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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)

CONTINUING CONNECTED TRANSACTIONS

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On 26 April 2012, Huihao HK entered into the Purchase Agreement with Fujian Huihao whereby the Huihao Group has agreed to purchase certain pharmaceutical products from Fujian Huihao. On the same date, Huihao HK entered into the Supply Agreement with Fujian Huihao whereby the Huihao Group has agreed to sell and deliver certain pharmaceutical products to Fujian Huihao.

Each of the Purchase Agreement and the Supply Agreement has a term of three years ending 31 March 2015. For each of the three years ending 31 March 2015, the Purchase Caps will be approximately HK\$9.26 million, HK\$9.34 million and HK\$9.53 million respectively and the Sales Caps will be approximately HK\$4.94 million, HK\$5.19 million and HK\$5.45 million respectively.

To the best knowledge, information and belief of the Directors having made the reasonable enquiry, Fujian Huihao is a company established in the PRC, and owned as to 55% by Mr. Weng Jiale (a nephew of Mr. Yung, and a brother of Mr. Weng Jiaying, both are the Directors) and as to 45% by an Independent Third Party. Hence, Fujian Huihao is a connected person on the part of the Company. Accordingly, the transactions contemplated under the Purchase Agreement and the Supply Agreement constitute continuing connected transactions on the part of the Company under Chapter 20 of the GEM Listing Rules.

As each of the percentage ratios (as defined in the GEM Listing Rules) for the Purchase Caps and the Sales Caps is less than 25% and the annual consideration is less than HK\$10,000,000, the entering into of the Purchase Agreement and the Supply Agreement are only subject to reporting and announcement requirements but are exempt from the independent Shareholders' approval requirement under Chapter 20 of the GEM Listing Rules.

* For identification purpose only

PRIOR NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

Fujian Huihao is principally engaged in wholesale and trading of pharmaceutical and related products in Fujian Province, the PRC. The sale and purchase of pharmaceutical products by the Huihao Group to and from Fujian Huihao were entered into between the parties in the ordinary course of business of the Huihao Group and Fujian Huihao on a recurring or ongoing basis and on terms that are fair and reasonable so far as the Shareholders of the Company taken as a whole were concerned. In the three years ended 31 March 2010, 2011 and 2012, the Huihao Group had entered into certain continuing connected transactions with Fujian Huihao.

As each of the percentage ratios (as defined in the GEM Listing Rules) under the Previous Purchase CCT for the two years ended 31 March 2011 and 2012 was less than 25% and each of the annual consideration under the Previous Purchase CCT was less than HK\$10,000,000, the Previous Purchase CCT was only subject to the reporting and announcement requirements but was exempt from the independent shareholders' approval requirements pursuant to Rule 20.35 of the GEM Listing Rules.

As each of the percentage ratios (as defined in the GEM Listing Rules) under the Previous Sale CCT for the two years ended 31 March 2011 and 2012 was less than 25% and each of the annual consideration under the Previous Sale CCT was less than HK\$10,000,000, the Previous Sale CCT was therefore only subject to the reporting and announcement requirements but was exempt from the independent shareholders' approval requirements pursuant to Rule 20.35 of the GEM Listing Rules.

Due to the inadvertent omission and unintentional oversight, the Previous Purchase CCT and the Previous Sale CCT have not been reported and announced promptly in accordance with the GEM Listing Rules.

CONTINUING CONNECTED TRANSACTIONS

On 26 April 2012, Huihao HK, an indirect non wholly-owned subsidiary of the Company entered into the Purchase Agreement with Fujian Huihao whereby the Huihao Group has agreed to purchase certain pharmaceutical products from Fujian Huihao. On the same date, Huihao HK also entered into the Supply Agreement with Fujian Huihao whereby the Huihao Group has agreed to sell and deliver certain pharmaceutical products to Fujian Huihao. Each of the Purchase Agreement and the Supply Agreement has a term of three years ending 31 March 2015. Salient terms of each of the Purchase Agreement and the Supply Agreement are set out below:

(1) Purchase agreement

Date: 26 April 2012

Parties involved: (1) Huihao HK; and
(2) Fujian Huihao

Term: Three years ending 31 March 2015

Purchase Caps

Pursuant to the Purchase Agreement, the Huihao Group has agreed to purchase certain pharmaceutical products from Fujian Huihao. The Purchase Caps for each of the three years ending 31 March 2015 will be HK\$9.26 million, HK\$9.34 million and HK\$9.53 million respectively.

