THIS PROSPECTUS IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this prospectus or as to the action to be taken, you should consult a licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Hua Xia Healthcare Holdings Limited (the "**Company**"), you should at once hand this prospectus together with the accompanying form of application and form of application for excess Rights Shares (as defined herein) (together, the "**Prospectus Documents**") to the purchaser or transferee, or to the bank, the licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

A copy of each of the Prospectus Documents and the consent letter referred to in the paragraph headed "Expert and Consent" in appendix III to this prospectus has been registered with the Registrar of Companies in Hong Kong pursuant to Section 342C of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission of Hong Kong and the Registrar of Companies in Hong Kong take no responsibility for the contents of any of these documents. Dealings in the securities of the Company may be settled through CCASS (as defined herein) and you should consult a licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser for details of the settlement arrangements and how such arrangements may affect your rights and interests.

Subject to the granting of the listing of, and permission to deal in, the Rights Shares in both their nil-paid and fully-paid forms on the Stock Exchange (as defined herein) as well as compliance with the stock admission requirements of HKSCC (as defined herein), the Rights Shares in both their nil-paid and fully-paid forms will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the respective commencement date of dealings in the Rights Shares in both their nil-paid and fully-paid forms or such other dates as determined by HKSCC. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Hong Kong Exchanges and Clearing Limited, the Stock Exchange and HKSCC take no responsibility for the contents of the Prospectus Documents, make no representation as to their respective accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of these documents.

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)

RIGHTS ISSUE OF 1,503,470,662 RIGHTS SHARES ON THE BASIS OF ONE (1) RIGHTS SHARE FOR EVERY THREE (3) SHARES HELD ON RECORD DATE AT HK$0.062 PER RIGHTS SHARE

Financial adviser

MUFG Mitsubishi UFJ Securities (HK) Capital, Limited

Underwriter

KGI Capital Asia Limited

The latest time for application and payment for the Rights Shares is 4:00 p.m. (Hong Kong time) on 4 November 2010. The procedures for application of the Rights Shares are set on pages 15 to 17 of this prospectus.

Shares (as defined herein) has been dealt on an ex-entitlements basis from 12 October 2010. Dealing in the Rights Shares in the nil-paid form will take place from Thursday, 21 October 2010 to Monday, 1 November 2010. If the Underwriter (as defined herein) terminates the Underwriting Agreement (as defined herein), or the conditions of the Rights Issue (as defined herein) are not fulfilled, the Rights Issue will not proceed. Any Shareholders (as defined herein) or other persons contemplating selling or purchasing Shares up to the date when the conditions of the Rights Issue are fulfilled (which is expected to be 11 November 2010) will accordingly bear the risk that the Rights Issue could not become unconditional and may not proceed.

It should be noted that if prior to the Latest Time for Termination (as defined herein),

(a) *in the sole and absolute opinion of the Underwriter, the success of the Rights Issue would be materially and adversely affected by:*

   (i) *the introduction of any new law or regulation or any change in existing law or regulation (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may in the sole and absolute opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or is materially adverse in the context of the Rights Issue; or*

   (ii) *the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date hereof) of a political, military, financial, economic or other nature (whether or not ejusdem generis with any of the foregoing), or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities markets which may, in the sole and absolute opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or materially and adversely prejudice the success of the Rights Issue or otherwise makes it inexpedient or inadvisable to proceed with the Rights Issue; or*

   (iii) *any material adverse change in the business or in the financial or trading position of the Group as a whole; or*

(b) *any adverse change in market conditions (including without limitation, any change in fiscal or monetary policy, or foreign exchange or currency markets, suspension or material restriction or trading in securities) occurs which in the sole and absolute opinion of the Underwriter is likely to materially or adversely affect the success of the Rights Issue or otherwise makes it inexpedient or inadvisable to proceed with the Rights Issue; or*

(c) *there is any change in the circumstances of the Company or any member of the Group which in the sole and absolute opinion of the Underwriter will adversely affect the prospects of the Company, including without limiting the generality of the foregoing the presentation of a petition or the passing of a resolution for the liquidation or winding up or similar event occurring in respect of any of member of the Group or the destruction of any material asset of the Group; or*

(d) *any suspension in the trading of securities generally or the Company's securities on the Stock Exchange for a period of more than ten consecutive Business Days, excluding any suspension in connection with the clearance of the Announcement or the Prospectus Documents or other announcements in connection with the Rights Issue, or*

(e) *the Prospectus or announcements of the Company published since the date of the Underwriting Agreement when published contain information (either as to business prospects or the condition of the Group or as to its compliance with any laws or the GEM Listing Rules or any applicable regulations) which has not prior to the date hereof been publicly announced or published by the Company and which may in the sole and absolute opinion of the Underwriter is material to the Group as a whole and is likely to affect materially and adversely the success of the Rights Issue or might cause a prudent investor not to accept the Rights Shares provisionally allotted to it,*

the Underwriter shall at its sole and absolute discretion be entitled by notice in writing to the Company, served prior to the Latest Time for Termination, to terminate the Underwriting Agreement.

If the Underwriter terminates the Underwriting Agreement, the Rights Issue will not proceed. The obligations of all parties under the Underwriting Agreement shall cease and determine and no party shall have any claim against any other party for costs, damages, compensation or otherwise save for any antecedent breaches.

19 October 2010

* *For identification purpose only*

CHARACTERISTICS OF GEM

GEM has been positioned as a market designed to accommodate companies to which a high investment risk may be attached than other companies listed on the Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

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DEFINITIONS

In this Prospectus, unless the context otherwise requires, the following expressions have the following meanings:

"Announcement"	the announcement of the Company dated 27 September 2010 relating to the Rights Issue
"associates"	has the meaning ascribed thereto in the GEM Listing Rules
"Board"	the board of Directors or a duly authorised committee thereof
"Business Day"	any day (other than a Saturday, a Sunday and a public holiday) on which licensed banks are generally open for business in Hong Kong throughout their normal business hours
"CCASS"	the Central Clearing and Settlement System established and operated by Hong Kong Securities Clearing Company Limited
"Companies Ordinance"	the Companies Ordinance, Chapter 32 of the Laws of Hong Kong
"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
"Conversion Shares"	Shares to be allotted and issued upon exercise of the conversion rights attaching to the Convertible Notes
"Convertible Notes"	the convertible notes with an aggregate outstanding principal amount of HK$6,500,000 conferring rights to convert to a total of 30,805,687 Shares at an initial conversion price of HK$0.211 per Share (subject to adjustment)
"CP Shares"	convertible preference shares, a second class of shares of the Company carrying no voting right but conferring rights to convert to a total of 4,833,333,333 Shares which as at the date hereof is legally and beneficially owned by Mr. Yung

"Directors"	directors of the Company
"EAF"	the excess application form(s) to be issued in connection with the Rights Issue
"Excluded Options"	the 230,400,000 Post-IPO Share Options (including 5,100,000 Post-IPO Share Options held by Mr. Yung) which are under vesting period and not exercisable on or before the Latest Lodging Date and 11,900,000 Post-IPO Share Options granted to Mr. Yung who undertakes not to exercise them on or before the Latest Lodging Date
"GEM"	the Growth Enterprise Market of the Stock Exchange
"GEM Listing Rules"	Rules Governing the Listing of Securities on GEM
"Group"	the Company and its subsidiaries
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"HKSCC"	Hong Kong Securities Clearing Company Limited
"Last Trading Day"	27 September 2010, being the last trading day before the release of the Announcement
"Latest Lodging Date"	4:00 p.m. on 13 October 2010, being the latest time for lodging transfer of the Shares and/or exercising the Share Options other than the Excluded Options
"Latest Practicable Date"	15 October 2010, being the latest practicable date prior to the printing of this prospectus for ascertaining certain information contained herein
"Latest Time for Acceptance"	4:00 p.m. on 4 November 2010, being the last date for acceptance of, and payment for, the Rights Shares
"Latest Time for Termination"	4:00 p.m. on the fifth Business Day after the Latest Time for Acceptance or such other time as may be agreed between the Company and the Underwriter

"Mr. Yung"	Mr. Yung Kwok Leong, the Chief Executive Officer and the chairman of the Board, an executive Director, a substantial Shareholder and the holder of the CP Shares and 17,000,000 Post-IPO Share Options
"Mr. Zheng"	Mr. Zheng Gang, an executive Director
"Nil-paid Rights"	the nil-paid rights of Shareholders to be allotted pursuant to the Rights Issue
"Non-Qualifying Shareholder(s)"	those Overseas Shareholders to whom the Company considers it necessary or expedient not to offer the Rights Shares based on the enquiry regarding the legal restrictions, if any, under the laws of the relevant jurisdictions where the Overseas Shareholders reside
"Overseas Shareholder(s)"	Shareholders whose registered addresses as shown in the register of members of the Company on the Record Date are outside of Hong Kong
"PAL"	the provisional allotment letter(s) to be issued in connection with the Rights Issue
"Post-IPO Share Options"	options to subscribe for Shares granted under the Post-IPO Share Option Scheme
"Post-IPO Share Option Scheme"	The post-IPO share option scheme adopted by the Company and became effective on 20 April 2002 which came into effect after the initial listing of the Shares on GEM on 10 May 2002
"PRC"	the People's Republic of China, which for the purpose of this Prospectus excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"Pre-IPO Share Options"	options to subscribe for Shares granted under the Pre-IPO Share Option Scheme
"Pre-IPO Share Option Scheme"	the pre-IPO share option scheme adopted by the Company and became effective on 20 April 2002 which came into effect prior to the initial listing of the Shares on GEM on 10 May 2002

"Prospectus"	this prospectus to be issued by the Company to the Shareholders containing details of the Rights Issue
"Prospectus Documents"	together, the Prospectus, the PAL and the EAF
"Prospectus Posting Date"	19 October 2010
"Qualifying Shareholder(s)"	Shareholders whose names appear on the register of members of the Company on the Record Date, other than the Non-Qualifying Shareholders
"Record Date"	19 October 2010
"Rights Issue"	the issue of the Rights Shares by the Company on the basis of one Rights Share for every three Shares held by the Qualifying Shareholders on the Record Date at the Subscription Price on the terms and subject to the conditions as set out in the Underwriting Agreement and in the Prospectus
"Rights Share(s)"	1,503,470,662 new Shares proposed to be offered to Qualifying Shareholders by way of rights on the terms set out in the Underwriting Agreement and in the Prospectus
"SFC"	Securities and Futures Commission of Hong Kong
"SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Share(s)"	the ordinary share(s) of HK$0.05 each in the share capital of the Company
"Shareholder(s)"	holders of the issued Shares
"Share Option(s)"	options to subscribe for Shares granted under together, the Pre-IPO Share Option Scheme and the Post-IPO Share Option Scheme
"Share Option Schemes"	together, the Pre-IPO Share Option Scheme and the Post-IPO Share Option Scheme

"Specified Event"	an event occurring or matter arising on or after the date hereof and prior to the Latest Time for Termination which if it had occurred or arisen before the date hereof would have rendered any of the warranties contained in the Underwriting Agreement untrue or incorrect in any material respect
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Subscription Price"	the issue price of HK$0.062 per Rights Share at which the Rights Shares are proposed to be offered for subscription
"Underwriter"	KGI Capital Asia Limited, a licensed corporation to carry on Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
"Underwriting Agreement"	the underwriting agreement dated 27 September 2010 and entered into between the Underwriter and the Company in relation to the Rights Issue
"Underwritten Share(s)"	the total number of Rights Shares to which holders of Shares are entitled pursuant to the Rights Issue being not less than 1,498,370,662 Rights Shares and not more than 1,578,651,396 Rights Shares
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"%"	per cent.

SUMMARY OF THE RIGHTS ISSUE

The following information is derived from, and should be read in conjunction with, the full text of this Prospectus.

Basis of the Rights Issue:	One Rights Share for every three Shares held on the Record Date
Number of Shares in issue:	4,510,411,986 Shares as at the Record Date and the Latest Practicable Date
Number of Rights Shares to be issued:	1,503,470,662 Rights Shares
Subscription Price:	HK$0.062 per Rights Share
Gross proceeds to be raised by the Rights Issue:	Approximately HK$93.2 million
Undertakings of Mr. Yung and the holder of the Convertible Notes:	Each of (1) Mr. Yung; and (2) the holder of the Convertible Notes has given an irrevocable undertaking not to, among others, exercise the conversion right attached to (1) the CP Shares and his 17,000,000 Post-IPO Share Options; and (2) the Convertible Notes
Number of Underwritten Shares:	1,503,470,662 Rights Shares
Basis of entitlement:	Rights Shares will be allotted in the proportion of one Rights Share for every three Shares held by the Qualifying Shareholders on the Record Date. No Rights Shares will be offered to the Non-Qualifying Shareholders (if any)
Right of excess application:	The Qualifying Shareholders will have the right to apply for excess Rights Shares
The Underwriter:	KGI Capital Asia Limited

EXPECTED TIMETABLE

The expected timetable for the Rights Issue set out below is for indicative purposes only and has been prepared on the assumption that all the conditions of the Rights Issue will be fulfilled. The expected timetable is subject to change, and any changes will be announced in a separate announcement by the Company as and when appropriate.

