



華夏醫療集團有限公司

Hua Xia Healthcare Holdings Limited

香港聯合交易所上市之公司

A Company Listed on the Stock Exchange of Hong Kong

Date: 5 June 2018

Executive Directors:

Dr. Jiang Tao
Mr. Yung Ka Chun
Mr. Zheng Gang
Dr. Huang Jiaqing
Mr. Lin Jinzong

Registered office:

P.O. Box 10008
Willow House
Cricket Square
Grand Cayman KY1-1001
Cayman Islands

Non-executive Directors:

Dr. Wong Yu Man, James
Mr. Tang Xun
Mr. Chan Chi Ming, Tony

*Head office and principal place of
business in Hong Kong:*

19/F., New Wing
101 King's Road
Hong Kong

Independent non-executive Directors:

Ms. Wong Ka Wai, Jeanne
Prof. Hu Shanlian
Prof. Lu Chuanzhen
Prof. Zhang Bin

To the Independent Shareholders and Optionholders

Dear Sir or Madam,

**MANDATORY CONDITIONAL CASH OFFERS BY
KINGSTON SECURITIES LIMITED
ON BEHALF OF**

**SOLAR STAR GLOBAL LIMITED TO ACQUIRE ALL THE ISSUED
SHARES IN HUA XIA HEALTHCARE HOLDINGS LIMITED AND TO
CANCEL ALL OUTSTANDING OPTIONS OF HUA XIA HEALTHCARE
HOLDINGS LIMITED (OTHER THAN THOSE ALREADY OWNED OR
TO BE ACQUIRED BY THE OFFEROR AND PARTIES ACTING IN
CONCERT WITH IT)**

INTRODUCTION

Reference is made to the Joint Announcement.

On 24 April 2018 (after trading hours of the Stock Exchange), the Board was informed by the Offeror that the Offeror has acquired an aggregate of 553,491,516 Shares in the following manners:-

- (a) the Transfer Shares representing approximately 14.85% of the entire issued ordinary share capital of the Company as at the Latest Practicable Date at the consideration of HK\$46,034,066.76, representing HK\$0.11 per Transfer Share, pursuant to the Deed of Settlement entered into between Easeglory and Golden Prince on 24 April 2018 (for details of the Deed of Settlement, please refer to the section headed “Introduction – The Deed of Settlement” in the “LETTER FROM KINGSTON SECURITIES” in this Composite Document); and
- (b) the Sale Shares representing approximately 4.79% of the entire issued ordinary share capital of the Company as at the Latest Practicable Date at the aggregate consideration of HK\$14.85 million, representing HK\$0.11 per Sale Share, through a broker by way of an off market trade on 25 April 2018. As confirmed by the Offeror with the broker, there were two Vendors under the Share Sale, from whom the Offeror acquired 70,000,000 Shares and 65,000,000 Shares, respectively.

Completion of the Share Transfer took place on 25 April 2018. Completion of the Share Sale took place on 25 April 2018.

Immediately following Completion and as at the Latest Practicable Date, the Offeror and the parties acting in concert with it own an aggregate of 932,491,516 Shares, representing approximately 33.09% of the entire issued ordinary share capital of the Company as at the Latest Practicable Date. Accordingly, the Offeror and parties acting in concert with it are required to make the Share Offer pursuant to Rule 26.1 of the Takeovers Code and the Option Offer pursuant to Rule 13.5 of the Takeovers Code.

INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

Pursuant to Rules 2.1 and 2.8 of the Takeovers Code, the Company has established the Independent Board Committee comprising the non-executive Directors who have no direct or indirect interest in the Offer namely, Dr. Wong Yu Man, James, Mr. Tang Xun, Ms. Wong Ka Wai, Jeanne, Prof. Hu Shanlian, Prof. Lu Chuanzhen and Prof. Zhang Bin, to advise the Independent Shareholders in relation to the terms and conditions of the Offers, in particular as to whether the Offers are, or are not, fair and reasonable and as to the acceptance of the Offers. Mr. Chan Chi Ming, Tony, a non-executive Director, is not taking part in the Independent Board Committee in order to avoid any perceived conflict of interest due to him being a consultant providing strategic advice to Bloom Dragon Finance Limited (興龍財務有限公司), a company incorporated in Hong Kong with limited liability, which is owned as to 50% by Mr. Ng and 50% by Good Fellow Group Limited as at the Latest Practicable Date. As at the Latest Practicable Date, Good Fellow Group Limited is owned as to 99.99% by Hillbrow Securities Limited and 0.01% by Mr. Ng Leung Ho, who is the father of Mr. Ng. Hillbrow Securities Limited is wholly-owned by Mr. Ng Leung Ho.

