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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)

**DISCLOSEABLE TRANSACTION
IN RELATION TO THE PROPOSED ACQUISITION OF
THE ENTIRE SHARE CAPITAL AND
THE PROPOSED SUBSCRIPTION OF NEW SHARES IN A COMPANY
AND
RESUMPTION OF TRADING**

Financial adviser to the Company



CAF Securities

wholly owned subsidiary of Agricultural Bank of China

CAF Securities Company Limited

THE PROPOSED ACQUISITION AND THE PROPOSED SUBSCRIPTION

On 26 February 2008, the Purchaser entered into the Agreement with the Vendor, pursuant to which, the Purchaser agreed to acquire from the Vendor the Sale Share and subscribe for the Subscription Shares for the Total Consideration.

The Total Consideration shall be settled by the Purchaser in cash.

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

The Proposed Acquisition and the Proposed Subscription, in aggregate, constitute a discloseable transaction for the Company under the GEM Listing Rules.

GENERAL

A circular containing details of, among other things, the Proposed Acquisition, the Proposed Subscription, will be despatched as soon as practicable to the Shareholders in compliance 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 27 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 29 February 2008.

THE PROPOSED ACQUISITION AND THE PROPOSED SUBSCRIPTION

INTRODUCTION

On 26 February 2008, the Purchaser entered into the Agreement with the Vendor, pursuant to which, the Purchaser agreed to acquire from the Vendor the Sale Share and subscribe for the Subscription Shares, for the Total Consideration.

THE AGREEMENT

Date: 26 February 2008

Parties: (i) Purchaser:

Ally Health International Limited, a wholly-owned subsidiary of the Company; and

(ii) Vendor:

Mr. Yan Xuefeng, who currently owns 100% direct equity interests in the Target.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Vendor is an Independent Third Party.

Subjects of the transaction

Pursuant to the Agreement,

- (i) the Purchaser agreed to acquire and the Vendor agreed to sell the Sale Share, being 1 share 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
- (ii) the Purchaser agreed to subscribe for and the Target agreed to allot and issue the Subscription Shares, being 3,400 new shares of US\$1.00 in the share capital of the Target.

Consideration

The Total Consideration is HK\$68.6 million, of which HK\$65.2 million will be payable for the Sale Share and HK\$3.4 million will be payable for the Subscription Shares. The total consideration for the Sale Share shall be payable by cash in the following manner:

- (i) as to HK\$34.3 million to be paid by the Purchaser in cleared funds as deposit within three (3) Business Days after signing of the Agreement;
- (ii) as to HK\$30.9 million to be paid by the Purchaser in cleared funds within three (3) Business Days from the date of obtaining of the approval in principle from the relevant government authority in the PRC that Fuzhou Kangrong, which is presently a wholly PRC domestic-owned enterprise, be transformed into a wholly foreign-owned enterprise; and

The total consideration for the Subscription Shares shall be HK\$3.4 million (being the Subscription Price) which shall be payable in cash within three (3) Business Days after signing of the Agreement. Pursuant to the Agreement, the Subscription Price should only be used for the acquisition of the entire equity interest in Fuzhou Kangrong by Well Label.

The Refundable Payment (i.e. the aggregate of the payments made under (i) and (ii) above and the Subscription Price) will be refunded to the Purchaser by the Vendor if the Agreement is terminated in accordance with its terms, in particular, for non satisfaction of conditions set out under the paragraph headed “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 by the Vendor until full refund of the Refundable Payment together with the accrued interest by the Vendor to the Purchaser.

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 Guaranteed Profit (as defined below) given by the Vendor, details of which are set out in the paragraph headed “Profit guarantee” below; (ii) reasons for the Proposed Acquisition and the Proposed Subscription as elaborated further under the paragraph headed “Reasons for the Proposed Acquisition and the Proposed Subscription” below; and (iii) the future prospect of the business of the Target Group. Accordingly, the Directors consider that the Total Consideration and the relevant payment terms are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

The Group intends to finance the Total Consideration by internal resources of the Group.

The Proposed Acquisition and the Proposed Subscription, in aggregate, constitute a discloseable transaction for the Company under the GEM Listing Rules.