	2010
First day of dealings in nil-paid Rights Shares	Thursday, 21 October
Latest time for splitting nil-paid Rights Shares	4:00 p.m. on Wednesday, 27 October
Last day of dealings in nil-paid Rights Shares	Monday, 1 November
Latest time for payment and acceptance of Rights Shares	4:00 p.m. on Thursday, 4 November
Latest time for the Rights Issue to become unconditional	4:00 p.m. on Thursday, 11 November
Announcement of results of the Rights Issue on the GEM's website	Thursday, 11 November
Despatch of refund cheques in respect of unsuccessful or partially unsuccessful excess applications posted on or before	Friday, 12 November
Despatch of certificates for fully paid Rights Shares on or before	Friday, 12 November
First day of dealings in Rights Shares	Tuesday, 16 November

All times stated above refer to Hong Kong times. Dates stated in the timetable are indicative only and may be extended or varied. Any changes to the expected timetable for the Rights Issue will be announced as appropriate.

EFFECT OF BAD WEATHER ON THE LATEST TIME FOR ACCEPTANCE OF AND PAYMENT FOR RIGHTS SHARES

The latest time for acceptance of and payment for Rights Shares will not take place if there is:

1. a tropical cyclone warning signal number 8 or above, or

2. a "black" rainstorm warning

   (i) in force in Hong Kong at any local time before 12:00 noon and no longer in force after 12:00 noon on 4 November 2010. Instead the latest time for acceptance of and payment for the Rights Issue will be extended to 5:00 p.m. on the same Business Day; and

   (ii) in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on 4 November 2010. Instead the latest time for acceptance of and payment for the Rights Issue will be rescheduled to 4:00 p.m. on the following Business Day which does not have either of those warnings in force at any time between 9:00 a.m. and 4:00 p.m.

If the latest time for acceptance of and payment for the Rights Issue does not take place on 4 November 2010, the dates mentioned in the section headed "Expected timetable" in this Prospectus may be affected. An announcement will be made by the Company in such event.

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)

Executive Directors:
Mr. Yung Kwok Leong
(Chairman & Chief Executive Officer)
Dr. Jiang Tao *(Deputy Executive Officer)*
Mr. Weng Jiaxing *(Deputy Chief Executive)*
Mr. Zheng Gang
Dr. Huang Jiaqing
Mr. Chen Jin Shan

Non-executive Director:
Dr. Wong Yu Man, James

Independent non-executive Directors:
Ms. Wong Ka Wai, Jeanne
Prof. Hu Shanlian
Prof. Lu Chuanzhen

Registered office:
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Head office and principal place of business in Hong Kong:
19/F, New Wing
101 King's Road
Hong Kong

19 October 2010

To the Shareholders

Dear Sir or Madam,

RIGHTS ISSUE OF 1,503,470,662 RIGHTS SHARES ON THE BASIS OF ONE (1) RIGHTS SHARE FOR EVERY THREE (3) SHARES HELD ON RECORD DATE AT HK$0.062 PER RIGHTS SHARE

INTRODUCTION

On 27 September 2010, the Company proposes to carry out the Rights Issue to raise not less than approximately HK$92.9 million but not more than approximately HK$97.9 million before expenses by way of rights to the Shareholders. The Rights Issue involves the issue of not less than 1,498,370,662 Rights Shares but not more than 1,578,651,396 Rights Shares at the Subscription Price of HK$0.062 per Rights Share, subject to any issue of new Shares by the Company on or before the Record Date on conversion of the outstanding Convertible Notes or exercise of Share Options by the holders thereof.

* *For identification purpose only*

As at the Latest Lodging Date, the Company has 4,510,411,986 Shares in issue. Given that the register of the members would be closed from 14 October 2010 to 19 October 2010 and no Shares would be issued during the book close period, the total number of issued Shares on the Record Date would be the same as the Latest Lodging Date. As such, on the basis of one Rights Share for every three Shares held on the Record Date, 1,503,470,662 Rights Shares will be issued and 1,503,470,662 Rights Shares will be underwritten by the Underwriter.

The purpose of this Prospectus is to provide you with, among other things, further details of (i) the Rights Issue; (ii) financial information of the Group; and (iii) general information of the Group.

RIGHTS ISSUE

Issue Statistics

Basis of the Rights Issue:	One Rights Share for every three Shares held on the Record Date
Number of existing Shares in issue:	4,510,411,986 Shares as at the Latest Practicable Date
Number of Rights Shares to be issued:	1,503,470,662 Rights Shares
Subscription Price:	HK$0.062 per Rights Share payable in full on application

As at the Record Date, the Company has 465,560,833 outstanding Post-IPO Share Options (of which 230,400,000 Post-IPO Share Options (including 5,100,000 Post-IPO Share Options held by Mr. Yung) are under vesting period and not exercisable on or before the Latest Lodging Date), 2,281,370 outstanding Pre-IPO Share Options, the Convertible Notes with an aggregate outstanding principal amount of HK$6,500,000 conferring rights to convert to a total of 30,805,687 Shares and 4,833,333,333 CP Shares conferring rights to convert into a total of 4,833,333,333 Shares which in aggregate entitling holders thereof to subscribe for 5,331,981,223 Shares. Save as disclosed above, the Company does not have any other outstanding warrants or securities in issue which are convertible or exchangeable into Shares.

Subscription Price

The Subscription Price is HK$0.062 per Rights Share, payable in full upon acceptance of the relevant provisional allotment of Rights Shares and, where applicable, application for excess Rights Shares under the Rights Issue or when a transferee of nil-paid Rights Shares applies for Rights Shares. The Subscription Price represents:

1. a discount of approximately 36.1% to the closing price of HK$0.097 per Share as quoted on the Stock Exchange on 27 September 2010, being the Last Trading Day;

2. a discount of approximately 36.7% to the average of the closing prices of HK$0.098 per Share quoted on the Stock Exchange for the last five trading days up to and including the Last Trading Day;

3. a discount of approximately 36.7% to the average of the closing prices of HK$0.098 per Share quoted on the Stock Exchange for the last 10 trading days up to and including the Last Trading Day;

4. a discount of approximately 29.5% to the theoretical ex-entitlement price of approximately HK$0.088 based on the closing price of HK$0.097 per Share as quoted on the Stock Exchange on the Last Trading Day; and

5. a discount of approximately 22.5% to the closing price of HK$0.080 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

The Subscription Price was determined after arm's length negotiations between the Company and the Underwriter with reference to the current market price of the Shares. As the Rights Shares are offered to all Qualifying Shareholders, the Directors would like to set the Subscription Price at a level that would attract the Qualifying Shareholders to participate in the Rights Issue. The Directors consider the terms of the Rights Issue, including the Subscription Price, are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Qualifying Shareholders

The Company will send the Prospectus Documents to the Qualifying Shareholders only. For the Non-Qualifying Shareholders, the Company will send copies of the Prospectus to them for their information only, but the Company will not send any PAL and EAF to the Non-Qualifying Shareholders.

To qualify for the Rights Issue, a Shareholder must be registered as a member of the Company before the close of business on the Record Date and must be a Qualifying Shareholder.

Rights of Non-Qualifying Shareholders

As at the Record Date, the Company did not have any Overseas Shareholders. Hence, there was no Non-Qualifying shareholders. No Shareholders will be excluded from the Rights Issue.

Basis of provisional allotment

The basis of the provisional allotment shall be one Rights Share for every three Shares held by the Qualifying Shareholders on the Record Date at the Subscription Price of HK$0.062 per Rights Share. Application for all or any part of a Qualifying Shareholder's provisional allotment should be made by completing the PAL and lodging the same with a remittance for the Rights Shares being applied for.

Status of the Rights Shares

The Rights Shares, when allotted, issued and fully paid, will rank pari passu in all respects with the Shares then in issue. Holders of such fully-paid Rights Shares will be entitled to receive all future dividends and distributions which are declared, made or paid after the date of allotment of the Rights Shares.

Fractions of Rights Shares

The provisional allotment for the Qualifying Shareholders will be rounded down to the nearest whole number of Rights Shares. Fractions of Rights Shares will not be allotted to Qualifying Shareholders. Such fractional entitlements will be aggregated and, if possible, sold in the market. The net proceeds of such sales (after deduction of expenses) will be aggregated and an equivalent amount will accrue for the ultimate benefit of the Company.

Odd lots arrangements

The Company has agreed to procure KGI Asia Limited to arrange for matching services regarding the sale and purchase of odd lots of Rights Shares from 15 November 2010 to 22 November 2010 (both days). Shareholders of odd lots of the Rights Shares may contact Mr. Tim Choi/Mr. Joe Lo of KGI Asia Limited (telephone number: (852) 2878 4384) during the aforesaid period.

Application for excess Rights Shares

Qualifying Shareholders may apply, by way of excess application, for any unsold entitlements of the Non-Qualifying Shareholders (if any) and for any Rights Shares provisionally allotted but not accepted.

Applications for excess Rights Shares may be made by completing the EAF and lodging the same with a separate remittance for the excess Rights Shares being applied for. The Directors will allocate the excess Rights Shares at their discretion on a fair and equitable basis on the following principles:

(i) preference will be given to applications for less than a board lot of Rights Shares where it appears to the Directors that such applications are made to round up odd-lot holdings to whole-lot holdings and that such applications are not made with intention to abuse this mechanism; and

(ii) subject to availability of excess Rights Shares after allocation under principle (i) above, and assuming there is no material abuse on the excess application mechanism in the reasonable opinion of the Directors, the excess Rights Shares may be allocated to the Qualifying Shareholders based on a sliding scale with reference to the number of the excess Rights Shares applied by them (i.e. Qualifying Shareholders applying for a smaller number of excess Rights Shares will be allocated with a higher percentage of successful applications but will receive a lesser number of excess Rights Shares; whereas Qualifying Shareholders applying for a larger number of excess Rights Shares will be allocated with a smaller percentage of successful applications but will receive a higher number of excess Rights Shares) and with board lot allocations to be made on a best efforts basis.

Shareholders whose Shares are held by nominee companies should note that the Board will regard a nominee company as a single Shareholder according to the register of members of the Company. Accordingly, Shareholders whose Shares are registered in the name of a nominee company should note that the aforesaid arrangement in relation to the allocation of excess Rights Shares will not be extended to them individually.

Share Certificates for Rights Shares and refund cheques

Subject to the fulfillment of the conditions of the Rights Issue as set out in the section headed "Conditions of the Rights Issue" below, certificates for all fully-paid Rights Shares are expected to be posted on or before 12 November 2010 to those Shareholders who have accepted and (where applicable) applied for, and paid for the Rights Shares by ordinary post at their own risks. One share certificate will be issued for all the Rights Shares and/or excess Rights Shares (if any) to an applicant. Refund cheques in respect of wholly or partially unsuccessful applications for excess Rights Shares are also expected to be posted on or before 12 November 2010 at such applicants' own risk.

Application for listing

The Company has applied to the Listing Division of the Stock Exchange for the listing of and permission to deal in the Rights Shares, in both their nil-paid and fully-paid forms, to be allotted and issued pursuant to the Rights Issue.

Dealings in the Rights Shares in both their nil-paid and fully-paid forms, both in board lots of 20,000, which are registered in the branch register of members of the Company in Hong Kong will be subject to the payment of stamp duty in Hong Kong.

No part of the share capital or debt securities of the Company is listed or dealt in or on which listing or permission to deal in is being or is proposed to be sought on any other stock exchange.

Subject to the granting of listing of, and permission to deal in, the Rights Shares in both their nil-paid and fully-paid forms on the Stock Exchange, the Rights Shares in both their nil-paid and fully-paid forms will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the Rights Shares in both their nil-paid and fully-paid forms on the Stock Exchange or such other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

PROCEDURE FOR APPLICATION AND PAYMENT

PAL – Acceptance, payment and transfer

If you are a Qualifying Shareholder, you will find the PAL enclosed with this Prospectus which entitles you to apply for the number of Rights Shares in your assured entitlement shown thereon. If you wish to apply for such Rights Shares or any lesser number of such Rights Shares, you must complete, sign and lodge the same in accordance with the instructions printed thereon, together with the remittance for full amount payable on application with the Registrar by not later than 4:00 p.m. (Hong Kong time) on 4 November 2010. All remittances must be made in Hong Kong dollars. Cheques must be drawn on an account with, and banker's casher orders must be issued by, a licensed bank in Hong Kong and made payable to "**Hua Xia Healthcare Holdings Limited – Rights Issue Account**" and crossed "Account Payee Only".

