*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*

**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)**

# MAJOR TRANSACTION IN RELATION TO THE DISPOSAL OF THE ENTIRE ISSUED SHARE CAPITAL OF THE TARGET COMPANY

**Financial Advisor to the Company**

**INCU Corporate Finance Limited**

## THE DISPOSAL

On 30 October 2018 (after trading hours of the Stock Exchange), the Vendor, a wholly-owned subsidiary of the Company, and the Purchaser entered into the Disposal Agreement, pursuant to which, the Vendor conditionally agreed to sell and the Purchaser conditionally agreed to purchase the Sale Shares, representing the entire issued share capital of the Target Company, at the Consideration of HK$73,000,000.

Upon Completion, the Target Company will cease to be a subsidiary of the Company and the Company will cease to have any interest in the Target Company. The financial results of the Target Group will no longer be consolidated into the consolidated financial statements of the Group following the Completion.

## GEM LISTING RULES IMPLICATIONS

As one or more of the relevant percentage ratios calculated in accordance with the GEM Listing Rules in respect of the Disposal exceed 25% but below 75%, the Disposal constitutes a major transaction on the part of the Company and is subject to the reporting, announcement, circular and shareholders' approval requirements under Chapter 19 of the GEM Listing Rules.

* *For identification purpose only*

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no Shareholder or any of its close associates has any material interest in the Disposal and the transactions contemplated thereunder, and therefore no Shareholder is required to abstain from voting under the GEM Listing Rules if the Company were to convene a general meeting for the approval of the Disposal. Mr. Ng, an executive Director and a controlling Shareholder, together with his controlled corporation, namely Solar Star, are holding 1,739,459,460 Shares, representing approximately 61.72% of the issued share capital of the Company as at the date of this announcement. Pursuant to Rule 19.44 of the GEM Listing Rules, Mr. Ng and Solar Star have given written approval to approve the Disposal and the transactions contemplated thereunder. Accordingly, the written approval from Mr. Ng and Solar Star will be accepted in lieu of holding a general meeting of the Company for approval of the Disposal and the transactions contemplated thereunder.

## GENERAL

A circular of the Company containing, among other matters, further details of the Disposal and other information as required under the GEM Listing Rules, is expected to be despatched to the Shareholders on or before 20 November 2018.

**Shareholders and potential investors of the Company should note that the Completion is subject to the fulfilment or waiver (as the case may be) of the conditions precedent set out in the Disposal Agreement and therefore may or may not occur. Shareholders and potential investors of the Company are reminded to exercise caution when dealing in the Shares and other securities of the Company.**

## THE DISPOSAL

On 30 October 2018 (after trading hours of the Stock Exchange), the Vendor, a wholly-owned subsidiary of the Company, and the Purchaser entered into the Disposal Agreement, pursuant to which, the Vendor conditionally agreed to sell and the Purchaser conditionally agreed to purchase the Sale Shares.

## THE DISPOSAL AGREEMENT

Set out below are the principal terms of the Disposal Agreement:

**Date**

30 October 2018 (after trading hours of the Stock Exchange)

**Parties**

Purchaser: Mr. Wong Yeuk Hung

Vendor: Ally Health International Limited, a wholly-owned subsidiary of the Company

As at the date of this announcement, to the best of the Directors' knowledge, information and belief having made reasonable enquiries, the Purchaser is an Independent Third Party.

**Assets to be disposed of**

Pursuant to the Disposal Agreement, the Vendor conditionally agreed to sell and the Purchaser conditionally agreed to purchase the Sale Shares, representing the entire issued share capital of the Target Company.

**Consideration**

The Consideration for the sale and purchase of the Sale Shares is HK$73,000,000 and shall be payable by the Purchaser in cash on Completion.

The Consideration was determined between the Vendor and the Purchaser after arm's length negotiation and on normal commercial terms, with reference to (i) the historical performance of the Target Group; (ii) the future business prospects of the Target Group; (iii) the expected costs for renovation work and replacement of medical equipment in Edward Hospital to maintain its competitiveness; and (iv) the benefits to be derived by the Remaining Group from the Disposal as described under the section headed "Reasons for and benefits of the Disposal and use of proceeds" below.