The proposed Purchase Caps are determined based on (i) the historical amount of purchase of the pharmaceutical products from Fujian Huihao by the Huihao Group; and (ii) the volume of pharmaceutical products that would need to be purchased by the Huihao Group in each of the three years ending 31 March 2015 in order to meet the projected demand for the relevant pharmaceutical products after taking into account the expected market conditions. For each of the two years ended 31 March 2012, purchase of the products from Fujian Huihao by the Huihao Group amounted to approximately HK\$4.2 million and HK\$9.6 million respectively.

In view of the demand for the relevant pharmaceutical products to be purchased by the Huihao Group is expected to maintained at a stable level in the coming years, the Directors (including the independent non-executive Directors) believe that the Purchase Caps will reasonably reflect the expected purchase amount from Fujian Huihao. The purchase prices of the relevant pharmaceutical products will be determined based on normal commercial terms with reference to the purchase prices of similar products by the Huihao Group from the Independent Third Parties and such purchase prices will be no less favourable to the Huihao Group than that offered by other suppliers who are Independent Third Parties. The relevant purchase prices will be reviewed and agreed between the parties every year.

Conditions to the Purchase Agreement:

The Purchase Agreement is unconditional and will become effective on the first business day after signing.

(2) Supply agreement

Date: 26 April 2012

Parties involved: (1) Huihao HK; and

(2) Fujian Huihao

Term: Three years ending 31 March 2015

Sales Caps

Pursuant to the Supply Agreement, the Huihao Group has agreed to sell and deliver certain pharmaceutical products to Fujian Huihao. The Sales Caps for each of the three years ending 31 March 2015 will be HK\$4.94 million, HK\$5.19 million and HK\$5.45 million respectively.

The Sales Caps is determined based on (i) the historical amount of sale of the pharmaceutical products by the Huihao Group to Fujian Huihao; and (ii) the volume of pharmaceutical products that would need to be purchased by Fujian Huihao in each of the three years ending 31 March 2015 in order to meet its projected demand of the relevant pharmaceutical products after taking into account the expected market conditions. For each of the two years ended 31 March 2012, the sale of the pharmaceutical products by the Huihao Group to Fujian Huihao amounted to approximately HK\$3.1 million and HK\$1.8 million respectively.

The Directors (including the independent non-executive Directors) believe that the market demand for the relevant pharmaceutical products supplied by the Huihao Group is very steady and believe that the Sale Caps will reasonably reflect the expected supply amount to Fujian Huihao. The selling prices of the relevant pharmaceutical products will be determined based on normal commercial terms with reference to the selling prices of similar products by the Huihao Group to other customers who are Independent Third Parties and such selling prices will be no less favourable to the Huihao Group than that to the Independent Third Parties. The selling prices will be reviewed and agreed between the parties every year.

Conditions to the Supply Agreement:

The Supply Agreement is unconditional and will become effective on the first business after signing.

Reasons for entering in the Purchase Agreement and the Supply Agreement

As advised by the board of directors of Fujian Huihao, Fujian Huihao is a company established in the PRC and owned as to 55% by Mr. Weng Jiale (a nephew of Mr. Yung and a brother of Mr. Weng Jiaying, both are the Directors) and as to 45% by an Independent Third Party. Since its establishment, Fujian Huihao is principally engaged in wholesale and trading of pharmaceutical and related products in Fujian Province, the PRC.

The Company is an investment holding company and its subsidiaries are principally engaged in the provision of general hospital and healthcare and hospital management services, pharmaceutical wholesale and distribution and pharmaceutical retail chain business in the PRC. The Huihao Group is principally engaged in the distribution and wholesale of pharmaceutical products in Fujian Province, the PRC as well as the operation of retail pharmacy. As at the date of this announcement, the Huihao Group possesses a retail chain network of more than 90 pharmacies in Fujian Province, the PRC.

