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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)

**SUPPLEMENTAL BUSINESS UPDATE ANNOUNCEMENT
COOPERATION AGREEMENT IN RELATION TO
THE ESTABLISHMENT OF
EDINBURGH INTERNATIONAL HOSPITAL
IN PUTIAN MAZU INTERNATIONAL HEALTHCARE CITY
AND
POSSIBLE NOTIFIABLE TRANSACTION
CONTEMPLATED THEREUNDER**

Reference is made to the announcement of Hua Xia Healthcare Holdings Limited (the “**Company**”) dated 26 September 2018 (the “**Announcement**”), in relation to the Cooperation Agreement and the transactions contemplated thereunder. Capitalised terms used herein shall have the same meanings as those defined in the Announcement unless defined otherwise herein.

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.

EDINBURGH INTERNATIONAL HOSPITAL

As disclosed in the Announcement, Putian Medical, being the representative of the Putian Municipal People’s Government, is the developer and promoter of the Mazu International Healthcare City.

Pursuant to the Cooperation Agreement,

- (a) Putian Medical shall, either as landlord or procure the landlord, provide a piece and parcel of land with existing buildings erected thereon in the Mazu International Healthcare City to Edinburgh International for lease for a term of 20 years;

* *For identification purpose only*

- (b) Edinburgh International, being a lessee, shall rent the buildings from Putian Medical and shall refurbish and convert the buildings into a second-level general hospital premises (二級綜合醫院) with 200 beds and the 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; and
- (c) Putian Medical shall assist Edinburgh International to obtain all the necessary licence, permit and qualification for the refurbishment and operation of the Edinburgh International Hospital.

As at the date of this announcement, Putian Medical has yet identified the building(s) suitable for the establishment of the Edinburgh International Hospital. The refurbishment of the Edinburgh International Hospital has yet commenced.

Putian Medical shall be responsible for all the costs involved in provision of the existing building(s) for the use by Edinburgh International Hospital. If there involves any construction costs, it shall be borne by Putian Medical. After the handover of the building(s) to Edinburgh International, the Group shall commence the refurbishment work in the building(s) and convert them into hospital premises. All the refurbishment costs shall be borne by the Group. For further details of such refurbishment costs, please refer to the paragraph headed “Proposed Asset Acquisition” below.

The Edinburgh International Hospital will be wholly-owned by Edinburgh International while Putian Medical has no interest in the Edinburgh International Hospital. Accordingly, Putian Medical shall not be entitled to any profit generated from the Edinburgh International Hospital, and there shall be no profit sharing arrangement under the Cooperation Agreement. Edinburgh International shall be entitled to all risks and rewards of the Edinburgh International Hospital.

After the establishment of the Edinburgh International Hospital, Edinburgh International shall be responsible for the operation of the Edinburgh International Hospital and shall (a) establish a medical training centre in the hospital; and (b) procure the University of Edinburgh to second medical lecturers, who shall be responsible for preparing the training materials and providing on-the-job training and clinical skills training at the medical training centre.

Should the Edinburgh International Hospital meet the various standards setting out in the Notice, Putian Medical and/or the Putian Municipal People’s Government shall provide subsidies to Edinburgh International in accordance with the Notice.

PROPOSED ASSET ACQUISITION

Pursuant to the Cooperation Agreement, the Group intends to invest an estimated amount of RMB140 million (equivalent to approximately HK\$159 million) (the “**Investment Amount**”) for the refurbishment, establishment and operation of the Edinburgh International Hospital. The Board is of the view that the Investment Amount is only an estimation, and is not capital commitment under the Cooperation Agreement.

The Group intends to set aside approximately HK\$67 million of the Investment Amount for refurbishment costs, property, plant and equipment for the Edinburgh International Hospital (the “**Proposed Assets Acquisition**”), and capitalise those expenditures and account for asset in the financial statement of the Group and account as an acquisition of assets, then amortise them over the shorter of their useful life or the remaining term of the lease. For the rest of the investment amount of approximately HK\$92 million, it is revenue expenditure for the operating cost of the Edinburgh International Hospital, and deducted in full as an expense in the financial statements in the year it is incurred.

When the Group enters into any contract in relation to the refurbishment work, the Group will compute the relevant size test for the transactions contemplated thereunder. Should the relevant applicable percentage ratios (as defined under the GEM Listing Rules) showing that the transactions contemplated under the refurbishment contract constitute a notifiable transaction on the part of the Company and the Company will comply with the relevant requirements under Chapter 19 of GEM Listing Rules.

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

Hong Kong, 12 October 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.

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.