Having considered the above, the Board considers that the Consideration, which was arrived at after arm's length negotiations, is fair and reasonable and is in the interests of the Company and the Shareholders as a whole.

**Conditions precedent**

Completion shall be conditional upon and subject to the satisfaction or waiver (where applicable) of the following conditions:

(a) the passing by the Shareholders at an extraordinary general meeting to be convened and held, or by written approval of the majority of the Shareholders, the necessary resolution(s) to approve the Disposal Agreement and the transactions contemplated thereunder;

(b) all necessary consents, licenses and approvals required to be obtained on the part of the Purchaser in respect of the Disposal Agreement and the transactions contemplated thereunder having been obtained and remaining in full force and effect;

(c) all necessary consents, licenses and approvals required to be obtained on the part of the Vendor in respect of the Disposal Agreement and the transactions contemplated thereunder having been obtained and remaining in full force and effect;

(d) the representation and warranties given by the Vendor under the Disposal Agreement remaining true and accurate in all material respects; and

(e) the representation and warranties given by the Purchaser under the Disposal Agreement remaining true and accurate in all material respects.

The Purchaser may at any time by notice in writing waive the condition (d) set out above. The Vendor may at any time by notice in writing waive the condition (e) set out above. Conditions (a), (b) and (c) set out above are incapable of being waived. The Vendor shall use its best endeavours to procure the fulfilment of the conditions (a), (c) and (d) set out above, and the Purchaser shall use its best endeavours to procure the fulfilment of the conditions (b) and (e) set out above.

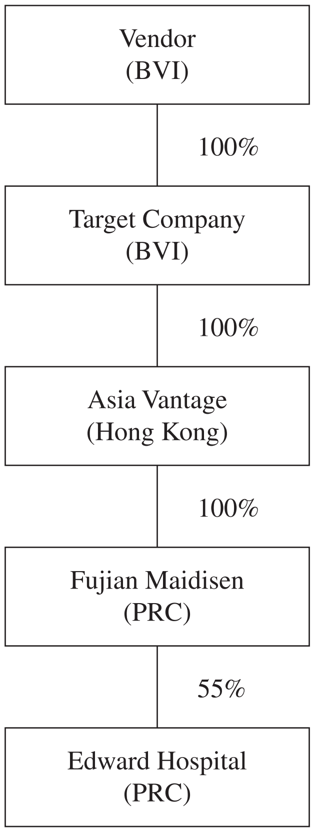
If the conditions set out above have not been satisfied (or as the case may be, waived) on or before 4:00 p.m. on 31 March 2019, or such later date as the Vendor and the Purchaser may agree in writing, the Disposal Agreement shall cease and determine. Thereafter, neither party shall have any obligations and liabilities towards each other under the Disposal Agreement save for any antecedent breaches of the terms thereof.

**Completion**

Upon compliance with or fulfilment (or wavier) of all the above conditions, the Completion shall take place on the Completion Date.

## INFORMATION OF THE TARGET GROUP

As at the date of this announcement, the shareholding structure of the Target Group is as follows:




The Target Group consists of (i) the Target Company; (ii) Asia Vantage; (iii) Fujian Maidisen; and (iv) Edward Hospital.

The Target Company is an investment holding company incorporated in the BVI with limited liability, which is directly wholly-owned by the Vendor. Asia Vantage is an investment holding company incorporated in Hong Kong with limited liability, which is directly wholly-owned by the Target Company.

Fujian Maidisen is a company established under the laws of the PRC, which is directly wholly-owned by Asia Vantage. Fujian Maidisen is principally engaged in consultancy, investment, research and development of medical management information systems.

Edward Hospital is a company established under the laws of the PRC, which is directly owned as to 55% by Fujian Maidisen and in aggregate 45% by three Independent Third Parties. Edward Hospital is an indirect non wholly-owned subsidiary of the Company, which is principally engaged in the provision of general medical services in Chongqing, the PRC.

