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HUA XIA HEALTHCARE HOLDINGS LIMITED

華夏醫療集團有限公司*

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 8143)

**PROPOSED OPEN OFFER OF
NOT LESS THAN 899,022,397 OFFER SHARES AND
NOT MORE THAN 908,794,083 OFFER SHARES
AT HK\$0.05 PER OFFER SHARE
ON THE BASIS OF ONE OFFER SHARE FOR
EVERY TWO SHARES HELD ON RECORD DATE
PAYABLE IN FULL ON APPLICATION**

AND

RESUMPTION OF TRADING

Financial adviser to the Company



INCU CORPORATE FINANCE LIMITED

Underwriter



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

PROPOSED OPEN OFFER

The Company proposes to raise not less than approximately HK\$44.95 million, before expenses, by an open offer of not less than 899,022,397 Offer Shares and not more than 908,794,083 Offer Shares at a subscription price of HK\$0.05 per Offer Share, payable in full on application, on the basis of one Offer Share for every two Shares held on the Record Date.

* *for identification purpose only*

As at the date of this announcement, the Company has 145,167,340 outstanding Post-IPO Share Options, 1,368,822 outstanding Pre-IPO Share Options and 109,277,950 outstanding Conversion Shares which in aggregate entitle holders thereof to subscribe for 255,814,112 Shares. Save as disclosed above, the Company does not have any other outstanding warrants or securities in issue which are convertible or exchangeable into Shares.

The net proceeds of the Open Offer (after deduction of commission and expenses) are expected to amount to approximately HK\$43 million (assuming no outstanding Share Options and no rights attaching to the Convertible Notes are exercised on or before the Record Date) will be used to finance future investments in the promising healthcare sector in the PRC, business development of the Group and towards general working capital. As at the date of this announcement, the Company has not identified specific investment opportunities.

The Open Offer is fully underwritten by the Underwriter and is subject to the terms and conditions of the Underwriting Agreement. If the Underwriter terminates the Underwriting Agreement (details are set out in the paragraph headed “Termination of the Underwriting Agreement” in the section headed “Underwriting Agreement” in this announcement) or the conditions of the Open Offer (details are set out in the paragraph headed “Conditions of the Open Offer” in the section headed “Underwriting Agreement” in this announcement) are not fulfilled, the Open Offer will not proceed. **Accordingly, the Open Offer may or may not proceed and the Shareholders and potential investors are advised to exercise caution when dealing in the Shares and consult their professional advisers if they are in any doubt about their positions.**

GENERAL

The Company will send the Prospectus Documents containing, among other documents, details of the Open Offer, to the Qualifying Shareholders. The Company will send the Prospectus to Prohibited Shareholders for their information only but the Company will not send any Application Forms to the Prohibited Shareholders, if any, as soon as practicable.

SUSPENSION AND RESUMPTION OF TRADING

At the request of the Company, trading in the Shares on the Stock Exchange was suspended from 9:30 a.m. on 5 September 2008 pending the release of this announcement. Application has been made to the Stock Exchange for resumption of trading in Shares with effect from 9:30 a.m. on 9 September 2008.

OPEN OFFER

Issue Statistics

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

Number of existing Shares in issue: 1,798,044,795 Shares as at the date of this announcement

Number of Open Offer Shares to be issued: Not less than 899,022,397 Offer Shares and not more than 908,794,083 Offer Shares (as holders holding an aggregated 142,520,740 Post-IPO Share Options and the holder of the Convertible Notes I have undertaken to the Company, the Underwriter and Mr Yung not to exercise the Post-IPO Share Options and the Convertible Notes I respectively held by them on or before the Latest Lodging Date)

Subscription Price: HK\$0.05 per Offer Share payable in full on application

As at the date of this announcement, the Company has 145,167,340 outstanding Post-IPO Share Options, 1,368,822 outstanding Pre-IPO Share Options and 109,277,950 outstanding Conversion Shares which in aggregate entitling holders thereof to subscribe for 255,814,112 Shares. Save as disclosed above, the Company does not have any other outstanding warrants or securities in issue which are convertible or exchangeable into Shares.

