

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



HUA XIA HEALTHCARE HOLDINGS LIMITED

華夏醫療集團有限公司*

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 8143)

CONTINUING CONNECTED TRANSACTIONS

On 19 September 2013, Huihao HK entered into the Purchase Agreement with FHP Company whereby the Huihao Group has agreed to purchase certain pharmaceutical products from FHP Company. On the same date, Huihao HK entered into the Sales Agreement with FHP Company whereby the Huihao Group has agreed to sell and deliver certain pharmaceutical products to FHP Company.

Each of the Purchase Agreement and the Sales Agreement has a term of two years ending 31 March 2015. For each of the two years ending 31 March 2015, the Purchase Caps will be approximately HK\$1.93 million and HK\$2.03 million respectively and the Sales Caps will be approximately HK\$2.32 million and HK\$2.92 million respectively.

To the best knowledge, information and belief of the Directors having made all reasonable enquiry, FHP Company is a company established in the PRC, and owned as to 55% by Mr. Weng Jiale (a nephew of Mr. Yung, who is a Director) and as to 45% by an Independent Third Party. Hence, FHP Company is a connected person of the Company. Accordingly, the transactions contemplated under the Purchase Agreement and the Sales Agreement constitute continuing connected transactions for 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 respective annual consideration is less than HK\$10,000,000, the entering into of the Purchase Agreement and the Sales 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

BACKGROUND

Reference is made to the announcement of Company dated 26 April 2012 in relation to (i) the Previous Purchase Agreement pursuant to which Huihao HK, an indirect wholly-owned subsidiary of the Company, has agreed to purchase certain pharmaceutical products from FHP Company and (ii) the Previous Sales Agreement pursuant to which Huihao HK has agreed to sell and deliver certain pharmaceutical products to FHP Company, both for a terms of three years commencing from 1 April 2012.

Since there has been a change in the pattern of purchase and sales of pharmaceutical products between Huihao Group and FHP Company, and a change in the profile of pharmaceutical products demanded during the year ended 31 March 2013 comparing with that during the three years ended 31 March 2012, on 19 September 2013, Huihao HK and FHP Company entered into the Purchase Agreement and the Sales Agreement in relation to the same subject transactions to revise certain terms and the respective annual caps.

Each of the Purchase Agreement and the Sales Agreement has a term of two years commencing on 1 April 2013 and ending 31 March 2015. Salient terms of each of the Purchase Agreement and the Sales Agreement are set out below:

(1) PURCHASE AGREEMENT

Date:	19 September 2013
Parties involved:	(1) Huihao HK; and (2) FHP Company
Term:	Two years ending 31 March 2015

Purchase Caps

Pursuant to the Purchase Agreement, the Huihao Group has agreed to purchase certain pharmaceutical products from FHP Company. The Purchase Caps for each of the two years ending 31 March 2015 will be HK\$1.93 million and HK\$2.03 million respectively.

The Purchase Caps are determined based on (i) the historical amount of purchase of the pharmaceutical products from FHP Company by Huihao Group; and (ii) the volume of the pharmaceutical products that would need to be purchased by Huihao Group in each of the two 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. The Company takes into account the specialization in certain pharmaceutical products of FHP Company, which are exclusively supplied by FHP Company in the Fuzhou City in Fujian Province, and the Company assumes that demand for such products from FHP Company will remain stable in the coming two years. Furthermore, the Company assumes that there will be an annual increase of 5% in the exchange rate of RMB against Hong Kong dollars and there will be no drastic change to the existing healthcare policy and the mode of operation of the market for the two years ending 31 March 2015. For each of the two years ended 31 March 2013, purchase of the products from FHP Company by the Huihao Group amounted to approximately HK\$9.63 million and HK\$1.75 million respectively.

In view of the demand for the relevant pharmaceutical products to be purchased by the Huihao Group is expected to maintain 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 FHP Company. 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 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) SALES AGREEMENT

Date: 19 September 2013

Parties involved: (1) Huihao HK; and
(2) FHP Company

Term: Two years ending 31 March 2015

Sales Caps

Pursuant to the Sales Agreement, the Huihao Group has agreed to sell and deliver certain pharmaceutical products to FHP Company. The Sales Caps for each of the two years ending 31 March 2015 will be HK\$2.32 million and HK\$2.92 million respectively.

