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)

MEMORANDUM OF UNDERSTANDING IN RELATION TO THE POSSIBLE ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL IN (I) GLOWING SMART INVESTMENT LIMITED AND (II) BEST MODE INVESTMENT DEVELOPMENT LIMITED AND RESUMPTION OF TRADING

MEMORANDUM OF UNDERSTANDING IN RESPECT OF THE POSSIBLE ACQUISITION

The Board announces that on 1 December 2015, the Purchaser, an indirect wholly-owned subsidiary of the Company, as purchaser entered into the non-legally binding MOU with the Vendor, as vendor in relation to the Possible Acquisition.

Each of the Target Companies is incorporated in the British Virgin Islands with limited liability. The Target Group, upon completion of the Reorganisation, will be principally engaged in management and operation of eight hospitals in, the PRC.

The Board wishes to emphasise that no binding agreement in relation to the Possible Acquisition has been entered into as at the date of this announcement. As such, the Possible Acquisition may or may not proceed. If the Possible Acquisition is materialised, it may constitute a notifiable transaction on the part of the Company. Shareholders and investors are urged to exercise caution when dealing in the securities of the Company.

Further announcement in respect of the Possible Acquisition will be made by the Company in the event any Formal Agreement has been signed.

* *For identification purpose only*

RESUMPTION OF TRADING

At the request of the Company, trading in the Shares on the Stock Exchange has been halted with effect from 9:00 a.m. on Tuesday, 1 December 2015 pending the release of this announcement. Application has been made to the Stock Exchange for the resumption of trading of the Shares on the Stock Exchange with effect from 9:00 a.m. on Wednesday, 2 December 2015.

This announcement is made by the Company pursuant to Rule 17.10(2)(a) of the GEM Listing Rules and the Inside Information Provisions (as defined under the GEM Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571, the Laws of Hong Kong).

MEMORANDUM OF UNDERSTANDING IN RESPECT OF THE POSSIBLE ACQUISITION

The Board announces that on 1 December 2015, the Purchaser, an indirect wholly-owned subsidiary of the Company, as purchaser entered into the non-legally binding MOU with the Vendor as vendor in relation to the Possible Acquisition.

Date: 1 December 2015

Parties:

The Purchaser: Best Winna Investment Holding Limited

The Vendor: Kingfull Corporate Development Limited

The Vendor Guarantor: Lin Jinzong

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

Major terms of the MOU

Assets to be acquired

Under the MOU, the Purchaser intends to acquire and the Vendor intends to dispose of

(1) the entire issued share capital in the Target A; and

(2) the entire issued share capital in the Target B.

Consideration

The consideration for the Possible Acquisition shall be not more than HK$1,200,000,000. Within 45 Business Days after the signing of the MOU, the Purchaser is required to pay a Refundable Deposit in the amount of HK$200,000,000, as deposit and part of the consideration of the Possible Acquisition.

The exact amount, the manner and the method of payment of the consideration for the sale and purchase of the Target Companies will be negotiated between the parties to the MOU based on the results of the due diligence investigations (including but not limited to any profit guarantee that may be given by the Vendor).

The consideration for the Possible Agreement payable by the Purchaser to the Vendor could be paid by the Purchaser in cash or by allotting and issuing new Shares, or issuing convertible bonds carrying rights to convert into new Shares, or issuing promissory note(s) or a combination of any of the above. The issue price of and/or the initial conversion price for, new Shares shall not exceed HK$0.9 per Share, which is determined after arm's length negotiation between the Purchaser and the Vendor and representing a discount of approximately 12% to the average of the closing price of approximately HK$1.023 per Share as quoted on the Stock Exchange for the last thirty consecutive trading days up to and including the trading day immediately preceding the date of the MOU.

The aforesaid issue price represents (i) a discount of approximately 18.18% to the closing price of HK$1.10 per Share as quoted on the Stock Exchange on the last trading day immediately preceding the date of the MOU; and (ii) a discount of approximately 20.49% to the average of the closing price of HK$1.132 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the trading day immediately preceding the date of the MOU.