Subscription Price

The Subscription Price of HK\$0.05 per Offer Share will be payable in full upon application for the Offer Shares under the Open Offer. The Subscription Price represents:

1. a discount of approximately 56.52% to the closing price of HK\$0.115 per Share as quoted on the Stock Exchange on 4 September 2008, being the last trading day of the Shares on the Stock Exchange prior to the suspension of the trading in the Shares;
2. a discount of approximately 56.06% to the average of the closing prices of HK\$0.1138 per Share quoted on the Stock Exchange for the five trading days up to and including 4 September 2008;

3. a discount of approximately 55.31% to the average of the closing prices of HK\$0.1119 per Share quoted on the Stock Exchange for the 10 trading days up to and including 4 September 2008; and
4. a discount of approximately 46.41% to the theoretical ex-rights price of HK\$0.0933 based on the closing price of HK\$0.115 per Share as quoted on the Stock Exchange on 4 September 2008.

The Subscription price was arrived at after arm's length negotiation between the Company and the Underwriter with reference to the market price of the Shares under the prevailing market conditions.

As (i) the Subscription price was determined after arm's length negotiation between the Company and the Underwriter; and (ii) the Qualifying Shareholders are offered a chance to subscribe for the Offer Shares at a relatively low price and to maintain their respective pro-rata shareholdings in the Company; the Directors consider the terms of the Open Offer to be fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Qualifying Shareholders

The Company will send the Prospectus Documents to the Qualifying Shareholders only.

To qualify for the Open Offer, a Shareholder must be registered as a member of the Company as at the close of business on the Record Date, and not be a Prohibited Shareholder.

In order to be registered as members on the Record Date, Shareholders must lodge any transfers of Shares (together with the relevant share certificates) with the Company's share registrars and transfer office in Hong Kong, Tricor Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong by 4:30 p.m. on Tuesday, 23 September 2008.

The invitation to apply for the Offer Shares to be made to the Qualifying Shareholders will not be transferable or capable of renunciation and there will not be any trading of nil-paid entitlements of the Offer Shares on the Stock Exchange.

Closure of register of members

The register of members of the Company will be closed from Wednesday, 24 September 2008 to Monday, 29 September 2008, both dates inclusive, to determine the eligibility of the Shareholders to the Open Offer. No transfer of Shares will be registered during this period.

Rights of Prohibited Shareholders

The Prospectus Documents will not be registered or filed under the applicable securities legislation of any jurisdiction other than Hong Kong. To determine the identities of the Prohibited Shareholders and in compliance with the relevant GEM Listing Rules, the Company will make necessary enquiries regarding the legal restrictions, if any, under the laws of the relevant jurisdictions and will only exclude the Prohibited Shareholders for the Open Offer if it would be necessary or expedient on account either of the legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place after making relevant enquiries. The Company will send the Prospectus to Prohibited Shareholders for their information only but the Company will not send any Application Forms to the Prohibited Shareholders.

Status of the Offer Shares

The Offer Shares (when allotted and fully paid) will rank pari passu with the then existing Shares in issue in all respects on the date of allotment and issue of the Offer Shares. Holders of fully paid Offer Shares will be entitled to receive all future dividends and distributions which are declared, made or paid after the date of allotment and issue of the Offer Shares.

Share Certificates for Offer Shares

Subject to the fulfillment of the conditions of the Open Offer as set out in the section headed “Conditions of the Open Offer” below, certificates for all fully-paid Offer Shares are expected to be posted on or before Wednesday, 22 October 2008 to those Shareholders who have accepted and (where applicable) applied for, and paid for the Offer Shares by ordinary post at their own risks.

No application for excess Offer Shares

No Qualifying Shareholder is entitled to apply for any Offer Shares which are in excess to his/her/its entitlement. Any Offer Shares not taken up by the Qualifying Shareholders, and the Offer Shares to which the Prohibited Shareholders would otherwise have been entitled to under the Open Offer, will not be available for subscription by other Qualifying Shareholders by way of excess application and will be taken up by the Underwriter.

The Directors hold the view that the Open Offer allows the Qualifying Shareholders to maintain their respective pro rata shareholdings in the Company and to participate in the future growth and development of the Group. After arm’s length negotiation with the Underwriter, and taking into account that the related administration costs would be lowered in the absence of excess applications, the Directors consider that it is fair and reasonable and in the interests of the Company and the Shareholders as a whole not to offer any excess application to the Shareholders.

Fractions of Offer Shares

Fractional entitlements of Offer Shares will not be allotted and will be aggregated. All Offer Shares arising from the aggregation of such fractional entitlements will be taken up by the Underwriter.

Odd lots arrangements

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

Application for listing

The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Offer Shares. The Offer Shares are expected to continue to be traded in existing board lot of 20,000 Shares. Dealings in the Offer Shares on the Stock Exchange will be subject to the payment of stamp duty in Hong Kong, Stock Exchange trading fees, SFC transaction levy and other applicable fees and charges in Hong Kong.

