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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)

**(1) SHARE CONSOLIDATION; AND
(2) CHANGE OF BOARD LOT SIZE**

Financial adviser



Mitsubishi UFJ Securities (HK) Capital, Limited

PROPOSED SHARE CONSOLIDATION

The Board proposes that every ten (10) issued and unissued Ordinary Shares of HK\$0.05 each in the share capital of the Company be consolidated into one (1) Consolidated Ordinary Share of HK\$0.5 each and every ten (10) issued and unissued CP Shares of HK\$0.05 each in the share capital of the Company be consolidated into one (1) Consolidated CP Share of HK\$0.5 each in the share capital of the Company. As at the date of this announcement, there are 4,495,111,986 issued Ordinary Shares and 4,833,333,333 issued CP Shares in the share capital of the Company.

It is proposed that following the Share Consolidation, the Consolidated Ordinary Shares will be traded in board lots of 4,000 Consolidated Ordinary Shares. Based on the closing price of HK\$0.091 per Ordinary Share as at 6 October 2010, the value of each board lot of 4,000 Consolidated Ordinary Shares will be HK\$3,640.

A circular containing, among other matters, further details of the Share Consolidation and a notice to convene the EGM will be despatched to the Ordinary Shareholders and (as appropriate) CP Shareholder in compliance with the GEM Listing Rules.

* For identification purpose only

PROPOSED SHARE CONSOLIDATION

The Board proposes that every ten (10) issued and unissued Ordinary Shares of HK\$0.05 each in the share capital of the Company be consolidated into one (1) Consolidated Ordinary Share of HK\$0.5 each and every ten (10) issued and unissued CP Shares of HK\$0.05 each in the share capital of the Company be consolidated into one (1) Consolidated CP Share of HK\$0.5 each in the share capital of the Company. As at the date of this announcement, there are 4,495,111,986 issued Ordinary Shares and 4,833,333,333 issued CP Shares in the share capital of the Company.

The table below shows the authorised and issued share capital of the Company as at the date of this announcement and immediately after completion of the Consolidation. Scenario I is based on the assumption that (i) there will be no exercise of any Share Options on or before the RI Record Date; (ii) the Rights Issue has duly completed and (iii) no further Ordinary Shares will be issued from the date of completion of the Rights Issue up to the date of the Share Consolidation become effect; and scenario II is based on assumption that (i) there will be full exercise of the Share Options (excluding the Excluded Options) on or before the RI Record Date; (ii) the Rights Issue has duly completed and (iii) no further Ordinary Shares will be issued from the date of completion of the Rights Issue up to the date of the Share Consolidation become effect.

As at the date of this announcement

<i>Authorised:</i>		<i>HK\$</i>
22,000,000,000	Ordinary Shares	1,100,000,000
8,000,000,000	CP Shares	400,000,000

Issued and credited as fully paid:

4,495,111,986	Ordinary Shares	224,755,599.30
4,833,333,333	CP Shares	241,666,666.65

Upon completion of the Share Consolidation

Authorised:

HK\$

2,200,000,000	Consolidated Ordinary Shares	1,100,000,000.00
800,000,000	Consolidated CP Shares	400,000,000.00

Scenario I

Issued and credited as fully paid:

599,348,264	Consolidated Ordinary Shares	299,674,132.00
483,333,333	Consolidated CP Shares	241,666,666.50

Scenario II

Issued and credited as fully paid:

631,460,558	Consolidated Ordinary Shares	315,730,279.00
483,333,333	Consolidated CP Shares	241,666,666.50

Conditions of the Share Consolidation

The implementation of the Share Consolidation is conditional upon:

- (i) the passing of ordinary resolution(s) at the EGM of the Company by the Ordinary Shareholders and the CP Shareholder (as appropriate) to approve the Share Consolidation; and
- (ii) the Listing Division of the Stock Exchange granting the listing of, and permission to deal in, the Consolidated Ordinary Shares and Consolidated Ordinary Shares falling to be issued upon exercise of the conversion rights attaching to the Share Options, the Consolidated CP Shares and the Convertible Note;

Listing application

Application will be made to the Stock Exchange for the listing of, and permission to deal in, the Consolidated Ordinary Shares and Consolidated Ordinary Shares falling to be issued upon exercise of the conversion rights attaching to the Share Options, the Consolidated CP Shares and the Convertible Note.