Profit guarantee

In the Agreement, the Vendor guaranteed and warranted to the Purchaser that the audited consolidated net profit after taxation and extraordinary or exceptional items and minority interests of the Target Group for the year ending 31 March 2009 (the “**Net Profit**”) shall not be less than HK\$7 million (the “**Guaranteed Profit**”). In the event that the Guaranteed Profit is not achieved, the Vendor should pay the Purchaser on a dollar for dollar basis for an amount equivalent to the difference between the Net Profit and the Guaranteed Profit. The Net Profit is to be calculated in accordance to Hong Kong Financial Reporting Standards.

If the Target Group records a net loss in its audited consolidated accounts for the year ending 31 March 2009 (“**Net Loss**”), the compensation amount under the Guaranteed Profit will be the aggregation of the amount of Net Loss (expressed in positive figure) and the amount of the Guaranteed Profit.

As at the date of this announcement, the Target Group is still undergoing the process of the Target Group Reorganisation. Further announcement will be made by the Company in the event that the Guaranteed Profit cannot be fulfilled.

Conditions precedent

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

- (a) 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 and the Subscription Shares as well as the matters contemplated thereunder having been obtained;
- (b) 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;
- (c) the obtaining of a PRC legal opinion (in the form and the substance satisfactory to the Purchaser) in relation to the validity and legality of the incorporation of Fuzhou Kangrong, Shangrao Xiehe and Shangrao Xiehe Hospital, and their operations as going concern entities and the transactions contemplated under the Agreement, as well as the transformation of Fuzhou Kangrong into a wholly foreign-owned enterprise;

- (d) 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; and
- (e) the completion of the Target Group Reorganisation.

Only conditions (b) and (c) are waivable by the Purchaser under the Agreement. Currently, the Purchaser has no intention to waive any of such conditions.

Regarding the Target Group Reorganisation, as at the date of this announcement, completion of acquisition of the Assets in Old Xiehe Hospital by Shangrao Xiehe from Independent Third Parties has been completed. The consideration for such acquisition is approximately RMB2.92 million. Shangrao Xiehe has obtained the relevant licence from the government authority in the PRC to establish Shangrao Xiehe Hospital. In addition, Fuzhou Kangrong has acquired 70% equity interests in Shangrao Xiehe on 1 February 2008. On 2 February 2008, Well Label entered into sale and purchase agreement with Independent Third Parties in relation to the acquisition all the equity interest in Fuzhou Kangrong. Such acquisition has not yet completed as the transformation of Fuzhou Kangrong into a wholly foreign owned enterprise yet completed. Shangrao Xiehe Hospital has commenced its operation since 1 February 2008.

The Assets include the trade name of Old Xiehe Hospital, the tenancy agreement in respect of the hospital complex of Old Xiehe Hospital, and all the necessary assets for running a hospital including but not limited to medical equipment and office equipment in Old Xiehe Hospital. The said tenancy agreement relates to the leasing of a premises located at No.11, Qianhe East Road, Xinzhou Qu, Shangrao Shi, Jiangxi, the PRC# (上饒市信州區鉛河東路11號) for a term of ten years commencing from 15 September 2004 to 14 September 2014 both date inclusive. The said premises, comprising eight stories from ground floor to 7th floor with total gross floor area of approximately 4,226.49 m², will be used as hospital complex. The annual rental is RMB560,000 for the first three years commencing from 15 September 2004 to 14 September 2007. An annual rental increment of 5% for every three years thereafter.

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 26 May 2008, or such later date as the Purchaser and the Vendor may agree in writing, the Agreement shall terminate and neither party shall has any liability to the other except for antecedent breaches of the Agreement and the obligation to return the Refundable Payment.

Completion

The Completion shall take place at 4:00 p.m. 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 and the Purchaser.

In the event that the Completion does not take place, the Vendor 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 by the Vendor until full refund the Refundable Payment together with the accrued interest by the Vendor to the Purchaser.

INFORMATION ON THE TARGET GROUP

The Target is an investment holding company. The Target Group, upon completion of the Target Group Reorganisation, will be principally engaged in the provision of healthcare services in the PRC. The Target Group comprises the Target, being the ultimate holding company which holds 100% direct equity interests in Well Label, which, in turn, holds 100% direct interests in Fuzhou Kangrong, which, in turn, holds 70% direct equity interests in Shangrao Xiehe which is principally engaged in operating Shangrao Xiehe Hospital upon completion of the Target Group Reorganisation. Please refer to the paragraph headed “Group structure” for the structure of the Target Group after completion of the Target Group Reorganisation.