Subject to the granting of listing of, and permission to deal in, the Offer Shares on the Stock Exchange, the Offer Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the Offer Shares on the Stock Exchange or such other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

UNDERWRITING ARRANGEMENT

Underwriting Agreement

Date: 5 September 2008

Underwriter: Quam Securities Company Limited

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Underwriter and its ultimate beneficial owners are third parties independent of the Company and its connected persons (as defined in the GEM Listing Rules)

Number of Offer Shares:	Not less than 899,022,397 Offer Shares and not more than 908,794,083 Offer Shares (as holders holding an aggregated 142,520,740 Post-IPO Share Options and the holders of Convertible Notes I have undertaken to the Company, the Underwriter and Mr Yung not to exercise the Post-IPO Share Options and the Convertible Notes I respectively held on or before the Latest Lodging Date)
Number of Underwritten Shares:	Not less than 574,091,850 Offer Shares and not more than 583,863,536 Offer Shares
Commission:	an underwriting commission of 2.5% of the aggregate Subscription Price in respect of the maximum number of Underwritten Shares

Undertakings

As at the date of this announcement, Mr Yung was interested in 6,187,500 Shares and 9,042,085 Post-IPO Share Options conferring rights to subscribe for 9,042,085 Shares and Easeglory, a company wholly owned by Mr Yung, was interested in 375,746,000 Shares. Pursuant to the Underwriting Agreement, Mr Yung has irrevocably undertaken to the Company and the Underwriter (i) not to exercise any of the 9,042,085 Post-IPO Share Options granted to him on or before the Latest Lodging Date and (ii) to subscribe for or procure the subscription of the 3,093,750 Offer Shares and 187,873,000 Offer Shares to which he and Easeglory respectively are entitled to pursuant to the Open Offer.

As at the date of this announcement, Ms Shum was interested in 5,400,000 Shares and 10,805,240 Post-IPO Share Options conferring rights to subscribe for 10,805,240 Shares. Pursuant to the undertaking letter from Ms Shum, Ms Shum has irrevocably undertaken to the Company, the Underwriter and Mr Yung (i) not to exercise any of the 10,805,240 Post-IPO Share Options granted to her on or before the Latest Lodging Date and (ii) to subscribe for or procure the subscription of the 2,700,000 Offer Shares to which Ms Shum is entitled to pursuant to the Open Offer.

As at the date of this announcement, Mr Zheng was interested in 3,600,000 Shares. Pursuant to the undertaking letter from Mr Zheng, Mr Zheng has irrevocably undertaken to the Company, the Underwriter and Mr Yung to subscribe for or procure the subscription of the 1,800,000 Offer Shares to which Mr Zheng is entitled to pursuant to the Open Offer.

As at the date of this announcement, Mr Lau was interested in 170,320,000 Shares and the Convertible Notes I conferring rights to subscribe for 93,750,000 Conversion Shares. Pursuant to the undertaking letter from Mr Lau, Mr Lau has irrevocably undertaken to the Company, the Underwriter and Mr Yung (i) not to exercise any of the conversion right attached to the Convertible Notes I on or before the Latest Lodging Date and (ii) to subscribe for or procure the subscription of the 85,160,000 Offer Shares to which Mr Lau is entitled to pursuant to the Open Offer.

As at the date of this announcement, Mr Wu was interested in 88,607,595 Shares. Pursuant to the undertaking letter from Mr Wu, Mr Wu has irrevocably undertaken to the Company, the Underwriter and Mr Yung to subscribe for or procure the subscription of the 44,303,797 Offer Shares to which Mr Lau is entitled to pursuant to the Open Offer.

In addition, the holders with an aggregate of 133,478,655 Post-IPO Share Options (excluding the 9,042,085 Post-IPO Share Options which Mr Yung is interested in but including 10,805,240 Post-IPO Share Options, 10,781,160 Post-IPO Share Options and 10,781,160 Post-IPO Share Options of which Shum Ngai Pan, Jiang Tao and Chen Jin Shan, all being executive Directors, are respectively interested in) granted under the Post-IPO Share Option Scheme have given an irrevocable undertaking to the Company, the Underwriter and Mr Yung not to exercise on or before the Latest Lodging Date the Post-IPO Share Options granted to the holders.

