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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Hua Xia Healthcare Holdings Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser or the transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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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)

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

Financial adviser to the Company



INCU Corporate Finance Limited

Capitalised terms used in this cover page shall have the same meanings as those defined in this circular unless otherwise stated.

A letter from the Board is set out on pages 5 to 17 of this circular.

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. This circular is being despatched to the Shareholders for information only.

20 November 2018

* For identification purpose only

CONTENTS

	<i>Page</i>
DEFINITIONS	1
LETTER FROM THE BOARD	5
APPENDIX I – FINANCIAL INFORMATION OF THE GROUP	I-1
APPENDIX II– GENERAL INFORMATION	II-1

CHARACTERISTICS OF GEM

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a high investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions shall have the following meanings:

“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”	the board of 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”	the 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
“Cooperation Agreement”	the cooperation agreement dated 26 September 2018 entered into between Edinburgh International and Putian Medical (the representative of the Putian Government), 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

DEFINITIONS

“Cooperation Announcements”	the announcements of the Company dated 26 September 2018 and 12 October 2018 respectively 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”	Edinburgh International Investments Ltd. (previously known as Future Health Investments (Scotland) 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
“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)

DEFINITIONS

“Latest Practicable Date”	16 November 2018, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“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 were holding 1,739,459,460 Shares, representing approximately 61.72% of the issued share capital of the Company as at the Latest Practicable Date
“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 Government in January 2018
“PRC”	the People’s Republic of China, which for the purpose of this circular, 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
“Putian Medical”	莆田市醫療健康產業投資有限公司(Putian Medical Healthcare Investment Co., Ltd [#]), a company established under the laws of the PRC, being the representative of the Putian Government
“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
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)

DEFINITIONS

“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 Latest Practicable Date, Solar Star is a controlling Shareholder which was 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
“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
“US\$”	United States dollar(s), the lawful currency of the United States of America
“%”	per cent.

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

For the purpose of this circular, unless the context otherwise requires or expressly specified, conversion of Renminbi into Hong Kong dollars is based on the approximate exchange rate of RMB1.00 to HK\$1.137. Such exchange rate is for the purpose of illustration only and does not constitute a representation that any amounts in Hong Kong dollars or Renminbi has been, could have been or may be converted at such or any other rate or at all.

LETTER FROM THE BOARD



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)

Executive Directors:

Mr. Ng Chi Lung

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Mr. Zheng Gang

Mr. Chan Chi Ming, Tony

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Dr. Lam Huen Sum

Mr. Liu Chenli

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

19/F, New Wing

101 King's Road

Hong Kong

20 November 2018

To the Shareholders

Dear Sir/Madam,

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

INTRODUCTION

Reference is made to the announcement of the Company dated 30 October 2018 in relation to the Disposal and the transactions contemplated thereunder.

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.

* For identification purpose only

LETTER FROM THE BOARD

Mr. Ng, an executive Director and a controlling Shareholder, together with his controlled corporation, namely Solar Star, were holding 1,739,459,460 Shares, representing approximately 61.72% of the issued share capital of the Company as at the Latest Practicable Date. No Shareholders have any material interest in the Disposal and are required to abstain from voting if the Company were to convene a general meeting for approving the Disposal. 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.

The purpose of this circular is to provide you with, among other things, further details of the Disposal and the transactions contemplated thereunder, and other information as required to be disclosed under the GEM Listing Rules.

THE DISPOSAL AGREEMENT

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

Date: 30 October 2018

Purchaser: Mr. Wong Yeuk Hung

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

The Purchaser is experienced in property development and investment in the PRC.

The Group first came into contact with the Purchaser through Mr. Ng, who became personally acquainted with the Purchaser in a business event. To the best of the Directors' knowledge, there is no agreement, arrangement, understanding or undertaking, whether formal or informal, express or implied, signed and no other relationship between the Purchaser and Mr. Ng.

As at the Latest Practicable Date, to the best of the Directors' knowledge, information and belief, having made all 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.

LETTER FROM THE BOARD

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 (the "**Renovation Costs**") in Edward Hospital to maintain its competitiveness amounting to approximately RMB38 million (equivalent to approximately HK\$43.2 million); 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" in this circular.