Set out below is a summary of the key financial data of the Target Group based on the unaudited consolidated management accounts for the two financial years ended 31 March 2018:

| | **For the year ended 31 March 2017 (unaudited)** *HK$'000* | **For the year ended 31 March 2018 (unaudited)** *HK$'000* |
|---|---|---|
| Revenue | 95,031 | 114,053 |
| Profit before tax | 6,524 | 10,001 |
| Profit after tax | 5,169 | 8,659 |

The unaudited net asset value of the Target Group as at 31 July 2018 was approximately HK$116.6 million.

## FINANCIAL EFFECT OF THE DISPOSAL

As at the date of this announcement, the Target Company is a wholly-owned subsidiary of the Company. Upon Completion, the Target Company will cease to be a subsidiary of the Company and the Company will cease to have any interest in the Target Company. The financial results of the Target Group will no longer be consolidated into the consolidated financial statements of the Group following the Completion.

Based on the estimated net proceeds from the Disposal of HK$72.3 million and the Company's carrying value of the Sale Shares of approximately HK$81.9 million as at 31 July 2018, it is estimated that the Company will record a loss of approximately HK$9.6 million as a result of the Disposal. The actual gain or loss to be recorded by the Company is subject to final audit to be performed by the auditors of the Company.

## INFORMATION OF THE GROUP AND THE VENDOR

### The Group

The Company is an investment holding company incorporated in the Cayman Islands as an exempted company with limited liability. The Group is principally engaged in the provision of general hospital services in the PRC.

### The Vendor

The Vendor, a company incorporated in the BVI with limited liability, is a direct wholly-owned subsidiary of the Company. The Vendor is an investment holding company.

## REASONS FOR AND BENEFITS OF THE DISPOSAL AND USE OF PROCEEDS

### Capital requirement for renovation of Edward Hospital

Among all the existing hospitals operated by the Group, Edward Hospital is the first hospital acquired by the Group. Edward Hospital was established in 2005. Since 2005, the number of privately-run hospitals in the PRC has increased approximately five folds from approximately 3,220 hospitals in 2005 to 17,150 hospitals in 2017. Among the four municipalities directly under the central government of the PRC, Chongqing has the largest number of hospitals. In the first half of 2017, there were 732 Chongqing hospitals, comprising approximately 500 privately-run hospitals. It was reported that the number of hospitals in Chongqing turned out to be 2.1 times that of Shanghai. Hence, the competition of healthcare industry in Chongqing is very keen. Edward Hospital was built for more than a decade, the shareholders of which, including the Group and the 45% minority shareholders, have recently discussed and shared the same vision that Edward Hospital should have a large scale of renovation work in order to maintain its competitiveness, otherwise Edward Hospital would be out-beat by its rivalries. However, having the renovation denotes that the Group has to inject further capital to Edward Hospital. Further, during the renovation period, Edward Hospital has to close down certain of its services. This will further hinder its performance during the material times.

**Capital requirement for establishment and operation of Edinburgh International Hospital**

As disclosed in the Cooperation Announcements, it is the Group's key future plan to leverage on the expertise and branding effect of the University of Edinburgh (its medical school being one of the top medical schools in the United Kingdom), to develop and establish Edinburgh International Hospital in the PRC through the Cooperation with the Putian Government. The Group intends to invest approximately RMB140.0 million (equivalent to approximately HK$159.3 million) to build the first flagship "Edinburgh International Hospital" in the Mazu International Healthcare City, of which (i) approximately HK$67 million would be used for refurbishment costs, property, plant and equipment for Edinburgh International Hospital; and (ii) the remaining amount of approximately HK$92 million would be used for the operating cost of Edinburgh International Hospital.

The injection of fund for Edinburgh International Hospital development and Edward Hospital renovation will tighten the Group's resources as the Group does not have sufficient fund to support both projects simultaneously. Having compared the prospect of Edinburgh International Hospital and Edward Hospital and having deliberated the Putian Government's subsidy in respect of the Mazu International Healthcare City while the renovation and improvement work on Edward Hospital has no guarantee on the Target Group's future performance, the Directors are of the view that the Disposal would allow the Group to free up resources to focus on its key development project so that the Group could optimise the performance of Edinburgh International Hospital.