Set out below is a summary of the key financial data of Target Group (excluding subsidiaries incorporating in the PRC) based on the unaudited management accounts of Target Group (excluding subsidiaries incorporating in the PRC) for the period from 26 September 2007 (date of incorporation) to 31 January 2008 as provided by the Vendor which has been prepared in accordance with the generally accepted accounting principles in Hong Kong:

	Period from 26 September 2007 to 31 January 2008
	<i>HK\$</i> (unaudited)
(Loss) before tax for the period	(23,600)
(Loss) after tax for the period	(23,600)
	As at 31 January 2008
	<i>HK\$</i> (unaudited)
Net liabilities	(23,591)

Note: Well Label was incorporated in Hong Kong on 16 November 2007. The loss incurred by and net liabilities recorded by the Target Group (excluding subsidiaries incorporating in the PRC) are due to the pre-operating costs of the Target and Well Label.

Set out below is a summary of the key financial data of Fuzhou Kangrong, which will become a subsidiary of the Target Group after Target Group Reorganisation, based on its unaudited management accounts for the period from 26 December 2007 (date of incorporation) to 31 January 2008 as provided by the Vendor which has been prepared in accordance with the generally accepted accounting principles in Hong Kong:

	Period from 26 December 2007 to 31 January 2008
	<i>RMB</i> (unaudited)
(Loss) before tax for the period	(5,635)
(Loss) after tax for the period	(5,635)
	As at 31 January 2008
	<i>RMB</i> (unaudited)
Net assets	3,094,365

Set out further below is a summary of the key financial data of Old Xiehe Hospital based on the unaudited management accounts of Old Xiehe Hospital for the two financial years ended 31 December 2007 as provided by the Vendor which has been prepared in accordance with the generally accepted accounting principles in the PRC:

	Year ended 31 December	
	2006	2007
	<i>RMB</i>	<i>RMB</i>
	(unaudited)	(unaudited)
(Loss) before tax for the year	(1,291,797)	(206,875)
(Loss) after tax for the year	(1,291,797)	(206,875)

	As at 31 December 2006 RMB (unaudited)	As at 31 December 2007 RMB (unaudited)
Net assets	1,642,008	1,435,133

Upon the Completion, the Directors have no present intention to (i) retain all the employees (save for some individual well performed doctors); (ii) acquire the customer profile and medical profile of Old Xiehe Hospital; and (iii) retain the management team of Old Xiehe Hospital. The Directors also have no current intention to materially change the existing management team of the Target Group except for the changes to the compositions of the board of directors of the Target Group to obtain board control. The Board considers that with the continuation of service of the management team in Fuzhou Kangrong who has sufficient knowledge and over ten years experience in healthcare investment, healthcare management of various hospitals in Fuzhou and Guangdong, couple with a number of the 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.