The entering into the Purchase Agreement and the Supply Agreement between Fujian Huihao and the Huihao Group is in the ordinary course of business of each of them. The Board and the directors of Fujian Huihao consider that the entering into the Purchase Agreement and the Supply Agreement is in the interest of each of them as their respective pharmaceutical product profile is complementary to each other and the Huihao Group has the right to distribute certain pharmaceutical products which is not available to Fujian Huihao, and likewise, Fujian Huihao also has the right to distribute certain pharmaceutical products which is not available to the Huihao Group.

The Directors consider that the entering into the Purchase Agreement and the Supply Agreement is in the usual and ordinary course of business of the Huihao Group and the terms of the Purchase Agreement and the Supply Agreement were negotiated on an arm's length basis and on normal commercial terms between Huihao HK and Fujian Huihao. The Directors (including the non-executive Directors) are of view that the terms and conditions of the Purchase Agreement and the Supply Agreement including the Purchase Caps and the Sales Caps are fair and reasonable and in the interests of the Company and Shareholders as a whole.

IMPLICATIONS OF THE GEM LISTING RULES

To the best knowledge, information and belief of the Directors having made the reasonable enquiry, Fujian Huihao is a company established in the PRC, and owned as to 55% by Mr. Weng Jiale, (a nephew of Mr. Yung and a brother of Mr. Weng Jiaying, both are the Directors) and as to 45% by an Independent Third Party. Hence, Fujian Huihao is a connected person on the part of the Company. Accordingly, the transactions contemplated under the Purchase Agreement and the Supply Agreement constitute continuing connected transactions on the part of the Company under Chapter 20 of the GEM Listing Rules.

As each of the percentage ratios (as defined in the GEM Listing Rules) for the Purchase Caps and the Sales Caps is less than 25% and the annual consideration is less than HK\$10,000,000, the entering into of the Purchase Agreement and the Supply Agreement are only subject to reporting and announcement requirements but are exempt from the independent Shareholders' approval requirement under Chapter 20 of the GEM Listing Rules.

PRIOR NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

In the three years ended 31 March 2010, 2011 and 2012, the Huihao Group had entered into certain continuing connected transactions with Fujian Huihao for the purchase and sale of certain pharmaceutical products. The sale and purchase of pharmaceutical products by the Huihao Group to and from Fujian Huihao were entered into in the ordinary course of business of the Huihao Group on a recurring or ongoing basis, on terms that are fair and reasonable so far as the Shareholders of the Company taken as a whole were concerned.

i) The Previous Purchase CCT

As the purchase consideration after completion of the Acquisition on 8 March 2010 until 31 March 2010 was less than HK\$1,000,000, the annual purchase for the year ended 31 March 2010 was exempt from reporting, annual review, announcement and independent shareholders' approval requirements.

As each of the percentage ratios (as defined in the GEM Listing Rules) under the Previous Purchase CCT for the two years ended 31 March 2011 and 2012 was less than 25% and each of the annual consideration under the Previous Purchase CCT was less than HK\$10,000,000, the Previous Purchase CCT (which had total annual consideration of HK\$4,217,631.45 in the year ended 31 March 2011 and HK\$9,626,507.39 in the year ended 31 March 2012) was only subject to the reporting and announcement requirements but was exempt from the independent shareholders' approval requirements pursuant to Rule 20.35 of the GEM Listing Rules. The Previous Purchase CCT has not previously been reported and announced in accordance with the GEM Listing Rules.

ii) The Previous Sale CCT

As the sale after completion of the Acquisition on 8 March 2010 until 31 March 2010 was less than HK\$1,000,000, the annual sales for the year ended 31 March 2010 was exempt from reporting, annual review, announcement and independent shareholders' approval requirements.

