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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 FORMATION OF A JOINT VENTURE COMPANY

JOINT VENTURE AGREEMENT

The Board announces that on 4 June 2012 after trading hours, Hua Xia Renal, a wholly owned subsidiary of the Company, Taiwan Renal and Mr. Chen entered into the Joint Venture Agreement pursuant to which Huaxia Renal and Taiwan Renal have agreed to establish the Joint Venture Company which will be owned as to 60% by Hua Xia Renal and as to 40% by Taiwan Renal.

The Joint Venture Company will be a vehicle for investment in joint venture projects with potential PRC partner(s) in relation to development and operation of renal dialysis centres and provision of related services in the PRC.

GEM LISTING RULES IMPLICATIONS

The transactions contemplated under the Joint Venture 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 GEM Listing Rules exceed 5% but are less than 25%.

BACKGROUND

The Board announces that on 4 June 2012 after trading hours, Hua Xia Renal, a wholly owned subsidiary of the Company, Taiwan Renal and Mr. Chen entered into the Joint Venture Agreement pursuant to which Huaxia Renal and Taiwan Renal have agreed to establish the Joint Venture Company which will be owned as to 60% by Hua Xia Renal and as to 40% by Taiwan Renal.

* For identification purpose only

The Joint Venture Company will be a vehicle for investment in joint venture projects with potential PRC partner(s) in relation to development and operation of renal dialysis centres and provision of related services in the PRC. It is contemplated that the renal dialysis centres and related services in the PRC will be operated by Sino-foreign Equity Joint Venture Enterprise(s) to be established by the Joint Venture Company (either directly or indirectly via intermediate subsidiaries) and the potential PRC partner(s) where the Joint Venture Company will hold a majority shareholding (“PRC JV Co.”).

The Joint Venture Agreement contains, inter alia, the following major terms and conditions.

THE JOINT VENTURE AGREEMENT

Date

4 June 2012 (after trading hours)

Parties

- (1) Hua Xia Renal Diagnosis Healthcare Investments Limited, a wholly owned subsidiary of the Company
- (2) Taiwan Renal Care Limited
- (3) Mr. Chen Hong Ling, a shareholder of Taiwan Renal Care Limited

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiry, Taiwan Renal, its ultimate beneficial owners and Mr. Chen are third parties independent of and not connected with the Company and its connected persons (as defined in the GEM Listing Rules).

THE JOINT VENTURE COMPANY

Share Capital and Shareholdings

The JV Shareholders shall procure the establishment of the Joint Venture Company to be known as Hua Xia Taiwan Renal Diagnosis Healthcare Holding (Group) Limited (華夏臺灣腎析醫療控股(集團)有限公司) and the subscription of 60 shares by Hua Xia Renal and 40 shares by Taiwan Renal respectively in the Joint Venture Company at par value of US\$1.00 each within 30 days from the date of the Joint Venture Agreement.

Constitution of the Board of Directors and Personnel

The board of directors of the Joint Venture Company shall comprise five directors of which three (including the chairman) will be nominated by Hua Xia Renal and two will be nominated by Taiwan Renal.

Mr. Chen will be the general manager of the Company who will be primarily responsible for overseeing the operation of the joint venture projects in the PRC under the supervision of the board of directors of the Joint Venture Company.

Principal Business

The Joint Venture Company will be principally engaged in investment in joint venture, directly or indirectly, with potential PRC partner(s) in the PRC in relation to development and operation of renal dialysis centres and provision of related services in the PRC.

Currently, the Joint Venture Company proposes to set up a PRC JV Co. to be known as 聯強腎析 (福建) 醫療科技有限公司 with a registered capital of RMB20,000,000 (approximately HK\$24,468,000). It is contemplated that the PRC partner and its ultimate beneficial owner(s) will be independent third parties not connected with the Company and its connected persons. It is expected that the registered capital in the sum of not less than RMB5,000,000 (approximately HK\$6,117,000) shall be paid initially upon incorporation of the PRC JV Co. and the balance shall be paid within 2 years after obtaining the Business Approval Certificate for Foreign-Invested Enterprise (外商投資企業營業執照).