The Share Consolidation will be conducted in accordance with the provisions in the articles of association of the Company.

Change of board lot size

As at the date of this announcement, the Ordinary Shares are traded in board lots of 20,000 Ordinary Shares. Following the Share Consolidation, it is proposed that the Consolidated Ordinary Shares will be traded in board lots of 4,000 Consolidated Ordinary Shares.

Based on the closing price of HK\$0.091 per Ordinary Share as at 6 October 2010, the value of each board lot of 4,000 Consolidated Ordinary Shares, will be HK\$3,640 which is 2 times the market value of the existing board lot. The Company is considering various measures in order to alleviate the difficulties arising from the existence of odd lots of the Consolidated Ordinary Shares, such as the appointment of an agent to match the sales and purchases of odd lots of the Consolidated Ordinary Shares or to offer a top-up arrangement to the holders of such odd holdings as a direct consequence of the change in board lot size. Further details regarding such measures (if any) will be set out in the circular containing the notice of EGM.

Status of the Consolidated Ordinary Shares

The Consolidated Ordinary Shares will rank *pari passu* in all respects with each other and the Share Consolidation will not result in any change in the relative rights of the Ordinary Shareholders. Fractional Consolidated Ordinary Shares will not be issued by the Company to the Ordinary Shareholders. Any fractional entitlement to the Consolidated Ordinary Shares will be aggregated, sold and retained for the benefit of the Company.

Further details regarding the Share Consolidation will be set out in the circular containing the notice of EGM.

Reasons for the Share Consolidation

The proposed Share Consolidation will increase the nominal value of the Ordinary Shares and the CP Shares and reduce the total number of the Ordinary Shares and the CP Shares currently in issue. As such, the transaction and handling costs of the Company in relation to the dealing in the Consolidated Ordinary Shares are expected to be reduced, which will be beneficial to the Company. Moreover, as the market value of each board lot upon the Share Consolidation becoming effective will be higher than the market value of each existing board lot, the transaction cost as a proportion of the market value of each board lot will be lower. It is expected that the liquidity in trading of the Ordinary Shares will increase accordingly and the market value of the Ordinary Shares will be more precisely reflect the intrinsic value of the Company. Accordingly, the Board is of the view that the Share Consolidation is beneficial to the Company, the Ordinary Shareholders and the CP Shareholder as a whole.

Save for the necessary professional expenses for the implementation of the Share Consolidation, the implementation of the Share Consolidation will not alter the underlying assets, business operation, management or financial position of the Company and the interests and rights of the Ordinary Shareholders and the CP Shareholder.

Exchange of Certificate for Consolidated Ordinary Shares

Subject to the Share Consolidation becoming effective, which is currently expected to be 10 December 2010, being the business day immediately after the date of the EGM, the Ordinary Shareholders may on or after 10 December 2010 and until 4:00 p.m. on 18 January 2011 (both days inclusive), submit their existing share certificates in purple for the Ordinary Shares to the Registrar for exchange for share certificates in blue for the Consolidated Ordinary Shares at the expense of the Company.

The Ordinary Shareholders should note that after the prescribed time for free exchange of share certificates, a fee of HK\$2.50 (or such higher amount as may from time to time be allowed by the Stock Exchange) will be payable by the Ordinary Shareholders to the Registrar for exchange of share certificates.

With effect from 17 January 2011, trading will only be in Consolidated Ordinary Shares which share certificates will be issued in blue. The Consolidated Ordinary Shares are to be consolidated on the basis of ten (10) existing Ordinary Shares to one (1) Consolidated Ordinary Share. Existing share certificates in purple for the Ordinary Shares will cease to be valid for trading and settlement purpose, but will remain valid and effective as documents of title.