The payment of the Refundable Deposit will be financed by way of equity financing and/or debt financing to be conducted by the Company. If the Formal Agreement is not entered into on or before the date falling 180 days from the date of the MOU, or such later date as the Vendor and the Purchaser may agree, in any event not later than 240 days from the date of the MOU, the MOU shall cease and terminate and the Vendor shall forthwith refund the Refundable Deposit (without interest) to the Purchaser. In such event, neither party shall have any obligations and liabilities to each other (save and except for any antecedent breach of the terms of the MOU).

The Guarantees

Pursuant to the MOU, the Vendor Guarantor has agreed to guarantee the performance by the Vendor of all its obligations under the MOU, and the Vendor Guarantor and the Vendor will be jointly and severely liable for the Vendor's obligations under the MOU.

As security for the payment of the Refundable Deposit, the PRC Guarantor, will execute a corporate guarantee in favour of the Purchaser upon the payment of the Refundable Deposit by the Purchaser to the Vendor or its nominee, pursuant to which the PRC Guarantor has agreed to guarantee, the due and punctual performance of the Vendor of its refund obligations in respect of the Refundable Deposit.

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, the PRC Guarantor is a company established in the PRC in July 2008 and has a registered capital of RMB200,000,000 and 95% equity interest of which is owned by the Vendor Guarantor. The PRC Guarantor is an Independent Third Party. As advised by the Vendor Guarantor, the PRC Guarantor is principally engaged in the healthcare industry in the PRC, focusing on healthcare investment, healthcare management and provision of clinical healthcare services. The Directors, based on the assessment on the financial information of the PRC Guarantor as provided by the Vendor Guarantor, consider that with the corporate guarantee provided by the PRC Guarantor, the refund of the Refundable Deposit will be safeguarded if the Formal Agreement and/or the Possible Acquisition could not be materialised.

The Profit Guarantee

The parties to the MOU have agreed that in the Formal Agreement, the Vendor shall irrevocably guarantee and warrant to the Purchaser that the audited consolidated net profit after taxation and extraordinary or exceptional items for the entire financial year after the Completion shall not be less than HK$90,000,000.

Due Diligence Review

The Purchaser will commence the due diligence of the Target Group as soon as practicable after the execution of the MOU, and will in any event finish such review and financial analysis within 180 days after the execution of the MOU or such other date the Vendor and the Purchaser may determine.

Exclusivity Period

Under the MOU, in consideration of the payment of the Refundable Deposit and the expenses to be incurred by the Purchaser in the negotiation of the MOU and in conducting its due diligence review, the Vendor will not, and will procure directors, officers, employees, representatives and agents of the Vendor and/or the Target Group will not, directly or indirectly, for a period of 180 days commencing from the date of the MOU to (i) solicit, initiate or encourage inquiries or offers from, or (ii) initiate or continue negotiations or discussions with or furnish any information to, or (iii) enter into any agreement or statement of intent or understanding with, any person or entity other than the Purchaser with respect to the Possible Acquisition.

Other terms

Both the Purchaser and the Vendor will proceed to the negotiation for a legally binding Formal Agreement on or before 180 days from the date of the MOU (or such later date to be agreed by the Vendor and the Purchaser).

Non-legally binding effect

Save for the payment of Refundable Deposit, the refund of Refundable Deposit, the execution of a corporate guarantee by the PRC Guarantor, due diligence review, exclusivity period, confidentiality, notice, expenses, governing law, the MOU does not constitute any legally binding commitment in respect of the Possible Acquisition. The Possible Acquisition is subject to the execution and completion of the Formal Agreement.

Conditions

It is expected that completion of the Possible Acquisition will be conditional upon, the fulfilment of the following conditions precedent:

(i) the completion of Reorganisation;

(ii) if necessary, the Shareholders passing at an extraordinary general meeting of the Company of an ordinary resolution approving the Formal Agreement and the transactions contemplated thereunder;

(iii) if necessary, the Listing Committee of the Stock Exchange granting listing of, and permission to deal in the securities which may be issued to satisfy the consideration;

(iv) the obtaining of the legal opinion (in form and substance satisfactory to the Purchaser) to be issued by a firm of PRC legal advisers covering such matters, including the Reorganisation, which are relevant to the Formal Agreement and the transactions contemplated thereunder;

(v) the Purchaser being satisfied with the results of the due diligence review on the Target Group to be conducted by the Purchaser; and

(vi) any other conditions which may be agreed by the parties to the MOU and included in the Formal Agreement.