Subject to and upon the terms and conditions of the Underwriting Agreement, the Underwriter has agreed to underwrite:

- i. not less than 574,091,850 Underwritten Shares (assuming all the Pre-IPO Share Options, Post-IPO Share Options (excluding the Excluded Options) and the conversion rights attaching to the Convertible Notes II are not being exercised on or before the Latest Lodging Date); and
- ii. not more than 583,863,536 Underwritten Shares (assuming all the Pre-IPO Share Options, Post-IPO Share Options (excluding the Excluded Options) and the conversion rights attaching to the Convertible Notes II are being exercised on or before the Latest Lodging Date).

Termination of the Underwriting Agreement

If, prior to the Latest Time for Termination (provided that if the date of the Latest Time for Termination shall be a business day on which a Storm Warning is or remains hoisted between 9.00 a.m. and 4.00 p.m. on that day, the date of the Latest Time for Termination shall be the next business day on which no Storm Warning is or remains hoisted between 9:00 a.m. and 4:00 p.m. on that day):

- (1) in the reasonable opinion of the Underwriter, the success of the Open Offer would be materially and adversely affected by:
 - (a) the introduction of any new law or regulation or any change in existing law or regulation (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may in the reasonable opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or is materially adverse in the context of the Open Offer; or

- (b) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date hereof) of a political, military, financial, economic or other nature (whether or not ejusdem generis with any of the foregoing), or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities markets which may, in the reasonable opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or materially and adversely prejudice the success of the Open Offer or otherwise makes it inexpedient or inadvisable to proceed with the Open Offer; or
- (2) any adverse change in market conditions (including without limitation, any change in fiscal or monetary policy, or foreign exchange or currency markets, suspension or material restriction or trading in securities) occurs which in the reasonable opinion of the Underwriter is likely to materially or adversely affect the success of the Open Offer or otherwise makes it inexpedient or inadvisable to proceed with the Open Offer; or
- (3) there is any change in the circumstances of the Company or any member of the Group which in the reasonable opinion of the Underwriter will adversely affect the prospects of the Company, including without limiting the generality of the foregoing the presentation of a petition or the passing of a resolution for the liquidation or winding up or similar event occurring in respect of any of member of the Group or the destruction of any material asset of the Group; or
- (4) any event of force majeure including, without limiting the generality thereof, any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, terrorism, strike or lock-out; or
- (5) any other material adverse change in relation to the business or the financial or trading position or prospects of the Group as a whole whether or not ejusdem generis with any of the foregoing; or
- (6) any matter which, had it arisen or been discovered immediately before the date of the Prospectus and not having been disclosed in the Prospectus, would have constituted, in the reasonable opinion of the Underwriter, a material omission in the context of the Open Offer; or
- (7) any suspension in the trading of securities generally or the Company's securities on the Stock Exchange for a period of more than ten consecutive business days, excluding any suspension in connection with the clearance of this announcement or the Prospectus Documents or other announcements or circulars in connection with the Open Offer,

The Underwriter shall be entitled by notice in writing to the Company, served prior to the Latest Time for Termination, to terminate the Underwriting Agreement.

If the Underwriter terminates the Underwriting Agreement, the Open Offer will not proceed.

CONDITIONS OF THE OPEN OFFER

The Open Offer is conditional, inter alia, upon:

- (1) the delivery to the Stock Exchange for authorisation and the registration with the Registrar of Companies in Hong Kong respectively one copy of each of the Prospectus Documents duly signed by two Directors (or by their agents duly authorised in writing) as having been approved by resolution of the Directors (and all other documents required to be attached thereto) and otherwise in compliance with the GEM Listing Rules and the Companies Ordinance not later than the Prospectus Posting Date;
- (2) the posting of the Prospectus Documents to the Qualifying Shareholders and the posting of the Prospectus and a letter in the agreed form to the Prohibited Shareholders, if any, for information purpose only explaining the circumstances in which they are not permitted to participate in the Open Offer on or before the Prospectus Posting Date;
- (3) the Listing Committee of the Stock Exchange granting or agreeing to grant (subject to allotment) and not having withdrawn or revoked listing of and permission to deal in the Offer Shares by no later than the first day of their dealings;
- (4) the obligations of the Underwriter becoming unconditional and that the Underwriting Agreement is not terminated in accordance with its terms;
- (5) compliance with and performance of an irrevocable undertaking by each of Ms Shum, Mr Zheng, Mr Lau and Mr Wu in favour of the Company, the Underwriter and Mr Yung to subscribe for 2,700,000 Offer Shares, 1,800,000 Offer Shares, 85,160,000 Offer shares and 44,303,797 Offer Shares to which they are respectively entitled to under the Open Offer;
- (6) the performance of an irrevocable undertaking by Mr Lau in favour of the Company, the Underwriter and Mr Yung not to exercise the conversion rights attaching to the Convertible Notes I;
- (7) compliance with and performance of an irrevocable undertaking by each of the holders of the Excluded Options in favour of the Company, the Underwriter and Mr Yung not to exercise the Post-IPO Share Options; and
- (8) compliance with and performance of all undertakings and obligations of Mr Yung under the Underwriting Agreement.