The Sales Caps are determined based on (i) the historical sales amounts of the pharmaceutical products by Huihao Group to FHP Company during the 12 months ended 31 March 2013, i.e. approximately HK\$1.60 million, adding approximately 12% annual increment determined in line with the estimated growth in turnover of approximately 10-14% of the Group based on the turnover growth of the Group of approximately 10% for the year ended 31 March 2013; (ii) an expected annual appreciation in the selling price of one particular pharmaceutical product, the selling price of which has been increased by approximately 30% on average in the last three financial years ended 31 March 2013 and the sale of which contributed to approximately 65% of the total sales by Huihao Group to FHP Company, and is thus adjusted to a weighted annual increase of approximately 20% in the total annual sale amount to FHP Company, in each of two years ending 31 March 2015; and (iii) the expected annual appreciation of 5% of RMB against Hong Kong dollar for the two years ending 31 March 2015. For each of the two years ended 31 March 2013, the sales of products by Huihao Group to FHP Company amounted to approximately HK\$1.8 million and HK\$1.6 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 FHP Company. 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 Sales Agreement

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

Termination of the Previous Purchase Agreement and the Previous Sales Agreement

Upon the Purchase Agreement and the Sales Agreement becoming effective, the Previous Purchase Agreement and the Previous Sales Agreement will be terminated. In the event that there is any outstanding material obligations thereunder the relevant party shall perform such obligations as already undertaken despite the termination of the Previous Purchase Agreement and the Previous Sales Agreement. As at the date of this announcement, the Board confirms that there are no material outstanding obligations under the Previous Purchase Agreement and the Previous Sales Agreement on the part of the Huihao Group, and to the best of the information, knowledge and belief of the Directors have made all reasonable enquiry with the board of directors of FHP Company, there is also no material outstanding obligations on the part of FHP Company under the Previous Purchase Agreement and the Previous Sales Agreement.

Reasons for entering into the Purchase Agreement and the Sales Agreement

As advised by the board of directors of FHP Company, FHP Company is principally engaged in wholesale and trading of pharmaceutical and related products in Fujian Province, the PRC since its establishment.

The Company is an investment holding company and its subsidiaries are principally engaged in the provision of general hospital and 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 pharmacies. As at the date of this announcement, the Huihao Group possesses a retail chain network of approximately 100 retail pharmacies in Fujian Province, the PRC.

The entering into of the Purchase Agreement and the Sales Agreement between FHP Company and the Huihao Group is in the ordinary course of business of each of them. The Board and the directors of FHP Company consider that the entering into of the Purchase Agreement and the Sales 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 FHP Company, and likewise, FHP Company also has the right to distribute certain pharmaceutical products which is not available to the Huihao Group.

The Directors confirm that the terms of the Purchase Agreement and the Sales Agreement were negotiated on an arm's length basis and on normal commercial terms between Huihao HK and FHP Company. The Directors (including the non-executive Directors) are of view that the terms and conditions of the Purchase Agreement and the Sales 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 all reasonable enquiry, FHP Company is a company established in the PRC, and owned as to 55% by Mr. Weng Jiale (a nephew of Mr. Yung, who is a Director) and as to 45% by an Independent Third Party. Hence, FHP Company is a connected person of the Company. Accordingly, the transactions contemplated under the Purchase Agreement and the Sales Agreement constitute continuing connected transactions for 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 Sales 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.

DEFINITIONS

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

“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 Sales Agreement and the transactions contemplated thereunder
“Director(s)”	director(s) of the Company
“FHP Company”	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, who is a Director) 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 PRC
“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 Agreement”	the purchase agreement entered into between Huihao HK and FHP Company dated 26 April 2012 in relation to the purchase of certain pharmaceutical products from FHP Company by the Huihao Group
“Previous Sales Agreement”	the sales agreement entered into between Huihao HK and FHP Company dated 26 April 2012 in relation to the sale and delivery of certain pharmaceutical products to FHP Company by the Huihao Group
“Purchase Agreement”	the purchase agreement entered into between Huihao HK and FHP Company dated 19 September 2013 in relation to the purchase of certain pharmaceutical products from FHP Company
“Purchase Caps”	the maximum annual amount to be paid by the Huihao Group to FHP Company for each of the two years ending 31 March 2015 in relation to the purchase of certain pharmaceutical products from FHP Company by the Huihao Group
“Sales Agreement”	the sales agreement entered into between Huihao HK and FHP Company dated 19 September 2013 in relation to the sale and delivery of certain pharmaceutical products to FHP Company
“Sales Caps”	the maximum annual amount to be paid by FHP Company to the Huihao Group for each of the two years ending 31 March 2015 in relation to the sale and delivery of certain pharmaceutical products to FHP Company by the Huihao Group
“Share(s)”	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
“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, 19 September 2013

As at the date of this announcement, the executive Directors are Mr. Yung Kwok Leong, Dr. Jiang Tao, 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.