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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  
IN RESPECT OF ACQUISITION OF  
THE ENTIRE EQUITY INTERESTS OF  
FUZHOU HUIKANG ENTERPRISE MANAGEMENT  
CONSULTANCY LIMITED**

**THE ACQUISITION**

The Board is pleased to announce that on 1 September 2014 (after trading hours of the Stock Exchange), the Purchaser, an indirect wholly-owned subsidiary of the Company, entered into the Acquisition Agreement with the Vendors, the Lender, the Target Company and Jiulong Hospital, pursuant to which the Purchaser has conditionally agreed to acquire (i) the Sale Capital, representing the entire equity interest of the Target Company and (ii) the Jiulong Loan, from the Vendors at the Consideration of RMB37,941,305.25 (equivalent to approximately HK\$47.666 million). The Consideration will be satisfied by the Purchaser assuming all the payment obligations and the liabilities of the Maidesen Loan in stead and place of the Vendors.

**GENERAL**

The Acquisition constitutes a discloseable transaction for the Company under Chapter 19 of the GEM Listing Rules, as the relevant percentage ratios exceed 5% but is less than 25% and is subject to the applicable notification and announcement requirement but exempt from the Shareholders' approval requirement under the GEM Listing Rules.

Reference is made to the announcement of the Company dated 14 October 2009 in relation to, among other things, the entering into of the Loan Agreement.

\* For identification purpose only

On 1 September 2014 (after trading hours of the Stock Exchange), the Purchaser, an indirect wholly-owned subsidiary of the Company, entered into the Acquisition Agreement with the Vendors, the Lender, the Target Company and Jiulong Hospital pursuant to which the Purchaser has conditionally agreed to acquire (i) the Sale Capital, representing the entire equity interest of the Target Company and (ii) the Jiulong Loan, from the Vendors. The principal terms of the Acquisition Agreement are set out as follows:

## **THE ACQUISITION AGREEMENT**

### **Date**

1 September 2014

### **Parties**

- (1) Vendors : the Vendors
- (2) Purchaser : the Purchaser, a wholly owned subsidiary of the Company
- (3) Confirmors : the Lender, a wholly owned subsidiary of the Company  
Jiulong Hospital  
the Target Company

Each of the Vendors is a citizen of the PRC and a merchant. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, save and except that the Vendors are the borrowers of the Maidesen Loan advanced by the Group, each of the Vendors is an Independent Third Party.

### **Assets to be acquired**

Pursuant to the Acquisition Agreement, the Purchaser has agreed to acquire and the Vendors has agreed to dispose of:

- (1) the Sale Capital, representing the entire equity interest of the Target Company, which is legally and beneficially owned as to 51% by Mr. Zheng and as to 49% by Ms. Song as at the date of this announcement; and
- (2) the Jiulong Loan.

Pursuant to the Acquisition, in addition to the liabilities already disclosed to the Purchaser, the Vendors shall bear all other liabilities (including but not limited to bank loan or any guarantees or other contingent liabilities) incurred by the Target Company before the Completion while any liabilities incurred by the Target Company after Completion and the un-paid registered capital of the Target Company shall be borne by the Purchaser.

### **Consideration**

The Consideration is RMB37,941,305.25 (equivalent to approximately HK\$47.666 million), which will be satisfied by the Purchaser assuming all the payment obligations and liabilities of the Maidesen Loan in stead and place of the Vendors upon Completion. The Consideration has been determined with reference to the price-to-earnings ratio of approximately 7.9 times. The Maidesen Loan was secured by the Share Charge.

The Consideration was arrived at after arm's length negotiations between the parties to the Acquisition Agreement after taking into account, among others, (i) the business prospects of the Target Company; (ii) the Profit Guarantee given by the Vendors; (iii) the price-to-earnings ratio of the companies whose principal activity is similar to that of the Target Group and (iv) the synergetic effect on the Group's current principal business. The Consideration represents a price-to-earnings multiple of approximately 7.9 times of the Guaranteed Profit (as defined below). The Directors consider that such price-to-earnings multiple for the Acquisition is reasonable after considering the price-to-earnings multiple of the Group of approximately 30 times and the price-to-earnings multiples of other comparable companies listed on the Stock Exchange of the range from approximately 35 to 165.

Based on the aforesaid, the Directors consider that the Consideration is fair and reasonable and on normal commercial terms and that the entering into the Acquisition Agreement is in the interests of the Company and the Shareholders as a whole.