The Company shall use all reasonable endeavours to procure the fulfillment of all the conditions precedent by the Latest Time for Termination or such other date as the Company and the Underwriter may agree and in particular shall furnish such information, supply such documents, pay such fees, give such undertakings and do all such acts and things as may be necessary in connection with the listing of the Offer Shares or to give effect to the Open Offer and the arrangements contemplated in the Underwriting Agreement.

WARNING OF RISKS OF DEALING IN SHARES

If the Underwriter terminates the Underwriting Agreement or the conditions of the Open Offer are not fulfilled, the Open Offer will not proceed. **Accordingly, the Open Offer may or may not proceed and the Shareholders and potential investors are advised to exercise caution when dealing in the Shares and consult their professional advisers if they are in any doubt about their positions.**

Shareholders should note that the Shares will be dealt with on an ex-entitlement basis commencing from Monday, 22 September 2008 and that dealings in such Shares will take place while the conditions to which the Underwriting Agreement is subject remain unfulfilled. Any Shareholder or other person dealing in such Shares up to the date on which all conditions to which the Open Offer is subject are fulfilled (which is expected to be on or before 4:00 p.m. on Tuesday, 21 October 2008), will accordingly bear the risk that the Open Offer cannot become unconditional and may not proceed.

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

Scenario 1:

Assuming all the Share Options (excluding Excluded Options) and the conversion rights attaching to the Convertible Notes II are not being exercised on or before the Latest Lodging Date:

	As at the date of this announcement		Immediately following completion of the Open Offer on the assumption as set out in Note 1		Immediately following completion of the Open Offer on the assumption as set out in Note 2	
	<i>Number of Shares</i>	<i>%</i>	<i>Number of Shares</i>	<i>%</i>	<i>Number of Shares</i>	<i>%</i>
Mr Yung and Easeglory (<i>Note 3</i>)	381,933,500	21.24%	572,900,250	21.24%	572,900,250	21.24%
Ms Shum (<i>Note 4</i>)	5,400,000	0.30%	8,100,000	0.30%	8,100,000	0.30%
Mr Zheng (<i>Note 4</i>)	3,600,000	0.20%	5,400,000	0.20%	5,400,000	0.20%
Mr Lau	170,320,000	9.47%	255,480,000	9.47%	255,480,000	9.47%
Mr Wu	88,607,595	4.93%	132,911,392	4.93%	132,911,392	4.93%
Underwriter (<i>Note 5</i>)	–	–	–	–	574,091,850	21.29%
Public Shareholders	1,148,183,700	63.86%	1,722,275,550	63.86%	1,148,183,700	42.57%
Total	<u>1,798,044,795</u>	<u>100%</u>	<u>2,697,067,192</u>	<u>100%</u>	<u>2,697,067,192</u>	<u>100%</u>

Scenario 2:

Assuming all the Share Options (excluding Excluded Options) and the conversion rights attaching to the Convertible Notes II are being exercised on or before the Latest Lodging Date:

