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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)

**BUSINESS UPDATE ANNOUNCEMENT
COOPERATION AGREEMENT IN RELATION TO
THE ESTABLISHMENT OF
EDINBURGH INTERNATIONAL HOSPITAL
IN PUTIAN MAZU INTERNATIONAL HEALTHCARE CITY**

COOPERATION AGREEMENT

The Board announces that on 26 September 2018 (after trading hours), Edinburgh International (a non wholly-owned subsidiary of the Company) and Putian Medical entered into the Cooperation Agreement, pursuant to which Putian Medical shall provide subsidy for and Edinburgh International shall establish and operate the Edinburgh International Hospital in the Mazu International Healthcare City.

This announcement is made by the Company pursuant to Rule 17.10 of the GEM Listing Rules and the Inside Information Provisions (as defined under the GEM Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong). The purpose of this announcement is to keep the Shareholders and potential investors of the Company informed of the latest business development of the Group.

* For identification purpose only

BACKGROUND

In January 2018, the Putian Municipal People's Government promulgated the Notice with the aim to support the development of the Mazu International Healthcare City. Pursuant to the Notice, in order to implement the healthy China strategy, promote the development of the city's health industry, foster the health industry economic circle centered on the Mazu International Healthcare City, and create the "China's First Healthy City" and "Cross-Strait Medical Cooperation Pioneer Zone", the Putian Municipal People's Government set out some preferential policies to attract renowned medical institutions to set up world-class hospitals in the Mazu International Healthcare City. The preferential policies, among other matters, consist of:

1. *Clinical specialties subsidy*: clinical specialties which are rated as provincial-level can enjoy a grant of RMB5 million while clinical specialties which are rated as state-level can enjoy a grant of RMB10 million.
2. *Start-up operation fee subsidy*: specialized hospitals and health management institutions that have been certified by the relevant departments of health and finance to meet the third-level standards shall be given a standard reward of RMB100,000 per bed. After the operation of the hospital, a hospital with third-level qualification can continue within the first or second review period being rewarded and obtaining a third A-class or third B-class qualifications from health administration department, will receive a one-time reward of RMB10 million or RMB6 million respectively.
3. *Rental subsidy*: hospital institutions can enjoy a special rent of not more than RMB20 per m² per month in the Mazu International Healthcare City. Hospital institutions can enjoy the first five-year period rent free and the second five-year period with 50% discount rent. No subsidy shall be granted if the purpose of the property had been changed.
4. *Medical equipment rental services*: the municipal medical company shall provide medical equipment rental services to high-end medical institutions.
5. *Medical technology facilities and services support*: the municipal medical company will construct medical auxiliary facilities such as healthcheck center, an imaging center, a disinfection center, an oxygen supply center, and a hospital sewage treatment center in the Mazu International Healthcare City to provide public services for medical institutions and enterprises.
6. *Medical basic team services*: according to the needs of the imported high-end medical institutions (or high-end talents, high-end technology), the municipal medical institutions set up a basic team of medical professionals and management teams to provide uniform service guarantee.

COOPERATION AGREEMENT

On 26 September 2018 (after trading hours), Edinburgh International (a non wholly-owned subsidiary of the Company) and Putian Medical, a company which constructs and manages the Mazu International Healthcare City for and on behalf of the Putian Municipal People's Government, entered into the Cooperation Agreement.

The principal terms of the Cooperation Agreement are set out below:

Date: 26 September 2018

Parties: (1) Putian Medical Healthcare Investment Co., Ltd#
(莆田市醫療健康產業投資有限公司)

(2) Edinburgh International Investments Ltd., a non-wholly-owned subsidiary of the Company

To the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, Putian Medical and its ultimate beneficial owner(s) are Independent Third Parties.

Subject matter under the Cooperation Agreement

The Cooperation Agreement shall be valid for a period of 20 years, unless parties thereto mutually agreed to terminate the Cooperation Agreement in writing.

Pursuant to the Cooperation Agreement, Putian Medical, among other matters,

- (1) shall or shall procure its nominee to provide a piece and parcel of land with existing buildings in the Mazu International Healthcare City for the refurbishment and conversion into a layout which is suitable for the Edinburgh International Hospital and ancillary utilities, which shall then be leased by Putian Medical (or its nominee) to Edinburgh International, where the rent payable for the first 10 years shall be in accordance with the Notice; and
- (2) shall assist Edinburgh International to obtain all the necessary licences, permit and qualification for the refurbishment and operation of the Edinburgh International Hospital.

Pursuant to the Cooperation Agreement, Edinburgh International, among other matters,

- (1) shall be responsible for the refurbishment and operation of the Edinburgh International Hospital in the Mazu International Healthcare City; and
- (2) shall be responsible for obtaining all the necessary licences, permit and qualification for the refurbishment and operation of the Edinburgh International Hospital.

Under the Cooperation Agreement, Edinburgh International and/or the Edinburgh International Hospital is entitled to subsidies granted by the Putian Municipal People's Government in accordance with the Notice, which including but not limited to the start up operation fee subsidy and the rental subsidy.

The Group intends to invest an estimated amount of RMB140 million (equivalent to approximately HK\$159 million) for the refurbishment, establishment and operation of the Edinburgh International Hospital, being a second-level general hospital# (二級綜合醫院) with 200 beds. The Edinburgh International Hospital shall consist of (i) various departments including chronic disease management, reproductive medicine, diabetes, pediatrics, etc.; and (ii) two centers, being medical continuing education training center and data center.

The total investment amount was determined with reference to (i) the refurbishment costs of the Edinburgh International Hospital, (ii) the acquisition costs of plant and equipment, (iii) the operation costs of the Edinburgh International Hospital; and (iv) the subsidies, rewards and other incentives granted by the Putian Municipal People's Government in favour of Edinburgh International.

