and holding the equity interest in the relevant member of the Target Group, each of the Target, Sino Matrix Limited（誠民有限公司）and Fujian Rongpeng does not have other assets/liabilities.

Sino Matrix Limited（誠民有限公司）is an investment holding company, which was incorporated in Hong Kong on 3 May 2007 for the purpose of holding Fujian Rongpeng. On 24 July 2007, Sino Matrix Limited entered（誠民有限公司）into an agreement to acquire 100% equity interest in Fujian Rongpeng. According to the Vendor, the acquisition of Sino Matrix Limited（誠民有限公司）in the equity interest of Fujian Rongpeng has been approved by 福建省對外貿易經濟合作廳 (Fujian Province Foreign Trading Economic Cooperation Bureau)# in principle and Fujian Rongpeng is in the process of applying for its new business license as a wholly foreign owned enterprise. The transformation of Fujian Rongpeng as a wholly foreign owned enterprise will be completed upon obtaining its new business license. Upon completion of the Target Group Reorganisation, it is intended that Sino Matrix Limited（誠民有限公司）will continue to be an investment holding company.

Fujian Rongpeng was established as a private company on 9 July 2007 in the PRC for the purpose of holding Jiaxing Shuguang Hospital. On 26 July 2007, Fujian Rongpeng completed its acquisition of 55% equity interest in Jiaxing Shuguang Hospital by subscription at a consideration of RMB8,250,000 (equivalent to approximately HK$8,418,000). It is intended that Fujian Rongpeng will continue to be an investment holding company.

Jiaxing Shuguang Hospital, being the operating subsidiary of the Target Group, is a privately-run general hospital established in Jiaxing City, the PRC on 3 June 2004, which commences its operation since then by providing traditional Chinese medical treatments as well as general hospital medical services including but not limited to medicine ward, surgical ward, cosmetic surgery, dermatology department and medical checkup and examination. Jiaxing Shuguang Hospital is located at 浙江省嘉興市中環南路與嘉餘公路交彙處，地處嘉興市東柵經濟園區(at the junction of Zhong Huan South Road and Jia Yu Highway in Dong Shan Economic Park District, Jiaxing City, Zhe Jiang Province)#, which is near the district where major governmental offices and educational entities are located. Jiaxing Shuguang Hospital occupies an area of 9,217 sqm and it has a gross floor area of approximately 7,400 sqm. Jiaxing Shuguang Hospital has 100 beds and is, so far, being the only approved privately-run general hospital in Jiaxing City.

Set out below is a summary of the key financial data of Jiaxing Shuguang Hospital based on its unaudited management accounts for the two years ended 31 December 2006 and the seven months ended 31 July 2007 as provided by the Vendor which has been prepared in accordance with the generally accepted accounting principles in Hong Kong:

	For the year ended 31 December 2005	**For the year ended 31 December 2006**	**For the period ended 31 July 2007**
	RMB	*RMB*	*RMB*
Turnover	13,759,747	13,109,349	7,378,416
(Loss) before tax for the period/year	(4,938,334)	(1,631,630)	(6,898)
(Loss) after tax for the period/year	(3,891,222)	(1,420,660)	(6,898)

	As at 31 December 2005	**As at 31 December 2006**	**As at 31 July 2007**
	RMB	*RMB*	*RMB*
Net Assets (Liabilities)	(2,875,635)	(4,296,295)	4,696,807

As confirmed with the Vendor, the acquisition of 55% equity interest in Jiaxing Shuguang Hospital by Fujian Rongpeng was completed on 26 July 2007.

Upon Completion of the Acquisition and the Subscription, the Directors do not expect there will be any material change to the operation and services provided by Jiaxing Shuguang Hospital to its customers and the Directors have no current intention to materially change the existing management team thereof except for the changes to the composition of the board of directors of the Target Group to obtain board control. The Board considers that with the continuation of service of the existing management team of the Target Group, which has sufficient knowledge and experience in the management and business of the Target Group, couple with a number of Directors, who also have sufficient knowledge and experience in the healthcare industry, the Group is well equipped to carry on the business of the Target Group.

