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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  
AND  
DISCLOSURE PURSUANT TO RULE 17.15  
OF THE GEM LISTING RULES**

The Board announces that on 14 October 2009, Zhuhai Zhongkangan, a wholly owned subsidiary of the Company, entered into the Service Agreement with the Borrowers and the Target Company pursuant to which (i) Zhuhai Zhongkangan agreed to provide management service in relation to the Target Hospital for a term of 10 years and at an annual management fee calculated with reference to the revenue and profit of the Target Hospital; and (ii) the Borrowers granted the Call Option to Zhuhai Zhongkangan to purchase all or part of the Borrowers' equity interest in the Target Company at a price with reference to an estimated after-tax profit of the Target Company as may be agreed by the parties.

In addition, as a condition precedent of the Service Agreement, a loan agreement was entered into between the Lender, the Borrowers and Zhuhai Zhongkangan on 14 October 2009 pursuant to which the Lender agreed to grant the Facility in the aggregate principal amount of up to RMB40 million (equivalent to approximately HK\$45 million) to the Borrowers, which sum shall be injected to the Target Company by way of shareholders loan for the working capital of the Target Hospital.

The Loan and all outstanding interest, together with all the Borrowers' obligations under the Loan Agreement are secured by a share mortgage to be executed by the Borrowers in favour of the Lender in respect of 100% equity interest in the Target Company.

The transaction contemplated under the Loan Agreement constitutes a discloseable transaction for the Company under Chapter 19 of the GEM Listing Rules as the applicable percentage ratios calculated under Rule 19.07 of the Listing Rules exceed 5% but are less than 25%. In addition, as the Loan exceeds 8% under the assets ratio as defined under Chapter 19 of the GEM Listing Rules, the Company discloses details of the Loan pursuant to Rule 17.15 of the GEM Listing Rules.

\* for identification purpose only

## **BACKGROUND**

On 14 October 2009, Zhuhai Zhongkangan, a wholly owned subsidiary of the Company, entered into the Service Agreement with the Borrowers and the Target Company pursuant to which Zhuhai Zhongkangan agreed to provide management service in relation to the Target Hospital for a term of 10 years.

The Service Agreement contains, inter alia, the following major terms:

- (1) Zhuhai Zhongkangan shall be entitled to an annual management fee representing 1% of the annual revenue plus 10% of the pre-tax profit (if any) of the Target Hospital.
- (2) The Borrowers granted a call option (the “Call Option”) at nil option fee to Zhuhai Zhongkangan to purchase all or part of the Borrowers’ equity interest in the Target Company within 5 years from the date of the Service Agreement (or such longer period as may be agreed between the parties) at a price not higher than 7.9 times of the estimated after-tax profit of the Target Company for the immediately following financial year, as may be agreed upon by the parties.
- (3) Zhuhai Zhongkangan shall procure a loan of RMB40 million (equivalent to approximately HK\$45 million) to the Borrowers, which sum shall be injected to the Target Company by way of shareholders loan for the working capital of the Target Hospital.

The provision of hospital management service under the Service Agreement is a transaction carried out as part of the ordinary and usual course of business activities of the Company and the Service Agreement is entered on normal commercial terms.

## **LOAN AGREEMENT**

### **Date**

14 October 2009

### **Parties**

**Lender:** Fujian Maidsen Enterprises Company Limited, a wholly owned subsidiary of the Company

**Borrowers:** Zheng Jinqing (鄭金清) and Zhu Min (朱敏), shareholders holding an aggregate of 100% interest in the Target Company

**Confirmor:** Zhuhai Zhongkangan Enterprises Management Limited (珠海眾康安企業管理有限公司), a wholly owned subsidiary of the Company

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiry, the Borrowers are third parties independent of and not connected with the Company and connected persons (as defined in the GEM Listing Rules) of the Company.

### **Facility Amount**

Aggregate principal amount of up to RMB40 million (equivalent to approximately HK\$45 million).

### **Purpose of the Facility**

The Lender agreed to grant the Facility to the Borrowers. It is agreed between the Lender, the Borrowers and the Confirmer that the Loan shall be injected to the Target Company by the Borrowers by way of shareholders loan for the working capital of the Target Hospital.

### **Availability period of the Facility**

Upon the expiry date of the Service Agreement or within 30 days after the date of early termination of the Service Agreement.

### **Interest rate**

5% per annum, which rate was arrived at after arm's length negotiation between the Lender and the Borrowers and reflects the normal commercial rate. Interest shall be calculated quarterly and be paid each year within 30 days from the financial year end of the Target Company.

### **Repayment**

The principal amount of the Loan together with all outstanding interest under the Loan Agreement shall be repaid by the Target Company to the Lender upon the expiry date of the Service Agreement or within 30 days after the date of early termination of the Service Agreement.