Pursuant to Rule 2.1 of the Takeovers Code, Nuada Limited has been appointed as the Independent Financial Adviser by the Company after approval by the Independent Board Committee to advise the Independent Board Committee and the Independent Shareholders in respect of the Offers and in particular as to whether the Offers are, or are not, fair and reasonable so far as the Independent Shareholder and Optionholders are concerned and as to the acceptance of the Offers.

The purpose of this Composite Document is to provide you with, amongst others, information relating to the Group, the Offeror and the Offers as well as setting out the letter from the Independent Board Committee containing its recommendation to the Independent Shareholders and the Optionholders in respect of the terms of the Offers and as to acceptance and the letter from the Independent Financial Adviser containing their advice to the Independent Board Committee in respect of the terms of the Offers and as to acceptance.

THE OFFERS

As at the Latest Practicable Date, the Company has 2,818,249,944 Shares in issue, 98,500,000 Convertible Preference Shares in issue (all of which being held by the Offeror as at the Latest Practicable Date) and 450,000 outstanding Options in respect of 450,000 Shares. Assuming that none of the Convertible Preference Shares is converted and none of the outstanding Options is exercised prior to the close of the Offers, 1,885,758,428 Shares will be subject to the Share Offer and 450,000 Options will be subject to the Option Offer.

Save as aforesaid, there are no outstanding warrants, options, derivatives or securities which are convertible into Shares and the Company has not entered into any agreement for the issue of such securities, options, derivatives or warrants of the Company as at the Latest Practicable Date.

Principal terms of the Offers

As mentioned in the "LETTER FROM KINGSTON SECURITIES" on pages 8 to 19 of this Composite Document, Kingston Securities is, on behalf of the Offeror, making the Offers in accordance with the Takeovers Code on the following basis:

The Share Offer

For each Share HK\$0.12 in cash

The Option Offer

For cancellation of each outstanding Option HK\$0.01 in cash

The Share Offer Price of HK\$0.12 for each Share under the Share Offer is higher than the highest price paid by the Offeror and parties acting in concert with it for the acquisition of the Shares within the Relevant Period. The Share Offer will be extended to all Shareholders other than the Offeror and parties acting in concert with it in accordance with the Takeovers Code.

Pursuant to Rule 13 of the Takeovers Code and Practice Note 6 of the Takeovers Code, the offer price for the outstanding Options would normally represent the difference between the exercise price of the Options and the Share Offer Price. Under the Option Offer, given that the exercise price of the outstanding Options (which is HK\$0.50 per Share) is above the Share Offer Price, the outstanding Options are out-of-money and the offer price for each outstanding Option (i.e., the Option Offer Price) is at a nominal value of HK\$0.01.

Further details of the Offers, including terms and procedures for acceptance of the Offers, are contained in the “LETTER FROM KINGSTON SECURITIES” as set out on pages 8 to 19 and Appendix I to this Composite Document and the accompanying Forms of Acceptance.

SHAREHOLDING STRUCTURE OF THE COMPANY

The table below sets out the shareholding structure of the Company (i) immediately before the Acquisitions; (ii) immediately following Completion and as at the Latest Practicable Date (assuming that none of the outstanding Convertible Preference Shares have been converted and none of the outstanding Options have been exercised); and (iii) immediately following Completion and as at the Latest Practicable Date (assuming that all the outstanding Convertible Preference Shares have been converted and all the outstanding Options have been exercised):