	Assuming all the Pre-IPO Share Options, the Post-IPO Share Options (excluding Excluded Options) and the conversion rights attaching to the Convertible Notes II are being exercised on or before the Latest Lodging Date							
	As at the date of this announcement				Immediately following completion of the Open Offer on the assumption as set out in Note 1		Immediately following completion of the Open Offer on the assumption as set out in Note 2	
	<i>Number of Shares</i>	<i>%</i>	<i>Number of Shares</i>	<i>%</i>	<i>Number of Shares</i>	<i>%</i>	<i>Number of Shares</i>	<i>%</i>
Mr Yung and Easeglory (Note 3)	381,933,500	21.24%	381,933,500	21.01%	572,900,250	21.01%	572,900,250	21.01%
Ms Shum (Note 4)	5,400,000	0.30%	5,400,000	0.30%	8,100,000	0.30%	8,100,000	0.30%
Mr Zheng (Note 4)	3,600,000	0.20%	3,600,000	0.20%	5,400,000	0.20%	5,400,000	0.20%
Mr Lau	170,320,000	9.47%	170,320,000	9.37%	255,480,000	9.37%	255,480,000	9.37%
Mr Wu	88,607,595	4.93%	88,607,595	4.88%	132,911,392	4.88%	132,911,392	4.88%
Underwriter (Note 5)	–	–	–	–	–	–	583,863,536	21.42%
Holders of the Pre-IPO Share Options	–	–	1,368,822	0.08%	2,053,233	0.08%	1,368,822	0.05%
Holders of the Post-IPO Share Options (Note 6)	–	–	2,646,600	0.15%	3,969,900	0.15%	2,646,600	0.10%
Holder of the Convertible Notes II	–	–	15,527,950	0.85%	23,291,925	0.85%	15,527,950	0.57%
Public Shareholders	1,148,183,700	63.86%	1,148,183,700	63.16%	1,722,275,550	63.16%	1,148,183,700	42.10%
Total	1,798,044,795	100%	1,817,588,167	100%	2,726,382,250	100%	2,726,382,250	100%

Notes:

1. Assuming all Shareholders take up their respective entitlements to the Offer Shares under the Open Offer.
2. Assuming none of the Shareholders (save for the Mr Yung and Easeglory, Ms Shum, Mr Zheng, Mr Lau and Mr Wu who have undertaken to subscribe for, or procure the subscription of their respective pro-rata entitlements to Offer Shares in full) under the Open Offer take up their respective entitlements to the Offer Shares under the Open Offer and, accordingly, the Underwriter will take up the Underwritten Shares in full pursuant to the terms of the Underwriting Agreement.
3. Mr Yung, being an executive Director and the chairman of the Company is interested in 6,187,500 Shares and Easeglory, a company wholly-owned by Mr Yung, is interested in 375,746,000 Shares.
4. Ms Shum and Mr Zheng are executive Directors.
5. The Underwriter will enter into sub-underwriting agreements with sub-underwriters. At the close of the Open Offer, none of the Underwriter and the sub-underwriters will be a substantial Shareholder holding 10% or more shareholding in the Company. Each of the sub-underwriters and their respective ultimate beneficial owners are third parties independent of the Company and its connected persons (as defined under the GEM Listing Rules).
6. The 2,646,600 Post-IPO Share Options represents the total number of Post-IPO Share Options less the Excluded Options.

FUNDS RAISED DURING THE PAST 12 MONTHS

During the past 12 months immediately preceding the date of this announcement, the Company has not conducted any fund raising activities.

REASONS FOR THE OPEN OFFER

The Group is principally engaged in the provision of general hospital and healthcare and hospital management services in the PRC.

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. As indicated in the annual report of the Company for the year ended 31 March 2008, 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 Directors intend to explore more business opportunities in the promising healthcare sector in the PRC including but not limited to possible future investments in or cooperations with hospitals in the PRC (including but not limited to taking equity interests in hospitals in the PRC which the Directors believe will have growth potentials) in order to benefit from the growth in the healthcare sector and enhance Shareholders' returns in the long-run.

In order to achieve the acquisition strategy of the Group, the Group's working capital requirements have accordingly increased. The Board therefore considers that the Open Offer represents an opportunity for the Company to enhance its working capital and strengthen its capital base and financial position. Upon completion of the Open Offer, the Company will be in a good position to capture future potential business opportunity and facilitate its business expansion and to enhance its earning potential, and therefore enhance the overall value of the Shares. Moreover, the Board is of the view that it is in the interests of the Company and its Shareholders as a whole to raise the capital which through the Open Offer since it would allow the Qualifying Shareholders to maintain their respective pro rata shareholdings in the Company and participate in the future growth and development of the Group.

USE OF PROCEEDS

The net proceeds of the Open Offer (after deduction of commission and expenses) are expected to amount to approximately HK\$43 million (assuming no outstanding Share Options and no rights attaching to the Convertible Notes II are exercised on or before the Record Date) will be used to finance future investments in the promising healthcare sector in the PRC, business development of the Group and towards general working capital. As at the date of this announcement, the Company has not identified specific investments opportunities.