Expected timetable

The expected timetable for the Share Consolidation is as follows (*Note*):

Despatch of the circular regarding, among other matters, the Share Consolidation	22 November 2010
Publication of the notice of EGM.	22 November 2010
Latest time for lodging the form of proxy for the EGM.	10:30 a.m. 7 December 2010
EGM	10:30 a.m. 9 December 2010
Announcement of results of EGM	before 9:00 a.m. 10 December 2010
Effective date of the Share Consolidation	10 December 2010

Original counter for trading in Ordinary Shares in board lots of 20,000 Ordinary Shares (in the form of existing share certificates in purple) temporarily closes	9:30 a.m. 10 December 2010
Temporary counter for trading in Consolidated Ordinary Shares in board lots of 2,000 Consolidated Ordinary Shares (in the form of existing share certificates in purple) opens	9:30 a.m. 10 December 2010
First day for free exchange of existing share certificates in purple (in board lots of 20,000 Ordinary Shares) for new share certificates in blue (in board lots of 4,000 Consolidated Ordinary Shares)	10 December 2010
Original counter for trading in Consolidated Ordinary Shares in board lots of 4,000 Consolidated Ordinary Shares (in the form of new share certificates in blue) reopens.	9:30 a.m. 24 December 2010
Parallel trading in Consolidated Ordinary Shares commences	9:30 a.m. 24 December 2010
First day of operation of odd lot trading facility	24 December 2010
Temporary counter for trading in Consolidated Ordinary Shares in board lots of 2,000 Consolidated Ordinary Shares (in the form of existing share certificates in purple) closes	4:00 p.m. 14 January 2011
Parallel trading ends.	4:00 p.m. 14 January 2011
Last day of operation of odd lot trading facility	14 January 2011
Latest time for free exchange of share certificates	4:00 p.m. 18 January 2011

Note: For the avoidance of doubt, the above timetable of the Share Consolidation (in terms of publication of notice of EGM) will not commence until the completion of the Rights Issue (in terms of first day of dealing in the new Ordinary Shares to be issued under the Rights Issue as expected on 16 November 2010) takes place.

ADJUSTMENTS IN RELATION TO THE SHARE OPTION SCHEMES, THE CONVERTIBLE NOTE AND THE CP SHARES

Pursuant to the terms of the Share Option Schemes, the respective deed polls of the Convertible Note and the terms of the CP Shares, the exercise prices, the subscription price and conversion price of the respective Share Options, the Convertible Note and the CP Shares will be adjusted upon the Share Consolidation becoming effective. Such adjustments will be verified by the auditors of the Company and the Company will notify the holders of each of the Share Options, the Convertible Note and the CP Shares the respective adjustments as soon as practicable upon the Share Consolidation becoming effective. Details of adjustments will be set out in the circular containing the notice of EGM.

GENERAL

A circular containing, among other matters, further details of the Share Consolidation and a notice to convene the EGM will be despatched to the Ordinary Shareholders and (as appropriate) CP Shareholder in compliance with the GEM Listing Rules.

Ordinary Shareholders are recommended to consult their licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser if they are in doubt about any of the above matters.

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

“Board”	the board of Directors
“business day”	any day (not being a Saturday, Sunday and public or statutory holiday) on which licensed banks in Hong Kong are generally open for business throughout their normal business hours
“Company”	Hua Xia Healthcare Holdings Limited, a company incorporated in the Cayman Islands with limited liability and the issued Ordinary Shares of which are listed on the GEM
“Consolidated CP Shares”	consolidated CP Shares of HK\$0.5 each in the issued and unissued share capital of the Company upon completion of the Share Consolidation
“Consolidated Ordinary Shares”	consolidated ordinary shares of HK\$0.5 each in the issued and unissued share capital of the Company upon completion of the Share Consolidation