Shareholders	Immediately before the Acquisitions		Immediately following Completion and as at the Latest Practicable Date (assuming that none of the outstanding Convertible Preference Shares have been converted and none of the outstanding Options have been exercised)		Immediately following Completion and as at the Latest Practicable Date (assuming that all the outstanding Convertible Preference Shares have been converted and all the outstanding Options have been exercised)	
	No. of Shares	Approximate %	No. of Shares	Approximate %	No. of Shares	Approximate %
		(Note 1)		(Note 1)		(Note 1)
Offeror and parties acting in concert with it						
Offeror (Note 2)	320,000,000	11.35	873,491,516	31.00	971,991,516	33.32
Mr. Ng (Note 2)	59,000,000	2.09	59,000,000	2.09	59,000,000	2.02
Sub-total	379,000,000	13.45	932,491,516	33.09	1,030,991,516	35.34
Easeglory (Note 3)	418,491,516	14.85	-	-	-	-
Directors						
Mr. Yung	2,640,000	0.09	2,640,000	0.09	2,640,000	0.09
Dr. Jiang Tao	9,300,000	0.33	9,300,000	0.33	9,300,000	0.32
Mr. Zheng Gang	6,044,000	0.21	6,044,000	0.21	6,044,000	0.21
Dr. Huang Jiaqing	1,400,000	0.05	1,400,000	0.05	1,400,000	0.05
Other non-public Shareholder						
New Hope International (Hong Kong) Limited (Note 4)	343,217,539	12.18	343,217,539	12.18	343,217,539	11.77
Public Shareholders	<u>1,658,156,889</u>	<u>58.84</u>	<u>1,523,156,889</u>	<u>54.05</u>	<u>1,523,606,889</u>	<u>52.23</u>
Total:	<u>2,818,249,944</u>	<u>100.00</u>	<u>2,818,249,944</u>	<u>100.00</u>	<u>2,917,199,944</u>	<u>100.00</u>

Notes:

- (1) Certain percentage figures included in this table have been subject to rounding adjustments. Accordingly, figures shown as total may not be an arithmetic aggregation of the figures preceding them.
- (2) As at the Latest Practicable Date, the Offeror is owned as to 50% by Mr. Ng, 25% by Ms. Ng Si Wing and 25% by Ms. Ng Yin. Mr. Ng directly holds 59,000,000 Shares as at the Latest Practicable Date.
- (3) Immediately before completion of the Deed of Settlement, Easeglory, which is wholly-owned by Mr. Yung, was interested in 418,491,516 Shares and 98,500,000 Convertible Preference Shares.
- (4) As at the Latest Practicable Date, New Hope International (Hong Kong) Limited is owned as to 75% by Southern Hope Enterprise Co., Ltd.# (南方希望實業有限公司) which is, in turn, owned as to 51% by New Hope Group Co., Ltd.# (新希望集團有限公司) and 49% by Tibet Hengye Feng Industrial Co., Ltd.# (西藏恒業鋒實業有限公司). Both New Hope Group Co., Ltd.# and Tibet Hengye Feng Industrial Co., Ltd.# are owned as to 62.34% by Mr. Liu Yonghao, as to 36.35% by Ms. Liu Chang and as to 1.31% by Ms. Li Wei.

INFORMATION ON THE GROUP

The Company is an investment holding company, and the Group is principally engaged in the provision of general hospital services in the PRC. Your attention is drawn to Appendices II and III of this Composite Document which contain further financial and general information of the Group.

INFORMATION OF THE OFFEROR

Your attention is drawn to the section headed “INFORMATION OF THE OFFEROR” in the “LETTER FROM KINGSTON SECURITIES” as set out on pages 16 to 17 of this Composite Document.

THE OFFEROR’S INTENTIONS IN RELATION TO THE GROUP

Your attention is drawn to the sections headed “INFORMATION OF THE OFFEROR” and “THE OFFEROR’S INTENTIONS IN RELATION TO THE GROUP” in the “LETTER FROM KINGSTON SECURITIES” as set out on pages 16 to 17 of this Composite Document. The Board is aware of the intention of the Offeror in respect of the Company and is willing to render reasonable co-operation with the Offeror which is in the interests of the Company and the Shareholders as a whole. The Board is aware that the Offeror intends to continue the existing principal businesses of the Group and that the Offeror has no intention to (i) discontinue the employment of any employees of the Group (other than the possible changes to the members of the Board as detailed in the section headed “POSSIBLE CHANGE OF THE BOARD COMPOSITION” in the “LETTER FROM KINGSTON SECURITIES” as set out on page 18 of this Composite Document) or (ii) redeploy the fixed assets of the Group other than those in the ordinary and usual course of business as at the Latest Practicable Date.

MAINTENANCE OF THE LISTING STATUS OF THE COMPANY

As stated in the “LETTER FROM KINGSTON SECURITIES”, the Offeror intends to maintain the listing of the Shares on GEM following the close of the Offers.