Reorganisation

It is a condition precedent that the Target Group has to undergo a reorganisation, which includes (i) the incorporation of relevant members of the Target Group; and (ii) the completion of acquisition of the eight hospitals in the PRC by the Target Group.

The steps and procedures of the Reorganisation shall be conducted to the satisfaction of the Purchaser and shall be in compliance with the PRC laws.

INFORMATION OF THE TARGET GROUP

The Target Group is undergoing the Reorganisation, and is expected to consist of the Target A, the Target B, the HK Company A, the HK Company B, the WFOE, the PRC Company A and the PRC Company B and the target hospitals. As at the date of this announcement, the Target A, the Target B, the HK Company A and the HK Company B have been duly incorporated.

The Target A

The Target A is a company incorporated in the British Virgin Islands with limited liability on 19 August 2015, the entire issued share capital of which will be wholly and beneficially owned by the Vendor upon the completion of the Reorganisation. The Target A is principally engaged in investment holding.

The Target B

The Target B is a company incorporated in the British Virgin Islands with limited liability on 1 September 2015, the entire issued share capital of which will be wholly and beneficially owned by the Vendor upon the completion of the Reorganisation. The Target B is principally engaged in investment holding.

The HK Company A

The HK Company A is a company incorporated in Hong Kong with limited liability on 2 September 2015, the entire issued share capital of which will be wholly and beneficially owned by the Target A upon the completion of the Reorganisation. The HK Company A is principally engaged in investment holding.

The HK Company B

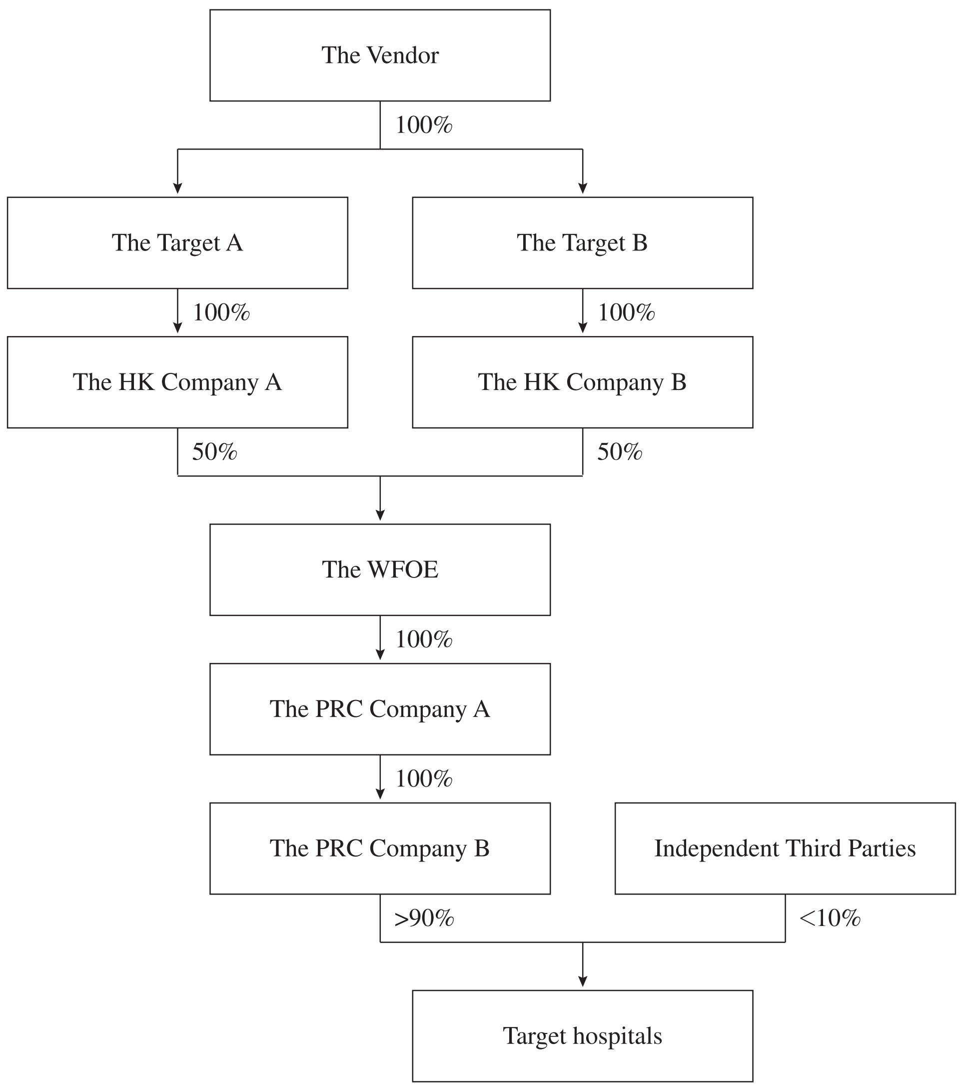
The HK Company B is a company incorporated in Hong Kong with limited liability on 4 September 2015, the entire issued share capital of which will be wholly and beneficially owned by the Target B upon the completion of the Reorganisation. The HK Company B is principally engaged in investment holding.