### **Conditions precedent**

The Acquisition Agreement is conditional upon:

- (1) obtaining of consent and approval from relevant government authorities (including but not limited to 福州市鼓樓區工商行政管理局 (Fuzhou Gulou District Administration of Industry and Commerce#) (“**FGDAIC**”); and
- (2) the registration of the transfer of the Sale Capital with FGDAIC and obtaining of new business licence.

## **Profit Guarantee**

Under the Acquisition Agreement, the Vendors have unconditionally and irrevocably warranted and guaranteed to the Purchaser that the audited net profit after taxation and extraordinary and exceptional items of Jiulong Hospital for the period one year from the date of Completion (the “**Net Profit**”) will not be less than approximately RMB4.803 million (equivalent to approximately HK\$6.034 million) (the “**Guaranteed Profit**”).

If the Net Profit is less than approximately RMB4.803 million (equivalent to approximately HK\$6.034 million), the Vendors shall compensate the Purchaser in accordance with the formula below:

$$\textit{Amount to be compensated} = (\textit{the Guaranteed Profit} - \textit{the Net Profit}) \times 7.9$$

If Jiulong Hospital records a net loss in its audited accounts for the period one year from the date of Completion, the Net Profit for the period should be treated as zero.

## **Undertaking from the Vendors**

As at the date of this announcement, the tenancy agreement in relation to the property on which the Target Hospital is located at is valid and subsisting until 31 December 2022. However, such tenancy agreement has not been registered with the relevant government authority in the PRC.

The Vendors jointly but not severally undertake to the Purchaser that it will compensate and indemnify the Purchaser within two months from the date the Target Hospital incurring losses as a result of any defect arising from the said tenancy agreement. The Vendors shall compensate the Company in accordance with the formula below:

$$\textit{Amount to be compensated} = \textit{Consideration} - \textit{the net profit of the Target Hospital during the period from Completion to the date on which the operation of the Target Hospital will have been disrupted as a result of the defect arising from the said tenancy agreement.}$$

## **Completion**

The Completion shall take place upon the issue of the new business licence of the Target Company evidencing that the Purchaser is the sole legal owner of the entire registered capital of the Target Company. At Completion, the Vendors shall assign the Jiulong Loan and novate the Maidesen Loan to the Purchaser.

Upon Completion, the Target Company will become an indirect wholly owned subsidiary of the Company under the prevailing accounting principles upon Completion. As such, the Group will assign hospital management team to manage Jiulong Hospital and the Service Agreement will no longer in use and will be terminated accordingly. The Group expects its earnings will be enhanced as a result of the Acquisition and there will be no material effect on the assets and liabilities position of the Company. It is also expected that the Jiulong Loan and the Maidesen Loan will be eliminated when consolidating the financial results of the Group. In view that upon Completion each of the Purchaser and the Lender is indirect wholly owned subsidiary of the Company, the Board intends to amend the terms of the Maidesen Loan to an interest-free loan so as to avoid any unnecessary administration work and financial costs.

## **INFORMATION ON THE TARGET GROUP**

### **The Target Company**

The Target Company is an investment holding company established in the PRC on 10 June 2014 with limited liability. As at the date of this announcement, the Target Company has the registered capital of RMB1 million (equivalent to approximately HK\$1.2563 million), of which RMB100,000 has been paid-up and RMB900,000 are un-paid capital which shall be paid up by 9 June 2019. The entire equity interest of the Target Company is owned as to 51% by Mr. Zheng and as to 49% by Ms. Song. As at the date of this announcement, save for the investment in Jiulong Hospital, the Target Company has no other major assets or investments.

### **Jiulong Hospital**

Jiulong Hospital is a company established in the PRC on 30 September 2009 with limited liability and has a registered and paid-up capital of RMB10 million (equivalent to approximately HK\$12.563 million), all of which have been paid-up. Jiulong Hospital is principally engaged in the operation of the Target Hospital.

The Target Hospital is a privately-run hospital established in the PRC which provides comprehensive hospital services including preventive care, internal medicine, surgery, obstetrics and gynecology and cosmetic surgery.

Prior to the completion of group reorganisation of Target Group in June 2014, the entire equity interest of Jiulong Hospital was directly owned as to 51% by Mr. Zheng and 49% by Ms. Song. After the completion of the group reorganisation of Target Group and at the time of the entering into of the Acquisition Agreement, the entire equity interest of Jiulong Hospital is wholly owned by the Target Company which is in turn owned as to 51% by Mr. Zheng and 49% by Ms. Song.