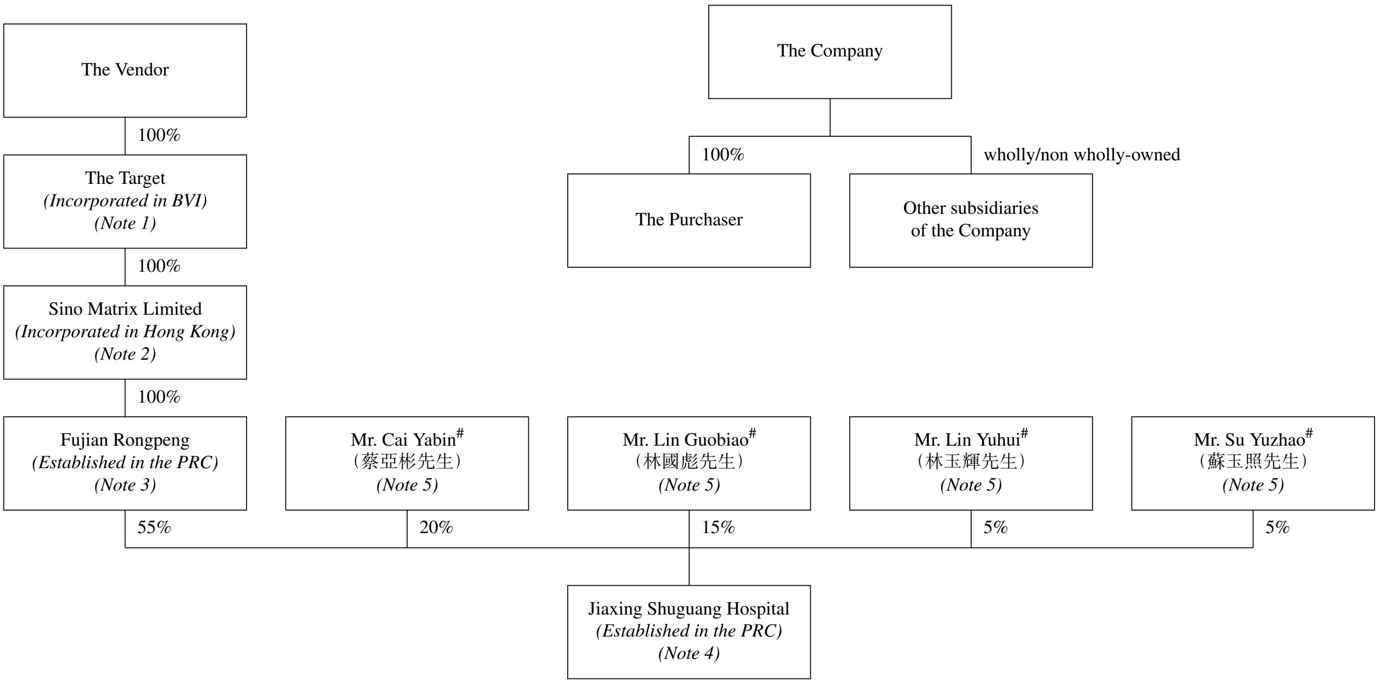
Board representation of the Target Group

Upon Completion of the Acquisition and the Subscription, representative(s) will be appointed by the Company to form a majority of each of the board of directors of the members of the Target Group.