It should be noted that unless the PAL, together with the appropriate remittance, has been lodged with the Company's Hong Kong share registrar, Tricor Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong by not later than the Latest Time for Acceptance by the Qualifying Shareholder, his/her/its entitlement to apply under the Rights Issue will be deemed to have been declined and will be cancelled.

If you are a Qualifying Shareholder and you wish to accept only part of your provisional allotment of Rights Shares, or transfer part of your rights to subscribe for the Rights Shares provisionally allotted to you, or to transfer your rights to more than one person, the entire PAL must be surrendered and lodged for cancellation by not later than 4:00 p.m. on 27 October 2010 with the Company's Hong Kong share registrar, Tricor Tengis Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, who will cancel the original PAL and issue new PALs in the denominations required. The new PALs will be available for collection at Tricor Tengis Limited at the address above after 9:00 a.m. on the second Business Day after the surrender of the original PAL. It should be noted that Hong Kong stamp duty is payable in connection with the transfer of the rights to subscribe for the Rights Shares.

The PAL contains full information regarding the procedures to be followed if you wish to apply for a number of Rights Shares different from your assured entitlement and the procedures to transfer of the whole or part of the provisional allotment of the Rights Shares by the Qualifying Shareholders.

All cheques or banker's cashier orders will be presented for payment immediately following receipt and all interest earned on such application monies will be retained for the benefit of the Company. Any PAL in respect of which the cheque or cashier order is dishonoured on first presentation is liable to be rejected, and in that event the relevant entitlements of the Qualifying Shareholder under the Rights Issue will be deemed to have been declined and will be cancelled.

If the Underwriter exercises the right to terminate its obligations under the Underwriting Agreement before the Latest Time for Termination and/or if any of the conditions to which the Rights Issue is subject are not fulfilled in accordance with the section headed "Conditions of the Rights Issue", the application monies will be refunded, without interest, by sending cheques made out to the applicants (or in the case of joint applicants, to the first named applicant) and crossed "Account Payee Only", through ordinary post at the risk of the applicants to the address specified in the Registrar on or before 12 November 2010.

No receipt will be issued in respect of any application monies received.

EAF – Application for excess Rights Shares

If a Qualifying Shareholder wishes to apply for any Rights Shares in addition to his/her/its provisional allotment, he/she/it must complete and sign the enclosed EAF in accordance with the instructions printed thereon and lodge the same with a separate remittance for the amount payable on applications in respect of the excess Rights Shares being applied for with the Company's Hong Kong share registrar, Tricor Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong, by not later than 4:00 p.m. (Hong Kong time) on 4 November 2010. All remittances must be made in Hong Kong dollars and cheques must be drawn on a bank account with, or cashiers orders must be issued by, a licensed bank in Hong Kong and made payable to "**Hua Xia Healthcare Holdings Limited – Excess Application Account**" and crossed "Account Payee Only".

The Company will notify the relevant Qualifying Shareholders of any allotment of excess Rights Shares made to them by way of announcement. An announcement of results of acceptance of and excess applications for the Rights Issue will be published on 11 November 2010.

Where the number of excess Rights Shares applied for under one EAF is larger than the total number of Rights Shares being offered under the Rights Issue, being 1,503,470,662 Rights Shares, such application (other than from a nominee company) would be treated as invalid and be rejected.

If no excess Rights Shares are allotted to a Qualifying Shareholder, the amount tendered on application is expected to be returned by refund cheque to that Qualifying Shareholder in full by ordinary post by the Registrar at his own risk on or before 12 November 2010.

If the number of excess Rights Shares allotted to a Qualifying Shareholder is less than that applied for, the surplus application monies are also expected to be returned by refund cheque to that Qualifying Shareholder by ordinary post by the Registrar at his own risk on or before 12 November 2010.

The EAF is for use only by the Qualifying Shareholder(s) to whom it is addressed and is not transferable. All documents, including refund cheques, will be despatched by ordinary post at the risk of the persons entitled thereto to their respective registered addresses as appeared on the Company's register of members.

No receipt will be issued in respect of any application monies received.

UNDERWRITING ARRANGEMENT

Underwriting Agreement

Date:	27 September 2010
Underwriter:	KGI Capital Asia Limited To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Underwriter and its ultimate beneficial owners are third parties independent of the Company and its connected persons (as defined in the GEM Listing Rules)
Number of Rights Shares:	not less than 1,498,370,662 new Shares and not more than 1,578,651,396 new Shares
Number of Underwritten Shares:	not less than 1,498,370,662 Rights Shares and not more than 1,578,651,396 Rights Shares
Commission:	The Company will pay the Underwriter an underwriting commission of 6% of the aggregate Subscription Price of the maximum amount of Underwritten Shares (i.e. 1,578,651,396), out of which the Underwriter may pay sub-underwriting fees

Taking into account the undertakings from Mr. Yung and the holder of the Convertible Notes and the Excluded Options not exercisable on or before the Latest Lodging Date, the Underwriter has agreed to fully underwrite not less than 1,498,370,662 Rights Shares and not more than 1,578,651,396 Rights Shares at the Subscription Price of HK$0.062 per Rights Share. The Underwriting Agreement provides that the Underwriter will be obliged to subscribe or procure subscribers for any Rights Shares not taken up by the Qualifying Shareholders or transferee(s) of nil-paid Rights Shares.

The Company considers the underwriting commission is in line with the market rate. The Directors (including the independent non-executive Directors) are also of the view that the underwriting commission is fair and reasonable.

Undertaking from Mr. Yung

As at the Record Date and the Latest Practicable Date, Mr. Yung is the legal and beneficial owner of 15,468,750 Shares, representing approximately 0.34% of the entire issued share capital of the Company and the entire issued share capital of Easeglory Holdings Limited. Easeglory Holdings Limited is the legal and beneficial owner of 1,209,605,000 Shares, representing approximately 26.82% of the entire issued share capital of the Company. Mr. Yung is also the legal and beneficial owner of 4,833,333,333 CP Shares. Mr. Yung has given an irrevocable undertaking in favour of the Company and the Underwriter not to, among others, exercise the conversion right attached to the CP Shares and his 17,000,000 Post-IPO Share Options (including those 5,100,000 Post-IPO Share Options which are under vesting period and not exercisable on or before the Latest Lodging Date) on or before the Latest Lodging Date. Mr. Yung has also informed the Board that he has no intention to subscribe for and procure to subscribe for the provisional allotment or to apply for any excess Rights Shares under the EAF.

Undertaking from holder of the Convertible Notes

The holder of the Convertible Notes has given an irrevocable undertaking in favour of the Company and the Underwriter not to, among others, exercise any of the conversion rights attaching to the Convertible Notes on or before the Latest Lodging Date.

Conditions of the Rights Issue

The Rights Issue is conditional on each of the following conditions being fulfilled:

(i) the delivery to the Stock Exchange and registration with the Registrar of Companies in Hong Kong respectively one copy of each of the Prospectus Documents duly signed by two Directors (or by their agents duly authorised in writing) as having been approved by resolution of the Directors (and all other documents required to be attached thereto) not later than the Prospectus Posting Date and otherwise in compliance with the GEM Listing Rules and the Companies Ordinance;

(ii) the posting of the Prospectus Documents to Qualifying Shareholders on the Prospectus Posting Date;

(iii) the Listing Division of the Stock Exchange granting or agreeing to grant (subject to allotment) and not having withdrawn or revoked listing of and permission to deal in all the Rights Shares (in their nil-paid and fully-paid forms) by no later than the Prospectus Posting Date;

(iv) compliance with and performance of all the undertakings and obligations of the Company under the Underwriting Agreement;

(v) the obligations of the Underwriter becoming unconditional and that the Underwriting Agreement is not terminated in accordance with its terms;

(vi) compliance with and performance of an irrevocable undertaking by Mr. Yung in favour of the Company and the Underwriter not to exercise all the conversion rights attaching to the CP Shares on or before the Latest Lodging Date; and

(vii) compliance with and performance of an irrevocable undertaking by the holder of the Convertible Notes in favour of the Company and the Underwriter not to exercise all the conversion rights attaching to the Convertible Notes on or before the Latest Lodging Date.

As at the Latest Practicable Date, none of the above conditions precedent has been fulfilled. The Company has applied to the Listing Division of the Stock Exchange for the listing of and permission to deal in the Rights Shares. The above conditions (i) and (ii) are expected to be fulfilled on the Prospectus Posting Date.

The conditions set out above are not capable of being waived. If the conditions of the Rights Issue under the Underwriting Agreement are not fulfilled by the relevant dates and times specified in the Underwriting Agreement (or, in each case, such later date or time as the Underwriter may agree in writing with the Company pursuant to the Underwriting Agreement), the Underwriting Agreement will terminate and no party thereto will have any claim against any other party for costs, damages compensation or otherwise save for any antecedent breaches. If the Underwriting Agreement terminates in accordance with its terms, the Rights Issue will not proceed. The irrevocable undertakings by Mr. Yung and the holder of the Convertible Notes as described above will lapse.

The Company shall use all reasonable endeavours to procure the fulfillment of all the conditions precedent by the Latest Time for Termination or such other date as the Company and the Underwriter may agree and in particular shall furnish such information, supply such documents, pay such fees, give such undertakings and do all such acts and things as may be necessary in connection with the listing of the Rights Shares or to give effect to the Rights Issue and the arrangements contemplated in the Underwriting Agreement.

Termination of the Underwriting Agreement

If prior to the Latest Time for Termination:

(a) in the sole and absolute opinion of the Underwriter, the success of the Rights Issue would be materially and adversely affected by:

(i) the introduction of any new law or regulation or any change in existing law or regulation (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may in the sole and absolute opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or is materially adverse in the context of the Rights Issue; or

(ii) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date hereof) of a political, military, financial, economic or other nature (whether or not ejusdem generis with any of the foregoing), or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities markets which may, in the sole and absolute opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or materially and adversely prejudice the success of the Rights Issue or otherwise makes it inexpedient or inadvisable to proceed with the Rights Issue; or

(iii) any material adverse change in the business or in the financial or trading position of the Group as a whole; or

(b) any adverse change in market conditions (including without limitation, any change in fiscal or monetary policy, or foreign exchange or currency markets, suspension or material restriction or trading in securities) occurs which in the sole and absolute opinion of the Underwriter is likely to materially or adversely affect the success of the Rights Issue or otherwise makes it inexpedient or inadvisable to proceed with the Rights Issue; or

(c) there is any change in the circumstances of the Company or any member of the Group which in the sole and absolute opinion of the Underwriter will adversely affect the prospects of the Company, including without limiting the generality of the foregoing the presentation of a petition or the passing of a resolution for the liquidation or winding up or similar event occurring in respect of any of member of the Group or the destruction of any material asset of the Group; or

(d) any suspension in the trading of securities generally or the Company's securities on the Stock Exchange for a period of more than ten consecutive Business Days, excluding any suspension in connection with the clearance of the Announcement or the Prospectus Documents or other announcements in connection with the Rights Issue, or

(e) the Prospectus or announcements of the Company published since the date of the Underwriting Agreement when published contain information (either as to business prospects or the condition of the Group or as to its compliance with any laws or the GEM Listing Rules or any applicable regulations) which has not prior to the date hereof been publicly announced or published by the Company and which may in the sole and absolute opinion of the Underwriter is material to the Group as a whole and is likely to affect materially and adversely the success of the Rights Issue or might cause a prudent investor not to accept the Rights Shares provisionally allotted to it,

the Underwriter shall at its sole and absolute discretion be entitled by notice in writing to the Company, served prior to the Latest Time for Termination, to terminate the Underwriting Agreement.

The Underwriter shall be entitled by notice in writing to rescind the Underwriting Agreement if prior to the Latest Time for Termination:

(a) any material breach of any of the warranties or undertakings contained in the Underwriting Agreement above comes to the knowledge of the Underwriter; or

(b) any Specified Event comes to the knowledge of the Underwriter.

Any such notice shall be served by the Underwriter prior to the Latest Time for Termination.

If the Underwriter gives a notice of termination to the Company in accordance with the terms of the Underwriting Agreement, all obligations of the Underwriter under the Underwriting Agreement shall cease and no party shall have any claim against any other party in respect of any matter or thing arising out of or in connection with the Underwriting Agreement provided that the Company shall remain liable to pay to the Underwriter any reasonable legal fees and other reasonable out of pocket expenses incurred by the Underwriter, except that the underwriting commission described above shall not be payable to the Underwriter if the Underwriting Agreement does not become unconditional or if it is terminated by the Underwriter pursuant to the Underwriting Agreement. If the Underwriter exercises its right to terminate the Underwriting Agreement, the Rights Issue will not proceed.