Set out below is a summary of the key financial data of the Target Company based on unaudited management accounts of the Target Company from 10 June 2014 (date of incorporation) to 31 July 2014 as provided by the Vendors which was prepared in accordance with the generally accepted accounting principles in the PRC:

	<b>For the period from 10 June 2014 to 31 July 2014 RMB (unaudited)</b>
Turnover	0
Loss before taxation and extraordinary items	790
Loss after taxation and extraordinary items	790

The unaudited net assets value of the Target Company as at 31 July 2014 was approximately RMB99,210 (equivalent to approximately HK\$124,638).

Set out further below is a summary of the key financial data of Jiulong Hospital based on the audited accounts of Jiulong Hospital for the two financial years ended 31 December 2012 and 2013 as provided by the Vendor which has been prepared in accordance with the generally accepted accounting principles in the PRC:

	<b>For the year ended 31 December 2012 RMB (audited)</b>	<b>For the year ended 31 December 2013 RMB (audited)</b>
Turnover	52,278,345.32	48,595,629.75
Loss before taxation and extraordinary items	896,259.25	8,603,993.73
Loss after taxation and extraordinary items	1,137,238.95	9,100,930.20

The audited net liabilities of Jiulong Hospital as at 31 December 2012 and 31 December 2013 was approximately RMB13.8 million (equivalent to approximately HK\$17.34 million) and RMB23.0 million (equivalent to approximately HK\$28.89 million) respectively.

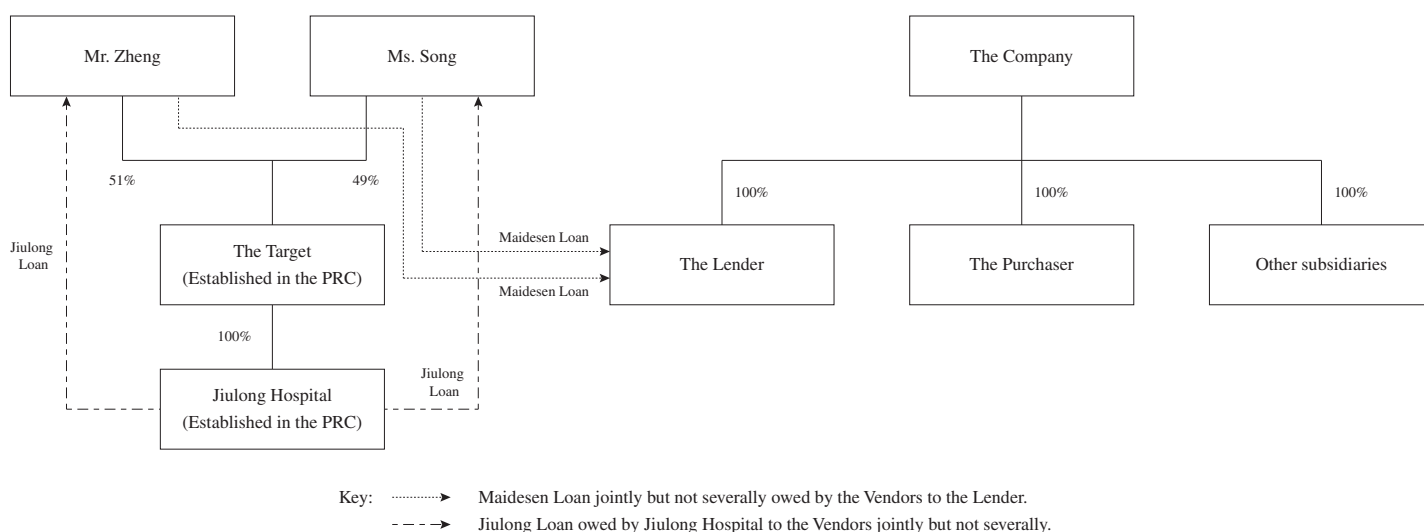
### Board representation of the Target Group

Upon Completion, representatives will be appointed by the Company to form a majority of the board of directors of each of the members of the Target Group.

