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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)

SUPPLEMENTAL ANNOUNCEMENT

References are made to the profit warning announcement (the “**Announcement**”) of the Company (the “**Company**”, together with its subsidiaries, the “**Group**”) dated 1 August 2014 and the annual report of the Company for the year ended 31 March 2014. Unless otherwise defined, terms used in this announcement shall have the same meaning as those defined in the Announcement.

The Board would like to inform the Shareholders and investors that as informed by the Wanjia Group, in arriving impairment of approximately HK\$785 million as at 30 June 2014 as compared with no impairment as at 31 March 2014, the Wanjia Group has changed certain assumptions in preparing the financial projection for the forecast period from 1 April 2014 to 31 March 2019 (the “**Forecast Period**”).

Set out below are the major changes in assumptions in relation to the financial projections and valuation of Nurture Fit Limited, an indirect wholly owned subsidiary of Wanjia as at 31 March 2014 and 30 June 2014 (all the data and information are referred to Wanjia Group only):

REVENUE

The increase in forecast revenue generated from pharmaceutical retail chain business for the year ending 31 March 2015 changes from 14% to 8%. The projected growth rate for the remaining Forecast Period remains at approximately 10% per year which is consistent with the mild inflation in the PRC.

The forecast revenue generated from pharmaceutical wholesale and distribution business changes from a compound annual increase of approximately 12% during the Forecast Periods to a decrease of approximately 30% for the year ending 31 March 2015, an increase of 5% in year ending 31 March 2016 and with stable increment of approximately 10% for the remaining Forecast Period.

* For identification purpose only

As mentioned in the Announcement, as a result of the promulgation and implementation of the new GSP in Fujian Province, the PRC in April 2014 which imposes stringent regulations on pharmaceutical distributor operation and causes significant decrease in pharmaceutical wholesale business of the Wanjia Group. According to subsequent publications of relevant government policies in effect, only 10 medicine distributors remained on the enterprise list and those unqualified distributors are not qualified to supply pharmaceutical products to public hospitals and healthcare institutions under new tenders commensurate with the new GSP. Majority of the existing distributor customers of the Wanjia Group, who are not on the new GSP qualified enterprise list, are expected to walk out from the sector. As a result, the projected sale revenues from the wholesale business are expected to tumble over the projection period.

Also, due to the constraint of the existing direct sale distribution facilities of the Wanjia Group where it is unable to cater for all the public hospitals and public healthcare institutions over the whole Fujian Province, the Wanjia Group is expected to take up only part of the market shares on distribution sale business which are covered by those existing distributor customers. As a result, there shall be dropped in the overall market share of the Wanjia Group over the wholesale and distribution segment.

GROSS PROFIT

The gross profit margin for sales of wholesales and distribution business changes from approximately 6% to 5% for the Forecast Period. The gross profit margin for sales of pharmaceutical retail chain business is expected to remain at approximately 40% during the Forecast Period.

The overall gross profit margin is estimated to change from approximately 9.75% to 10.5% during the Forecast Period and the estimated sales ratio by segment between pharmaceutical retail business and pharmaceutical wholesales and distribution business changes from 11%:89% to 17%:83% during the Forecast Period.

The rise in the projected overall gross profit margin is attributable to the increase in the proportion of revenues from the retail chain business having relatively higher gross profit margin.

EARNINGS BEFORE TAXATION

The selling and distribution and administrative expenses are estimated to change from approximately 4.5% to approximately 7.5% during the Forecast Period.

Higher selling, distribution and administrative cost-to-revenue ratio is projected as higher selling and distribution costs would be needed for the direct sale to hospital distribution business. Therefore, the earnings before taxation are expected to be reduced accordingly.

DISCOUNT RATE

The discount rate used in the valuation of goodwill as at 31 March 2014 and 30 June 2014 slightly changes from approximately 10.33% to approximately 10.10% to reflect specific risks relating to the relevant business and consistent with external source of information.

VALUATION METHOD

There is no change in the valuation method for the valuation reports as at 31 March 2014 and 30 June 2014 respectively. A discount cash flow method was adopted.

The Company would like to remind Shareholders and potential investors that the above-mentioned assumptions and inputs for the financial projection made for the Forecast Period are only based on the preliminary assessment made by the Board with reference to the unaudited consolidated management financial statements of the Group and information currently available, and such assumptions and inputs have not been reviewed and confirmed by the Company's auditors.

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

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

Hong Kong, 19 September 2014

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.