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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)

**(1) COMPLETION OF
THE PROPOSED SPIN-OFF AND SEPARATE LISTING OF
WANJIA GROUP HOLDINGS LIMITED
ON THE MAIN BOARD OF
THE STOCK EXCHANGE OF HONG KONG LIMITED;
(2) COMPLETION OF THE CPS SUBSCRIPTION;
AND
(3) EXEMPT CONTINUING CONNECTED TRANSACTION**

Financial adviser to the Company



INCU Corporate Finance Limited

(1) COMPLETION OF THE PROPOSED SPIN-OFF

The Board is pleased to announce that on 10 October 2013, the Stock Exchange granted the listing of, and permission to deal in, the Wanjia Shares in issue on the Main Board. Accordingly, all conditions precedent to the Proposed Spin-off have been fulfilled and the Proposed Spin-off has become unconditional. Dealings in the Wanjia Shares on the Stock Exchange are expected to commence on 11 October 2013. Share certificates for the Wanjia Shares were despatched to the Qualifying Shareholders on 10 October 2013, and have become valid certificates of title when the Proposed Spin-off has become unconditional.

* For identification purpose only

(2) COMPLETION OF THE CPS SUBSCRIPTION

The Board is also pleased to announce that CPS Subscription was completed on 10 October 2013. In accordance with the terms and conditions of the CPS Subscription Agreement, a total of 504,201,680 Second Batch CPSs were allotted and issued to Mr. Yung at the total Issue Price of HK\$120 million which was satisfied by setting off against HK\$120 million principal amount of the Promissory Note.

(3) EXEMPT CONTINUING CONNECTED TRANSACTION

On 17 September 2012, Ally Health as purchaser, a wholly-owned subsidiary of the Remaining Group entered into the Purchase Agreement with Huihao Hong Kong as supplier, which constitutes an exempt continuing connected transaction both on the part of the Company and Wanjia after completion of the Proposed Spin-off and the Distribution.

References are made to the circular (the “**Circular**”) of Hua Xia Healthcare Holdings Limited (the “**Company**”) dated 19 August 2013 and the announcements of the Company dated 16 September 2013, 19 September 2013, 30 September 2013 and 7 October 2013 (the “**Announcements**”) in relation to, among other things, the Proposed Spin-off and the Distribution. Capitalised terms used herein shall have the same meanings as those defined in the Circular unless the context otherwise required.

(1) COMPLETION OF THE PROPOSED SPIN-OFF

The Board is pleased to announce that on 10 October 2013, the Stock Exchange granted the listing of, and permission to deal in, the Wanjia Shares in issue on the Main Board. Accordingly, all conditions precedent to the Proposed Spin-off have been fulfilled and the Proposed Spin-off has become unconditional. Dealings in the Wanjia Shares on the Stock Exchange are expected to commence on 11 October 2013.

Share certificates for the Wanjia Shares were despatched to Qualifying Shareholders on 10 October 2013, and have become valid certificates of title when the Proposed Spin-off has become unconditional.

(2) COMPLETION OF THE CPS SUBSCRIPTION

The Board is also pleased to announce that with all the conditions precedent of the CPS Subscription being fulfilled, the CPS Subscription was completed on 10 October 2013. In accordance with the terms and conditions of the CPS Subscription Agreement, a total of 504,201,680 Second Batch CPSs were allotted and issued to Mr. Yung at the total Issue Price of HK\$120 million which was satisfied by setting off against HK\$120 million principal amount of the Promissory Note.

(3) EXEMPT CONTINUING CONNECTED TRANSACTION

Upon completion of the Proposed Spin-off and the Distribution, the Wanjia Group will become a connected person of the Remaining Group. Set out below is the existing continuing connected transaction entered into between the Remaining Group and the Wanjia Group.

The Purchase Agreement

On 17 September 2012, Ally Health, a wholly-owned subsidiary of the Remaining Group entered into the Purchase Agreement with Huihao Hong Kong:

Date: 17 September 2012

Parties involved: (1) Ally Health, a wholly-owned subsidiary of the Company, as purchaser;
and
(2) Huihao Hong Kong, as supplier

Term: Three years ending 31 March 2015

Huihao Hong Kong is a company incorporated in Hong Kong, she is a member of the Spun-off Group with its subsidiaries engaged in the provision of pharmaceutical wholesale and distribution and pharmaceutical retail chain business in the PRC.

Ally Health is a company registered in the BVI and is a wholly-owned subsidiary of the Remaining Group. Ally Health is the holding company of Edward Hospital and Jiaying Shuguang Hospital.