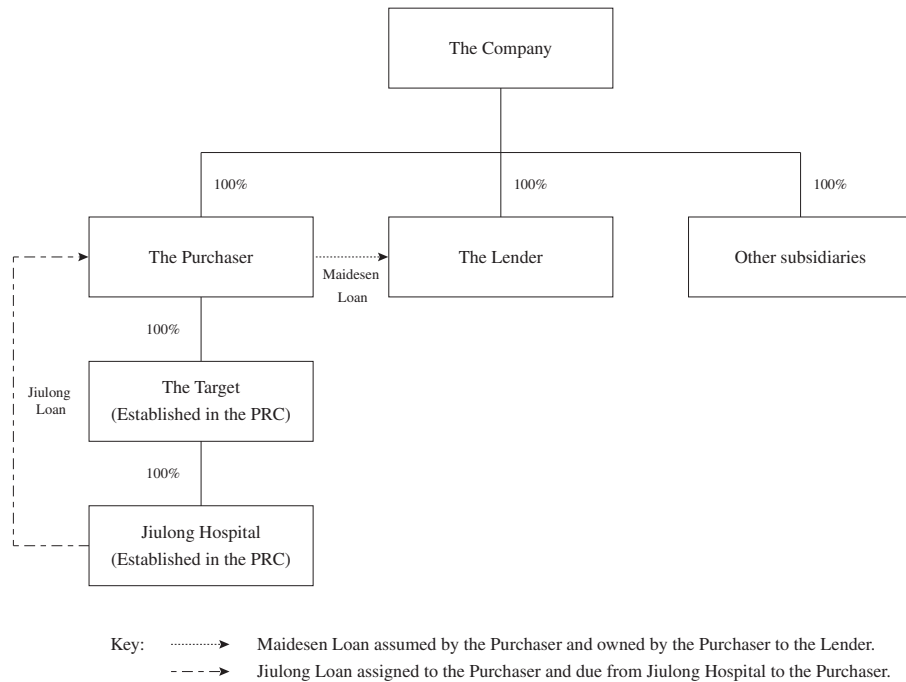
### Group structure

The following charts show the group structure of the Target Group and the flow and ownership of Jiulong Loan and Maidesen Loan immediately before and after the Completion:

#### Immediately before the Completion



## Immediately after the Completion



## REASONS FOR THE 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.

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. The Group is operating two hospitals in Chongqing and Jiaying and managing the Target Hospital in the PRC. The operations provide a stable income source to the Group and will bring synergistic effect and further opportunities in the promising healthcare sector the PRC. As indicated in the annual report of the Company for the year ended 31 March 2014, the provision of general hospital in the PRC by the Group was one of the main contributions in generating revenue for the Group.

The Acquisition is part of the business plans of the Group in developing its presence in the healthcare sector in the PRC given that there is a general increase in the health concern of individuals in the PRC. The Directors consider that the Acquisition is in line with the Group's business plans and is expected to enhance the Group's overall business performance, strengthen its revenue bases and diversify its business risk through synergistic effect through implementation of cost control measures and marketing and business strategies in the Target Group, of which the Directors believe, would make progress of the business of the Target Group.



With regard to the above, the Directors consider that the terms of the Acquisition are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

## **GENERAL**

The Acquisition constitutes a discloseable transaction for the Company under Chapter 19 of the GEM Listing Rules, as the relevant percentage ratios exceed 5% but is less than 25% and is subject to the applicable notification and announcement requirement but exempt from the Shareholders' approval requirement under the GEM Listing Rules.

## **DEFINITIONS**

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

“Acquisition”	the proposed acquisition of the Jiulong Loan and the Sale Capital from the Vendors by the Purchaser pursuant to the Acquisition Agreement
“Acquisition Agreement”	the conditional acquisition agreement dated 1 September 2014 entered into between the Vendors, the Purchaser, the Lender, Jiulong Hospital and the Target Company in relation to the Acquisition
“Board”	board of Directors
“Business Day”	a day on which the banks are open for business in Hong Kong (other than Saturday and any day on which a tropical cyclone warning No. 8 or above is hoisted or remains hoisted between 9:00 a.m. and 12:00 noon and is not lowered at or before 12:00 noon or on which a “black” rainstorm warning signal is hoisted or remains in effect between 9:00 a.m. and 12:00 noon and is not discontinued at or before 12:00 noon)
“Company”	Hua Xia Healthcare Holdings Limited (stock code: 8143), a company incorporated in the Cayman Islands with limited liability and the issued Shares are listed on the GEM
“Completion”	completion of the sale and purchase of the Sale Capital and the Jiulong Loan in accordance with the Acquisition Agreement