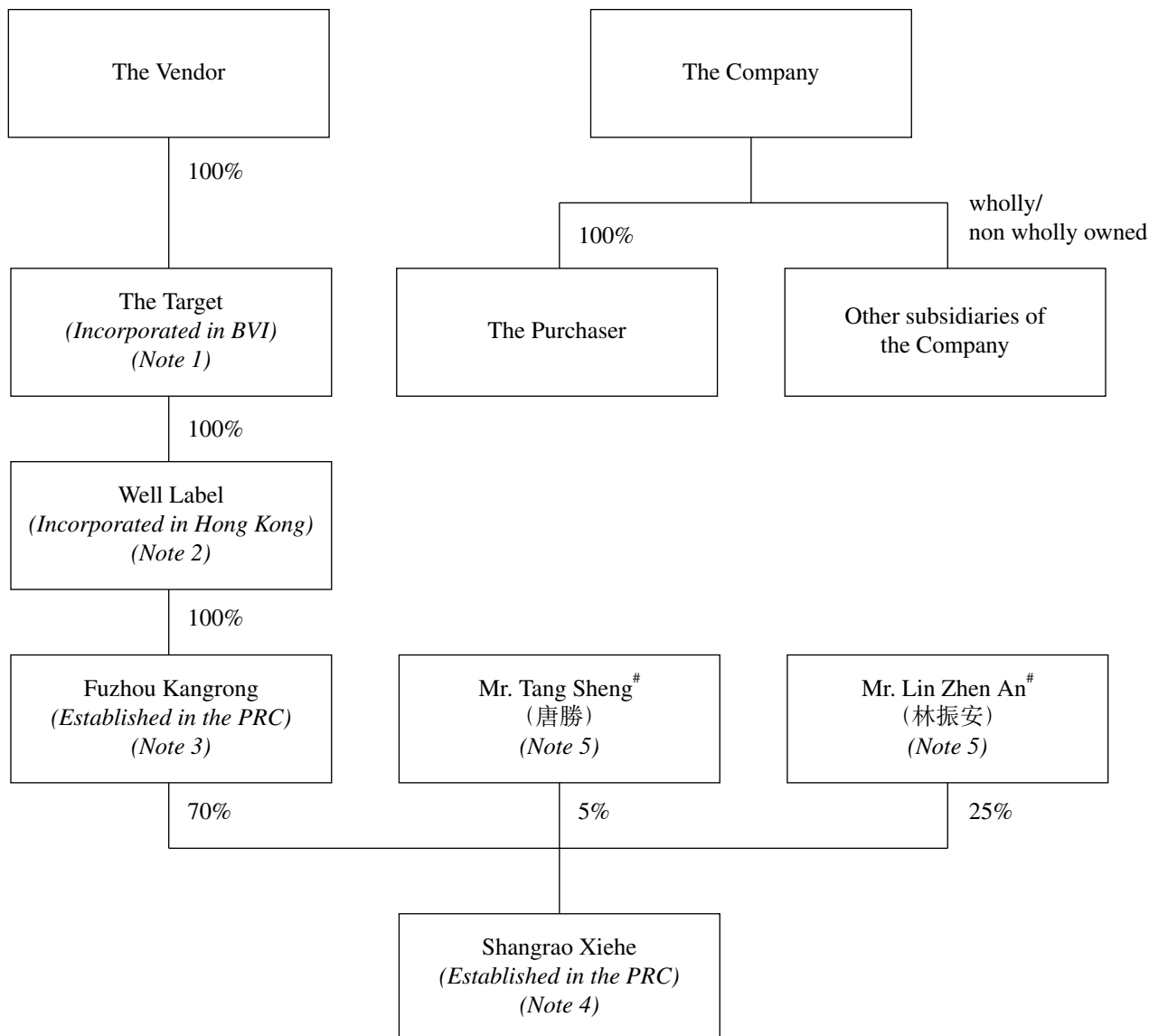
Board representation of the Target Group

Upon the Completion, representatives will be appointed by the Company to form a majority of the board of directors of each of the members of the Target Group.