The Directors are aware that the Consideration represents a discount to the Target Group's net assets value. Nevertheless, the Directors considered that the discount is in normal commercial terms taking into account of the low marketability of the shares in the Target Company due to its private company nature. After the Company's efforts in marketing the Sale Shares, the Purchaser was the only interested party who offered a price with acceptable discount. In addition, the Directors are of the view that the Disposal allows the Group to realise its investment to meet the expected financing needs for Edinburgh International Hospital. Having taken into account the current working capital position of the Group, the Directors consider that the Group will not have sufficient fund to finance both the Renovation Costs of Edward Hospital and the development and operation of Edinburgh International Hospital, the Disposal is considered as the best existing option available to the Group. As disclosed in the Cooperation Announcements, the Group's key future plan is to leverage on the expertise and branding effect of the Edinburgh University, to develop and establish high-end Edinburgh International Hospital in the PRC through the cooperation with the Putian Government, the Group intends to invest approximately RMB140 million (equivalent to approximately HK\$159.3 million), comprising estimated capital expenditure of approximately HK\$67 million and the subsequent working capital fund of approximately HK\$92 million, to build the first flagship Edinburgh International Hospital in the Mazu International Healthcare City. The Group intends to set aside the entire amount of the capital expenditure of approximately HK\$67 million for initial funding need of the Edinburgh International Hospital. The funding arrangement of the subsequent working capital fund will be subject to various factors, among others, the actual circumstances of the operations of Edinburgh International Hospital and the timing of obtaining subsidies from the Putian Government. Having compared the prospect of the Edinburgh International Hospital and the Edward Hospital and having deliberated the Putian Government's subsidy in respect of the Mazu International Healthcare City while the improvement work in Edward Hospital has no guarantee on the Target Group's 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 the Edinburgh International Hospital. The Directors believe that despite the fact that the Disposal may result in loss on disposal in current year, it will bring about positive impact on the Group's sustainability and profitability in long run.

Having considered the above, the Directors consider 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.

LETTER FROM THE BOARD

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.

As at the Latest Practicable Date, save for condition (a) has been fulfilled, none of the above conditions precedent had been fulfilled. The Directors expect that the Completion will take place on or before 31 January 2019.

LETTER FROM THE BOARD

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 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.

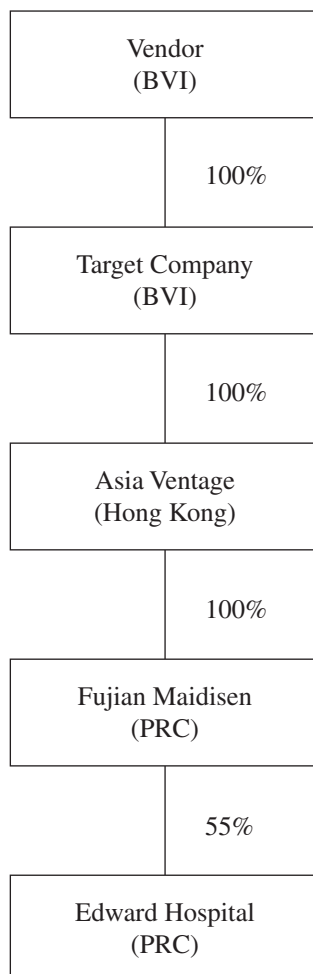
The Vendor

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.

LETTER FROM THE BOARD

INFORMATION OF THE TARGET COMPANY

As at Latest Practicable Date, the shareholding structure of the Target Group was 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.

LETTER FROM THE BOARD

Fujian Maidisen is a company established under the laws of the PRC on 27 December 2006, which is directly wholly-owned by Asia Vantage. Fujian Maidisen is principally engaged in consultancy, investment, research and development of medical management information systems which mainly support the operation and administration of Edward Hospital. Since the main operation of the Target Group is borne by Edward Hospital, the financial impact of the disposal of Fujian Maidisen is minimal and collectively included in the Target Group under the section headed “FINANCIAL EFFECT OF THE DISPOSAL”.