The eight PRC hospitals

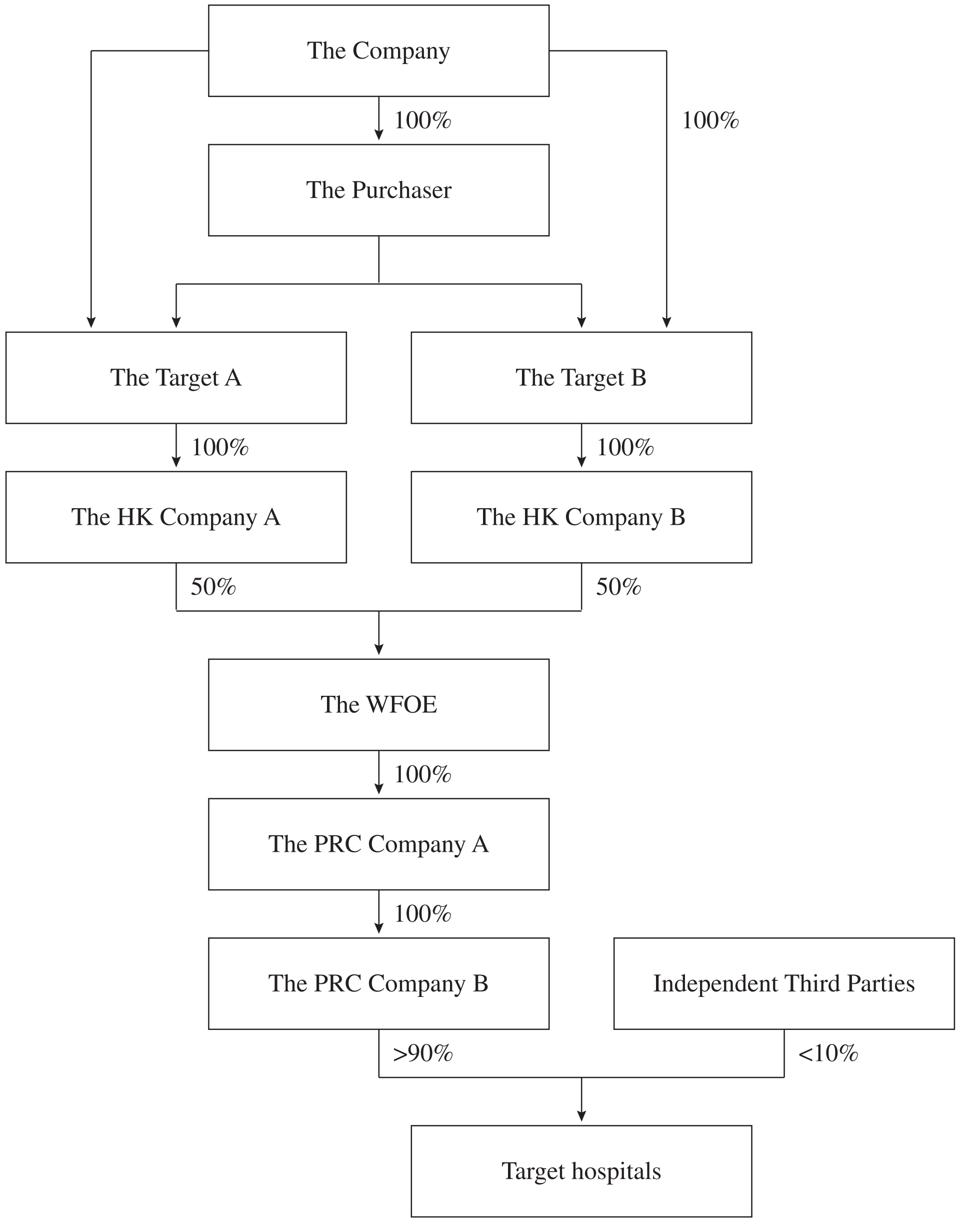
Pursuant to the Reorganisation, the Target Group shall complete the acquisition of eight hospitals in the PRC, which comprise a specialty hospital in Harbin, a composite hospital in Qiqihar, a composite hospital in Guiyang, two composite hospitals in Beijing, a specialty hospital in Tianjin, a composite hospital in Shenyang and a specialty hospital in Chongqing, the PRC.