Capital Commitment of the JV Shareholders

Huaxia Renal and Taiwan Renal agree to provide unsecured interest-free shareholder's loans in the amount of US\$1,950,000 (approximately HK\$15,139,000) and US\$1,300,000 (approximately HK\$10,092,000) respectively by stages as the working capital for the Joint Venture Company. For the initial share capital of up to US\$6,500,000 (approximately HK\$50,463,000), each JV Shareholder shall have the right (but not the obligation) to subscribe for the share capital in proportion to its percentage shareholding in the Company. In the event that the Joint Venture Company requires additional funding for its operation over US\$6,500,000 (approximately HK\$50,463,000), the JV Shareholders may cooperate to seek other methods of financing including bank financing, shareholders loan or private equity financing to meet such funding requirements.

Apart from the shareholders' loans contributions set out above, there are no further capital commitments that are required to be contributed by the JV Shareholders at this stage. If there are any further capital commitments to be made by the Company, further announcement will be made by the Company as and when appropriate pursuant to the requirements under the GEM Listing Rules.

Transfer of equity interest in the PRC JV Co. to Mr. Chen

As mentioned above, the contribution of the registered capital of the PRC JV Co. will be made by stages with an initial contribution of RMB5,000,000 (approximately HK\$6,117,000) upon establishment and subsequent contributions according to its development within a timeframe of 2 years. Mr. Chen is experienced in the development and operation of renal dialysis centres and provision of related services in Taiwan, and will be a key management staff of the Joint Venture Company and the PRC JV Co. As an incentive scheme to promote the development and growth of the Joint Venture Company and the PRC JV Co. and to bring the interest of Mr. Chen in line with the development of the PRC JV Co., Huaxia Renal, Taiwan Renal agree with Mr. Chen that upon the full contribution of the registered capital of the PRC JV Co. of RMB 20,000,000 (approximately HK\$24,468,000), Huaxia Renal and Taiwan Renal shall procure the Joint Venture Company to transfer 7% equity interest in the PRC JV Co. to Mr. Chen at nil consideration. The Company will comply with the relevant GEM Listing Rules requirements applicable at the time when the 7% equity interest in the PRC JV Co. is transferred to Mr. Chen.

REASONS FOR ENTERING INTO THE JOINT VENTURE AGREEMENT

The Company, through its subsidiaries, is principally engaged in the provision of general hospital and healthcare and hospital management services in the PRC.

Through the Joint Venture Agreement, the Company and Taiwan Renal are able to establish a strategic alliance relationship whereby both parties can jointly develop new investment projects on renal dialysis services in the PRC. In addition, Taiwan Renal and Mr. Chen have the expertise and experience in relevant business in Taiwan and will provide synergy in the development and operation of the proposed business of the Joint Venture Company.

The Joint Venture Agreement is reached after arm's length negotiation. The Directors (including the independent non-executive Directors) are of the view that the terms of the Joint Venture Agreement and the transaction contemplated thereunder are fair and reasonable and in the interests of Shareholders as a whole.

The Joint Venture Company, upon formation pursuant to the Joint Venture Agreement, will be a subsidiary of the Company and its financial results will be consolidated into the accounts of the Group.

GEM LISTING RULES IMPLICATIONS

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DEFINITIONS

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

“Board”	the board of Directors
“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 (Stock Code: 8143)
“Director(s)”	the director(s) of the Company
“GEM Listing Rules”	The Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Hua Xia Renal”	Hua Xia Renal Diagnosis Healthcare Investments Limited (華夏腎析醫療投資有限公司), a company incorporated in the British Virgin Islands and a wholly owned subsidiary of the Company
“Joint Venture Agreement”	the joint venture agreement dated 4 June 2012 entered into between Hua Xia Renal, Taiwan Renal and Mr. Chen
“Joint Venture Company”	the joint venture company to be established under the Joint Venture Agreement, intended to be known as Hua Xia Taiwan Renal Diagnosis Healthcare Holding (Group) Limited (華夏臺灣腎析醫療控股(集團)有限公司)
“JV Shareholders”	the holder of shares of the Joint Venture Company, currently Hua Xia Renal and Taiwan Renal
“Mr. Chen”	Mr. Chen Hong Ling (陳鴻麟), a beneficial owner of Taiwan Renal, holding 32.5% equity interest in Taiwan Renal

“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”	the lawful currency of the PRC
“Shareholder(s)”	shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Taiwan Renal”	Taiwan Renal Care Limited (台灣腎臟照護有限公司), a company incorporated in the British Virgin Islands
“US\$”	the lawful currency of the United States of America

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

Hong Kong, 4 June 2012

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).

For illustration purpose of this announcement, the exchange rates of RMB 1 to HK\$1.2191 and US\$1 to HK\$7.7636 are adopted.

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 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 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 at www.hkgem.com 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.