EXPECTED TIMETABLE

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

2008

Last day of dealings in Shares on a cum-entitlement basis	Friday, 19 September
First day of dealings in Shares on an ex-entitlement basis	Monday, 22 September
Latest Lodging Date	4:30 p.m. on Tuesday, 23 September
Register of members of the Company closes (both dates inclusive)	Wednesday, 24 September to Monday, 29 September
Record Date	Monday, 29 September
Register of members re-opens	Tuesday, 30 September
Despatch of the Prospectus Documents	Tuesday, 30 September

Latest time for acceptance of, and payment for, the Open Offer	4:00 p.m. on Wednesday, 15 October
Latest Time for Termination	4:00 p.m. on Tuesday, 21 October
Expected time for all conditions to which the Open Offer is subject are fulfilled and the Open Offer becomes unconditional.....	4:00 p.m. on Tuesday, 21 October
Announcement of results of the Open Offer on the GEM's website	Tuesday, 21 October
Certificates for the Offer Shares to be despatched on or before	Wednesday, 22 October
Dealings in fully-paid Offer Shares commence on	Friday, 24 October

Dates stated in this announcement for events in the timetable are indicative only and may be extended or varied. Any changes to the anticipated timetable for the Open Offer will be announced by the Company as and when appropriate.

ADJUSTMENTS IN RELATION TO THE SHARE OPTION SCHEMES AND THE CONVERTIBLE NOTES

Pursuant to the terms of the Share Option Schemes and the Convertible Notes, the exercise prices and the conversion prices of the respective the Share Options and the Convertible Notes will be adjusted in accordance with the Share Option Schemes and the respective deed polls of the Convertible Notes upon the Open Offer becoming unconditional. Such adjustments will be verified by the auditors of the Company and the Company will notify the holders of the Share Options and the holders of the Convertible Notes the respective adjustments upon the Open Offer becoming unconditional. The Company will notify the holders of the Share Options and the Convertible Notes the required adjustment(s) as soon as practicable and details of adjustments will be provided in the Prospectus in respect of the Open Offer to be despatched to the Shareholders.

GENERAL

The Company will send the Prospectus Documents containing, among other documents, details of the Open Offer, to the Qualifying Shareholders. The Company will send the Prospectus to Prohibited Shareholders for their information only but the Company will not send any Application Forms to the Prohibited Shareholders, if any, as soon as practicable

SUSPENSION AND RESUMPTION OF TRADING

At the request of the Company, trading in the Shares on the Stock Exchange was suspended from 9:30 a.m. on 5 September 2008 pending the release of this announcement. Application has been made to the Stock Exchange for resumption of trading in Shares with effect from 9:30 a.m. on 9 September 2008.

DEFINITION

“Application Form(s)”	the form of application for use by the Qualifying Shareholders to apply for the Offer Shares
“associates”	has the meaning ascribed thereto in the GEM Listing Rules
“Board”	the board of Directors
“business day”	any day (other than a Saturday or Sunday or public holidays) on which licensed banks in Hong Kong are generally open for business throughout their normal business hours
“CCASS”	the Central Clearing and Settlement System established and operated by Hong Kong Securities Clearing Company Limited
“Companies Ordinance”	the Companies Ordinance, Chapter 32 of the Laws of Hong Kong (as amended from time to time)
“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
“Conversion Shares”	Shares to be allotted and issued upon exercise of the conversion rights attaching to the Convertible Notes
“Convertible Notes”	the Convertible Notes I and the Convertible Notes II

“Convertible Notes I”	the convertible notes with an aggregate principal amount of HK\$33,000,000 conferring rights to convert to a total of 93,750,000 Shares on the basis of an initial conversion price of HK\$0.352 per Share (subject to adjustment) and beneficially owned by Mr Lau
“Convertible Notes II”	the convertible notes with an aggregate principal amount of HK\$2,500,000 conferring rights to convert to subscribe a total of 15,527,950 Shares on the basis of an initial conversion price of HK\$0.161 per Share (subject to adjustment)
“Directors”	directors of the Company
“Easeglory”	Easeglory Holdings Limited, a company incorporated in the British Virgin Islands, the entire issued share capital of which is wholly owned by Mr Yung
“Excluded Options”	a total of 142,520,740 Post-IPO Share Options granted under the Post-IPO Share Option Scheme including holders of 133,478,655 Post-IPO Share Options and 9,042,085 Post-IPO Share Options granted to Mr Yung
“GEM Listing Rules”	Rules Governing the Listing of Securities on GEM
“GEM”	the Growth Enterprise Market of the Stock Exchange
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Latest Lodging Date”	being 4:30 p.m. on 23 September 2008 or such other date and/or time as the Underwriter and the Company may agree as the latest time for lodging transfer of the Shares and/or exercising the Share Options, and Convertible Notes in order to qualify for the Open Offer
“Latest Time for Termination”	4:00 p.m. on the fourth business day after the Latest Time for Acceptance or such later time or date as may be agreed between the Company and the Underwriter, being the latest time to terminate the Underwriting Agreement
“Mr Yung”	Mr Yung Kwok Leong, an executive Director and the chairman of the Company