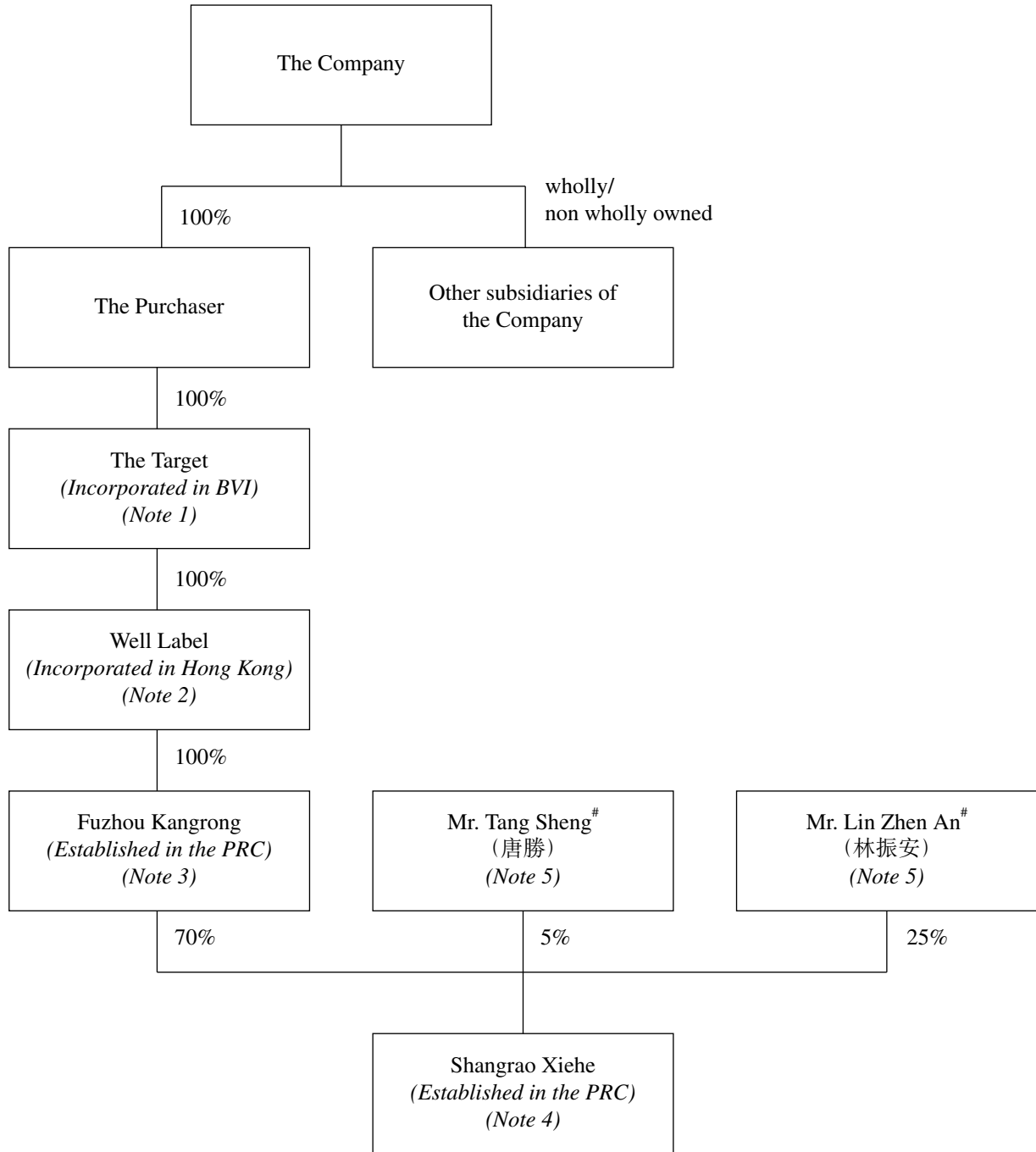
Group structure

The following charts show the group structure of the Target Group immediately before and after the Completion:

Immediately before the Completion



Immediately after the Completion



Notes:

1. The Target, is an investment holding company established in BVI on 26 September 2007 solely for the purpose of holding 100% equity interest in Well Label and the Vendor is its ultimate beneficial owner.
2. Well Label is a company incorporated in Hong Kong on 16 November 2007 as an investment holding company solely for the purpose of holding 100% equity interest in Fuzhou Kangrong.
3. Fuzhou Kangrong is a private company established in the PRC on 26 December 2007 for the acquisition of 70% equity interest in Shangrao Xiehe.

4. Shangrao Xiehe is a private company established in the PRC on 23 January 2008. Shangrao Xiehe has obtained the relevant licence from the government authority in the PRC to establish Shangrao Xiehe Hospital. Shangrao Xiehe Hospital is a trade name of Shangrao Xiehe in running its hospital business in Shangrao, Jiangxi, the PRC.
5. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, each of Mr. Tang Sheng and Lin Zhenan are Independent Third Parties.

REASONS FOR THE PROPOSED ACQUISITION AND THE PROPOSED SUBSCRIPTION

The Group is principally engaged in the provision of general hospital and healthcare and hospital management services in the PRC. In addition, the Group is also engaged in the manufacture and sales 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 to the Group and will bring synergistic effect and further opportunities in the promising healthcare sector the PRC. As indicated in the quarterly report of the Company for the nine months ended 31 December 2007, the provision of general hospital and healthcare and hospital management services in the PRC by the Group were the main contribution in generating revenue for the Group.

The Proposed Acquisition and the Proposed Subscription are part of the business plans of the Group in developing its presence in the healthcare sector in the PRC given that there is a general increase in the health concern of individuals in the PRC. The Directors consider that the Proposed Acquisition and the Proposed Subscription are in line with the Group's business plans and are expected to enhance the Group's overall business performance, strengthen its revenue bases and diversify its business risk through synergistic effect through implementation of cost control measures and marketing and business strategies in the Target Group, of 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 Proposed Acquisition and the Proposed Subscription are fair and reasonable and the Proposed Acquisition and the Proposed Subscription are in the interests of the Company and the Shareholders as a whole.

