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China HealthCare Holdings Limited
中國衛生控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 673)

DISCLOSEABLE TRANSACTION

On 23 July 2015 (after trading hours), the Company, the Management Company, a wholly-owned subsidiary of the Company, and the Shuangluan Government entered into the Agreement, pursuant to which the Shuangluan Government has agreed to grant an operating right to the Company for the management and operation of Shuangluan Hospital by the Management Company for a period of 30 years, commencing from 1 August 2015. Meanwhile, the Company has agreed to provide the Loan in an aggregate principal amount of RMB50,000,000 (equivalent to HK\$62,500,000) to Shuangluan Hospital for the purposes of setting up the information technology system, purchasing of equipments and settling the construction fee of Shuangluan Hospital.

As the relevant applicable percentage ratios (as defined under the Listing Rules) in respect of the provision of the Loan under the Agreement are more than 5% but less than 25%, the provision of the Loan under the Agreement constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting and announcement requirements of the Listing Rules.

Furthermore, as the amount of the Loan exceeds 8% of the assets ratio as defined under Rule 14.07(1) of the Listing Rules, the provision of the Loan is subject to the general disclosure obligations under Rule 13.15 of the Listing Rules.

INTRODUCTION

On 23 July 2015 (after trading hours), the Company, the Management Company, a wholly-owned subsidiary of the Company, and the Shuangluan Government entered into the Agreement, pursuant to which the Shuangluan Government has agreed to grant an operating right to the Company for the management and operation of Shuangluan Hospital by the Management Company for a period of 30

* *for identification purposes only*

years, commencing from 1 August 2015. Meanwhile, the Company has agreed to provide the Loan to Shuangluan Hospital. The principal terms of the Agreement, which are determined after arm's length negotiations among the parties to the Agreement, are summarized as follows:

THE AGREEMENT

Date

23 July 2015

Parties to the Agreement

- (i) the Company;
- (ii) 北京中衛康虹醫院管理有限公司 (Beijing Zhong Wei Kang Hong Hospital Management Limited*), a company established under the laws of the PRC and is wholly-owned by the Company. It is principally engaged in the provision of management and operation services for healthcare institutions in the PRC; and
- (iii) 承德市雙灤區人民政府 (the People's Government of Shuangluan District, Chengde City*). To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Shuangluan Government is a third party independent of the Company and connected persons of the Company.

Operating right

Pursuant to the Agreement, the Shuangluan Government has agreed to grant an operating right to the Company for the management and operation of Shuangluan Hospital by the Management Company for a term of 30 years from 1 August 2015 to 31 July 2045.

The Management Company shall be responsible for the management and operation of Shuangluan Hospital, including, among others, managing the daily operations, managing the personnel, and the construction of the new buildings, of Shuangluan Hospital and providing technical support as well as raising funds in an amount of approximately RMB110 million for purchase of equipments and the second phase of construction of Shuangluan Hospital.

In return, the Management Company shall receive a management fee from Shuangluan Hospital. Before Shuangluan Hospital starts to generate any net profit, the management fee for the Management Company shall be equivalent to 3% of the Annual Revenue of Shuangluan Hospital. Such management fee shall be accrued annually but paid to the Management Company only when Shuangluan Hospital becomes profitable. Once Shuangluan Hospital starts to generate net profit, the management fee entitled by the Management Company shall be increased to 6% of the Annual Revenue of Shuangluan Hospital and such management fee shall be paid to the Management Company annually. With the mutual consent of both the Company and the Shuangluan Government

and subject to the performance of Shuangluan Hospital, the Management Company may receive part of the management fee in advance. In the event that the annual audited net profit margin of Shuangluan Hospital exceeds 15%, the Management Company shall be entitled to a bonus in an amount equivalent to 40% of the excess profit.

Provision of Loans

Pursuant to the Agreement, the Company has agreed to provide the Loan in an aggregate principal amount of RMB50,000,000 (equivalent to HK\$62,500,000) to Shuangluan Hospital for a term of 3 years, which bears a fixed interest rate of 7% per annum. The Loan shall be provided by the Company to Shuangluan Hospital in the following manners:

- (i) RMB5,000,000 (equivalent to HK\$6,250,000) shall be provided within 7 days from the date of the Agreement;
- (ii) RMB10,000,000 (equivalent to HK\$12,500,000) shall be provided within 30 days from the date of the Agreement;
- (iii) RMB15,000,000 (equivalent to HK\$18,750,000) shall be provided within 60 days from the date of the Agreement; and
- (iv) the remaining RMB20,000,000 (equivalent to HK\$25,000,000) shall be provided within 180 days from the date of the Agreement.

The terms of the Loan were determined after arm's length negotiations between the Company and the Shuangluan Government by reference to the prevailing terms of commercial loans and the borrowing cost of the Group. The Group will finance the Loan with borrowings and/or internal resources of the Company.

According to the Agreement, the Loan shall be used by Shuangluan Hospital as to (i) approximately RMB5,000,000 for setting up the information technology system; (ii) approximately RMB25,000,000 for settling the construction fee for the Phase I of the construction; and (iii) the remaining balance of RMB20,000,000 for purchasing equipments.

INFORMATION OF SHUANGLUAN HOSPITAL

Shuangluan Hospital is a public grade-two general hospital located in Shuangluan District, Chengde City, Hebei Province, the PRC with a total construction area of approximately 5,800 square meters and 150 beds. Currently, new hospital buildings of Shuangluan Hospital with a total construction area of approximately 50,000 square meters are under construction in Bai Miao Zi Village, Shuangluan District. The building to be constructed under Phase I of the construction has a construction area of approximately 37,000 square meters and 400 beds while Phase II of the construction involves the construction of a building for the psychiatric department with a construction area of approximately

13,000 square meters and 300 beds. It is expected that the Phase I and Phase II of the construction will be completed by end of September 2015 and 2017 respectively. Shuangluan Hospital will be relocated to the new site after completion of Phase I of the construction.