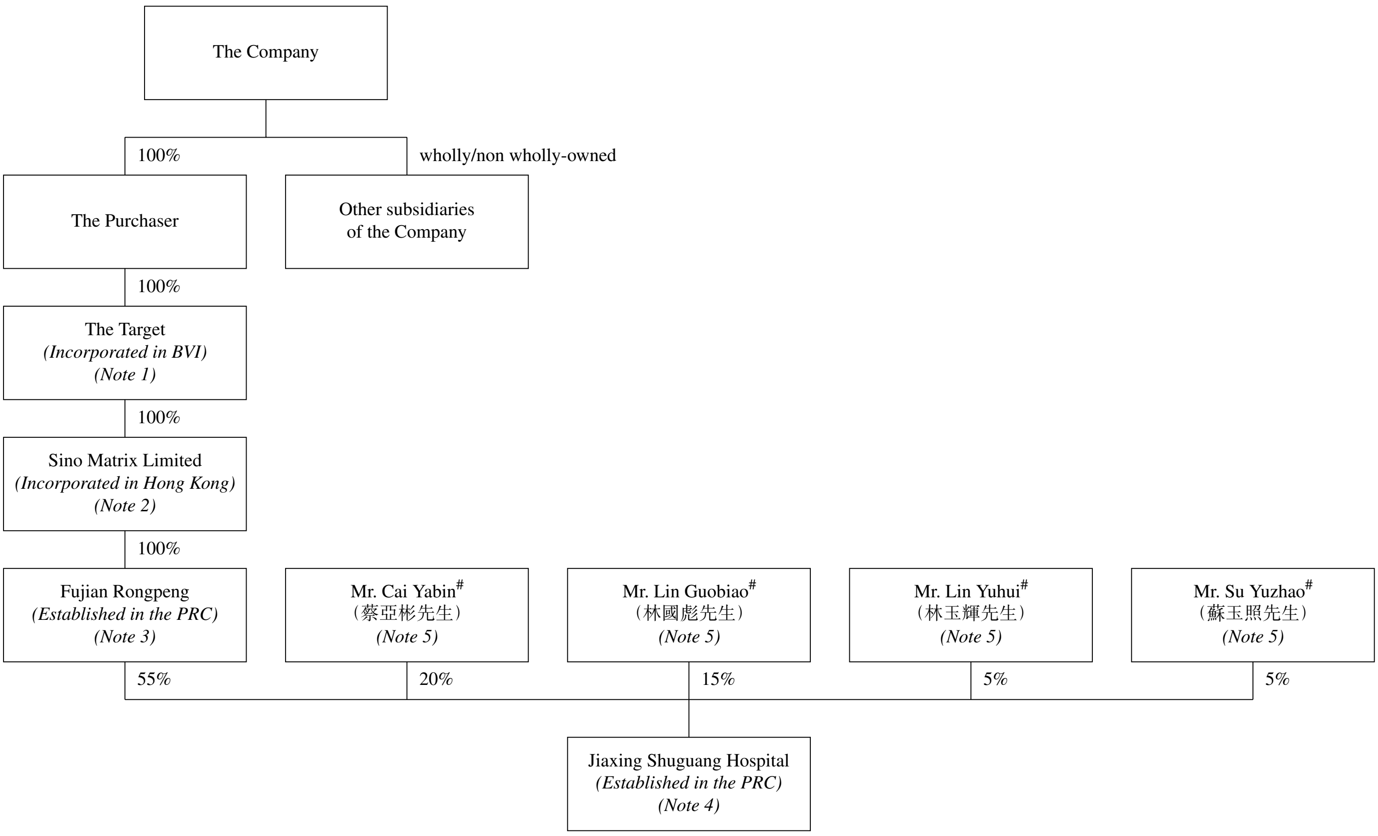
Group structure:

The following charts show the group structure of the Target Group (assuming completion of the Target Group Reorganisation) immediately before and after Completion of the Acquisition and the Subscription:

Immediately before Completion of the Acquisition and Subscription



Immediately after Completion of the Acquisition and Subscription



Notes:

1. The Target is an investment holding company established in BVI on 13 June 2007 solely for the purpose of holding 100% equity interest in Sino Matrix Limited (誠民有限公司) and the Vendor is its ultimate beneficial owner.

2. Sino Matrix Limited (誠民有限公司) is a company incorporated in Hong Kong on 3 May 2007 as an investment holding company solely for the purpose of holding 100% equity interest in Fujian Rongpeng.

3. Fujian Rongpeng is a private company established in the PRC on 9 July 2007 for the acquisition of equity interest in Jiaxing Shuguang Hospital.

4. Jiaxing Shuguang Hospital is a company established in Jiaxing City, the PRC on 3 June 2004, and is a privately-run general hospital providing general hospital medical services.

5. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, each of Mr. Cai Yabin#, Mr. Lin Guobiao# Mr. Lin Yuhui# and Mr. Su Yuzhao# is an Independent Third Party.

REASONS FOR THE ACQUISITION AND THE SUBSCRIPTION

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

As mentioned previously in various announcements of the Company, 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 and that investments in the promising healthcare sector in the PRC will provide a stable income source to the Group which will bring synergistic effect and positive contributions to the Group. Since mid 2006, the Group has been embarking on various acquisitions of and cooperation projects in the healthcare sector in the PRC.

As disclosed in the announcement of the Company dated 15 June 2006, Grand Brilliant Corporation Limited, a wholly-owned subsidiary of the Company, entered into a sale and purchase agreement on 12 June 2006 with Mr. Wu Wendong, pursuant to which Grand Brilliant Corporation Limited has agreed to acquire from Mr. Wu Wendong 76% equity interest and shareholder's loans of Day view Group Limited which engages principally in the business of healthcare management and training and consultancy for mainly hospital in the PRC. Completion of such acquisition took place on 24 November 2006.

In addition, as disclosed in the joint announcement of the Company and Town Health International Holdings Company Limited (a company which shares are listed on GEM with stock code of 8138) dated 19 October 2006, the Company jointly announced with Town Health International Holdings Company Limited that the Company entered into the non-legally binding letter of intent with an objective to leveraging the resources and expertise of Town Health International Holdings Company Limited for cooperative development in the medical and healthcare related business in the PRC. A formal agreement between the Company and Town Health International Holdings Company Limited on cooperation of setting up a joint venture company for the provision of dental care services has been entered into on 5 January 2007.