Pursuant to the Purchase Agreement, Ally Health has agreed to purchase certain pharmaceutical products from Huihao Hong Kong and its subsidiaries during the term of the Purchase Agreement, the annual amount of purchases will not exceed HK\$10 million during the term of the Purchase Agreement.

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 Ally Health from other suppliers who are Independent Third Parties and such purchase prices will be no less favourable to Ally Health 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.

Purchase Caps

The Purchase Caps for each of the remaining term for the two years ending 31 March 2015 will be HK\$9.08 million and HK\$9.53 million respectively. The Purchase Caps are determined based on (i) the historical amount of purchase of the pharmaceutical products from the Spun-off Group by the Remaining Group; and (ii) the estimated increased volume of pharmaceutical products that would needed to be purchased by the Remaining 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. In arriving at the Purchase Caps, it is assumed that the demand for healthcare products or relevant expenditure is relatively stable with the expected annual appreciation of 5% of RMB in the coming two years ending 31 March 2015 and takes into account the expected steady turnover of and hence the demand of pharmaceutical products by Edward Hospital and Jiaying Shuguang Hospital.

Reasons for entering into the Purchase Agreement

Edward Hospital and Jiaying Shuguang Hospital have, in the ordinary course of business, purchased pharmaceutical products from the Spun-off Group. The aggregate transaction amounts between the Remaining Group and the Spun-off Group for the three years ended 31 March 2013 were approximately HK\$9.40 million, approximately HK\$10.88 million and approximately HK\$6.31 million respectively.

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

GEM Listing Rules implications

As Mr. Yung is an executive Director and a substantial Shareholder, he is a connected person of the Company pursuant to Rule 20.11(1) of the GEM Listing Rules. Upon Completion of the Proposed Spin-off, Wanjia become a non-wholly owned subsidiary of the Company. As Mr. Yung will be interested in approximately 10.98% equity interest in Wanjia through his personal interest and his controlled corporation, namely Marshal and Easeglory, Wanjia is a connected person of the Company pursuant to Rule 20.11(5) of the GEM Listing Rules. Accordingly the entering into of the Purchase Agreement and the transactions contemplated thereunder constitute continuing connected transactions on the part of the Company under Chapter 20 of the GEM Listing Rules after completion of the Proposed Spin-off and the Distribution.

As each of the percentage ratios (as defined in the GEM Listing Rules) for the Purchase Caps is less than 5%, the entering into of the Purchase Agreement constitute continuing connected transaction subject to reporting and announcement requirements, but are exempt from the independent Shareholders' approval requirement of Chapter 20 of the GEM Listing Rules.

GENERAL

The Group is principally engaged in the provision of general hospital services in the PRC and through its 63.53% equity interest in Wanjia engaged in the provision of pharmaceutical wholesale and distribution and pharmaceutical retail chain business in the PRC.

DEFINITION

“Ally Health”	Ally Health International Limited, a company incorporated in the BVI and is a wholly-owned subsidiary of the Company, and its subsidiaries are engaged in the Hospital Business
“Continuing Connected Transaction”	the transaction contemplated under the Purchase Agreement which constitutes continuing connected transaction both on the part of the Company and Wanjia upon completion of the Proposed Spin-off and the Distribution
“Edward Hospital”	Edward Hospital Company Limited# (重慶愛德華醫院有限公司), a member of the Remaining Group
“Huihao Hong Kong”	Hui Hao (HK) Group Limited (惠好(香港)醫藥集團有限公司), a company incorporated in Hong Kong on 1 March 2004 with limited liability and has become a non-wholly owned subsidiary of the Company and a wholly-owned subsidiary of Wanjia immediately after the Proposed Spin-off and the Distribution
“Jiaxing Shuguang Hospital”	Jiaxing City Shuguang Western and Chinese Composite Hospital Company Limited# (嘉興市曙光中西醫結合醫院有限公司), a member of the Remaining Group
“Purchase Agreement”	the purchase agreement dated 17 September 2012 entered into between Ally Health and Huihao Hong Kong in relation to the purchase of certain pharmaceutical products from Huihao Hong Kong and its subsidiaries

“Purchase Caps” the annual purchase caps for each of the two years ending 31 March 2015, being HK\$9.08 million and HK\$9.53 million respectively

“Wanjia” Wanjia Group Holdings Limited (stock code: 401), a company incorporated in the Cayman Islands on 9 July 2012 with limited liability, whose issued shares are expected to be listed on the Main Board on 11 October 2013, and a non-wholly owned subsidiary of the Company upon Listing

By Order of the board of
Hua Xia Healthcare Holdings Limited
Yung Kwok Leong
Chairman

Hong Kong, 10 October 2013

As at the date of this announcement, the executive Directors of the Company 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 of the Company 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.