As each of the percentage ratios (as defined in the GEM Listing Rules) under the Previous Sale CCT for the two years ended 31 March 2011 and 2012 was less than 25% and each of the annual consideration under the Previous Sale CCT was less than HK\$10,000,000, the Previous Sale CCT (which had total annual consideration of HK\$3,050,123.42 in the year ended 31 March 2011 and HK\$1,801,336.88 in the year ended 31 March 2012) was therefore only subject to the reporting and announcement requirements but was exempt from the independent shareholders' approval requirements pursuant to Rule 20.35 of the GEM Listing Rules. The Previous Sale CCT has not previously been reported and announced in accordance with the GEM Listing Rules.

Set out below is a summary of the principal terms of and the basis for entering into the Previous Purchase CCT and the Previous Sale CCT:

- (a) each purchase transaction between the Huihao Group and Fujian Huihao is on an arm's length basis, on normal commercial terms and in the usual and ordinary business of the Huihao Group and Fujian Huihao;

- (b) each sale transaction between the Huihao Group and Fujian Huihao is on an arm's length basis, on normal commercial terms and in the usual and ordinary business of the Huihao Group and Fujian Huihao;
- (c) the selling price at which the pharmaceutical and related products were sold by the Huihao Group to Fujian Huihao was determined with reference to prevailing market prices comparable with that of the Independent Third Parties;
- (d) the purchase price at which the pharmaceutical and related products were purchased by the Huihao Group from Fujian Huihao was determined with reference to prevailing market prices comparable with that of Independent Third Parties;
- (e) payment due from Fujian Huihao in respect of the pharmaceutical products sold by the Huihao Group were payable by Fujian Huihao within 30 days in accordance with the normal credit term granted to other customers of the Huihao Group, who are Independent Third Parties; and
- (f) payment due to Fujian Huihao in respect of the pharmaceutical products sold by Fujian Huihao are payable by the Huihao Group within 30 days in accordance with the normal credit term granted by other suppliers of the Huihao Group, who are Independent Third Parties.

The products purchased from Fujian Huihao in the past under the Previous Purchase CCT were those pharmaceutical products which were not available to be supplied by the Group and/or which the Group were in shortage at that particular moment. The Directors consider such purchases were in the interest of the Company and the Shareholders as a whole.

As disclosed above in the previous paragraph on the summary of the principal terms of and the basis of the Previous Purchase CCT and the Previous Sale CCT, the terms of the sale and purchase transactions between Fujian Huihao and Huihao Group were agreed after arm's length negotiation and these transactions were entered in the usual and ordinary course of business of the Huihao Group and Fujian Huihao, comparable with that of the customers and suppliers, who are Independent Third Party, the Directors (including the independent non-executive Directors) consider that the Previous Purchase CCT and the Previous Sale CCT are fair and reasonable so far as the Shareholders of the Company taken as a whole were concerned.

REMEDICAL ACTIONS

To prevent the occurrence of similar inadvertent omission in future, the Group has adopted and will adopt (as the case may be) the following measures:

- (i) the Company has reviewed all previous transactions carried out by its subsidiaries and confirmed with the connected persons again that there does not exist any other continuing connected transaction which required but not yet been reported and approved by independent Shareholders (other than the Previous Purchase CCT and the Previous Sale CCT);
- (ii) the Company has assigned a staff member to establish a connected party databank so that the Company and each of its subsidiaries could easily identify the connected persons and the connected transactions contemplated thereunder. Such staff member will regularly review the connected relationship in order to keep the information thereon is promptly updated and will report to the Board on a quarterly basis;
- (iii) the Company will provide a more detailed guideline relating to notifiable and connected transactions under the GEM Listing Rules for the sales staff, purchase staff and finance staff members of the Company and its subsidiaries' reference, in order to strengthen and reinforce their existing knowledge relating to notifiable and connected transactions and their ability to identify potential issues at an early stage. The Company has also set up a reporting guideline such that each member of the Group shall report those transactions which are in the ordinary course of business but may constitute potential continuing connected transactions to the head office in Hong Kong for approval prior to the entering into of those transactions; and
- (iv) the Company is going to provide relevant training to the management staff members of the Huihao Group to reinforce their understanding of and importance of compliance with the GEM Listing Rules.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the following meanings when used herein:

