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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)

**MAJOR TRANSACTION:
DISPOSAL OF INTERESTS IN SUBSIDIARIES
AND
RESUMPTION OF TRADING**

Financial Adviser to the Company



INCU Corporate Finance Limited

MAJOR TRANSACTION

On 15 February 2008, the Company, as vendor, entered into the Agreement with the Purchaser, as purchaser, pursuant to which the Company agreed to sell, and the Purchaser agreed to acquire (i) the Sale Share, representing the entire equity interest in Able; and (ii) the Sale Loan, for a total cash Consideration of HK\$83 million.

As the relevant percentage ratio of the Disposal under Chapter 19 of the GEM Listing Rules is more than 25% but less than 75%, the Disposal constitutes a major transaction for the Company and is subject to approval by the Shareholders at the EGM of the Company.

GENERAL

A circular containing further details of the Disposal and a notice of EGM will be despatched to the Shareholders as soon as possible in accordance with the GEM Listing Rules.

* *for identification purpose only*

SUSPENSION AND RESUMPTION OF TRADING IN THE SHARES

At the request of the Company, trading in the Shares on the Stock Exchange was suspended with effect from 9:30 a.m. on 18 February 2008 pending the release of this announcement. Application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares with effect from 9:30 a.m. on 19 February 2008.

MAJOR TRANSACTION

On 15 February 2008, the Company, as vendor, entered into the Agreement with the Purchaser, as purchaser, pursuant to which the Company agreed to sell, and Mr. Zheng Maolin as the Purchaser agreed to acquire (i) the Sale Share, representing the entire equity interest in Able; and (ii) the Sale Loan, for a total cash Consideration of HK\$83 million.

THE AGREEMENT

Date: 15 February 2008

Parties: (i) the Company (as vendor)
(ii) the Purchaser (as purchaser)

The Purchaser is a merchant and a private investor who has extensive investment and management experience in the real estate market and manufacturing industry in the PRC.

To the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, the Purchaser is an Independent Third Party. Prior to the entering into of the Agreement, the Purchaser does not have any interests in or business dealings/transactions with the Group.

Subject matter of the Agreement: Assets being disposed of are:
(i) the Sale Share, representing the entire equity interest in Able; and
(ii) the Sale Loan as at Completion. The amount of the Sale Loan is approximately HK\$80,443,000 as at 31 December 2007, the date to which the latest unaudited consolidated management accounts of the Able Group were made up and as at the date of the Agreement.

Completion: Completion will take place within three business days following the satisfaction or fulfillment of the conditions precedent referred to in the paragraph headed “Conditions precedent” below but in any event no later than 31 March 2008 (or such other date as may be agreed by the parties).

Consideration

The aggregate cash Consideration for the Disposal is HK\$83 million, which was arrived at after arm’s length negotiations between the parties thereto with reference to (i) the unaudited consolidated net asset value of approximately HK\$1,625,000 of the Able Group as at 31 December 2007; (ii) the face value of the Sale Loan of approximately HK\$80,443,000; and (iii) the commercial benefits to be accrued to the Group by the Disposal, including but not limited to better allocation of the resources of the Group to healthcare and hospital businesses that are of better earning potential.

Based on the above, the Directors (including the independent non-executive Directors) consider the Consideration to be fair and reasonable.

The Consideration shall be payable in the following manner:

- (1) HK\$2.2 million has been paid by the Purchaser upon execution of the Agreement;
- (2) HK\$15 million will be payable by the Purchaser within 20 business days after the execution of the Agreement;
- (3) HK\$15 million will be payable by the Purchaser within 25 business days after the execution of the Agreement;
- (4) HK\$25 million will be payable by the Purchaser at Completion; and
- (5) the balance of the Consideration in the sum of HK\$25.8 million will be payable by the Purchaser within 3 months after Completion.

There will be no adjustment on the Consideration in the event that the amount of the Sale Loan as at Completion differs from the amount of the Sale Loan as at 31 December 2007.

At Completion, the Purchaser shall charge his entire interest in the Sale Share and Sale Loan in favour of the Company as security for the unpaid balance of the Consideration of HK\$25,800,000 as at the date of Completion by executing the Share Charge and the Deed of Assignment. The Share Charge and the Deed of Assignment will be released upon payment of such balance in accordance with the terms of the Agreement.

