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Hua Han Health Industry Holdings Limited  
華瀚健康產業控股有限公司  
(incorporated in the Cayman Islands with limited liability)  
(Stock Code: 587)

## **DISCLOSEABLE TRANSACTION — DISPOSAL OF A PRC SUBSIDIARY**

The Directors wish to announce that on 26 January 2018 (after trading hours), Hanfang Enterprise entered into an Equity Transfer Agreement with the Purchaser, pursuant to which Hanfang Enterprise has agreed to sell, and the Purchaser has agreed to acquire, the Sale Interest which is the entire equity interest in Guilin Gu Jin at the Purchase Price of RMB390 million (equivalent to approximately HK\$475.8 million).

As certain applicable ratios with respect to the Disposal exceed 5% but less than 25%, the Disposal constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules.

## **INTRODUCTION**

The Directors wish to announce that on 26 January 2018 (after trading hours), Hanfang Enterprise entered into the Equity Transfer Agreement with the Purchaser, pursuant to which Hanfang Enterprise has agreed to sell, and the Purchaser has agreed to acquire, the Sale Interest which is the entire equity interest in Guilin Gu Jin at the Purchase Price of RMB390 million (equivalent to approximately HK\$475.8 million). The principal terms of the Equity Transfer Agreement are set out below:

## **EQUITY TRANSFER AGREEMENT**

Date: 26 January 2018  
Vendor: Hanfang Enterprise  
Purchaser: The Purchaser

To the best of the knowledge, information and belief of the Board after having made all reasonable enquiries, the Purchaser and its ultimate beneficial owners are third parties independent of and not connected with the Company and connected persons (as defined under the Listing Rules) of the Company.

- Subject assets: 100% of the entire equity interest in Guilin Gu Jin (“**Sale Interest**”)
- Consideration: The price payable by the Purchaser to Hanfang Enterprise for the purchase of the Sale Interest is RMB390 million (equivalent to approximately HK\$475.8 million) (“**Purchase Price**”) and shall be payable by 14 February 2018 in cash in one lump sum.
- The Purchase Price as well as the method of settlement of the Purchase Price was arrived at after arm’s length negotiations among Hanfang Enterprise and the Purchaser taking into account the financial performance of Guilin Gu Jin and its business prospects.
- Conditions precedents: The Equity Transfer Agreement shall become effective upon:
1. signing of the Equity Transfer Agreement by the Purchaser and Hanfang Enterprise;
  2. passing of the relevant resolutions by the board of Hanfang Enterprise and the Board; and
  3. (if necessary) obtaining of the necessary approvals under the applicable laws and regulations in the PRC and other jurisdictions in relation to the Disposal.
- Other: Within 30 days after full payment of the Purchase Price, Hanfang Enterprise shall provide the required documents and assist Guilin Gu Jin in relation to the filing and registration in the relevant authorities in the PRC regarding the Disposal (“**Filing Procedures**”). In the event Hanfang Enterprise fails to perform its obligation and results in the failure to complete the Filing Procedures and such failure is not waived by the Purchaser, the Purchaser has the right to request Hanfang Enterprise to pay damages equivalent to 5% of the Purchase Price per day of such delay.

## **FINANCIAL EFFECTS OF THE DISPOSAL**

Based on information available, the Company expects to recognise an unaudited gain of approximately RMB196.3 million (equivalent to approximately HK\$239.5 million) from the Disposal, being the difference between (i) the Purchase Price for the Disposal and (ii) the aggregate of the estimated unaudited consolidated total net asset value of Guilin Gu Jin Group as recorded in the Group’s financial statement as at the date of Completion, the carrying value of goodwill as at Completion and the estimated expenses to be incurred from the Disposal. The actual gain as a result of the Disposal to be recorded by the Group is subject to final audit to be performed by the Company’s auditors.

It is expected that the net proceeds from the Disposal will be applied for the Group's general working capital purpose. Upon Completion, Guilin Gu Jin will cease to be a subsidiary of the Company. Accordingly, the financial results of Guilin Gu Jin will no longer be consolidated into the Group's financial statements upon Completion.

## **INFORMATION ON THE COMPANY AND GUILIN GU JIN**

The Company is an investment holding company. The Group is principally engaged in the research and development, manufacture and sale of traditional Chinese medicine (including mainly gynecological medicine), bio-pharmaceutical products, hospital management and investment business and other healthcare related business in the PRC.