“Acquisition”	the acquisition of the equity interest in the Huihao Group through the acquisition of 100% equity interest in Nurture Fit Limited by the Group completed on 8 March 2010, details of which are set out under the announcement dated 23 November 2009 and 8 March 2010 and the circular dated 11 February 2010 of the Company
“associate(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Board”	the board of Directors
“Company”	Hua Xia Healthcare Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the issued Shares of which are listed on GEM
“connected person(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Continuing Connected Transactions”	the entering into the Purchase Agreement and the Supply Agreement and the transactions contemplated thereunder
“Director(s)”	director(s) of the Company
“Fujian Huihao”	Fujian Huihao Pharmaceutical Co. Ltd# (福建惠好藥業有限公司), a company established in the PRC, and owned as to 55% by Mr. Weng Jiale (a nephew of Mr. Yung and a brother of Mr. Weng Jiaying, both are the Directors) and as to 45% by an Independent Third Party
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM

“Group”	the Company and its subsidiaries from time to time
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Huihao Group”	Huihao HK and its subsidiaries from time to time
“Huihao HK”	Hui Hao (HK) Group Limited (惠好(香港)醫藥集團有限公司), a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company
“Independent Third Party(ies)”	any person or company and its ultimate beneficial owner(s), to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, are third parties independent of the Company and its connected persons
“Mr. Yung”	Mr. Yung Kwok Leong, an executive Director and a substantial Shareholder
“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
“Previous Purchase CCT”	the continuing connected transactions in respect of the purchase of pharmaceutical products by the Huihao Group from Fujian Huihao for the two years ended 31 March 2011 and 2012 which are subject to the reporting and announcement requirements but were exempt from the independent shareholders’ approval requirements pursuant to the GEM Listing Rules
“Previous Sale CCT”	the continuing connected transactions in respect of the sale of pharmaceutical products by the Huihao Group to Fujian Huihao for the two years ended 31 March 2011 and 2012 which are subject to the reporting and announcement requirements but were exempt from the independent shareholders’ approval requirements pursuant to the GEM Listing Rules

“Purchase Agreement”	the Purchase Agreement entered into between Huihao HK and Fujian Huihao dated 26 April 2012 in relation to the purchase of certain pharmaceutical products from Fujian Huihao by the Huihao Group
“Purchase Caps”	the maximum annual amount to be paid by the Huihao Group to Fujian Huihao for each of the three years ending 31 March 2015 in relation to the purchase of certain pharmaceutical products from Fujian Huihao by the Huihao Group
“Sales Caps”	the maximum annual amount to be paid by Fujian Huihao to the Huihao Group for each of the three years ending 31 March 2015 in relation to the sale and delivery of certain pharmaceutical products to Fujian Huihao by the Huihao Group
“Share”	the shares of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the issued Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supply Agreement”	the Supply Agreement entered into between Huihao HK and Fujian Huihao dated 26 April 2012 in relation to the sale and delivery of certain pharmaceutical products to Fujian Huihao by the Huihao Group
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.

The English translation of Chinese names or words in this announcement is included for information purpose only, and should not be regarded as the official English translation of such Chinese names or words.

By order of the Board
Hua Xia Healthcare Holdings Limited
Yung Kwok Leong
Chairman

Hong Kong, 26 April 2012

As at the date of this announcement, the executive Directors are Mr. Yung Kwok Leong, Dr. Jiang Tao, Mr. Weng Jiaying, Mr. Zheng Gang, Dr. Huang Jiaqing and Mr. Chen Jin Shan, the non-executive Director is Dr. Wong Yu Man, James, and the independent non-executive Directors are Ms. Wong Ka Wai, Jeanne, Prof. Hu Shanlian and Prof. Lu Chuanzhen.

This announcement, 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 Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

This announcement will remain on the GEM website at www.hkgem.com on the “Latest Company Announcements” page for at least 7 days from the date of its posting and on the website of the Company at www.huaxia-healthcare.com.