Edward Hospital is a company established under the laws of the PRC on 25 May 2005, which is directly owned as to 55% by Fujian Maidisen and in aggregate 45% by three Independent Third Parties which are companies established under the laws of the PRC. Each of the three minority shareholders of Edward Hospital is engaged in investment holding. The three minority shareholders of Edward Hospital are in turn owned by three individual PRC residents respectively who are also Independent Third Parties. The three minority shareholders of Edward Hospital have been the existing shareholders since the Target Group was acquired by the Group in 2007. Edward Hospital is an indirect non wholly-owned subsidiary of the Company, which is principally engaged in the provision of general medical services including but not limited to medicine ward, surgical ward, cosmetic surgery, dermatology department and medical checkup and examination in Chongqing, the PRC.

FINANCIAL SUMMARY OF THE TARGET GROUP

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

For the year ended 31 March 2018, the increase in revenue and profit of the Target Group from the previous year was mainly attributable to the increase in sales of medicines supplied to individual patients in Edward Hospital during the year.

LETTER FROM THE BOARD

The unaudited net asset value of the Target Group as at 31 July 2018 was approximately HK\$116.6 million. Excluding minority interests in Edward Hospital, the unaudited net asset value of the Target Group attributable to the Sale Shares as at 31 July 2018 was approximately HK\$81.9 million.

FINANCIAL EFFECT OF THE DISPOSAL

As at Latest Practicable Date, the Target Company was 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 in the consolidated financial statements of the Group following the Completion.

Assets and liabilities

Having taken into account the Consideration and the unaudited net asset value of the Target Group as at 31 July 2018, it is estimated that upon Completion, the total assets of the Group will be decreased by approximately HK\$31.7 million. The total liabilities of Group will be increased by approximately HK\$12.6 million. It is estimated that the net assets of the Group will have a decrease of approximately HK\$44.3 million.

Earnings

Based on the estimated net proceeds from the Disposal of HK\$72.3 million (after deducting of estimated professional fees and other related expanses of approximately HK\$0.7 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.

LETTER FROM THE BOARD

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 and became the subsidiary of the Group in 2007. Edward Hospital was established in 2005. Since 2005, the number of privately-run hospitals in the PRC has increased approximately six folds from approximately 3,200 hospitals in 2005 to 19,500 hospitals in mid-2018. 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 approximately 730 Chongqing hospitals, comprising approximately 500 privately-run hospitals. It is 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 more than a decade ago, the shareholders of which, including the Group and the 45% minority shareholders, have recently discussed and all have agreed 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. It is estimated that the Renovation Costs will be approximately RMB38 million (equivalent to approximately HK\$43.2 million). 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, the Group's key future plan is 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 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 Group intends to set aside the entire amount of the capital expenditure of approximately HK\$67 million for initial funding need of the Edinburgh International Hospital. The funding arrangement of the subsequent working capital fund of approximately HK\$92 million will be subject to various factors, among others, the actual circumstances of the operations of Edinburgh International Hospital and the timing of obtaining subsidies from the Putian Government.

LETTER FROM THE BOARD

As disclosed in the Cooperation Announcements, the Group intends to set aside approximately HK\$67 million for refurbishment costs, property, plant and equipment for the Edinburgh International Hospital. According to the tentative set up plan, 88% of such amount (i.e. approximately HK\$59.0 million) is expected to be incurred before June 2020.

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 to achieve greater benefits for the Group.

In January 2018, the Putian Government promulgated the Notice with the aim to support the development of the Mazu International Healthcare City. In the Notice, the Putian Government set out some preferential policies to attract renowned medical institutions to set up world-class hospitals in the Mazu International Healthcare City, which include but not limited to the followings:

- *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.
- *Rental subsidy*: hospital institutions can enjoy a special rent of not more than RMB20 per square metres 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.

Pursuant to the Cooperation Agreement, Edinburgh International Hospital shall be a Class II general hospital[#] (二級綜合醫院) consisting of approximately 200 beds. Accordingly, Edinburgh International and/or Edinburgh International Hospital shall be entitled to the start-up operation subsidy in the amount of approximately RMB20 million (calculated based on RMB100,000 per bed for 200 beds), subject to finalisation of the funding agreement to be entered into between Edinburgh International Hospital and the Putian Government. The rental subsidy entitled by the Group shall depend on the floor area of Edinburgh International Hospital. The amount of subsidies entitled by the Group is an estimate only and may be adjusted depending on the circumstances of Edinburgh International Hospital upon the completion of the refurbishment of Edinburgh International Hospital.