The Directors are of the view that, (i) given that both the renovation work on Edward Hospital and the Cooperation require funding from the Group, there would be pressure on the Group's working capital if the Group proceeds with both projects; (ii) the renovation work on Edward Hospital will tighten the Group's resources as there is no guarantee on the Target Group's future performance and the prospect is uncertain, while the Disposal would allow the Group to free up resources to focus on developing its existing business, and optimise the performance of Edinburgh International Hospital under the Cooperation with the Putian Government; (iii) the Group has recently encountered a potential purchaser who has interest in acquiring the Group's controlling stake in Edward Hospital; (iv) taking into account the future business prospects of the Target Group, which will undergo quite a long period of renovation and its performance may be cutback in the coming few years, the consideration of the Disposal is fair and reasonable; and (v) considering the recent stock market crash, the economic prospect and market conditions tend to be poor, as a result it would be more difficult for the Company to conduct equity fundraising when the public becomes more conservative and pessimistic. Accordingly, the Directors are of the view that the Disposal, and the terms of the Disposal Agreement (including the Consideration) and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The Company currently intends to continue to operate its existing business, including the development of Edinburgh International Hospital. The Directors will continue to review the Group's existing business from time to time. Nevertheless, currently the Company has no intention nor has the Company entered, or proposed to enter, into any agreement, arrangement, understanding or undertaking, whether formal or informal and whether express or implied, and any negotiation (whether concluded or not) with an intention to dispose of, downsize of or terminate the existing business of the Company.

The net proceeds from the Disposal will be approximately HK$72.3 million, of which (i) approximately HK$33.5 million will be used for refurbishment costs, property, plant and equipment for Edinburgh International Hospital; and (ii) the remaining amount of approximately HK$38.8 million will be used for the operating cost of Edinburgh International Hospital.

## GEM LISTING RULES IMPLICATION

As one or more of the relevant percentage ratios calculated in accordance with the GEM Listing Rules in respect of the Disposal exceed 25% but below 75%, the Disposal constitutes a major transaction on the part of the Company and is subject to the reporting, announcement, circular and shareholders' approval requirements under Chapter 19 of the GEM Listing Rules.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no Shareholder or any of its close associates has any material interest in the Disposal and the transactions contemplated thereunder, and therefore no Shareholder is required to abstain from voting under the GEM Listing Rules if the Company were to convene a general meeting for the approval of the Disposal. Mr. Ng, an executive Director and a controlling Shareholder, together with his controlled corporation, namely Solar Star, are holding 1,739,459,460 Shares, representing approximately 61.72% of the issued share capital of the Company as at the date of this announcement. Pursuant to Rule 19.44 of the GEM Listing Rules, Mr. Ng and Solar Star have given written approval to approve the Disposal and the transactions contemplated thereunder. Accordingly, the written approval from Mr. Ng and Solar Star will be accepted in lieu of holding a general meeting of the Company for approval of the Disposal and the transactions contemplated thereunder.

## GENERAL

A circular of the Company containing, among other matters, further details of the Disposal and other information as required to be disclosed under the GEM Listing Rules, is expected to be despatched to the Shareholders on or before 20 November 2018.

**Shareholders and potential investors of the Company should note that the Completion is subject to the fulfilment or waiver (as the case may be) of the conditions precedent set out in the Disposal Agreement and therefore may or may not occur. Shareholders and potential investors of the Company are reminded to exercise caution when dealing in the Shares and other securities of the Company.**

## DEFINITIONS

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

| | |
|---|---|
| "Asia Vantage" | Asia Vantage Investments Limited（世德投資有限公司）, a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company |
| "Board" | board of the Directors |
| "Business Day(s)" | A day (other than a Saturday, Sunday or public holiday) on which licensed banks are generally open for business in Hong Kong throughout their normal business hours |
| "BVI" | British Virgin Islands |
| "Company" | Hua Xia Healthcare Holdings Limited, an exempted company incorporated in the Cayman Islands with limited liability and the issued Shares of which are listed on GEM |
| "Completion" | completion of the Disposal in accordance with the terms and conditions of the Disposal Agreement |
| "Completion Date" | a date falling on or before the third Business Day after the fulfilment (or as appropriate, waiver) of the conditions set out in the Disposal Agreement or such other date as the Vendor and the Purchaser may agree in writing |
| "Consideration" | the consideration of HK$73,000,000 payable by the Purchaser for the Disposal in accordance with the terms and conditions of the Disposal Agreement |