WARNING OF THE RISKS OF DEALING IN THE SHARES AND RIGHTS SHARES IN NIL-PAID FORM

The Rights Issue is conditional, inter alia, upon the fulfillment of the conditions set out below under the section headed "Conditions of the Rights Issue". The Underwriter is entitled under the Underwriting Agreement to terminate the Underwriting Agreement on the occurrence of certain events, including but not limited to force majeure, as more particularly described in the sub-section headed "Termination of the Underwriting Agreement" above. The Rights Issue is therefore also subject to the Underwriter not terminating the Underwriting Agreement. Accordingly, the Rights Issue may or may not proceed.

Any dealings in the Shares from the Record Date up to the date on which all the conditions of the Rights Issue are fulfilled, and any dealings in the Rights Shares in their nil-paid form will accordingly bear the risk that the Rights Issue may not become unconditional or may not proceed. Any Shareholders or other persons contemplating any dealings in the Shares or the Rights Shares in their nil-paid form are advised to consult their own professional advisers.

Shareholders should note that the Shares have been dealt with on an ex-entitlement basis commencing from 12 October 2010 and that dealings in such Shares will take place while the conditions to which the Underwriting Agreement is subject remain unfulfilled. Any Shareholder or other person dealing in such Shares up to the date on which all conditions to which the Rights Issue is subject are fulfilled (which is expected to be on or before 4:00 p.m. on 11 November 2010), will accordingly bear the risk that the Rights Issue cannot become unconditional and may not proceed.

CHANGES IN THE SHAREHOLDING STRUCTURE OF THE COMPANY ARISING FROM THE RIGHTS ISSUE

The existing shareholding structure of the Company as at the Latest Practicable Date and the shareholding structure of the Company immediately upon completion of the Rights Issue are set out below:

	As at the Latest Practicable Date		Immediately after completion of the Rights Issue			
			Assuming all Shareholders (save for Mr. Yung and his associates) accept to participate in the Rights Issue		Assuming no Shareholders accept to participate in the Rights Issue	
Shareholders	*Number of Shares*	*Approximate %*	*Number of Shares*	*Approximate %*	*Number of Shares*	*Approximate %*
Mr. Yung *(notes 1 and 2)*	15,468,750	0.34	15,468,750	0.26	15,468,750	0.26
Easeglory Holdings Limited *(note 1)*	1,209,605,000	26.82	1,209,605,000	20.11	1,209,605,000	20.11
	1,225,073,750	27.16	1,225,073,750	20.37	1,225,073,750	20.37
Mr. Weng Jiaxing *(note 2)*	14,062,500	0.32	18,750,000	0.32	14,062,500	0.23
Mr. Zheng *(note 2)*	15,000,000	0.33	20,000,000	0.33	15,000,000	0.25
Sub-total	1,254,136,250	27.81	1,263,823,750	21.02	1,254,136,250	20.85
Underwriter	–	–	408,357,917	6.79	1,503,470,662	25.00
Public	3,256,275,736	72.19	4,341,700,981	72.19	3,256,275,736	54.15
Total	**4,510,411,986**	**100.00**	**6,013,882,648**	**100.00**	**6,013,882,648**	**100.00**

Notes:

1. Easeglory Holdings Limited, a company incorporated in British Virgin Islands with limited liability, the entire issued share capital of which is wholly owned by Mr. Yung. Mr. Yung is deemed to be interested in the 1,209,605,000 Shares by virtue of the SFO.

2. They are Directors.

FUNDS RAISED DURING THE PAST 12 MONTHS

During the past 12 months immediately preceding the Record Date and the Latest Practicable Date, the Company has not conducted any fund raising activities.

REASONS FOR THE RIGHTS ISSUE

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.

In the early this year, the Company has completed the acquisition of the pharmaceutical wholesale and distribution and pharmaceutical retail chain business in the PRC from Mr. Yung. A promissory note with the principal amount of HK$290 million was issued by the Company to satisfy part of the consideration payable under such acquisition. The promissory note carries an interest rate of 1% per annum, payable semi-annually in arrears. To strength the financial position of the Company and to lower the gearing ratio of the Company, the Board intends to repay part of the promissory note.

The Board therefore considers that the Rights Issue represents an opportunity for the Company to enhance its working capital and strengthen its capital base and financial position so as to enhance its earning potential, and therefore enhance the overall value of the Shares. Moreover, the Board is of the view that it is in the interests of the Company and its Shareholders as a whole to raise the capital through the Rights Issue since it would allow the Qualifying Shareholders to maintain their respective pro rata shareholdings in the Company and participate in the future growth and development of the Group.

USE OF PROCEEDS

The net proceeds of the Rights Issue (after deduction of underwriting commission and expenses) are expected to amount to approximately HK$86.4 million. The Board intends to use not more than half of which to repay part of the promissory note due from the Company to Mr. Yung (which was issued earlier this year) and the remaining net proceeds will be used as general working capital of the Group.

The estimated expenses of the Rights Issue are about HK$6.8 million which include underwriting commission and professional fees payable to the financial adviser, lawyers and financial printer, etc. and will be borne by the Company.

FINANCIAL AND TRADING PROSPECTS OF THE GROUP

The Group is 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.

For the year ended 31 March 2010

Net loss attributable to owners of the Company for the year ended 31 March 2010 was approximately HK$211.283 million (2009: net loss approximately HK$200.548 million). The net loss was mainly due to the impairment loss on the goodwill of approximately HK$171.422 million which arose during the acquisition of the hospitals in the PRC between 2007 and 2008.

Selling and distribution expenses for the year ended 31 March 2010 to approximately HK$22.277 million as compared to approximately HK$19.426 million for the corresponding period last year. Such increase was related to the marketing and promotional expenses of the hospitals in the PRC.

Administrative expenses for the year ended 31 March 2010 amounted to approximately HK$52.914 million (2009: approximately HK$50.416 million). The increases were mainly due to the increased in numbers of staff and related staff costs. Also, the professional expenses incurred for the acquisition of the pharmaceutical wholesale and distribution and pharmaceutical retail chain business in the Fujian Province, the PRC.

For the three months ended 30 June 2010

For the three months ended 30 June 2010, the Group recorded a turnover on business operations of approximately HK$344.782 million (2009: approximately HK$29.648 million), representing a significant increase of about 1,063% compared to the same period last year. The rise in turnover was mainly driven by the sales from the newly acquired pharmaceutical wholesale and distribution and pharmaceutical retail chain businesses in the PRC.

Other income amounted to approximately HK$5.469 million of which approximately HK$5.291 million was recorded during the three months ended 30 June 2010 from the vendor's compensation for the shortfall of guaranteed profit. For details, please refer to the Company's announcement dated 18 June 2010.

Selling and distribution expenses for the three months ended 30 June 2010 amounted to approximately HK$6.569 million (2009: approximately HK$5.420 million). Administrative expenses for the three months ended 30 June 2010 amounted to approximately HK$25.423 million (2009: approximately HK$17.231 million). The increase in these expenses was due to the Group's business expansion.

The Group reported profit attributable to owners of the Company of approximately HK$16.278 million for the three months ended 30 June 2010 (2009: approximately HK$2.133 million), representing a significant increase of about 663% compared to the same the period last year. The improvement in the Group's results was mainly attributable to the expansion of pharmaceutical wholesale and distribution and pharmaceutical retail chain businesses in the PRC.

General hospital services

During the year ended 31 March 2010, the Group had 5 general hospitals operating in different cities of the PRC (i.e. Chongqing, Jiaxing, Shangrao, Foshan and Bengbu) which principally engaged in the provision of general hospital services including but not limited to medicine ward, surgical ward, cosmetic surgery, dermatology department and medical checkup and examination (three months ended 30 June 2010: 3 (i.e. Chongqing, Jiaxing and Shangrao)). The total turnover contributed by these general hospitals for each of the year ended 31 March 2010 and the three months ended 30 June 2010 was approximately HK$125.360 million (2009: approximately HK$155.719 million) and approximately HK$31.098 million (2009: approximately HK$29.449 million) respectively.

Healthcare and hospital management services

The Group provides healthcare management and training and consultancy for hospitals in the PRC which included advising on management strategies, operation and business model, logistics and procurement, workflow and human resources, market strategies and providing training and administrative support. The turnover contributed by the healthcare and hospital management services for each of the year ended 31 March 2010 and the three months ended 30 June 2010 was approximately HK$1.550 million (2009: approximately HK$14.368 million) and approximately HK$0.399 million (2009: approximately HK$0.199 million) respectively.

Pharmaceutical wholesale and distribution and pharmaceutical retail chain businesses

On 8 March 2010, the Group has successfully completed the acquisition of the entire equity interest of Huihao Medicine Wholesale Group (comprises of Hui Hao (HK) Group Limited, Fujian Province Fuzhou City Huihao Pharmaceutical Co. Ltd, Putian Medicine Co. Ltd and Fujian Huiming Medicine Co. Ltd) ("Huihao Medicine Wholesale Group") and 99.29% equity interest (through control agreements) of Fujian Huihao Sihai Pharmaceutical Chain Company Limited (the "Huihao Sihai"). The Huihao Medicine Wholesale Group is the first-tier distribution agent for over 100 pharmaceutical products from well-renowned overseas and local medicine manufactures in Fujian Province, the PRC. The Huihao Medicine Wholesale Group has more than 1,900 distribution customers in Fujian Province, the PRC, including more than 110 distributors and more than 1,000 clinics and pharmacies. The direct sales to hospitals deliver a broad range of pharmaceutical products to more than 100 hospitals. The major business of Huihao Sihai is the retailing of pharmaceutical products. Its pharmaceutical retail chain operation is the leader in pharmaceutical retail chains in Fujian Province, the PRC in terms of number of retail drug stores. There are currently 85 direct drug stores located in major cities in Fujian Province, the PRC under the brand name "Huihao Sihai". The turnover contributed by the pharmaceutical wholesale and distribution and pharmaceutical retail chain businesses for the three months ended 30 June 2010 was approximately HK$313.285 million.

Future Prospects

The Directors expect that the global economic environment will remain challenging for the year 2010. The management of the Group will continue to adapt to the changing business environment with effective and efficient measures and continue to keep focus on its core healthcare and pharmaceutical businesses in the PRC. The strong economic growth and increasing healthcare expenditures in the PRC are major drivers for greater demands for quality hospital services and affordable pharmaceutical products. The Directors therefore remain optimistic about the promising healthcare and pharmaceutical sectors in the PRC in the long-run including but not limited to possible future investments in or co-operation with healthcare and pharmaceutical businesses in the PRC (making use of various acquisition means, such as integrating hospitals and streamlining resources to expand the healthcare and pharmaceutical businesses more effectively). At the same time, the implementation of the healthcare reform measures and the government-mandated improvement of the healthcare standards on a national basis will lead to a seamless co-operation between hospital management enterprises and distributors of pharmaceutical products in the PRC, thus increasing the business opportunities for the Group as a whole. After taking into account such factors and undertaking those businesses which are complementary to the existing healthcare business of the Group as a further step, the diversification into the pharmaceutical sector would consequently create synergetic effects among the core business divisions, ultimately contributing noticeable benefits to the Group and enhancing shareholders' returns in the long run.

RISK FACTORS

The Company sets out below the risk factors of the Group for the Shareholders' and prospective investors' attention. Additional risks and uncertainties not presently known to the Directors, or not expressed or implied below, or that the Directors currently deem immaterial, may also adversely affect the Group's business, operating results and financial condition in a material respect.

Business risk relating the Group

(a) The Group's operations are sensitive to the continuation of the healthcare reform in the PRC. The implementation of the healthcare reform measures and the government mandated improvement of the healthcare standards on a national basis in this year are expected to lead to a seamless co-operation between hospital management enterprises, and distributors of pharmaceutical products in the PRC will increase the business opportunities for the Group as a whole. However, there can be no assurance that the relevant government authorities (i) will maintain the existing laws and regulations or (ii) will not impose additional or more stringent laws or regulations. Failure to comply with the relevant laws and regulations may affect the profitability of the Group.

(b) The pharmaceutical wholesale and distribution operation of the Group is subject to certain risks including but not limited to:

a. the inability to achieve or maintain its quality of service to its customers;

b. the removal or exclusion of its supplier's products in the medical insurance catalog, which can materially and adversely affect the commercial success of its wholesale and distribution operation, and thus its revenue, as it will affect the number of pharmaceutical items distributed by the Group to the hospitals;

c. the inability to obtain and maintain governmental or regulatory permits, approvals and clearances, or to pass the PRC Government inspections or audits or to adhere to, or comply with, relevant PRC laws and regulations; and

d. the possibility of accidents affecting certain of its distribution processes and products that the Group's stores or transports, which may result in fires, explosions and other potentially dangerous situations.