LETTER FROM THE BOARD

Apart from realising the investment in the Target Group, the Directors have also considered other fundraising alternatives such as equity fundraising and debt financing.

Considering the recent stock market crash, the economic prospect and market conditions tend to be poor, the Directors are of the view that it would be more difficult for the Company to conduct equity fundraising when the public becomes more conservative and pessimistic. With respect to debt financing, given the loss making position of the Group in the past two financial years, the Company encountered difficulties in obtaining banking facilities. The Group had also explored the possibility to raise funds by the issue of straight bonds and/or convertible bonds, but no investors showed any interest in these products as at the Latest Practicable Date. Hence, with consideration of other factors discussed in this section, the Directors are of the view that realising the investment in the Target Group through the Disposal is the most appropriate way to finance the funding need in relation to the Edinburgh International Hospital.

The Directors are of the view that, (i) given that both the renovation work on Edward Hospital and the Edinburgh International Hospital require a significant amount of 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 the Purchaser who has interest in acquiring the Group's controlling stake in Edward Hospital; and (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. 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.

Prior to Completion, the Group operated four general hospitals in Chongqing, Jiaxing, Zhuhai and Beijing in the PRC, and is principally engaged in the provision of hospital services, including but not limited to medical wards, surgical wards, cosmetic surgery, dermatology and medical checkup and examination. Upon Completion, the Group shall continue to operate the three remaining general hospitals in Jiaxing, Zhuhai and Beijing in the PRC, and shall continue to be principally engaged in the provision of hospital services, including but not limited to medical wards, surgical wards, cosmetic surgery, dermatology and medical checkup and examination. Further, as disclosed the Cooperation Announcements, the Group shall refurbish and operate Edinburgh International Hospital in Putian in the PRC, being a general hospital consisting 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.

LETTER FROM THE BOARD

The Company currently intends to continue to operate its existing business, including the development of the 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 or terminate the existing business of the Company.

As at the Latest Practicable Date, the Company had no intention or plan to enter into or proposed to enter into any agreement, arrangement, understanding or undertaking, whether formal or informal, express or implied and any negotiation (whether concluded or not) to acquire any new businesses.

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, were holding 1,739,459,460 Shares, representing approximately 61.72% of the issued share capital of the Company as at the Latest Practicable Date. 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.

LETTER FROM THE BOARD

ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices to this circular.

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.

Yours faithfully,
For and on behalf of the Board
Hua Xia Healthcare Holdings Limited
Ng Chi Lung
Chairman and Executive Director

I. FINANCIAL INFORMATION OF THE GROUP

Details of the financial information of the Group for (i) each of the three financial years ended 31 March 2016, 2017 and 2018; (ii) the three months ended 30 June 2018; and (iii) the six months ended 30 September 2018 are disclosed in the following documents which have been published on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.huaxia-healthcare.com/>):

- interim report of the Company for the six months ended 30 September 2018 (pages 3 to 16)
<http://www3.hkexnews.hk/listedco/listconews/GEM/2018/1113/GLN20181113063.pdf>
- first quarterly report of the Company for the three months ended 30 June 2018 (pages 3 to 8)
<http://www3.hkexnews.hk/listedco/listconews/GEM/2018/0813/GLN20180813255.pdf>
- annual report of the Company for the financial year ended 31 March 2018 (pages 67 to 231)
<http://www.hkexnews.hk/listedco/listconews/GEM/2018/0628/GLN20180628085.pdf>
- annual report of the Company for the financial year ended 31 March 2017 (pages 73 to 247)
<http://www.hkexnews.hk/listedco/listconews/GEM/2017/0629/GLN20170629065.pdf>
- annual report of the Company for the financial year ended 31 March 2016 (pages 57 to 223)
<http://www.hkexnews.hk/listedco/listconews/GEM/2016/0629/GLN20160629085.pdf>

II. INDEBTEDNESS STATEMENT

As at the close of business on 30 September 2018, being the latest practicable date for the purpose of preparing this indebtedness statement prior to the printing of this circular, the Group had the following outstanding indebtedness:

	Total <i>HK\$'000</i>
Non-current liabilities:	
Unsecured promissory note	<u>22,358</u>
Current liabilities	
Secured bank borrowings	<u>9,116</u>
Total	<u><u>31,474</u></u>