Shareholding structure of the Target Group

Set out below is the proposed shareholding structure of the Target Group upon completion of the Reorganisation:



Set out below is the proposed shareholding structure of the Target Group upon completion of the Possible Acquisition.



Reasons for the Possible Acquisition

The Group is principally engaged in the provision of general hospital services and pharmaceutical wholesale, distribution and pharmaceutical retail chain businesses in the PRC. The Group is currently operating three hospitals in Chongqing, Jiaxing and Zhuhai, respectively, in the PRC.

By the end of May 2015, there were approximately 26,400 hospitals in the PRC of which approximately 13,300 are public or government owned hospitals and 13,100 are privately run hospitals. The privately run hospitals attributed approximately 50% of the total number of hospitals in the PRC. As compared with the number of hospitals in the PRC in 2014, by the end of May 2015, the number of public or government owned hospitals in the PRC decreased by 64 while the number of privately run hospitals in the PRC increased by 1,487. In 2012, the national healthcare expenditure was about RMB2,800 billion which represented approximately 5.15% of the gross domestic product of the PRC in 2012, of which 30%, 35.6% and 34.4% of the total healthcare expenditure were from the government, corporations and individuals respectively. Despite the high medical insurance coverage in the PRC, the individual expenditure in the healthcare is still a main driving force for the growth in healthcare sector. The "Thirteenth Five-Year Plan" will commence in 2016, according to the prediction of the State Council of the PRC, in 2020, the national healthcare expenditure will reach approximately RMB8,000 billion, representing a compound annual growth rate of approximately 23.5% in the next five years.

In view of high growth rate in healthcare industry and the expansion of the individual expenditure in the healthcare sector, the Directors expect that the demand for the privately run hospitals will continue to be increased. The Possible Acquisition will be a good opportunity for the Group to expand its healthcare business in a fast pace and to have a wide geographical exposure given that the eight hospitals of the Target Group are located in different provinces or municipal cities in the PRC. The Directors consider that the Possible Acquisition will enable the Group to capture the next wave of the healthcare sector reform in the PRC and is in the interest of the Company and its Shareholders as a whole.

General

The MOU does not constitute legally-binding commitment in respect of the Possible Acquisition. The Possible Acquisition is subject to the execution and completion of the Formal Agreement.

If the Formal Agreement is entered into, it is expected that the Possible Acquisition will constitute a notifiable transaction on the part of the Company pursuant to the GEM Listing Rules and is subject to approval requirements under the GEM Listing Rules. In this regard, the Company will comply with the reporting, disclosure and/or Shareholder's approval requirements under the GEM Listing Rules.

The Board wishes to emphasise that no binding agreement in relation to the Possible Acquisition has been entered into as at the date of this announcement. As such, the Possible Acquisition may or may not proceed. If the Possible Acquisition is materialised, it may constitute a notifiable transaction on the part of the Company. Shareholders and investors are urged to exercise caution when dealing in the securities of the Company.

Further announcement in respect of the Possible Acquisition will be made by the Company in the event any Formal Agreement has been signed.