The occurrence of any such risks in the wholesale and distribution operations of the Group may affect its business, reputation, results of operations and financial condition.

(c) The pharmaceutical retail chain operation of the Group is subject to certain risks including but not limited to:

a. the incapability to successfully implement effective advertising, marketing and promotional programs, including pricing strategies to maintain competitive pressure and demand relating to the pharmaceutical retail chain operations;

b. the inability to implement effective pricing and other strategies in response to competitive pressures in the pharmaceutical retail chain industry and the state-imposed price controls; the inability to respond to changes in consumer demand;

c. the inability to secure and renew leases and properties for retail pharmacies in quality locations at competitive prices;

d. the inability to stock an adequate supply of pharmaceutical products and related merchandise that are desired by customers on the shelves of the pharmaceutical retail chain;

e. the inability to adhere to, or comply with, any relevant PRC retail, health, employment and labour laws and regulations;

f. the inability to obtain and maintain regulatory or governmental permits, approvals and clearances, or to pass the PRC Government inspections or audits;

g. the risk of, and resulting liability from, any contamination, injury or other harm caused by any use and misuse involving its retail products; and

h. possible disputes over properties, lease and buildings in which the pharmaceutical retail chain operations are situated.

In case of any of such risks occurs in the pharmaceutical retail chain operations, it may affect the Group's business, reputation, results of operations and financial condition.

Financial risk relating to the Group

(a) Market risks (Foreign exchange)

All of the Group's turnover, expenses and major operational assets are denominated in Renminbi, which is not freely convertible for capital account transactions and may be subject to exchange rate volatility. Any future restrictions on currency exchange may limit the Group's ability to repatriate profits for the distribution of dividends to the Shareholders or to fund the other business activities outside the PRC. There can be no assurance that future exchange rate fluctuations in Renminbi may not result in foreign currency exchange losses for the Group and if so, that any such losses will not have a material adverse effect on the Group's financial results.

In addition, Renminbi has steadily appreciated in value in foreign exchange market in 2010 while the Group's financing activities mainly focus on Hong Kong capital market and will be made in Hong Kong dollars. Therefore, it is not guaranteed that any future exchange rate fluctuations in Renminbi could be favorable to the Group and might adversely affect the future acquisition strategy of the Group in the PRC and thus the business growth of the Group.

(b) Credit risk

The Group's credit risk is primarily attributable to trade and other receivables from the pharmaceutical wholesale and distribution and the provision of healthcare and hospital management services in the PRC. The Group has no significant concentrations of credit risk.

The income received from the pharmaceutical retail chain businesses and the provision of general hospital services is dominated in cash and cash equivalents.

(c) Liquidity risk

The Group manages its liquidity risk by regularly monitoring current and expected liquidity requirements and ensuring sufficient liquid cash and adequate committed lines of funding from major financial institutions to meet the Group's liquidity requirements in the short and long term.

(d) Cash flow and fair value interest rate risk

Long term borrowings at variable interest rates expose the Group to cash flow interest rate risk and those at fixed rates expose the Group to fair value interest rate risk. The Group monitors the interest rate risk exposure on a continuous basis and adjusts the portfolio of borrowings where necessary.

Risks relating to the PRC

(a) Geographic

The Group's major operations spread over several provinces and cities such as Fujian, Chongqing, Jiaxing, Zhuhai and Beijing. Each of the operations and its business growth is subject to respective economic growth in each province and regional policy and regulations and thus growth in national economy has been uneven across different geographic regions. Therefore, the turnover and profit contributions from each operation of the Group might be affected by different geographical factors and it is not guaranteed that the current contributions from each operation in different provinces will continue in the future.

(b) Economic

The PRC economy differs from the economies of most developed countries in various aspects, including structural, degree of governmental involvement, level of development, control of capital investment, growth rate and allocation of resources. The PRC economy has been transforming from a planned economy to a more market-oriented economy. For the past three decades, the PRC government has implemented measures for economic reform, emphasising utilisation of market forces in the development of the PRC economy. In the meantime, the PRC government continues to play a significant role in regulating industries by imposing industrial policies from time to time. The Board cannot predict whether changes in the political, economic and social conditions in the PRC or changes in the laws, regulations and policies promulgated by the PRC government will have any adverse effect on the current or future business, results of operations or financial condition of the Group.

The success of the business of the Group depends wholly on the growth of the PRC economy and the growth in the healthcare industry. Any slowdown of the PRC economy could adversely affect the business of the Group, results of operations and growth prospects. The slowdown in the PRC's economic growth may reduce demand for the Group's products, which could have a material and adverse effect on our business, results of operations and financial condition.

(c) Policy and regulation

The PRC medical and healthcare industry is highly regulated. Changes in the industry policies and regulations such as the enforcement of more stringent control measures on business practice and restrictions, price control on medical services and pharmaceutical products are all beyond the control of the Group and may render the current business strategies of the Group less effective than it should be. The Group might need to increase its investment in the hospitals in order to meet the revised standards or new policy requirements. It is not guaranteed that our Group could cope with those changes and may affect our business operations in the PRC.

The pharmaceutical industry in the PRC is under extensive regulation and supervision of the PRC government. Any new rules and regulations introduced and implemented in future may result in increase in costs, decrease in demand of services and the prices the customers of the Group are willing to pay and may have adverse effect on the Group's business, and financial condition. In addition, it is uncertain as to whether the PRC government will continue to adopt policies supporting the pharmaceutical industry. The Group cannot assure that it will be able to adapt to such changes, and further cannot assure that its business, financial condition and results of operations will not be adversely affected by the changes of any of the rules and regulations.

Risks relating to the Share prices and Shareholders' shareholdings

(a) The Share price may be volatile

The price and trading volume of the Share will be determined in the market place and may be highly volatile. Factors such as variations in the Group's revenue, earnings and cash flows, changes in or challenges to its business, announcements of new investments or acquisitions, the depth and liquidity of the market for the Shares, investors' perceptions of the Group and general political, economic, social and market conditions both globally and in the PRC or Hong Kong could cause the market price of the Shares to change substantially.

(b) Shareholders' shareholding may be diluted as a result of future equity fundraising

The Group may need to raise additional funds in the future to finance its expansion or for other reasons. If additional funds are raised through the issuance by the Company of new equity or equity-linked securities other than on a pro-rata basis to existing shareholders, the percentage ownership of individual shareholders will decline. Any such new securities may have preferential rights or options that favour their holders over holders of the Shares, to the extent permitted by law, exchange rules and the Company's constitutive documents.

ADJUSTMENTS IN RELATION TO THE SHARE OPTION SCHEMES, THE CONVERTIBLE NOTES AND THE CP SHARES

Pursuant to the terms of the Share Option Schemes, the Convertible Notes and the CP Shares, the exercise prices, the subscription price and conversion price of the respective Share Options, the Convertible Notes and the CP Shares will be adjusted in accordance with the Share Option Schemes, the respective deed polls of the Convertible Notes and the terms of the CP Shares upon the Rights Issue becoming unconditional.

The corresponding adjustments will be made to the number or nominal amount of Shares subject to the respective Share Options, Convertible Notes and the CP Shares so far as unexercised and unconverted, and/or the subscription/conversion prices, and/or the method of exercise of the Share Options and the method of subscription/conversion of the Convertible Notes and the CP Shares provided that such adjustments will be made on the basis that the proportion of the issued share capital to which a holder of the Share Options and/or Convertible Notes and/or CP Shares is entitled after such adjustments will remain the same as that to which he was entitled before such alteration and no Share will be issued at less than its nominal value.

The adjustments to the exercise prices and conversion prices of the respective Share Options, Convertible Notes and the CP Shares are set out below:

(i)

Prior to the effect of the Rights Issue the exercise price per Share and the number of Shares subject to the outstanding Shares Options under the Share Option Schemes:	**New exercise price per Share (rounded to 3 decimal places) and number of Shares subject to the Share Options after the Rights Issue under the Share Option Schemes:**
Pre-IPO Share Option Scheme:	**Pre-IPO Share Option Scheme:**
(a) 2,281,370 Shares exercisable at HK$0.245 each	(a) 2,377,765 Shares exercisable at HK$0.235 each
Post-IPO Share Option Scheme:	**Post-IPO Share Option Scheme:**
(a) 11,027,500 Shares exercisable at HK$0.376 each	(a) 11,493,450 Shares exercisable at HK$0.361 each
(b) 20,833,333 Shares exercisable at HK$0.306 each	(b) 21,713,614 Shares exercisable at HK$0.294 each
(c) 155,700,000 Shares exercisable at HK$0.05 each	(c) 155,700,000 Shares exercisable at HK$0.05 each
(d) 278,000,000 Shares exercisable at HK$0.117 each	(d) 289,746,478 Shares exercisable at HK$0.112 each

(ii)	**Prior to the effect of the Rights Issue and the conversion price per Share and the number of Conversion Shares subject to the outstanding Convertibles Notes:**	**New conversion price per Share number of conversion Shares after the Rights Issue subject to the outstanding Convertible Notes:**
	Convertible Notes:	**Convertible Notes:**
	30,805,687 Shares at HK$0.211 each	34,210,526 Shares at HK$0.190 each
(iii)	**Prior to the effect of the Rights Issue and the conversion price per Share and the number of Shares subject to the outstanding CP Shares:**	**New conversion price per Share number of conversion Shares after the Rights Issue subject to the outstanding CP Shares:**
	CP Shares:	**CP Shares:**
	4,833,333,333 Shares at HK$0.06 each	5,800,000,000 Shares at HK$0.05 each

The adjustments have been reviewed by HLB Hodgson Impey Cheng, the Company's auditors, in accordance with the supplemental guidance issued by the Stock Exchange in September 2005, the terms of the Share Option Schemes, the Convertible Notes and the CP Shares. A copy of the letter is available for inspection as mentioned in the section headed "Documents available for inspection" in Appendix III to this Prospectus.

ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices to this Prospectus.

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

1. FINANCIAL SUMMARY AND AUDITORS' REPORTS

A summary of the published results, assets and liabilities of the Group for each of the three years ended 31 March 2010 as extracted from the respective annual report of the Company is set out below:

	For the year ended 31 March		
	2010	**2009**	**2008**
	HK$'000	*HK$'000*	*HK$'000*
Result			
Turnover	179,765	170,087	135,943
Profit/(loss) before taxation	(204,913)	(178,232)	(1,589)
Taxation	(1,723)	(12,228)	(6,184)
Net profit/(loss) for the year	(206,636)	(190,460)	(7,773)
Profit/(loss) attributable to			
– Owners of the Company	(211,283)	(200,548)	(17,891)
– Minority interests	4,647	10,088	10,118
	(206,636)	(190,460)	(7,773)

	As at 31 March		
	2010	**2009**	**2008**
	HK$'000	*HK$'000*	*HK$'000*
Assets and liabilities			
Total assets	1,282,732	394,977	586,649
Total liabilities	(736,842)	(38,915)	(82,165)
	545,890	356,062	504,484

2. AUDITED FINANCIAL STATEMENTS

Set out below are the audited financial statements together with the relevant notes thereto as extracted from the annual report of the Company for the year ended 31 March 2010.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2010

	Notes	2010 HK$'000	2009 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	*6*	43,438	43,668
Prepaid lease payments	*7*	32,268	28,989
Investment properties	*8*	5,586	–
Goodwill	*10*	788,068	206,585
		869,360	279,242
Current assets			
Inventories	*13*	95,154	3,696
Trade and other receivables and deposits	*14*	241,136	18,275
Derivative financial instruments	*15*	96	3
Pledged bank deposits		17,274	5,255
Cash and bank balances	*9*	59,712	88,506
		413,372	115,735
Total assets		1,282,732	394,977
EQUITY:			
Capital and reserves attributable to the owners of Company			
Share capital	*16*	466,423	224,756
Reserves		237,561	103,067
		703,984	327,823
Minority interests		32,858	28,239
Total equity		736,842	356,062

	Notes	2010 HK$'000	2009 HK$'000
LIABILITIES			
Current liabilities			
Trade and other payables	*18*	250,748	30,607
Bank borrowings	*19*	47,310	–
Amounts due to minority shareholders	*20*	719	540
Convertible note	*21*	–	6,469
Tax payable		2,254	1,118
		301,031	38,734
Long-term liabilities			
Promissory note	*22*	240,482	–
Convertible note	*21*	3,741	–
Deferred taxation	*36*	636	181
		244,859	181
Total liabilities		545,890	38,915
Total equity and liabilities		1,282,732	394,977
Net current assets		112,341	77,001
Total assets less current liabilities		981,701	356,243

The accompanying notes form an integral part of these consolidated financial statements.