Conditions Precedent

Completion is conditional upon the satisfaction of the following conditions:

- (1) the representation, undertaking and warranties given by the Company under the Agreement remaining true and accurate in all material respects;
- (2) all necessary approvals, consents, authorisations and licences required to be obtained by the parties thereto in relation to the transactions contemplated under the Agreement having been obtained; and
- (3) the passing by the Shareholders of an ordinary resolution to approve the Disposal, the Agreement and the transactions contemplated thereunder.

Completion

Completion will take place within three business days following the satisfaction of the above conditions. If the aforesaid conditions have not been satisfied on or before 31 March 2008, or such other date as the parties thereto may agree, the Agreement shall cease and determine and thereafter neither party shall have any obligations and liabilities towards each other thereunder save for any antecedent breaches of the terms thereof.

Upon Completion, and save for the Share Charge and the Deed of Assignment, the Group will cease holding any interests in the Able Group and each of its respective members will cease to be a subsidiary of the Company.

INFORMATION ON ABLE GROUP

Able is incorporated in the British Virgin Islands by the Company carrying on the principal business of investment holding. Prime Source, a wholly-owned subsidiary of Able, incorporated in Hong Kong and is principally engaged in investment holding. The PRC Subsidiary, the principal operating subsidiary of the Able Group, which is a company incorporated in the PRC and is principally engaged in manufacture and sale of melamine and its related products.

Melamine materials are raw materials used in the manufacture of household products which are widely used in the environmental conscious countries. Melamine manufacturing business was acquired by the Company in September 2005 for a consideration of approximately HK\$6,250,000. Details of such acquisition were announced by the Company in its announcement and circular dated 2 September 2005 and 23 September 2005 respectively.

Set out below are the audited consolidated figures of the Able Group for the two financial years ended 31 March 2006 and 2007 respectively and the unaudited consolidated figures of the Able Group for the period ended 31 December 2007:

	For the 9 months period ended 31 December 2007 HK\$ Unaudited	For the financial year ended 31 March 2007 HK\$ Audited	31 March 2006 HK\$ Audited
Profit/(loss) before taxation	128,547.83	752,672.40	(30,957.33)
Profit/(loss) after taxation	128,547.83	752,672.40	(30,957.33)
	As at 31 December 2007 HK\$ Unaudited	As at 31 March 2007 HK\$ Audited	As at 31 March 2006 HK\$ Audited
Net asset value/(liabilities)	1,624,965.51	1,173,046.86	(39,263.45)
Total asset value	116,444,509.09	65,303,868.52	36,280,359.52

REASONS FOR AND BENEFITS OF THE DISPOSAL

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

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 Group has embarked on various acquisitions and cooperation projects since 2006 in the general hospital and healthcare and hospital management services in the PRC in order to provide a stable income source and bring synergistic effect to the Group and provide further opportunities in the healthcare sector in the PRC. As mentioned in the third quarterly report of the Company for the period ended 31 December 2007, the provision of general hospital and healthcare and hospital management services in the PRC by the Group contributes a major portion of revenue for the Group.

Considering that (i) the diminishing contribution to the unaudited consolidated turnover of the Group by that of the Able Group; and (ii) the weak historical performance of and earning potentials on the manufacture and sale of melamine and its related products, the Disposal would allow the Group to focus its resources and investments in the development of general hospital services and healthcare and hospital management services in the PRC, which the Directors believe will provide better earning potentials. Therefore, the Directors (including the independent non-executive Directors) consider the Disposal is in the interest of the Company and the Shareholders as a whole.

In view of the increasing contribution to the unaudited consolidated turnover of the Group by the healthcare business of the Group, the Directors (including the independent non-executive Directors) are of the view that the Disposal will not have material adverse impact on the operating aspect of the Company.

Prior to the Completion, Able is a direct wholly-owned subsidiary of the Company and its financial results were consolidated with those of the Company. Following the Disposal, Able will cease to be a subsidiary of the Company.

FINANCIAL EFFECTS OF THE DISPOSAL

The Group would recognize a gain of approximately HK\$932,000 from the Disposal, being the difference between the Consideration less elimination of the net asset of the Able Group of approximately HK\$1,625,000 as at 31 December 2007 and the face value of the Sale Loan of approximately HK\$80,443,000 as at 31 December 2007. The final amount of the gain as a result of the Disposal is to be ascertained and will be determinable upon Completion.