| | |
|---|---|
| "Cooperation" | the establishment and operation of the Edinburgh International Hospital pursuant to the cooperation agreement dated 26 September 2018 with 莆田市醫療健康產業投資有限公司 (Putian Medical Healthcare Investment Co., Ltd#), being the representative of the Putian Government |
| "Cooperation Announcements" | the announcements of the Company dated 26 September 2018 and 12 October 2018 in relation to the Cooperation |
| "Director(s)" | director(s) of the Company |
| "Disposal" | the proposed disposal of the Sales Shares by the Vendor to the Purchaser pursuant to the Disposal Agreement |
| "Disposal Agreement" | the conditional sale and purchase agreement dated 30 October 2018 entered into between the Purchaser and the Vendor relating to the Disposal |
| "Edinburgh International Hospital" | a new hospital to be named "Edinburgh International Hospital", and to be established in the Mazu International Healthcare City |
| "Edward Hospital" | 重慶愛德華醫院有限公司 (Edward Hospital Company Limited#), a company established under the laws of the PRC with limited liability and an indirect non wholly-owned subsidiary of the Company |
| "Fujian Maidisen" | 福建邁迪森實業有限公司 (Fujian Maidisen Enterprises Company Limited#), a company established under the laws of the PRC with limited liability and an indirect wholly-owned subsidiary of the Company |
| "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)" | independent third party(ies) who is(are) not connected with the Company and its connected persons (as defined in the GEM Listing Rules) |
| "Mazu International Healthcare City" | 媽祖國際健康城 (Mazu International Healthcare City#), being a planned development area to be located in Putian, Fujian, the PRC |
| "Mr. Ng" | Mr. Ng Chi Lung, an executive Director and a controlling Shareholder, together with Solar Star are holding 1,739,459,460 Shares, representing approximately 61.72% of the issued share capital of the Company as at the date of this announcement |
| "PRC" | 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 |
| "Purchaser" | Mr. Wong Yeuk Hung, an Independent Third Party |
| "Putian Government" | the Putian Municipal People's Government, the PRC |
| "Remaining Group" | the Group, excluding the Target Group |
| "Sale Shares" | 1,573 issued shares of US$1 each in the share capital of the Target Company, being the entire issued share capital of the Target Company |
| "Share(s)" | ordinary shares of HK$0.01 each in the share capital of the Company |
| "Shareholder(s)" | holder(s) of the issued Share(s) |
| "Solar Star" | Solar Star Global Limited, a company incorporated in the BVI with limited liability, and controlled by Mr. Ng. As at the date of this announcement, Solar Star is a controlling Shareholder which is holding 1,680,459,460 Shares, representing approximately 59.63% of issued share capital of the Company |
| "Stock Exchange" | The Stock Exchange of Hong Kong Limited |
| "Target Company" | Hero Vision Enterprises Limited (雄景企業有限公司), a company incorporated in the BVI with limited liability and an indirect wholly-owned subsidiary of the Company |

| | |
|---|---|
| "Target Group" | the Target Company and its subsidiaries |
| "US$" | United States dollar(s), the lawful currency of the United States of America |
| "Vendor" | Ally Health International Limited（康匯國際有限公司）, a company incorporated in the BVI with limited liability and a direct wholly-owned subsidiary of the Company |
| "HK$" | Hong Kong dollar(s), the lawful currency of Hong Kong |
| "RMB" | Renminbi, the lawful currency of the PRC |
| "%" | per cent. |

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

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

Hong Kong, 30 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; Ms. Wong Ka Wai, Jeanne, Dr. Lam Huen Sum and Mr. Liu Chenli as independent non-executive Directors.*

*This announcement, for which the Directors of the issuer 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 issuer. 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 document 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 http://www.huaxia-healthcare.com.*