Upon the Completion, the Target will become a subsidiary of the Company and its accounts will be consolidated with that of the Group.

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 27 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 29 February 2008.

GENERAL

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

DEFINITIONS

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

“Agreement”	the conditional sale and purchase agreement dated 26 February 2008 entered into among the Purchaser, the Vendor and the Target relating to the sale and purchase of the Sale Share and the subscription for and allotment and issue of the Subscription Shares
“Assets”	The trade name of Old Xiehe Hospital, the tenancy agreement in respect of the hospital complex of Old Xiehe Hospital, and all the necessary assets for running a hospital including but not limited to medical equipment and office equipment in Old Xiehe Hospital
“Board”	board of the Directors
“Business Day”	a day (other than Saturday, Sunday or public holiday) on which licensed banks are generally open for business in Hong Kong throughout their normal business hours
“BVI”	the British Virgin Islands
“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 with a designated stock code of 8143
“Completion”	completion of the Proposed Acquisition and the Proposed 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
“Director(s)”	director(s) of the Company

“Fuzhou Kangrong”	Fuzhou Kangrong Enterprises Management Consultancy Limited# (福州康榮企業管理諮詢有限公司), a private company established in Fuzhou, Fujian, the PRC on 26 December 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 in accordance with the GEM Listing Rules
“Old Xiehe Hospital”	Xiehe Hospital# (協和醫院), a privately-run hospital established in Shangrao, Jiangxi, the PRC by Independent Third Parties.
“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
“Proposed Acquisition”	the proposed acquisition of the Sale Share pursuant to the Agreement
“Proposed Subscription”	the subscription of 3,400 new shares in the share capital of the Target by the Purchaser pursuant to the Agreement
“Purchaser”	Ally Health International Limited, a company incorporated in the Cayman Islands and a wholly-owned subsidiary of the Company
“Refundable Payment”	the payment made by the Purchaser to the Vendor under paragraphs (i) and (ii) under the paragraph headed “Consideration” and the Subscription Price
“Sale Share”	1 share, being the entire issued share capital of the Target as at the date of the Agreement which are legally and beneficially owned by the Vendor

“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shangrao Xiehe Hospital”	Shangrao Xiehe Hospital# (上饒協和醫院), a trade name of a privately-run hospital established in Shangrao, Jiangxi, the PRC by Shangrao Xiehe
“Shangrao Xiehe”	Shangrao Shi Xiehe Hospital Limited# (上饒市協和醫院有限公司), a privately company established in Shangrao, Jiangxi the PRC on 23 January 2008. Shangrao Xiehe has obtained the relevant licence from the government authority in the PRC to operate Shangrao Xiehe Hospital
“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 Price”	HK\$3.4 million, being the subscription price payable for the Subscription Shares pursuant to the Agreement
“Subscription Shares”	the 3,400 new shares in the share capital of the Target to be allotted and issued by the Target to the Purchaser, pursuant to the Agreement
“Target”	Large Forever Group Limited, a company incorporated in BVI which is wholly and beneficially owned by the Vendor before the Completion
“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) completion of acquisition of the Assets from Old Xiehe Hospital by Shangrao Xiehe from Independent Third Parties; (ii) Shangrao Xiehe has obtained the relevant licence from the government authority in the PRC to establish Shangrao Xiehe Hospital; (iii) the acquisition of 70% equity interest in Shangrao Xiehe; and (iv) the completion of the acquisition of Fuzhou Kangrong by Well Label and the completion of transformation of Fuzhou Kangrong into a wholly foreign owned enterprise

“Total Consideration”	the total consideration of HK\$68.6 million payable by the Purchaser to the Vendor for the Sale Share and the Subscription Shares, pursuant to the Agreement
“Vendor”	Yan Xuefeng, the sole beneficial shareholder of the Target prior to the Completion and the vendor to the Agreement
“Well Label”	Well Label Limited, a company incorporated in Hong Kong with limited liability, which is wholly and beneficially owned by the Target
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“%”	per cent.

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

Hong Kong, 28 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 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.