STATEMENT OF FINANCIAL POSITION
At 31 March 2010

	Notes	2010 HK$'000	2009 HK$'000
ASSETS			
Non-current assets			
Interests in subsidiaries	*12*	112,100	377,011
Current assets			
Prepayment, deposits and other receivables	*14*	382	279
Derivative financial instruments	*15*	96	3
Cash and bank balances		14,645	26,057
Amounts due from subsidiaries	*12*	847,859	71,314
		862,982	97,653
Total assets		975,082	474,664
EQUITY:			
Capital and reserves attributable to owners of the Company			
Share capital	*16*	466,423	224,756
Reserves	*17*	233,716	219,611
Total equity		700,139	444,367
LIABILITIES			
Current liabilities			
Accruals and other payables		4,400	550
Financial guarantee contracts		3,410	746
Convertible note	*21*	–	6,469
Amounts due to subsidiaries	*12*	22,274	22,351
		30,084	30,116

	Notes	2010 HK$'000	2009 HK$'000
Long-term liabilities			
Promissory note	*22*	240,482	–
Convertible note	*21*	3,741	–
Deferred taxation	*36*	636	181
		244,859	181
Total liabilities		274,943	30,297
Total equity and liabilities		975,082	474,664
Net current assets		832,898	67,537
Total assets less current liabilities		944,998	444,548

The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2010

	Notes	2010 HK$'000	2009 HK$'000
Turnover	24	179,765	170,087
Cost of sales		(115,381)	(72,750)
Gross profit		64,384	97,337
Other revenue	24	1,337	422
Other income	25	461	2,085
Selling and distribution expenses		(22,277)	(19,426)
Administrative expenses		(52,914)	(50,416)
Impairment loss on goodwill	10	(171,422)	(202,547)
Loss on disposal of subsidiaries	35	(23,185)	(3,865)
Loss from operations	25	(203,616)	(176,410)
Finance costs	28	(1,297)	(1,822)
Loss before taxation		(204,913)	(178,232)
Taxation	29	(1,723)	(12,228)
Loss for the year		(206,636)	(190,460)
Other comprehensive income			
Exchange differences on translating foreign operations		(201)	7,142
Other comprehensive income for the year, net of tax		(201)	7,142
Total comprehensive income for the year		(206,837)	(183,318)
Dividends	32	–	–

	Notes	2010 HK$'000	2009 HK$'000
Loss attributable to:			
Owners of the Company		(211,283)	(200,548)
Minority interests		4,647	10,088
		(206,636)	(190,460)
Total comprehensive income attributable to:			
Owners of the Company		(211,456)	(194,110)
Minority interests		4,619	10,792
		(206,837)	(183,318)
Loss per share attributable to owners of the Company			
– basic and diluted	*31*	HK (4.40) cents	HK (10.35) cents

The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2010

	Attributable to owners of the Company									
	Share capital	**Share premium**	**Special reserve**	**Translation reserve**	**Share-based payment reserve**	**Convertible note reserve**	**Statutory reserve**	**Accumulated losses**	**Minority interests**	**Total equity**
	HK$'000	*HK$'000*	*HK$'000* *(Note (a))*	*HK$'000*	*HK$'000*	*HK$'000* *(Note (b))*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 April 2008	89,902	425,169	(6,735)	1,461	4,658	24,693	753	(62,099)	26,682	504,484
Exchange difference on translation of financial statements of overseas subsidiaries	–	–	–	6,438	–	–	–	–	704	7,142 7,142
Net income recognised directly in equity	–	–	–	6,438	–	–	–	–	704	
Loss for the year	–	–	–	–	–	–	–	(200,548)	10,088	(190,460)
Total comprehensive income for the year	–	–	–	6,438	–	–	–	(200,548)	10,792	(183,318)
Issue of shares	44,952	–	–	–	–	–	–	–	–	44,952
Bonus issue of shares	89,902	(89,902)	–	–	–	–	–	–	–	–
Increase in minority interests resulting from acquisition of subsidiaries	–	–	–	–	–	–	–	–	4,705	4,705
Release upon redemption of convertible note	–	–	–	–	–	(20,245)	–	19,424	–	(821)
Dividend paid	–	–	–	–	–	–	–	–	(13,940)	(13,940)
Transfer to reserve	–	–	–	–	–	–	534	(534)	–	–
At 31 March 2009 and 1 April 2009	224,756	335,267	(6,735)	7,899	4,658	4,448	1,287	(243,757)	28,239	356,062
Exchange difference on translation of financial statements of overseas subsidiaries	–	–	–	(173)	–	–	–	–	(28)	(201)
Net income recognised directly in equity	–	–	–	(173)	–	–	–	–	(28)	(201)
Loss for the year	–	–	–	–	–	–	–	(211,283)	4,647	(206,636)
Total comprehensive income for the year	–	–	–	(173)	–	–	–	(211,283)	4,619	(206,837)
Release upon disposal of subsidiaries	–	–	–	(537)	–	–	–	–	–	(537)
Issue of share option	–	–	–	–	5,617	–	–	–	–	5,617
Equity component of convertible note	–	–	–	–	–	(1,410)	–	4,448	–	3,038
Deferred tax related to convertible note	–	–	–	–	–	(501)	–	–	–	(501)
Share options cancelled	–	–	–	–	(4,045)	–	–	4,045	–	–
Issue of convertible preference shares	241,667	338,333	–	–	–	–	–	–	–	580,000
At 31 March 2010	466,423	673,600	(6,735)	7,189	6,230	2,537	1,287	(446,547)	32,858	736,842

Notes:

(a) Included in the special reserve amounting to approximately HK$2,935,000 of the Group represents the difference between the nominal amount of the shares issued by the Company and the aggregate amount of the share capital of a subsidiary acquired pursuant to a group reorganisation in 2001.

The decrease in special reserve amounting to approximately HK$41,580,000 of the Group represents the difference between the fair value and the contracted value of consideration shares paid for acquisition of subsidiaries during the year ended 31 March 2007.

The increase in special reserve amounting to approximately HK$31,910,000 of the Group represents the difference between the fair value and the contracted value of consideration shares paid for acquisition of subsidiaries during the year ended 31 March 2008.

(b) As stipulated by the relevant PRC laws and regulations, the subsidiaries of the Company established in the PRC shall set aside 10% of its net profit after taxation for the statutory surplus reserve fund (except where the reserve balance has reached 50% of the subsidiaries' paid-up capital). The reserve fund can only be used, upon approval by the board of directors and by the relevant authority, to offset accumulated losses or increase capital.

The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOW

For the year ended 31 March 2010

	2010	2009
	HK$'000	*HK$'000*
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before taxation	(204,913)	(178,232)
Adjustments for:		
Interest income	(532)	(422)
Interest expenses	1,297	1,822
Impairment loss on goodwill	171,422	202,547
Amortisation of prepaid lease payments	977	962
Depreciation of property, plant and equipment	11,200	10,629
Fair value change of derivative financial instruments	(93)	511
Loss on disposal of property, plant and equipment	28	10
Loss on disposal of subsidiaries	23,185	3,865
Provision for impairment loss of trade and other receivables	489	1,381
Share-based payment expenses	5,617	–
Operating cash inflows before movements in working capital	8,677	43,073
Increase in inventories	(2,947)	(522)
(Increase)/decrease in trade and other receivables and deposits	(29,674)	121,373
Decrease in amount due from an associate	–	2,999
Decrease in trade and other payables	(17,154)	(31,274)
Increase in amounts due to minority shareholders	255	149
Net cash (used in)/generated from operations	(40,843)	135,798
Compensation received from vendors	7,764	–
Overseas tax paid	(1,906)	(11,620)
Net cash (used in)/generated from operating activities	(34,985)	124,178

	2010	2009
	HK$'000	*HK$'000*
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	532	379
Purchase of property, plant and equipment	(7,401)	(13,636)
Net cash outflow from acquisition of subsidiaries	(699)	(105,480)
Net cash inflow from disposal of subsidiaries	5,484	1,550
Dividend paid	–	(13,940)
Proceeds from disposal of property, plant and equipment	555	–
Net cash used in investing activities	(1,529)	(131,127)
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest paid	(47)	(585)
Proceeds from issue of shares	–	44,952
Decrease in pledged bank deposits	2,076	–
Redemption of convertible note	–	(29,000)
Proceeds from new bank loans	6,270	–
Net cash generated from financing activities	8,299	15,367
Net (decrease)/increase in cash and cash equivalents	(28,215)	8,418
Cash and cash equivalents at the beginning of the year	88,506	78,134
Effect of foreign currency exchange rate changes	(579)	1,954
Cash and cash equivalents at the end of the year	59,712	88,506
Analysis of the balances of cash and cash equivalents		
Cash and bank balances	59,712	88,506

The accompanying notes form an integral part of these consolidated financial statements.

NOTES TO THE FINANCIAL STATEMENTS

31 March 2010

1. Corporate information

The Company was incorporated in the Cayman Islands on 28 May 2001 as an exempted company with limited liability. The shares of the Company are listed on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The registered office of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681 GT George Town, Grand Cayman, KY1-1111, Cayman Islands. The head office and principal place of business of the Company in Hong Kong is located at 19/F., New Wing, 101 King's Road, Hong Kong (with effect from 28 June 2010).

The consolidated financial statements are presented in Hong Kong dollars, which is the functional currency of the Company.

The Company acts as an investment holding company while its subsidiaries are principally engaged in the provision of general hospital services, healthcare and hospital management services and pharmaceutical wholesale and distribution and pharmaceutical retail chain business in the PRC.

2. Application of new and revised Hong Kong Financial Reporting Standards ("HKFRSs")

In the current year, the Group has applied, for the first time, of the following new standards, amendments and interpretations (the "new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") which are effective for the Group's financial year beginning on or after 1 April 2009. A summary of the new HKFRSs are set out as below:

HKAS 1 (Revised)	Presentation of Financial Statements
HKAS 20 (Amendment)	Accounting for Government Grants and Disclosure of Government Assistance
HKAS 23 (Revised)	Borrowing Costs
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligation Arising on Liquidation
HKAS 38 (Amendment)	Intangible Assets
HKAS 40 (Amendment)	Investment Properties
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments

HKFRS 8	Operating Segments
HK(IFRIC) – Int 9 & HKAS 39 (Amendments)	Embedded Derivatives
HK(IFRIC) – Int 13	Customer Loyalty Programmes
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estate
HK(IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation
HK(IFRIC) – Int 18	Transfer of Assets from Customers
HKFRSs (Amendments)	Improvements to HKFRS issued in 2008, except for the amendment to HKFRS 5 that is effective for annual periods beginning on or after 1 July 2009
HKFRSs (Amendments)	Improvements to HKFRS issued in 2009 in relation to the amendment to paragraph 80 of HKAS 39

Except as described below, the adoption of the new and revised HKFRSs has had no material effect on the consolidated financial statements of the Group for the current or prior years.

HKAS 1 (Revised) Presentation of Financial Statements

HKAS 1 (Revised) has introduced terminology changes (including revised titles for the financial statements) and changes in the format and content of the financial statements.

HKFRS 8 Operating Segments

HKFRS 8 is a disclosure standard that has resulted in a redesignation of the Group's reportable segments.

Improving Disclosures about Financial Instruments (Amendments to HKFRS 7 Financial Instruments: Disclosures)

The amendments to HKFRS 7 expand the disclosures required in relation to fair value measurements and liquidity risk. The Group has not presented comparative information for the expanded disclosures in accordance with the transitional provision set out in the amendments.

The Group has not early applied the following new and revised standards, amendments or interpretations that have been issued but are not yet effective.

HKFRSs (Amendments)	Amendments to HKFRS 5 as part of Improvements to HKFRSs issued in 2008[1]
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009[2]
HKAS 24 (Revised)	Related Party Disclosures[6]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[1]
HKAS 28 (Amendment)	Investments in Associates[1]
HKAS 32 (Amendment)	Classification of Rights Issues[4]
HKAS 39 (Amendment)	Eligible Hedged Items[1]
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters[3]
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters[3]
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions[3]
HKFRS 3 (Revised)	Business Combinations[1]
HKFRS 9	Financial Instruments (relating to the classification and measurement of financial assets)[7]
HK(IFRIC) – Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement[6]
HK(IFRIC) – Int 17	Distribution of Non-cash Assets to Equity holders[1]
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments[5]

[1] *Effective for annual periods beginning on or after 1 July 2009*
[2] *Effective for annual periods beginning on or after 1 July 2009 and January 1, 2010, as appropriate*
[3] *Effective for annual periods beginning on or after 1 January 2010*
[4] *Effective for annual periods beginning on or after 1 February 2010*
[5] *Effective for annual periods beginning on or after 1 July 2010*
[6] *Effective for annual periods beginning on or after 1 January 2011*
[7] *Effective for annual periods beginning on or after 1 January 2013*

The application of HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July, 2009. The directors of the Company anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

3. Summary of significant accounting policies

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"), which term collectively included Hong Kong Accounting Standards ("HKASs") and Interpretations (the "Interpretations") issued by the HKICPA, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure requirements of the GEM Listing Rules of the Stock Exchange (the "GEM Listing Rules").