INFORMATION ON THE PARTIES TO THE COOPERATION AGREEMENT

Putian Medical is a company established under the laws of the PRC, and wholly-owned by Putian Municipal People's Government. Putian Medical acts on behalf of Putian Municipal People's Government and is principally engaged in the promotion, investment, construction and management of the Mazu International Healthcare City.

Edinburgh International is a company incorporated in Scotland, the United Kingdom, with limited liability and is owned as to 51% by the Company and 49% by the University Court of the University of Edinburgh. Edinburgh International is a non wholly-owned subsidiary of the Company and is principally engaged in the provision of healthcare services.

REASONS FOR AND THE BENEFITS OF THE COOPERATION WITH PUTIAN MEDICAL

The Company is an investment holding company, and the Group is principally engaged in the provision of general hospital services in the PRC.

The Putian Municipal People's Government, through Putian Medical, aims to build the Mazu International Healthcare City, which consists of specialist hospitals, and the Edinburgh International Hospital. Edinburgh International is a cooperation between the Group and the University of Edinburgh, being a renowned academic institute in the healthcare industry with leading technology. By leveraging on Edinburgh International's expertise, Edinburgh International could introduce cutting-edge medical technology, high-end medical talents and hospital management team into the Edinburgh International Hospital.

The purpose of the Cooperation Agreement is to develop and expand cooperation between the Group and the Putian Municipal People's Government in relation to the provision of medical healthcare services in Putian, Fujian, the PRC. In view that (i) the healthcare market in Putian, Fujian, the PRC offers huge opportunities allowing the Group to increase its profitability and income base; (ii) the Group can leverage on the branding and recognition of both the University of Edinburgh and the Putian Municipal People's Government to continue to expand its market share in the healthcare industry; (iii) the Group would be able to benefit from the subsidy and reward schemes provided by the Putian Municipal People's Government and hence lowering its investment cost while maximizing its return; and (iv) the Group will be able to leverage on the expertise of the University of Edinburgh to improve the quality of its medical staff, the cooperation as contemplated under the Cooperation Agreement between the parties would be beneficial to and in the interests of the Company and its Shareholders as a whole.

The Directors consider that the terms of the Cooperation Agreement is on normal commercial terms, the Cooperative Agreement and the transactions contemplated thereunder are fair and reasonable and are in the interests of Company and its Shareholders as a whole.

DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise:

“Board”	the board of Directors
“Business Days”	any day(s) (other than a Saturday, Sunday or statutory holiday and days on which a typical cyclone warning signal no. 8 or above or a black rainstorm warning signal is hoisted in Hong Kong at any time between 9:00 a.m. and 5:00 p.m.) on which licensed banks in Hong Kong are generally open for ordinary banking business throughout their normal business hours
“Company”	Hua Xia Healthcare Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the issued shares of which are listed on GEM (stock code: 8143)
“Cooperation Agreement”	the cooperation agreement dated 26 September 2018 entered into between Edinburgh International (a non wholly-owned subsidiary of the Company) and Putian Medical, pursuant to which Putian Medical shall provide subsidy for and Edinburgh International shall establish and operate the Edinburgh International Hospital in the Mazu International Healthcare City
“Director(s)”	director(s) of the Company
“Edinburgh International”	Edinburgh International Investments Ltd., a company incorporated in Scotland, the United Kingdom with limited liability, and an indirect non wholly-owned subsidiary of the Company
“Edinburgh International Hospital”	a new hospital to be named “Edinburgh International Hospital”, and to be established in the Mazu International Healthcare City
“GEM”	GEM of the Stock Exchange

“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	any person or company and their respective ultimate beneficial owner(s), to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, are not connected persons of the Company and are third parties independent of the Company and its connected persons in accordance with the GEM Listing Rules
“Mazu International Healthcare City”	Mazu International Healthcare City [#] (媽祖國際健康城), being a planned development area to be located in Putian, Fujian, the PRC, with the total planned area of about 168 square kilometres, and the core area is about 13 square kilometres
“Notice”	the Notice of the Putian Municipal People’s Government on Measures to Support the Development of Mazu International Healthcare City [#] (《莆田市人民政府關於支持媽祖國際健康城發展若干措施的通知》(莆政綜[2018]15號)) promulgated by the Putian Municipal People’s Government in January 2018
“PRC” or “China”	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
“Putian Medical”	Putian Medical Healthcare Investment Co., Ltd [#] (莆田市醫療健康產業投資有限公司), a company established under the laws of the PRC
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the issued Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“m ² ”	square metre(s)
“%”	per cent.

By order of the Board
Hua Xia Healthcare Holdings Limited
Ng Chi Lung
Chairman and Executive Director

Hong Kong, 26 September 2018

For the purposes of illustration only, amounts denominated in RMB in this announcement have been translated into HK\$ at the rate of RMB1.00 = HK\$1.137. Such translation should not be constructed 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 translation of Chinese names or words in this announcement, where indicated, is included for information purpose only, and should not be regarded as the official English translation of such Chinese names and words

As at the date of this announcement, the Board comprises Mr. Ng Chi Lung, Dr. Jiang Tao, Mr. Zheng Gang and Mr. Chan Chi Ming, Tony as executive Directors; and Ms. Wong Ka Wai, Jeanne, Dr. Lam Huen Sum and Mr. Liu Chenli as independent non-executive Directors.

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purposes 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 be published on the GEM website at <http://www.hkgem.com> on the “Latest Company Announcement” page for at least 7 days from the date of publication and on the Company’s website at www.huaxia-healthcare.com.