“connected person(s)”	has the meaning ascribed thereto under the GEM Listing Rules
“Consideration”	RMB37,941,305.25 (equivalent to approximately HK\$47.666 million), being the consideration for the sale and purchase of the Sale Capital and the Jiulong Loan
“Director(s)”	director(s) of the Company
“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
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party”	any person or company and their respective ultimate beneficial owner(s) which, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, are third parties independent of the Company and its connected persons (as defined in the GEM Listing Rules)
“Jiulong Hospital”	九龍醫院有限公司 (Jiulong Hospital Company Limited <sup>#</sup> ), a company established in the PRC with limited liability and as at the date of this announcement, has a registered and paid-up capital of RMB10 million (equivalent to approximately HK\$12.563 million) and wholly and beneficially owned by the Target Company
“Jiulong Loan”	a loan in the principal amount of RMB37,941,305.25 (equivalent to approximately HK\$47.666 million) owing by Jiulong Hospital to the Vendors as at the date of this announcement
“Lender”	福建邁迪森實業有限公司 (Fujian Maidesen Enterprises Company Limited <sup>#</sup> ), a company established in the PRC and an indirect wholly owned subsidiary of the Company, the lender under the Loan Agreement

“Loan Agreement”	together, (i) the loan agreement dated 14 October 2009 entered amongst the Lender, Mr. Zheng, 朱敏 (Zhu Min <sup>#</sup> ) and 珠海眾康安企業管理有限公司(Zhuhai Zhongkangan Enterprises Management Limited <sup>#</sup> ); and (ii) the novation dated 10 December 2013 executed by 朱敏 (Zhu Min <sup>#</sup> ) in favour of Ms. Song
“Maidesen Loan”	a loan in the principal amount of RMB37,941,305.25 (equivalent to approximately HK\$47.666 million) owing by the Vendors to the Lender pursuant to the Loan Agreement
Mr. Zheng	鄭金清(Zheng Jinqing <sup>#</sup> ), one of the Vendors
Ms. Song	宋燕清(Song Yanqing <sup>#</sup> ), one of the Vendors
“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
“Profit Guarantee”	a guarantee that, the audited consolidated net profit after taxation but before extraordinary items of the Target Hospital as prepared in accordance with the generally accepted accounting principles in the PRC or other applicable financial reporting standards as may be agreed by the Purchaser, for the period one year from the date of Completion shall not be less than approximately RMB4.8 million
“Purchaser”	福州嘉匯企業管理諮詢有限公司(Fuzhou Jiahui Enterprise Management Consultancy Limited <sup>#</sup> ), a company established in the PRC with limited liability which is wholly owned by the Company
“Sale Capital”	the entire equity interests of the Target Company which is owned as to 51% by Mr. Zheng and 49% by Ms. Song as at the date of this announcement

“Service Agreement”	the service agreement dated 14 October 2009 entered into among (i) 珠海眾康安企業管理有限公司 (Zhuhai Zhongkangan Enterprises Management Limited <sup>#</sup> ), a wholly owned subsidiary of the Company; (ii) Mr. Zheng, (iii) 朱敏 (Zhu Min <sup>#</sup> ) and Jiulong Hospital pursuant to which 珠海眾康安企業管理有限公司 (Zhuhai Zhongkangan Enterprises Management Limited <sup>#</sup> ) agreed to provide hospital management service to Jiulong Hospital
“Share(s)”	ordinary share(s) of HK\$0.01 each in the capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Share Charge”	a share charge dated 14 July 2014 executed by Target Company in favour of the Lender in respect of the entire equity interest in the Jiulong Hospital
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	福州匯康企業管理諮詢有限公司 (Fuzhou Huikang Enterprise Management Consultancy Limited <sup>#</sup> ), a company established in the PRC with limited liability
“Target Group”	the Target Company and Jiulong Hospital
“Target Hospital”	珠海九龍醫院 (Zhuhai Jiulong Hospital <sup>#</sup> ), a hospital located at No. 1004 Jidajiuzhou Road Central, Xiangzhou District, Zhuhai, Guangdong Province, PRC owned and operated by the Jiulong Hospital
“Vendors”	Mr. Zheng and Ms. Song
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong

“RMB” Renminbi, the lawful currency of the PRC

“%” per cent.

*For the purpose of illustration only, amounts denominated in RMB in this announcement have been translated into HK\$ at the rate of RMB1 = HK\$1.2563. Such translation should not be construed as a representation that the amounts in question have been, could have been or could be converted at any particular rate at all.*

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

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

Hong Kong, 1 September 2014

*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 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 in this announcement misleading.*

*This announcement will remain on the GEM website at [www.hkgem.com](http://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](http://www.huaxia-healthcare.com).*