A summary of significant accounting policies followed by the Group and the Company in the preparation of the financial statements is set out below:

Basis of preparation

The measured basis used in the preparation of the financial statements is historical cost convention and modified by the revaluation of investment properties and derivative financial instruments, which are carried at fair value.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and all its subsidiaries for the year ended 31 March 2010. Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Minority interests in the net assets of consolidated subsidiaries are presented separately from the Group's equity therein. Minority interests in the net assets consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

Business combinations

The acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under HKFRS 3 *Business Combinations* are recognised at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*, which are recognised and measured at fair value less costs to sell.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in the consolidated statement of comprehensive income.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

Goodwill

Goodwill arising on acquisitions prior to 1 January 2006

Goodwill arising on an acquisition of a subsidiary or a jointly controlled entity for which the agreement date is before 1 January 2006 represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of the relevant subsidiary or the relevant jointly controlled entity at the date of acquisition.

For previously, capitalised goodwill arising on acquisitions of subsidiaries, the Group has discontinued amortisation from 1 January 2006 onwards, and such goodwill (net of cumulative amortisation as at 31 December 2006) is tested for impairment annually, and whenever there is an indication that the cash generating unit to which the goodwill relates may be impaired (see the accounting policies below).

Goodwill arising on acquisitions on or after 1 January 2006

Goodwill arising on an acquisition of a subsidiary or an associate for which the agreement date is on or after 1 January 2006 represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of the relevant subsidiary at the date of acquisition. Such goodwill is carried at cost less any accumulated impairment losses.

Capitalised goodwill arising on an acquisition of a subsidiary is presented separately in the consolidated statement of financial position.

For the purposes of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the acquisition. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro rata on the basis of the carrying amount of each assets in the unit. Any impairment loss for goodwill is recognised directly in the consolidated statement of comprehensive income. An impairment loss for goodwill is not reversed in subsequent periods.

On subsequent disposal of a subsidiary, the attributable amount of goodwill capitalised i s included in the determination of the amount of profit or loss on disposal.

Subsidiaries

A subsidiary is a company in which the Company, directly or indirectly, controls more than one half of the voting power; has the power to govern the financial and operating policies; to appoint or remove the majority of the members of the board of directors; or to cast majority of votes at the meetings of the board of directors.

Investments in subsidiaries are included in the Company's statement of financial position at cost less any impairment loss. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Revenue recognition

Revenue from sales of goods is recognised when the significant risks and rewards of ownership have been transferred to the buyers, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold.

Revenue from provision of hospital service, healthcare and hospital management service is recognised when the services are provided.

Interest income is recognised on a time-proportion basis using effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flows discounted at original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

Leasing

Leases are classified as finance leases whenever the terms of the leases transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised in the consolidated statement of comprehensive income on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on a straight-line basis over the lease term.

The Group as lessee

Assets held under finance assets are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to the consolidated statement of comprehensive income.

Rentals payable under operating leases are charged to the consolidated statement of comprehensive income on a straight-line basis over the terms of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after the property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the consolidated statement of comprehensive income in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the property, plant and equipment, the expenditure is capitalised as an additional cost of that asset.

Depreciation is provided to write off the cost of property, plant and equipment, using the straight line method, over their estimated useful lives. The principal annual rates are as follows:

Building	Over the lease terms
Leasehold improvements	Over the lease terms
Plant and machinery	20%
Furniture, fixtures and equipment	20% to $33\frac{1}{3}$%
Motor vehicles	20%
Office equipment	20%

The gain or loss arising from disposal of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in the consolidated statement of comprehensive income.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost, which comprises all costs of purchase and, where applicable, other costs that have been incurred in bringing the inventories to their present location and condition, is calculated using the first-in, first-out method. Net realisable value represents the estimated selling price in the ordinary course of business less all estimated costs necessary to make the sale.

Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the consolidated statement of comprehensive income.

Impairment of assets (other than goodwill, intangible assets with indefinite lives)

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable and deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liabilities method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences, and deferred tax assets are recognised to the extent that it is probable that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of the other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited to consolidated statement of comprehensive income except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the entity intends to settle its current tax assets and liabilities on a net basis.

Financial instruments

Financial assets and financial liabilities are recognised on the consolidated statement of financial position when the Group becomes a party to the contractual provisions of the instruments. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in the consolidated statement of comprehensive income.

Financial assets

The Group's financial assets are classified into loans and receivables and available-for-sale financial assets. All regular purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. The accounting policies adopted in respect of each category of financial assets are set out below.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At the end of each reporting period subsequent to initial recognition, loans and receivables are carried at amortised cost using the effective interest method, less any identified impairment losses. An impairment loss is recognised in consolidated statement of comprehensive income when there is objective evidence that the asset is impaired, and is measured as the difference between the assets' carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment losses were recognised, subject to a restriction that the carrying amount of the asset at the date the impairment losses reversed do not exceed what the amortised cost would have been had the impairment losses not been recognised.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as any of the other categories under HKAS 39. At the end of each reporting period subsequent to initial recognition, available-for-sale financial assets are measured at fair value. Changes in fair value are recognised in equity, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously recognised in equity is removed from equity and recognised in consolidated statement of comprehensive income. Any impairment losses on available-for-sale financial assets are recognised in consolidated statement of comprehensive income. Impairment losses on available-for-sale equity investments will not be reversed in subsequent years.

Available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, are measured at cost less any identified impairment losses at the end of each reporting period subsequent to initial recognition. An impairment loss is recognised in consolidated statement of comprehensive income when there is objective evidence that the asset is impaired. The amount of the impairment loss is measured as the difference between the carrying amount of the asset and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses will not be reversed in subsequent years.

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The Group's financial liabilities are generally classified into other financial liabilities. The accounting policies adopted in respect of financial liabilities and equity instruments are set out below.

Other financial liabilities

Other financial liabilities are subsequently measured at amortised cost, using the effective interest method.

Convertible bond

Convertible bond issued by the Company that contain both financial liability and equity components are classified separately in respective liability and equity components on initial recognition. On initial recognition, the fair value of the liability component is determined using the prevailing market interest of similar non-convertible debts. The difference between the proceeds of the issue of the convertible bond and the fair value assigned to the liability component, respecting the embedded call option for the holder to convert the bond into equity, is included in equity (convertible note reserve).

In subsequent periods, the liability component of the convertible bond is carried at amortised cost using the effective interest method. The equity component, represented by the option to convert the liability component into ordinary shares of the Company, will remain in convertible note reserve until the embedded option is exercised (in which case the balance stated in convertible note reserve will be transferred to share capital and share premium). Where the option remains unexercised at the expiry date, the balance stated in convertible note reserve will be released to the retained profits. No gain or loss is recognised in the consolidated statement of comprehensive income upon conversion or expiration of the option.

Transaction costs that relate to the issue of the convertible bond are allocated to the liability and equity components in proportion to the allocation of the proceeds. Transactions costs relating to the equity component are charged directly to convertible note reserve. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible bond using the effective interest method.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Financial guarantee contract

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of debt instrument. A financial guarantee contract issued by the Company and not designed as at fair value through profit or loss is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and the cumulative gain or loss that had been recognised directly in equity is recognised in consolidated statement of comprehensive income.

Financial liabilities are removed from the Group's consolidated statement of financial position when the obligation specified in the relevant contract is discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid or payable is recognised in consolidated statement of comprehensive income.

Foreign currencies

i. Functional and presentation currency

Items included in the financial statements of each of the companies now comprising the Group are measured using the currency of the primary economic environment in which the company operates (the "functional currency"). The combined financial statements are presented in Hong Kong dollars, which is the functional and presentation currency of the Company and the Group.

ii. Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at yearend exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statement of comprehensive income.

Translation differences on non-monetary financial assets and liabilities are reported as part of their fair value gain or loss.

iii. Group companies

The results and financial positions of all the companies now comprising the Group (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(a) Assets and liabilities are translated at the closing rate;

(b) Income and expenses are translated at average exchange rates; and

(c) All resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are taken to owners' equity. When a foreign operation is sold, exchange differences that were recorded in equity are recognised in the consolidated statement of comprehensive income as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

Current assets and liabilities

Current assets are expected to be realised within twelve months of the end of the reporting period or in the normal course of the Group's operating cycle. Current liabilities are expected to be settled within twelve months of the end of the reporting period or in the normal course of the Group's operating cycle.

Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably. A contingent liability is not recognised but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that outflow is probable, they will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. A contingent asset is not recognised but is disclosed in the notes to the financial statements when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flow, cash and cash equivalents comprises of cash in hand and demand deposits, and short term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

Provisions

A provision is recognised when the Group has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Where the effect of the time value of money is material, the amount of a provision is the present value at the end of the reporting period of the expenditures expected to be required to settle the obligation.

Employee benefits

i. Salaries, annual bonuses, paid annual leave, leave passage and the cost to the Group of non-monetary benefits are accrued in the period in which the associated services are rendered by employees of the Group. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

ii. Contributions to Mandatory Provident Funds as required under the Hong Kong Mandatory Provident Fund Schemes Ordinance and to the state-managed retirement benefits schemes for the employees of the Group's overseas entities are recognised as an expense in the consolidated statement of comprehensive income as incurred.

iii. Termination benefits are recognised when, and only when, the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

iv. Share-based payment expenses

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in a capital reserve within equity. The fair value is measured at the grant date using the binominal lattice model, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the share options, the total estimated fair value of share options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options that is expected to vest is reviewed. Any adjustment to the cumulative fair value recognised in prior years is charged/credited to the consolidated statement of comprehensive income for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the capital reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of share options that vest (with a corresponding adjustment to the capital reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the capital reserve until either the option is exercised (when it is transferred to the share premium account) or the option expires (when it is released directly to retained profits).

Borrowing costs

Borrowing costs are interests and other costs incurred in connection with the borrowing of funds. All borrowing costs are charged to the consolidated statement of comprehensive income in the period in which the costs are incurred.

Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type of class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

Investment properties

Investment properties are completed properties which are held for their investment potential, any rental income being negotiated at arm's length.

From 1 January 2009, investment properties under construction have been accounted for in the same way as completed investment properties. Specifically, construction costs incurred for investment properties under construction are capitalised as part of the carrying amount of the investment properties under construction. Investment properties under construction are measured at fair value at the end of the reporting period. Any difference between the fair value of the investment properties under construction and their carrying amounts is recognised in profit or loss in the period in which they arise. Prior to 1 January 2009, the leasehold land and building elements of investment properties under construction were accounted separately; the leasehold land element was accounted for as an operating lease and the building element was measured at cost less impairment losses, if any.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use or no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated income statement in the year in which the item is derecognised.

Impairment of financial assets

Financial assets, other than those at financial assets at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been impacted.

For an available-for-sale equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

(a) significant financial difficulty of the issuer or counterparty; or

(b) default or delinquency in interest or principal payments; or

(c) it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 7 to 90 days, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, an impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Impairment losses on available-for-sale equity investments will not be reversed in profit or loss in subsequent periods. Any increase in fair value subsequent to impairment loss is recognised directly in equity. For available-for-sale debt investments, impairment losses are subsequently reversed if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

4. Key sources of estimation uncertainty

In the process of applying the Group's accounting policies which are described in note 3, management has made certain key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that may have a significant risk in causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below:

(a) Estimated impairment of goodwill

The Group performs annual tests on whether there has been impairment of goodwill in accordance with the accounting policy stated in note 3. The recoverable amounts of cash-generating units are determined based on value-in-use calculations. These calculations require the use of estimates and assumptions made by management on the future operation of the business, pre-tax discount rates, and other assumptions underlying the value-in-use calculations.

(b) Impairment of trade receivables

The aged debt profile of trade debtors is reviewed on a regular basis to ensure that the trade debtor balances are collectible and follow up actions are promptly carried out if the agreed credit periods have been exceeded. However, from time to time, the Group may experience delays in collection. Where recoverability of trade debtor balances are called into doubts, specific provisions for bad and doubtful debts are made based on credit status of the customers, the aged analysis of the trade receivable balances and write-off history. Certain receivables may be initially identified as collectible, yet subsequently become uncollectible and result in a subsequent write-off of the related receivable to the consolidated statement of comprehensive income. Changes in the collectability of trade receivables for which provisions are not made could affect our results of operations.

(c) Useful lives of property, plant and equipment

In accordance with HKAS 16, the Group estimates the useful lives of property, plant and equipment in order to determine the amount of depreciation expenses to be recorded. The useful lives are estimated at the time the asset is acquired based on historical experience, the expected usage, wear and tear of the assets, as well as technical obsolescence arising from changes in the market demands or service output of the assets. The Group also perform annual reviews on whether the assumptions made on useful lives continue to be valid.