According to the information provided by Shuangluan Hospital, the total investment for establishing the new hospital is estimated to be approximately RMB280 million, of which approximately RMB170 million relating to the Phase I of the construction, approximately RMB60 million relating to the Phase II of the construction and approximately RMB50 million relating to purchase of equipments.

REASONS FOR THE ENTERING INTO OF THE AGREEMENT

The Group is principally engaged in the provision of healthcare services and B-to-C consumer services in the PRC.

As disclosed in the results announcement of the Company for the year ended 31 March 2015 dated 30 June 2015, the Group has achieved substantial progress in exploring healthcare management services, introducing new shareholders, settling debts and strengthening its management team and the Group will continue to explore new businesses in relation to the healthcare industry. The Directors consider that healthcare service business in the PRC has great and sustainable growth potential due to the growing trend of aging population and having the operating right of Shuangluan Hospital shall enable the Group to enhance its presence and profile in the healthcare service industry. Given that Shuangluan Hospital will be managed and operated by the Group starting from 1 August 2015, the Directors consider that it is commercially justifiable to provide the Loan to Shuangluan Hospital as timely relocation of the hospital and improvements in the facilities of Shuangluan Hospital shall facilitate the future operation of Shuangluan Hospital. Having considered that (i) having the operating right of Shuangluan Hospital shall increase the Group's profile of healthcare service business and generate management fee income to the Group; (ii) the provision of the Loan shall generate stable interest income to the Group; and (iii) the provision of the Loan shall facilitate the future operation of Shuangluan Hospital, the Directors are of the opinion that the terms of the Agreement are fair and reasonable and the entering into of the Agreement is in the interests of the Company and the Shareholders as a whole.

GENERAL

As the relevant applicable percentage ratios (as defined under Listing Rules) in respect of the provision of the Loan under the Agreement are more than 5% but less than 25%, the provision of the Loan under the Agreement constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting and announcement requirements of the Listing Rules.

Furthermore, as the amount of the Loan exceeds 8% of the assets ratio as defined under Rule 14.07(1) of the Listing Rules, the provision of the Loan is subject to the general disclosure obligations under Rule 13.15 of the Listing Rules.

DEFINITIONS

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

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| “Agreement” | the agreement dated 23 July 2015 entered into among the Company, the Management Company and the Shuangluan Government in relation to the provision of the Loan and the grant of the operating right of Shuangluan Hospital to the Management Company |
| “Annual Revenue” | the audited total revenue of Shuangluan Hospital for a financial year, excluding any specific funds provided by the government which are not related to business compensation and social donations |
| “Board” | the board of Directors |
| “Company” | China HealthCare Holdings Limited, a company incorporated in Bermuda with limited liability, the Shares of which are listed on the main board of the Stock Exchange |
| “connected person(s)” | has the meaning ascribed to it under the Listing Rules |
| “Director(s)” | the director(s) of the Company |
| “Group” | the Company and its subsidiaries |
| “HK\$” | Hong Kong dollar, the lawful currency of Hong Kong |
| “Hong Kong” | the Hong Kong Special Administrative Region of the PRC |
| “Listing Rules” | the Rules Governing the Listing of Securities on the Stock Exchange |
| “Loan” | the loan in an aggregate principal amount of RMB50,000,000 to be provided by the Company to Shuangluan Hospital pursuant to the Agreement |
| “Management Company” | 北京中衛康虹醫院管理有限公司 (Beijing Zhong Wei Kang Hong Hospital Management Limited*), a company established under the laws of the PRC and is wholly-owned by the Company |
| “PRC” | the People’s Republic of China which for the purpose of this announcement, excluding Hong Kong, Macau Special Administrative Region of the PRC and Taiwan |

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| “RMB” | Renminbi, the lawful currency of the PRC |
| “Share(s)” | ordinary share(s) of HK\$0.1 each in the issued share capital of the Company |
| “Shareholder(s)” | the holder(s) of the Share(s) |
| “Shuangluan Government” | 承德市雙灤區人民政府 (the People’s Government of Shuangluan District, Chengde City*) |
| “Shuangluan Hospital” | 承德市雙灤區人民醫院 (承德市精神病醫院) (Shuangluan District, Chengde City Hospital (Chengde City Psychiatric Hospital)*), a public grade-two general hospital located in Shuangluan District, Chengde City, Hebei Province, the PRC |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “%” | per cent |

By order of the Board
China HealthCare Holdings Limited
Zhou Bao Yi
Executive Director

Hong Kong, 24 July 2015

For the purposes of this announcement, unless otherwise indicated, conversion of RMB into HK\$ is calculated at the exchange rate of RMB1 to HK\$1.25. The exchange rate is for illustrative purpose only and does not constitute a representation that any amount has been, could have been, or may be exchanged at this or any other rate at all.

As at the date of this announcement, the Board comprises five executive Directors, namely, Mr. Jia Hong Sheng (Chairman), Dr. Li Zhong Yuan, Mr. Zhou Bao Yi, Mr. Chung Ho and Mr. Wang Jingming; and four independent non-executive Directors, namely, Mr. Mu Xiangming, Mr. Jiang Bo, Dr. Yan Shi Yun and Mr. Zhao Hua.