As at 30 September 2018, the unsecured promissory note, measured at amortised cost by using the effective interest method, with outstanding principal amount of HK\$23,000,000 bear interest at a rate of 1% per annum payable semi-annually in arrears. The maturity date of the unsecured promissory note is 7 March 2020. The promissory note is unsecured and non-guaranteed. As at 30 September 2018, the secured bank borrowings of RMB8,000,000 (approximately HK\$9,116,000) carried variable interest rates at 6.09% per annum. The bank borrowings were secured by prepaid lease payments and personal guarantee. All the secured bank borrowings were denominated in RMB and repayable within one year or on demand.

Pledge of assets

As at 30 September 2018, the net carrying amount of the assets which pledged to secure the bank borrowings of the Group was as follows:

	<i>HK\$'000</i>
Prepaid lease payments	<u>20,933</u>

Contingent liabilities

As at the close of business on 30 September 2018, being the latest practicable date for the purpose of this indebtedness statement, the Group had no material contingent liabilities outstanding.

Disclaimer

Save as aforesaid above, at the close of business on 30 September 2018, the Directors confirmed that the Group did not have any outstanding mortgages, charges, debentures or other loan capital or bank overdrafts, loans debt securities or other similar indebtedness, liabilities under acceptances or acceptances credits or hire purchase commitments, or any guarantees or any contingent liabilities. The Directors have confirmed that, save as disclosed above, there has not been any material change in the indebtedness and contingent liabilities of the Group since 30 September 2018.

III. WORKING CAPITAL

The Directors are of the opinion that taking into account the existing banking and other borrowing facilities available, the existing cash and bank balances and the effect of the Disposal, the Group has sufficient working capital for its present requirements, that is for at least the next 12 months from the date of publication of this circular.

IV. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

Upon Completion, the Group will continue to be principally engaged in the provision of general hospital services in the PRC. 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 Company currently intends to continue to operate its existing business, including the development of the Edinburgh International Hospital. On 26 September 2018, Edinburgh International and Putian Medical entered into the Cooperation Agreement, the purpose of which is to develop and expand cooperation between the Group and the Putian 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 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 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.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors 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 Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular 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 circular misleading.

2. DISCLOSURE OF INTERESTS

(a) Interests of Directors and chief executives of the Company

As at the Latest Practicable Date, the interests and short positions of the Directors and the chief executive of the Company in the Shares, underlying Shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which are required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by Directors to be notified to the Company and the Stock Exchange, were as follows:

Long position in the Shares and underlying shares of the Company

Name of Director	Nature of interest	Total number of Shares and underlying shares of the Company	Approximate percentage of the issued share capital of the Company
Mr. Ng Chi Lung	Personal interest (<i>Note</i>)	59,000,000	2.09%
	Corporate interest (<i>Note</i>)	1,680,459,460	59.63%
Dr. Jiang Tao	Personal interest	9,300,000	0.33%
Mr. Zheng Gang	Personal interest	6,044,000	0.21%

Note: Solar Star is interested in 1,581,959,460 Shares (representing approximately 56.13% of effective voting rights) and 98,500,000 convertible preference shares (with no voting rights) of the Company. The issued share capital of Solar Star is owned as to 50% by Mr. Ng Chi Lung, 25% by Ms. Ng Si Wing and 25% by Ms. Ng Yin. Mr. Ng Chi Lung is deemed to be interested in the shares and the convertible preference shares in which Solar Star is interested in under Part XV of the SFO.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors nor the chief executive of the Company had or was deemed to have any interests and short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which are required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers set out in Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

(b) Interests of substantial Shareholders

As at the Latest Practicable Date, so far as any Directors were aware, the interest or short positions owned by the following parties (other than the Directors or chief executive of the Company) in the Shares, underlying Shares or debentures of the Company which are required to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO or which were required to be recorded in the register of the Company required to be kept under section 336 of the SFO were as follows:

Long position in the Shares and underlying shares of the Company

Name	Capacity/Nature of interest	Number of Shares and underlying shares of the Company	Approximate percentage of the issued share capital of the Company
Solar Star Global Limited	Beneficial owner (Note 1)	1,680,459,460	59.63%
Ms. Cheng Wai Yin	Interest of spouse (Note 2)	1,739,459,460	61.72%
New Hope International (Hong Kong) Limited ("New Hope International")	Beneficial owner (Note 3)	343,217,539	12.18%
Southern Hope Enterprise Co., Ltd. [#] (南方希望實業有限公司)	Interest in controlled corporation (Note 3)	343,217,539	12.18%
New Hope Group Co., Ltd. [#] (新希望集團有限公司)	Interest in controlled corporation (Note 3)	343,217,539	12.18%

Name	Capacity/Nature of interest	Number of Shares and underlying shares of the Company	Approximate percentage of the issued share capital of the Company
Tibet Hengye Feng Industrial Co., Ltd. [#] (西藏恒業峰實業有限公司)	Interest in controlled corporation (Note 3)	343,217,539	12.18%
Mr. Liu Yonghao	Interest in controlled corporation (Note 3)	343,217,539	12.18%
Ms. Liu Chang	Interest in controlled corporation (Note 3)	343,217,539	12.18%
Ms. Li Wei	Interest of spouse (Note 4)	343,217,539	12.18%

Notes:

- (1) Solar Star is interested in 1,581,959,460 Shares (representing approximately 56.13% of effective voting rights) and 98,500,000 convertible preference shares (with no voting rights) of the Company. The issued share capital of Solar Star is owned as to 50% by Mr. Ng Chi Lung, 25% by Ms. Ng Si Wing and 25% by Ms. Ng Yin. Mr. Ng Chi Lung is deemed to be interested in the Shares and the convertible preference shares in which Solar Star is interested in under Part XV of the SFO.
- (2) Ms. Cheng Wai Yin is the spouse of Mr. Ng Chi Lung. Ms. Cheng Wai Yin is deemed to be interested in the Shares and the convertible preference shares in which Mr. Ng Chi Lung is interested in under Part XV of the SFO.
- (3) New Hope International is interested in 343,217,539 shares of the Company. The issued share capital of New Hope International is owned as to 75% by Southern Hope Enterprise Co., Ltd.[#] which is in turn owned as to 51% by New Hope Group Co., Ltd.[#] and as to 49% by Tibet Hengye Feng Industrial Co., Ltd.[#] 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. Mr. Liu Yonghao and Ms. Liu Chang are deemed to be interested in the Shares in which New Hope International is interested in under Part XV of the SFO.
- (4) Ms. Li Wei is the spouse of Mr. Liu Yonghao. Ms. Li Wei is deemed to be interested in the Shares in which Mr. Liu Yonghao is interested in under Part XV of the SFO.

Save as disclosed above and as at the Latest Practicable Date, the Directors were not aware of any interests or short positions owned by any persons (other than the Directors or chief executives of the Company) in the Shares or underlying shares of the Company which were required to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO or which were required to be recorded in the register of the Company required to be kept under section 336 of the SFO.

4. LITIGATION

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries was engaged in any litigation or arbitration of material importance and no litigation, arbitration or claim of material importance was known to the Directors to be pending or threatened against any member of the Group.

5. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any service contract with the Company or any of its subsidiaries or associated companies which does not expire or is not determinable by such member of the Group within one year without payment of compensation (other than statutory compensation).

6. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors, the controlling Shareholder nor their respective close associates (as defined in the GEM Listing Rules) was interested in any business apart from the business of the Group, which competes or is likely to compete, either directly or indirectly, with the business of the Group.

7. DIRECTORS' INTEREST IN ASSETS, CONTRACTS AND ARRANGEMENT OF THE GROUP

As at the Latest Practicable Date, there was no contract or arrangement subsisting in which any Director was materially interested and which was significant in relation to any business of the Group.