The Stock Exchange has stated that if, at the close of the Offers, less than the minimum prescribed percentage applicable to the Company, being 25% of the issued Shares, are held by the public, or if the Stock Exchange believes that:

- (a) a false market exists or may exist in the trading of the Shares; or**
- (b) that there are insufficient Shares in public hands to maintain an orderly market,**

it will consider exercising its discretion to suspend dealings in the Shares.

The Offeror intends the Company to remain listed on the Stock Exchange. The sole director of the Offeror and new directors to be appointed to the Board have jointly and severally undertaken/will undertake to the Stock Exchange to take appropriate steps to ensure that sufficient public float exists in Shares.

PROFIT WARNING ANNOUNCEMENT

As disclosed in the Profit Warning Announcement, based on a preliminary review of the unaudited financial information of the Group for the year ended 31 March 2018 and information currently available to the Board, the Group is expected to record a significant loss attributable to the shareholders of the Company for the year ended 31 March 2018 (the “**Current Year**”). The expected loss for the Current Year was mainly attributable to the effects of an impairment loss on carrying amounts of goodwill as at 31 March 2018.

Pursuant to Rule 10 of the Takeovers Code, the Profit Warning Announcement is regarded as a profit estimate and must be reported on by the Company’s auditors and the Independent Financial Adviser in accordance with Rule 10.4 of the Takeovers Code. In this regard, the Profit Warning Announcement has been reported on by HLB Hodgson Impey Cheng Limited, the auditors of the Company, and the Independent Financial Adviser. Your attention is drawn to the reports from HLB Hodgson Impey Cheng Limited and the Independent Financial Adviser on the Profit Warning Announcement set out in Appendix IIB to this Composite Document.

Bases and assumptions in preparing the profit estimate

The Directors have prepared the profit estimate based on the unaudited consolidated management accounts of the Group for the year ended 31 March 2018. The profit estimate is presented on a basis consistent in all material respects with the accounting policies normally adopted by the Group as set out in the annual report of the Company for the year ended 31 March 2017 and the new or revised accounting standards issued that are effective for accounting period beginning on 1 April 2017 where applicable, and has been compiled in accordance with the bases and assumptions including the following:

- (i) there will be no material changes in existing political, legal, fiscal, social or economic conditions in Hong Kong and the PRC;
- (ii) there will be no material changes in legislation or regulations in Hong Kong and the PRC materially affecting the business carried on by the Group;
- (iii) there will be no material changes in interest rates and exchange rates from those currently prevailing;
- (iv) there will be no wars, military incidents, pandemic diseases, or natural disasters that would have a material impact on the Group's businesses and operating activities;
- (v) there will be no material changes in the bases or rates of tax applicable to the activities of the Group or in the bases in the territories in which the Group carries on business;
- (vi) there will be no exceptional nor unforeseeable circumstances that will require provisions to be made by the Group in respect of any contingent liability, litigations, legal proceedings or arbitration threatened or other unexpected losses; and
- (vii) the Group obtained all necessary permits and approvals to carry out the business operations and shall have no legal impediment in renewing those permits and approvals from time to time.

RECOMMENDATION

Your attention is drawn to (i) the "LETTER FROM THE INDEPENDENT BOARD COMMITTEE" on pages 28 to 29 of this Composite Document, which sets out its advice and recommendations to the Independent Shareholders and the Optionholders as to whether the terms of the Offers are, or are not, fair and reasonable so far as the Independent Shareholders and Optionholders are concerned, and as to acceptance thereof; and (ii) the "LETTER FROM THE INDEPENDENT FINANCIAL ADVISER" on pages 30 to 53 of this Composite Document, which sets out its advice and recommendation to the Independent Board Committee as to whether the terms of the Offers are, or are not, fair and reasonable so far as the Independent Shareholders and Optionholders are concerned, and as to acceptance thereof, and the principal factors considered by it before arriving at its advice and recommendation.

ADDITIONAL INFORMATION

You are advised to read this Composite Document together with the accompanying Forms of Acceptance in respect of the acceptance and settlement procedures of the Offers. Your attention is drawn to the additional information contained in the appendices to this Composite Document.

In considering what action to take in connection with the Offers, you should also consider your own tax positions, if any, and in case of doubt, consult your professional advisers.

Yours faithfully,
By order of the Board
Hua Xia Healthcare Holdings Limited



Jiang Tao
Chief Executive Officer