INTENDED USE OF PROCEEDS

The Group intends to apply the net proceeds from the Disposal of approximately HK\$82 million (after paying off the expenses in connection to the Disposal on the part of the Company) for future acquisition of hospitals in the PRC and as general working capital of the Group. As at the date of this announcement, the Company has not entered into any legally binding agreement in relation to healthcare project for future acquisition.

GEM LISTING RULES IMPLICATIONS

As the relevant percentage ratio of the Disposal under Chapter 19 of the GEM Listing Rules is more than 25% but less than 75%, the Disposal constitutes a major transaction for the Company and is subject to approval by the Shareholders at the EGM of the Company. Since no Shareholders has any material interest in the Disposal, no Shareholders is required to abstain from voting in respect of the proposed ordinary resolution to approve the Disposal, the Agreement and the transactions contemplated thereunder at the EGM.

GENERAL

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DEFINITIONS

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

“Able” or “Able Group”	Able Developments Limited, a company incorporated in the British Virgins Islands, together with its subsidiaries, known as the “Able Group”
“Agreement”	the agreement dated 15 February 2008 entered into between the Company and the Purchaser in relation to the Disposal
“Board”	the board of Directors from time to time
“business day”	a day (other than a Saturday or a Sunday or public holiday) on which licensed banks are generally 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 and the issued Shares of which are listed on GEM and the vendor to the Agreement
“Completion”	completion of the Agreement in accordance with the terms and conditions thereunder
“Consideration”	the total consideration for the Disposal, being HK\$83 million
“Deed of Assignment”	a deed of assignment, in relation to the Sale Loan pursuant to the Agreement, to be given on Completion by the Purchaser in favour of the Company as a form of security for the unpaid balance of the Consideration of HK\$25,800,000 payable by the Purchaser to the Company

“Directors”	the directors of the Company
“Disposal”	the disposal of the Sale Share and the assignment of the Sale Loan in the Able Group to the Purchaser pursuant to the Agreement
“EGM”	the extraordinary general meeting of the Company to be convened to approve, among other matters, the Disposal, the Agreement and the transactions contemplated thereunder
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Independent Third Party(ies)”	person who is, and in the case of a corporate entity, its ultimate beneficial owner(s) are, to the best of the Directors’ knowledge, information and belief, having made all reasonable enquiries, third parties independent of the Company and its connected persons (as defined in the GEM Listing Rules)
“PRC”	the People’s Republic of China
“PRC Subsidiary”	Prime Source (Fujian) Chemical Company Limited# (柏源(福建)化工有限公司), a company established in the PRC and a wholly-owned subsidiary of Prime Source
“Prime Source”	Prime Source Trading Limited (柏源貿易有限公司), a company incorporated in Hong Kong and a wholly-owned subsidiary of Able
“Purchaser”	Mr. Zheng Maolin, an Independent Third Party
“Sale Loan”	all debts, liabilities and obligations of the Able Group owing or incurred by the Able Group to the members of the Group whether actual, contingent or deferred and irrespective of whether or not the same is due and payable as at the date of Completion, which amounted to approximately HK\$80,443,000 as at 31 December 2007 and the date of the Agreement, subject to confirmation upon the completion of the Disposal

“Sale Share”	being 1 ordinary share of US\$1 each in the share capital of Able, representing the entire equity interest in Able held by the Company as at the date of the Agreement
“Share(s)”	ordinary share(s) of HK\$0.05 each of the Company
“Share Charge”	a share charge, in relation to the Sale Share pursuant to the Agreement, to be given on Completion by the Purchaser in favour of the Company as a form of security for the unpaid balance of the Consideration of HK\$25,800,000 payable by the Purchaser to the Company
“Shareholder(s)”	shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“US\$”	United States dollars, the lawful currency of the United States
“%”	per cent.

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

Hong Kong, 18 February 2008

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. Jiang Tao and Mr. Zheng Gang, the non-executive Director is Dr. Wong Yu Man, James, and the independent non-executive Directors are Ms. Wong Ka Wai, Jeanne, 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 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 from the date of its posting for at least 7 days and on the website of the Company at www.huaxia-healthcare.com.