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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)

UPDATE ON THE BUSINESS OPERATIONS OF THE GROUP

Reference is made to the announcement of the Company dated 1 August 2018 in relation to the quarterly update on the resumption progress (“**Announcement**”). Unless otherwise defined, capitalised terms used in this announcement shall have the same meanings as those defined in the Announcement.

The Company would like to provide supplemental information in relation to the business operations of the Group.

The Group principally operates in two business segments, including: (i) pharmaceutical product business, which involves the research and development, manufacture, sales and trading of pharmaceutical products; and (ii) hospital related business, which involves the operating and investing in hospitals and trading of pharmaceutical products, medical consumables and medical devices to hospitals. The Group continued its normal business operations since suspension of trading in the Company’s shares and debt securities.

Sales of pharmaceutical products

As at the date of this announcement, there were over 50 pharmaceutical products being sold by the Group. The pharmaceutical products segment covered traditional Chinese medicines, mainly for those medicines treating gynecological conditions for women’s health.

The Group has benefited from the overall economic development in China and the growth of the PRC pharmaceutical market in recent years. Most of the pharmaceutical products sold by the Group are included in the National Essential Medicine Catalogue, Provincial Essential Drug and Medical Insurance Catalogues and National Medical Insurance Catalogue. The expansion of participants in the national medical insurance program in the PRC and the amount of individuals’ average insurance contributions have driven the sales of pharmaceutical products listed in the National Essential Medicine Catalogue and National Medical Insurance Catalogue. Since the suspension of trading in the Company’s shares and debt securities, the Group continued to conduct research and development activities in respect of bio-technologies like human placenta and cord blood in order to establish a national leading, complete and high-end product and technology line in this industry.

Hospital related business

As at the date of this announcement, the Group had 4 self-operated hospitals consisting of general hospitals and specialist hospitals, which are located in Guizhou, Hubei, Hunan and Jiangsu province in the PRC. Besides, the Group cooperated with 7 partner hospitals by selling medical supplies, such as medicines, medical equipment and medical consumables to these partner hospitals at mark up price. The operation of 六盤水市涼都人民醫院 (unofficial translation being Liupanshui City Liang Dou People's Hospital), in which the Group owns 68% of its equity interest, has commenced in May 2018 with a capacity of 1,500 beds.

China's healthcare policy encourages the investment of private capital in the healthcare services industry. This has created opportunities for the Group to develop its hospital related business. As the PRC is one of the countries with the largest elderly population in the world, the Group believes that the aging population and growing economy in the PRC will generate significant demand for hospital related services.

Shareholders of the Company and potential investors are advised to exercise caution when dealing in the securities of the Company.

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

Hong Kong, 9 August 2018

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