## **SHARE MORTGAGE**

As a condition of the Lender agreeing to the grant of the Facility to the Borrowers under the Loan Agreement, the Borrowers, the Target Company and the Lender have entered into the Guarantee Agreement pursuant to which the Borrowers shall execute a share mortgage in favour of the Lender (the "Share Mortgage") in respect of 100% equity interest in the Target Company legally and beneficially owned by the Borrowers.

Under the Share Mortgage, the Borrowers, as legal and beneficial owner, charges 100% equity interest in the Target Company to the Lender as a continuing security for the due and punctual repayment of the Loan and interest and the due and punctual performance of all the Borrowers' obligations under the Loan Agreement.

## **REASONS FOR ENTERING INTO THE TRANSACTION**

It is a condition of the Service Agreement that Zhuhai Zhongkangan shall procure a loan of RMB40 million (equivalent to approximately HK\$45 million) to the Borrowers, which sum shall be injected to the Target Company by way of shareholders loan for the working capital of the Target Hospital. Accordingly, the Lender, being another wholly owned subsidiary of the Company, entered into the Loan Agreement and granted the Facility to the Borrowers, which is secured by the Share Mortgage.

Given the management fee entitled by Zhuhai Zhongkangan under the Service Agreement depends on the revenue and profit of the Target Hospital and the Call Option is granted to the Group under the Service Agreement, the Directors consider that the provision of financial assistance to the Borrowers under the Loan Agreement would benefit not only the Target Hospital, but also the Company and the Shareholders as a whole.

The terms of the Loan Agreement were reached after arm's length negotiation between the Borrowers and the Lender. The Directors consider that the terms and conditions of the Loan Agreement are on normal commercial terms and are fair and reasonable as far as the Company and the Shareholders as a whole are concerned.

## **IMPLICATION OF GEM LISTING RULES**

The transaction contemplated under the Loan Agreement constitutes a discloseable transaction for the Company under Chapter 19 of the GEM Listing Rules as the applicable percentage ratios calculated under Rule 19.07 of the Listing Rules exceed 5% but are less than 25%.

In addition, as the Loan exceeds 8% under the assets ratio as defined under Chapter 19 of the GEM Listing Rules, the Company discloses the details of the Loan pursuant to Rule 17.15 of the GEM Listing Rules.

## **GENERAL**

The Company is an investment holding company and its subsidiaries are principally engaged in the provision of general hospital and healthcare and hospital management services in the PRC.

## DEFINITIONS

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

“Board”	the board of Directors
“Borrowers”	Zheng Jinqing <sup>#</sup> (鄭金清) and Zhu Min <sup>#</sup> (朱敏), shareholders holding an aggregate of 100% interest in the Target Company
“Company”	Hua Xia Healthcare Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the issued shares of which are listed on the Growth Enterprise Market of the Stock Exchange
“Confirmor” or “Zhuhai Zhongkangan”	Zhuhai Zhongkangan Enterprises Management Limited <sup>#</sup> (珠海眾康安企業管理有限公司), a company incorporated in the PRC and a wholly owned subsidiary of the Company
“Director(s)”	the director(s) of the Company
“Facility”	the loan facility of up to RMB40 million (equivalent to approximately HK\$45 million) made available by the Lender to the Borrowers
“GEM Listing Rules”	The Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange
“Guarantee Agreement”	the guarantee agreement dated 14 October 2009 between the Borrowers, the Lender and the Target Company
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Lender”	Fujian Maidsen Enterprises Company Limited <sup>#</sup> (福建邁迪森實業有限公司), a company incorporated in the PRC and a wholly owned subsidiary of the Company
“Loan”	the aggregate principal amount drawn and for the time being outstanding under the Facility

“Loan Agreement”	the loan agreement dated 14 October 2009 between the Lender, the Borrowers and the Confirmor in relation to the provision of the Facility
“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
“RMB”	Renminbi, the lawful currency of the PRC
“Service Agreement”	the Service Agreement dated 14 October 2009 entered into between the Confirmor, the Borrowers and the Target Company pursuant to which the Confirmor agreed to provide hospital management service to the Target Hospital
“Shareholder(s)”	shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Zhuhai Jiulong Hospital Limited <sup>#</sup> (珠海九龍醫院有限公司), a company incorporated in the PRC and is wholly owned by the Borrowers
“Target Hospital”	Zhuhai Jiulong Hospital <sup>#</sup> (珠海九龍醫院) a hospital in the PRC owned and operated by the Target Company

For illustration purpose of this announcement, the exchange rate of RMB1 to HK\$1.1371 is adopted.

By Order of the Board  
**Yung Kwok Leong**  
*Chairman*

Hong Kong, 14 October 2009

<sup>#</sup> *The English transliteration of the Chinese name(s) in this announcement, where indicated, is included for information only, and should not be regarded as the official English name(s) of such Chinese name(s).*

*As at the date of this announcement, the executive Directors are Mr. Yung Kwok Leong, Dr. Jiang Tao, 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 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: (1) the information contained in this announcement is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this announcement misleading; and (3) 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.*

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