Further, as disclosed in the announcements of the Company dated 24 November 2006, 2 April 2007, 24 April 2007 and 28 June 2007 respectively, the Company has entered into non-legally binding letters of intent for the proposed acquisitions of equity interests in Fuzhou Taijiang Hospital Company Limited, and Karise Development Limited, which will indirectly be interested in Beijing Wuzhou Female Hospital upon completion of its group reorganisation. As additional time is required for negotiation on the terms of the said proposed acquisitions, the long-stop dates of such two letters of intent have been extended to 30 September 2007 by mutual agreement of the parties thereto. Further announcement will be made by the Company in relation thereto as and when appropriate in accordance with the GEM Listing Rules.

On 9 May 2007, the Group completed the acquisition of the entire equity interest in Hero Vision Enterprises Limited. Hero Vision Enterprises Limited and its subsidiaries, including Chongqing Edward Hospital Company Limited, are principally engaged in the provision of general hospital and healthcare services, consultancy in hospital management, research and development of medical management information systems; and other complementary and value-added healthcare services. Details of such acquisition have been disclosed in the announcement of the Company dated 20 March 2007.

The Acquisition and the Subscription are made in furtherance of the business plans of the Group in developing its presence in the healthcare sector in the PRC. As there is a general increase in the health concern of individuals, the Directors consider that there are prospects in the healthcare sector in the long run in the PRC given the high density of population. The Directors consider that the Acquisition and the Subscription will enhance the Group's overall business performance, strengthen its revenue bases and diversify its business risk through synergistic effect by implementing cost control measures and marketing and business strategies in the Target Group which, the Directors believe, would make progress of the business of the Target Group. In view of the above and the Profit Guarantee provided by the Vendor as well as the future prospects of the healthcare sector in the PRC, the Directors are of the view that the terms of the Acquisition and the Subscription are fair and reasonable and the Acquisition and the Subscription are in the interests of the Company and the Shareholders as a whole.

Upon Completion of the Acquisition and the Subscription, the Target will become a subsidiary of the Company and its consolidated accounts will be consolidated with that of the Group. The Directors intended to continue with its effort in seeking future investments in or cooperations with hospitals in the PRC.

GEM LISTING RULES IMPLICATIONS

The Acquisition and the Subscription, in aggregate, constitute a discloseable transaction for the Company under the GEM Listing Rules. It is proposed that the Consideration Shares will be issued under a specific mandate to be sought at the EGM where resolution(s) will be proposed to seek approval from the Shareholders. As no Shareholder is materially interested in the Acquisition or the Subscription, no Shareholder is required under the GEM Listing Rules to abstain from voting at the EGM in respect of the issue of the Consideration Shares.

A circular will be despatched as soon as practicable to the Shareholders containing details of, among other things, the Acquisition and the Subscription and a notice to convene the EGM in compliance with the GEM Listing Rules.

RESUMPTION OF TRADING

At the request of the Company, trading in the Shares was suspended with effect from 9:30 a.m. on 15 August 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 20 August 2007.

DEFINITIONS

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

"Acquisition"	the proposed acquisition of the Sale Share and the Sale Loan on terms contained in the Agreement
"Agreement"	the conditional sale and purchase agreement dated 14 August 2007 entered into among the Purchaser, the Vendor and the Target relating to the sale and purchase of the Sale Share, the Sale Loan and the Subscription
"Board"	board of the Directors