Guilin Gu Jin is an investment holding company. Guilin Gu Jin Group is principally engaged in research and development, manufacture and sales of bio-pharmaceutical products in the PRC.

The financial information of Guilin Gu Jin, as extracted from its unaudited consolidated management accounts for the two years ended 30 June 2016 and 30 June 2017, were as follows:

	<b>For the year ended 30 June</b>	
	<b>2017</b>	<b>2016</b>
	<i>RMB'000</i>	<i>RMB'000</i>
Turnover	179,870	293,689
Profit before tax	21,833	43,649
Profit after tax	20,322	36,588

The consolidated net asset value of Guilin Gu Jin Group for the year ended 30 June 2017 was approximately RMB523.9 million as extracted from its management account.

## **INFORMATION ON THE PURCHASER**

The Purchaser is a limited liability company established in the PRC and is an investment holding company which invests in a variety of businesses including information technology business and related products.

## **REASONS FOR AND BENEFITS OF THE DISPOSAL**

The Group acquired 80% equity interest in Guilin Gu Jin in 2008 and the remaining 20% equity interest in 2010. Guilin Gu Jin Group was specialised in bio-pharmaceutical medicine development based on recombinant human epidermal growth factor (“**RHEFG**”) technology. Due to the advancement in scientific research in the related fields around the nation, there has been enhanced competition in the development of RHEFG-related products in recent years. Combined with the effect from the changes in the PRC government policies in relation to the pharmaceutical industry and the resignation of certain members of the sales department of Guilin Gu Jin Group, the sales and profit margin in the Guilin Gu Jin Group were affected and have shown a decreasing trend in recent years.

As set out in the paragraph headed “Financial effects of the Disposal” above, the Company expects to recognise an unaudited accounting gain of approximately RMB196.3 million (equivalent to HK\$239.5 million). The Directors consider that the Disposal represents a good opportunity for the Group to realise its investment in Guilin Gu Jin Group and to allow the Group to allocate more resources to its hospital management and development and sale of Chinese medicine businesses.

Considering the above factors, the Directors consider that the Equity Transfer Agreement is on normal commercial terms and is in the interest of the Group and the shareholders of the Company as a whole.

## **LISTING RULE IMPLICATIONS**

As certain applicable ratios with respect to the Disposal exceed 5% but less than 25%, the Disposal constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules.

## **DEFINITIONS**

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

“Board”	the board of Directors
“Company”	Hua Han Health Industry Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange
“Completion”	the completion of the Equity Transfer Agreement in accordance with its terms
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Directors”	directors of the Company
“Disposal”	the disposal of the Sale Interest, details of which are set out in the paragraph headed “Equity Transfer Agreement” in this announcement
“Equity Transfer Agreement”	the agreement dated 26 January 2018 entered into between Hanfang Enterprise and the Purchaser in relation to the Disposal
“Group”	the Company and its subsidiaries
“Guilin Gu Jin”	桂林古今醫藥科技有限公司 (Guilin Gu Jin Medical Technology Company Limited*), a limited liability company established in the PRC, and a non-wholly-owned subsidiary of the Company

“Guilin Gu Jin Group”	Guilin Gu Jin and its non-wholly-owned subsidiary
“Hanfang Enterprise”	貴州漢方醫藥企業管理有限公司 (Guizhou Hanfang Medical Enterprise Management Co., Ltd.*), a limited liability company established in the PRC, and a wholly-owned subsidiary of the Company
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China, which for the purposes of this announcement only, excludes Hong Kong, the Macao Special Administrative Region of the People’s Republic of China and Taiwan
“Purchaser”	昂展投資諮詢有限公司 (Angzhan Investment Consultation Co. Ltd*), a limited liability company established in the PRC
“RMB”	Renminbi, the lawful currency of the PRC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

By order of the Board  
**Hua Han Health Industry Holdings Limited**  
**Zhang Peter Y.**  
*Chairman*

Hong Kong, 26 January 2018

*As at the date of this announcement, the Board comprises Mr. Zhang Peter Y., Mr. Deng Jie, Mr. Zhou Chong Ke, Mr. Bian Shu Guang and Ms. Niu Yi as executive Directors, Mr. Tarn Sien Hao as non-executive Directors, and Professor Lin Shu Guang, Professor Zhou Xin and Mr. Chan Chun Kit as independent non-executive Directors.*

*For illustration purpose only, translations of HK\$ into RMB or vice versa in this announcement have been calculated by using an exchange rate of HK\$1.22 = RMB1.00.*

\* For identification purposes only