“CP Shares”	convertible preference shares of par value of HK\$0.05 each in the issued share capital of the Company carrying no voting right but conferring rights to convert to the Ordinary Shares
“CP Shareholder(s)”	holder(s) of the CP Shares or as the context may require, the Consolidated CP Share(s) from time to time
“Convertible Note”	the convertible note with an aggregate outstanding principal amount of HK\$6,500,000 conferring rights to convert to a total of 30,805,687 Ordinary Shares on the basis of an initial conversion price of HK\$0.211 per Ordinary Share (subject to adjustment)
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be held to consider, among other matters, the ordinary resolution to be proposed to approve the Share Consolidation
“Excluded Options”	the 230,400,000 Post-IPO Share Options (including 5,100,000 Post-IPO Share Options held by Mr. Yung Kwok Leong) which are under vesting period and not exercisable on or before 12 October 2010 and 11,900,000 Post-IPO Share Options granted to Mr. Yung Kwok Leong who undertakes not to exercise them on or before 12 October 2010
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	Rules Governing the Listing of Securities on the GEM
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Ordinary Share(s)”	ordinary share(s) of HK\$0.05 each in the share capital of the Company or, as the context may require, the Consolidated Ordinary Shares
“Ordinary Shareholder(s)”	holder(s) of the Ordinary Shares or as the context may require, the Consolidated Ordinary Share(s) from time to time
“PRC”	the People’s Republic of China which, for the purposes of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan

“Post-IPO Share Options”	options to subscribe for the Ordinary Shares granted under the Post-IPO Share Option Scheme
“Post-IPO Share Option Scheme”	the post-IPO share option scheme adopted by the Company and became effective on 20 April 2002 which came into effect after the initial listing of the Ordinary Shares on GEM on 10 May 2002
“Pre-IPO Share Options”	options to subscribe for the Ordinary Shares granted under the Pre-IPO Share Option Scheme
“Pre-IPO Share Option Scheme”	the pre-IPO share option scheme adopted by the Company and became effective on 20 April 2002 which came into effect prior to the initial listing of the Ordinary Shares on GEM on 10 May 2002
“Qualifying Shareholder(s)”	Ordinary Shareholders whose names appear on the register of members of the Company on the date by reference to which entitlements to the Rights Issue are to be determined
“RI Record Date”	19 October 2010, being the date by reference to which entitlements to the Rights Issue are to be determined
“Rights Issue”	the issue by way of rights of not less than 1,498,370,662 new Ordinary Shares and not more than 1,578,651,396 new Ordinary Shares proposed to be offered to Qualifying Shareholders on the terms and subject to the conditions as set out in the underwriting agreement dated 27 September 2010 and entered into between KGI Capital Asia and the Company in relation to the Rights Issue and the prospectus to be issued by the Company to the Ordinary Shareholders containing details of the Rights Issue; details of which has been disclosed in the announcement of the Company dated 27 September 2010
“Registrar”	the Company’s branch share registrar and transfer office in Hong Kong, Tricor Tengis Limited at 26/F, Tesbury Centre, 28 Queen’s Road East, Hong Kong
“Share Consolidation”	the proposed consolidation of every ten (10) issued and unissued Ordinary Shares into one Consolidated Ordinary Share of HK\$0.5 each and the consolidation of every ten (10) issued and unissued CP Shares into one Consolidated CP Share of HK\$0.5 each

“Share Options”	together, the Pre-IPO Share Option and the Post-IPO Share Option
“Share Option Schemes”	together, the Pre-IPO Share Option Scheme and the Post-IPO Share Option Scheme
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong

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

Hong Kong, 6 October 2010

As at the date of this announcement, the executive directors of the Company are Mr. Yung Kwok Leong, Dr. Jiang Tao, Mr. Weng Jiaying, Mr. Zheng Gang, Dr. Huang Jiaqing 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, Prof. Hu Shanlian and Prof. Lu Chuanzhen.

This announcement for which the directors of the Company collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of the Stock Exchange 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 the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

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.