"Business Day"	a day (other than a Saturday, Sunday or public or statutory holiday) on which licensed banks are generally open for business in Hong Kong throughout their normal business hours
"BVI"	the British Virgin Islands
"Cash Payment"	HK$36,850,999.975 which will be paid by the Purchaser to the Vendor within three Business Days after signing of the Agreement
"Company"	Hua Xia Healthcare Holdings Limited, a company incorporated in the Cayman Islands with limited liability and the issued Shares of which are listed on GEM
"Completion of the Acquisition and the Subscription"	completion of the sale and purchase of the Sale Share, the Sale Loan and the Subscription in accordance with the terms and conditions of the Agreement
"connected person(s)"	has the meaning ascribed to it under the GEM Listing Rules
"Consideration Shares"	88,607,595 new Shares to be issued by the Company as part of the consideration for the Acquisition in an aggregate amount of HK$35,000,000.025
"Director(s)"	director(s) of the Company
"EGM"	the extraordinary general meeting of the Company to be convened to consider and, if thought fit, approve, among other things, the issue of the Consideration Shares
"Fujian Rongpeng"	福建榮鵬企業管理諮詢有限公司 (transliterated as Fujian Rongpeng Enterprise Management Consultancy Limited), a private company established in the PRC on 9 July 2007
"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"	Hong Kong Special Administrative Region of the PRC
"Independent Third Party(ies)"	any person(s) or company(ies) and their respective ultimate beneficial owner(s), to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, are not connected persons of the Company and are third parties independent of the Company and its connected persons as defined in the GEM Listing Rules
"Jiaxing Shuguang Hospital"	嘉興市曙光中西醫結合醫院有限公司 (Jiaxing City Shuguang Western and Chinese Composite Hospital Company Limited)#, a privately-run general hospital established in Jiaxing City, the PRC on 3 June 2004 and the major operating company of the Target Group
"Macau"	the Macau Special Administrative Region of the PRC
"PRC"	the People's Republic of China, which for the purpose of this announcement excludes Hong Kong, Macau and Taiwan
"Profit Guarantee"	the 2007 Breakeven Guarantee and the 2008 Guaranteed Profit taken as a whole
"Purchaser"	Mega Mix Group Limited（鴻聯集團有限公司）, a company incorporated in BVI and a wholly-owned subsidiary of the Company
"Refundable Payment"	the Cash Payment and the Subscription Price
"Sale Loan"	all obligations, liabilities and debts owing or incurred by the Target to the Vendor, whether actual, contingent or deferred and irrespective of whether or not the same is due and payable on Completion of the Acquisition and the Subscription
"Sale Share"	one share of nominal value of US$1.00, being the entire issued share capital of Target as at the date of the Agreement which are legally and beneficially owned by the Vendor
"Share(s)"	ordinary share(s) of HK$0.05 each in the share capital of the Company
"Shareholder(s)"	holder(s) of the Share(s)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited

"Subscription"	the subscription of the Subscription Shares by the Purchaser pursuant to the Agreement
"Subscription Price"	HK$8,999,000, being the subscription price payable for the Subscription Shares pursuant to the Agreement
"Subscription Shares"	8,999 new shares of nominal value of US$1.00 each in the share capital of the Target to be allotted and issued by the Target to the Purchaser, pursuant to the Agreement
"Target"	Merry Sky Investments Limited (悅天投資有限公司), a company incorporated in BVI which is wholly and beneficially owned by the Vendor before Completion of the Acquisition and the Subscription
"Target Group"	the Target and its subsidiaries upon completion of the Target Group Reorganisation
"Target Group Reorganisation"	the reorganisation of the Target Group, including but not limited to (i) the transformation of Fujian Rongpeng into a wholly foreign owned enterprise; (ii) the acquisition of 55% equity interests in Jiaxing Shuguang Hospital by Fujian Rongpeng; and (iii) the acquisition of 100% equity interests in Fujian Rongpeng by the Vendor directly or indirectly through controlled companies
"Total Consideration"	the total consideration of HK$80,850,000 payable by the Purchaser to the Vendor for the Sale Share, the Sale Loan and the Subscription Shares, pursuant to the Agreement
"Vendor"	吳建國先生 (Mr. Wu Jianguo)#, the sole beneficial shareholder of the Target prior to Completion of the Acquisition and the Subscription and the vendor to the Agreement
"2007 Breakeven Guarantee"	has the meaning ascribed to it in the section "The Agreement" under the paragraph headed "Profit Guarantee" herein
"2008 Guaranteed Profit"	has the meaning ascribed to it in the section "The Agreement" under the paragraph headed "Profit Guarantee" herein
"HK$"	Hong Kong dollar(s), the lawful currency of Hong Kong

"RMB"	Renminbi, the lawful currency of the PRC
"US$"	United States dollars, the Lawful currency of the United States
"sq.m."	square metres
"%"	per cent.

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

Hong Kong, 17 August 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.

For the purpose of this announcement, unless otherwise specified, conversion of RMB into HK$ is based on the approximate exchange rate of HK$1.00 to RMB0.98. The exchange rate is for illustration purpose only and does not constitute a representation that any amounts have been, could have been or may be exchanged at this or any other rates at all.

As at the date of this announcement, the executive Directors are Mr. Yung Kwok Leong, Ms. Shum Ngai Pan, Mr. Chen Jin Shan, Mr. Zheng Gang and Mr. Jiang Tao, the non-executive Director is Dr. Wong Yu Man, James, and 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 Group. The Directors, having made all reasonable enquires, 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 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.