RESUMPTION OF TRADING

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DEFINITIONS

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"	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
"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 the GEM
"connected person"	has the meaning ascribed to this term under the GEM Listing Rules
"Director(s)"	director(s) of the Company
"Formal Agreement"	the formal sale and purchase agreement which may or may not be entered into in relation to the Possible Acquisition
"GEM"	the Growth Enterprise Market of the Stock Exchange
"GEM Listing Rules"	the Rules Governing the Listing of Securities on the GEM
"Group"	the Company and its subsidiaries
"HK Company A"	Wealth Tech International Investment Limited（富德國際投資有限公司）a company incorporated in Hong Kong with limited liability, the entire issue share capital of which is to be owned by the Target A

"HK Company B"	Bravo Full Development Limited (百富發展有限公司) a company incorporated in Hong Kong with limited liability, the entire issue share capital of which is to be owned by the Target B
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Independent Third Party(ies)"	any persons or company(ies) and their respective ultimate beneficial owners, to the best of the Director's 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
"MOU"	the non-legally binding memorandum of understanding dated 1 December 2015 entered into among the Purchaser, the Vendor and the Vendor Guarantor setting out the preliminary understanding in relation to the Possible Acquisition
"Possible Acquisition"	the possible acquisition by the Purchaser from the Vendor of the entire issued share capital of the Target Companies as contemplated under the MOU
"PRC"	the People's Republic of China, which for the purpose of this announcement excludes Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
"PRC Company A"	a company to be established in the PRC with limited liability, the entire issue share capital of which is to be owned by the WOFE upon completion of the Reorganisation
"PRC Company B"	a company to be established in the PRC with limited liability, the entire issue share capital of which is to be owned by the PRC Company A upon completion of the Reorganisation
"PRC Guarantor"	Bei Jing Ambitious International Investment Company Limited# (北京遠大國際投資有限公司), a company established in the People's Republic of China, 95% equity interest of which is owned by the Vendor Guarantor

"Purchaser"	Best Winna Investment Holding Limited, a company incorporated in the British Virgin Islands with limited liability, the entire issue share capital of which is indirectly wholly-owned by the Company
"Refundable Deposit"	the amount of HK$200,000,000 payable by the Purchaser to the Vendor or its nominee within 45 Business Days from the date of the MOU
"Reorganisation"	the reorganisation of the Target Group, which include, among others, the steps as described in the paragraph headed "The Reorganisation" in this announcement
"Shares"	ordinary share(s) of HK$0.01 each in the share capital of the Company
"Shareholders"	holder(s) of the issued Shares
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Target A"	Glowing Smart Investment Limited, a company incorporated in the British Virgin Islands with limited liability, the entire issue share capital of which will be owned by the Vendor upon completion of the Reorganisation
"Target B"	Best Mode Investment Limited, a company incorporated in the British Virgin Islands with limited liability, the entire issue share capital of which will be owned by the Vendor upon completion of the Reorganisation
"Target Companies"	together, the Target A and the Target B
"Target Group"	the Target Companies and their subsidiaries upon completion of Reorganisation
"Vendor"	Kingfull Corporate Development Limited, a company incorporated in the British Virgin Islands with limited liability, an Independent Third Party
"Vendor Guarantor"	Lin Jinzong, the major shareholder of Vendor

"WFOE"	a wholly foreign owned enterprise be established in the PRC with limited liability, the entire issue share capital of which to be jointly owned by the HK Company A and the HK Company B upon completion of the Reorganisation
"HK$"	Hong Kong dollars, 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
Jiang Tao
Chief Executive Officer

Hong Kong, 1 December 2015

\# *In this announcement, translated English names of Chinese entities for which no official English translation exists are unofficial translations for identification purposes only, and in the event of inconsistency between the Chinese names and their English translations, the Chinese names shall prevail.*

As at the date of this announcement, the Board comprises Dr. Jiang Tao, Mr. Yung Ka Chun, Mr. Zheng Gang and Dr. Huang Jiaqing as executive Directors; Dr. Wong Yu Man, James and Mr. Tang Xun as non-executive Directors; and Ms. Wong Ka Wai, Jeanne, Prof. Hu Shanlian and Prof. Lu Chuanzhen as independent non-executive Directors.

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purposes 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 be published on the GEM website at http://www.hkgem.com on the "Latest Company Announcements" page for at least 7 days from the date of publication and on the Company's website at www.huaxia-healthcare.com.