“Mr Lau”	Mr Lau Kam Shui, a Shareholder holding 170,320,000 Shares and the holder of the Convertible Notes I
“Ms Shum”	Ms Shum Ngai Pan, an executive Director
“Mr Wu”	Mr Wu Jingguo, a Shareholder holding 88,607,595 Shares
“Mr Zheng”	Mr Zheng Gang, an executive Director
“Offer Share(s)”	not less than 899,022,397 new Shares and not more than 908,794,083 new Shares, proposed to be offered to the Qualifying Shareholders for subscription on the terms and subject to the conditions set out in the Underwriting Agreement and in the Prospectus
“Open Offer”	the proposed offer for subscription by the Qualifying Shareholders for the Offer Shares at the Subscription Price on the terms and subject to the conditions set out in the Underwriting Agreement and the Prospectus Documents
“Overseas Shareholders”	Shareholders with registered addresses (as shown in the register of members of the Company on the Record Date) which are outside Hong Kong
“Post-IPO Share Options”	Options to subscribe for Shares granted under the Post-IPO Share Option Scheme
“Post-IPO Share Option Scheme”	the post-IPO share option scheme adopted by the Company on 20 April 2002 which only came into effect after the initial listing of the Shares on GEM on 10 May 2002
“PRC”	the People’s Republic of China, which for the purpose of this announcement excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Pre-IPO Share Options”	options to subscribe for Shares granted under the Pre-IPO Share Option Scheme
“Pre-IPO Share Option Scheme”	the pre-IPO share option scheme adopted by the Company on 20 April 2002 which came into effect prior to the initial listing of the Shares on GEM on 10 May 2002

“Prohibited Shareholder(s)”	those Overseas Shareholders to whom the Company considers it necessary or expedient not to offer the Offer Shares based on the enquiry regarding the legal restrictions, if any, under the laws of the relevant jurisdictions where the Overseas Shareholders reside
“Prospectus”	a prospectus containing details of the Open Offer
“Prospectus Documents”	the Prospectus and the Application Form
“Prospectus Posting Date”	30 September 2008 or such later date as may be agreed between the Underwriter and the Company for the despatch of the Prospectus Documents
“Qualifying Shareholders”	Shareholders whose names appear on the register of members of the Company on the Record Date, other than the Prohibited Shareholders
“Record Date”	29 September 2008 or such other date as may be agreed between the Company and the Underwriter for the determination of the entitlements under the Open Offer
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share Option Schemes”	the Pre-IPO Share Option Scheme and the Post-IPO Share Option Scheme
“Share Options”	options to subscribe for Shares granted under the Share Option Schemes
“Share(s)”	existing ordinary share(s) of HK\$0.05 each in the share capital of the Company
“Shareholder(s)”	holder(s) of Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Price”	HK\$0.05 per Offer Share
“Underwriter”	Quam Securities Company Limited, a licensed corporation to carry on type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities) and Type 9 (asset management) regulated activities under the SFO

“Underwriting Agreement”	the underwriting agreement amongst the Company, the Underwriter and Mr Yung dated 5 September 2008 in relation to the Open Offer
“Underwritten Shares”	not less than 574,091,850 Offer Shares and not more than 583,863,536 Offer Shares, being all Offer Shares less such number of Offer Shares agreed to be taken up or procured to be taken up by Mr Yung, Ms Shum, Mr Zheng, Mr Lau and Mr Wu
“HK\$”	Hong Kong dollars
“%”	per cent.

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

Hong Kong, 8 September 2008

As at the date of this announcement, the executive directors of the Company are Mr. Yung Kwok Leong, Dr. Jiang Tao, Mr. Zheng Gang, Ms. Shum Ngai Pan and Mr. Chen Jin Shan, the non-executive Director is Dr. Wong Yu Man, James, and the independent non-executive Directors are Ms. Wong Ka Wai, Jeanne, Mr. Hsu William Shiu Foo and Prof. 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 for at least 7 days from the date of its posting and on the website of the Company at www.huaxia-healthcare.com.