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which had been since 31 March 2018 (being the date to which the latest published audited financial statements of the Group were made up) acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

8. MATERIAL CONTRACTS

The following contracts (not being contracts in the ordinary course of business of the Company) have been entered into by members of the Group within two years immediately preceding the date of this circular which are or may be material:

- (1) the sale and purchase agreement dated 27 April 2017 and entered into between Sino Business Investment Development Limited (“**Sino Business**”) as purchaser, a wholly-owned subsidiary of the Company, and Vanhal Property Investment Limited as vendor, in relation to the acquisition of the entire issued share capital of Edinburgh International and the sale loan, for the aggregate cash consideration of HK\$2,091,500;
- (2) the placing agreement dated 1 March 2018 and entered into between the Company as issuer and Kingston Securities Limited as placing agent, in relation to the placing, on a best effort basis, of 460,000,000 Shares at the placing price of HK\$0.1 per placing Share;
- (3) the joint venture agreement dated 8 March 2018 and entered into among Sino Business, a wholly-owned subsidiary of the Company, and the University Court of the University of Edinburgh and Edinburgh International, in relation to the establishment of a joint venture using Edinburgh International to carry on the business in accordance with the joint venture agreement;
- (4) the cooperation agreement dated 26 September 2018 and 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 Edinburgh International Hospital in Mazu International Healthcare City; and
- (5) the Disposal Agreement.

9. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours (i.e. from 9:30 a.m. to 6:00 p.m. from Monday to Friday) at the principal place of business of the Company in Hong Kong at 19/F, New Wing, 101 King's Road, Hong Kong for a period of 14 days from the date of this circular:

- (a) the memorandum of association and articles of association of the Company;
- (b) the annual reports of the Company for the three years ended 31 March 2016, 2017 and 2018;
- (c) the first quarterly report of the Company for the three months ended 30 June 2018;
- (d) the interim report of the Company for the six months ended 30 September 2018;
- (e) the material contracts disclosed in the paragraph under the heading "Material Contracts" in this appendix to this circular; and
- (f) this circular.

10. CORPORATE INFORMATION OF THE GROUP

Registered office	P.O. Box 10008, Willow House Cricket Square, Grand Cayman KY1-1001, Cayman Islands
Head Office and Principal place of business in Hong Kong	19/F, New Wing 101 King's Road Hong Kong
Principal share registrar and transfer office	Tricor Services (Cayman Islands) Limited P.O. Box 10008, Willow House Cricket Square, Grand Cayman KY1-1001 Cayman Islands
Branch share registrar and transfer office in Hong Kong	Tricor Tengis Limited Level 22, Hopewell Centre 183 Queen's Road East Hong Kong
Company secretary	Mr. Lam Williamson <i>(member of the Certified Practising Accountant in Australia and fellow member of the Hong Kong Institute of Certified Public Accountants)</i>
Compliance officer	Mr. Ng Chi Lung, an executive Director

11. GENERAL

- (a) The Company established the audit committee of the Company (the “**Audit Committee**”) on 2 November 2001, with written terms of reference in compliance with Rules 5.28 to 5.29 of the GEM Listing Rules. The primary duties of the Audit Committee are: (i) to ensure the adequacy and effectiveness of the accounting and financial controls of the Group; (ii) oversee the performance of internal control systems and financial reporting process; and (iii) monitor the integrity of the financial statements and compliance with statutory and listing requirements and to oversee independence and qualifications of the external auditors. The Audit Committee comprised of three independent non-executive Directors, namely, Ms. Wong Ka Wai, Jeanne, Dr. Lam Huen Sum and Mr. Liu Chenli. Ms. Wong Ka Wai, Jeanne is the chairlady of the Audit Committee.

Ms. Wong Ka Wai, Jeanne, has over 25 years of experience in finance, accounting, taxation and corporate affairs. She is a member of the Chartered Accountants in Australia and New Zealand, a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants, a member of the Society of Trust and Estate Practitioner and the Certified Tax Advisor in Hong Kong. Ms. Wong is also currently an independent non-executive director of Phoenitron Holdings Limited (stock code: 8066), a company listed on GEM.

Mr. Liu Chenli, was an independent non-executive director of Sunway International Holdings Limited (stock code: 58) (“**Sunway International**”), a company listed on the Main Board of the Stock Exchange, for the period from 29 May 2015 to 9 May 2017 and was re-designated as a non-executive director with effect from 10 May 2017. On 3 August 2018, Mr. Liu resigned as the non-executive director of Sunway International.

Dr. Lam Huen Sum, is an independent non-executive director of Sunway International, a company listed on the Main Board of the Stock Exchange, since 12 June 2017.

- (b) In the event of inconsistency, the English text of this circular shall prevail over the Chinese text thereof.