(d) Impairment of non-current assets

If a triggering event occurs indicating that the carrying amount of an asset may not be recoverable, an assessment of the carrying amount of that asset will be performed. Triggering events include significant adverse changes in the market value of an asset, changes in the business or regulatory environment, or certain legal events. The interpretation of such events requires judgment from management with respect to whether such an event has occurred. Upon the occurrence of triggering events, the carrying amounts of non-current assets are reviewed to assess whether their recoverable amounts have declined below their carrying amounts. The recoverable amount is the present value of estimated net future cash flows which the Group expects to generate from the future use of the asset, plus the assets residual value on disposal. Where the recoverable amount of non-current assets is less than its carrying value, an impairment loss is recognised to write the assets down to its recoverable amount.

(e) Income taxes and deferred taxation

The Group is subject to income taxes in different jurisdictions. Significant judgment is required in determining the provision for income tax. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Deferred tax assets relating to certain temporary differences and tax losses are recognised when management considers to be probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. The outcome of their actual utilisation may be different.

(f) Measurement of convertible note

On issuance of convertible note, the fair value of the liability component is determined using a market rate for an equivalent non-convertible note; and this amount is carried as a long term liability on the amortised cost basis until extinguished on conversion or redemption. The remainder of the proceeds is allocated to the conversion option that is recognised and included in the convertible note reserve, net of transaction costs. The splitting of the liability and equity components requires an estimation of the market interest rate.

(g) Measurement of fair value of equity-settled transactions

The Company operates share option schemes under which employees (including directors) of the Group receive remuneration in the form of share-based payment transactions. The cost of these equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted, using assumptions including expected volatility and risk free interest rate. Such cost is recognised, together with a corresponding increase in equity, over the period in which the service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest.

(h) Measurement of promissory note

The fair value of promissory note is determined using an estimated interest rate and the amount is carried on amortised cost basis until extinguished or redemption.

5. Segment information

The Group has adopted HKFRS 8 Operating Segments with effect from 1 April 2009. HKFRS 8 is a disclosure standard that requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker for the purposes of allocating resources to segments and assessing their performance. In contrast, the predecessor standard (HKAS 14 Segment Reporting) required an entity to identify two sets of segments (business and geographical), using a risks and returns approach. In the past, the Group's primary reporting segment was geographical segment. The adoption of HKFRS 8 has resulted in a redesignation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14.

The Group organised into three operating divisions: provision of general hospital services, provision of healthcare and hospital management services, pharmaceutical wholesale and distribution and pharmaceutical retail chain business. These divisions are the basis on which the Group reports its segment information.

Segment revenue and results

2010

	Provision of general hospital services	Provision of healthcare and hospital management services	Pharmaceutical wholesale and distribution and pharmaceutical retail chain business	Others	Eliminations	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Turnover						
External sales	125,360	1,550	52,855	–	–	179,765
Inter-segment sales	–	–	–	–	–	–
Total turnover	125,360	1,550	52,855	–	–	179,765
Inter-segment sales are charged at arm's length						
Results						
Segment results	(162,196)	(1,630)	3,070	–	–	(160,756)
Unallocated other revenue						419
Unallocated other income						230
Unallocated corporate expenses						(20,324)
Loss on disposal of subsidiaries						(23,185)
Loss from operations						(203,616)
Finance costs						(1,297)
Loss before taxation						(204,913)
Taxation						(1,723)
Loss for the year						(206,636)

Segment assets and liabilities

2010

	Provision of general hospital services HK$'000	Provision of healthcare and hospital management services HK$'000	Pharmaceutical wholesale and distribution and pharmaceutical retail chain business HK$'000	Eliminations HK$'000	Consolidated HK$'000
Consolidated statement of financial position					
Assets					
Segment assets	96,357	4,884	1,120,907	–	1,222,148
Unallocated corporate assets					60,584
Consolidated total assets					1,282,732
Liabilities					
Segment liabilities	13,664	406	278,934	–	293,004
Promissory note					240,482
Convertible note					3,741
Deferred taxation					636
Unallocated corporate liabilities					8,027
Consolidated total liabilities					545,890

Other segment information

	Provision of general hospital services HK$'000	Provision of healthcare and hospital management services HK$'000	Pharmaceutical wholesale and distribution and pharmaceutical retail chain business HK$'000	Unallocated HK$'000	Consolidated HK$'000
Other information					
Capital expenditure	7,018	361	22	–	7,401
Depreciation	9,751	189	200	1,060	11,200
Amortisation of prepaid lease payments	967	–	10	–	977
Loss on disposal of property, plant and equipment	28	–	–	–	28
Provision for impairment loss of trade and other receivables	489	–	–	–	489
Impairment loss on goodwill	171,422	–	–	–	171,422

Segment revenue and results

2009

	Provision of general hospital services HK$'000	Provision of healthcare and hospital management services HK$'000	Pharmaceutical wholesale and distribution and pharmaceutical retail chain business HK$'000	Others HK$'000	Consolidated HK$'000
Turnover					
External sales	155,719	14,368	–	–	170,087
Inter-segment sales	–	–	–	–	–
Total turnover	155,719	14,368	–	–	170,087
Inter-segment sales are charged at arm's length					
Results					
Segment results	(155,690)	(1,428)	–	–	(157,118)
Unallocated other revenue					422
Unallocated other income					2,085
Unallocated corporate expenses					(17,934)
Loss on disposal of subsidiaries					(3,865)
Loss from operations					(176,410)
Finance costs					(1,822)
Loss before taxation					(178,232)
Taxation					(12,228)
Loss for the year					(190,460)

Segment assets and liabilities

2009

	Provision of general hospital services HK$'000	Provision of healthcare and hospital management services HK$'000	Pharmaceutical wholesale and distribution and pharmaceutical retail chain business HK$'000	Others HK$'000	Consolidated HK$'000
Consolidated statement of financial position					
Assets					
Segment assets	315,218	37,768	–	–	352,986
Unallocated corporate assets					41,991
Consolidated total assets					394,977
Liabilities					
Segment liabilities	26,516	577	–	–	27,093
Convertible note					6,469
Deferred taxation					181
Unallocated corporate liabilities					5,172
Consolidated total liabilities					38,915

Other segment information

	Provision of general hospital services HK$'000	Provision of healthcare and hospital management services HK$'000	Pharmaceutical wholesale and distribution and pharmaceutical retail chain business HK$'000	Others HK$'000	Consolidated HK$'000
Other information					
Capital expenditure	10,679	482	–	2,475	13,636
Depreciation	9,473	152	–	1,004	10,629
Amortisation of prepaid lease payments	962	–	–	–	962
Loss on disposal of property, plant and equipment	–	10	–	–	10
Provision for impairment loss of trade and other receivables	1,381	–	–	–	1,381
Impairment loss on goodwill	202,547	–	–	–	202,547

Segment results represent the profit/(loss) generated by each segment without allocation of finance costs, loss on disposal of subsidiaries and taxation. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment measurement.

Geographical information

The Group's operations are mainly located in Hong Kong and PRC. The following table provides an analysis of the Group's turnover by geographical market, irrespective of the origin of the goods/services:

	Turnover by geographical market	
	2010	**2009**
	HK$'000	*HK$'000*
Hong Kong	–	–
PRC	179,765	170,087
	179,765	170,087

The following is an analysis of the carrying amount of non-current assets (excluding deferred tax assets and derivative financial instrument) analysed by the geographical area in which the assets are located:

	Carrying amount of non-current assets*	
	2010	**2009**
	HK$'000	*HK$'000*
Hong Kong	1,734	2,286
PRC	867,626	276,956
	869,360	279,242

* *Non-current assets excluding financial instruments and deferred tax assets.*

6. Property, plant and equipment

The Group

	Building	Furniture and fixtures	Leasehold improvements	Machinery and equipment	Motor vehicles	Office equipment	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Cost							
At 1 April 2008	4,802	2,855	11,325	18,862	4,596	3,839	46,279
Additions	–	69	2,916	5,619	3,288	1,744	13,636
On acquisition of subsidiaries	–	17	1,279	5,438	775	1,090	8,599
Disposals of subsidiaries	–	–	(1,247)	(946)	–	(174)	(2,367)
Exchange difference	548	299	1,021	1,556	479	226	4,129
Disposals	–	(12)	–	–	–	–	(12)
At 31 March 2009 and 1 April 2009	5,350	3,228	15,294	30,529	9,138	6,725	70,264
Additions	–	57	3,225	3,348	352	419	7,401
On acquisition of subsidiaries	–	–	2,613	–	2,376	12,507	17,496
Disposals of subsidiaries	–	(30)	(2,426)	(9,336)	(1,022)	(1,358)	(14,172)
Exchange difference	31	18	84	174	38	29	374
Disposals	–	–	–	(764)	–	–	(764)
At 31 March 2010	5,381	3,273	18,790	23,951	10,882	18,322	80,599
Depreciation and impairment							
At 1 April 2008	175	1,052	2,828	7,115	1,371	2,320	14,861
On acquisition of subsidiaries	–	1	306	392	31	75	805
Disposals of subsidiaries	–	–	(538)	(375)	–	(64)	(977)
Provided for the year	161	628	1,916	5,400	1,565	959	10,629
Written back on disposals	–	(2)	–	–	–	–	(2)
Exchange difference	19	102	254	709	87	109	1,280
At 31 March 2009	355	1,781	4,766	13,241	3,054	3,399	26,596
On acquisition of subsidiaries	–	–	865	–	466	2,974	4,305
Disposals of subsidiaries	–	(9)	(428)	(3,359)	(663)	(441)	(4,900)
Provided for the year	161	523	2,179	5,780	1,610	947	11,200
Written back on disposals	–	–	–	(181)	–	–	(181)
Exchange difference	2	10	25	75	14	15	141
At 31 March 2010	518	2,305	7,407	15,556	4,481	6,894	37,161
Net book values							
At 31 March 2010	4,863	968	11,383	8,395	6,401	11,428	43,438
At 31 March 2009	4,995	1,447	10,528	17,288	6,084	3,326	43,668

The building was held outside Hong Kong under medium term lease.

7. Prepaid lease payments

	The Group	
	2010	**2009**
	HK$'000	*HK$'000*
The Group's prepaid lease payments comprise:		
Land outside Hong Kong under medium term lease	33,394	29,961
Analysed for reporting purposes as:		
Current assets (include in trade and other receivables and deposits)	1,126	972
Non-current assets	32,268	28,989
	33,394	29,961

At 31 March 2010, prepaid lease payments with a carrying amount of approximately HK$3,709,000 have been pledged to secure credit facilities granted to an independent third party.

8. Investment properties

	The Group	
	2010	**2009**
	HK$'000	*HK$'000*
Completed investment properties	5,586	–

	2010	**2009**
	HK$'000	*HK$'000*
At fair value		
At 1 April	–	–
On acquisition of subsidiaries	5,586	–
Gain/(loss) on property revaluation	–	–
At 31 March	5,586	–

The fair values of the Group's investment properties at 31 March 2010 have been arrived at on the basis of a valuation carried out at that date by Messrs. BMI Appraisals Limited, independent qualified professional valuers not connected to the Group. The valuation was arrived at on the open market basis.

All of the Group's property interests held under operating leases to earn rentals are measured using the fair value model and are classified and accounted for as investment properties.

The carrying amount of investment properties shown above comprises:

	2010	**2009**
	HK$'000	*HK$'000*
Land outside Hong Kong:		
Medium-term lease	5,586	–

At 31 March 2010, investment properties with a carrying amount of approximately HK$5,586,000 have been pledged to secure credit facilities granted to an independent third party.

For the year ended 31 March 2010, property rental income earned during the year was approximately HK$19,000. The property held had committed tenants for the next five years. At the end of the reporting period, the Group contracted with tenants for the following future minimum lease receivables:

	2010	**2009**
	HK$'000	*HK$'000*
Within one year	235	–
In the second to fifth years inclusive	403	–
	638	–

9. Cash and bank balances

As at 31 March 2010, the cash and bank balances of the Group included currencies denominated in Renminbi ("RMB") amounted to approximately HK$49,334,000 (2009: HK$54,032,000) which is not freely convertible into other currencies.

10. Goodwill

	The Group
	HK$'000
Cost	
At 1 April 2008	330,263
Arising from acquisition of subsidiaries during the year	114,945
Disposal of subsidiaries	(3,865)
At 31 March 2009 and 1 April 2009	441,343
Arising from acquisition of subsidiaries during the year	785,169
Adjustment to consideration *(Note (b))*	(7,764)
Disposal of subsidiaries	(24,500)
At 31 March 2010	1,194,248
Impairment	
At 1 April 2008	32,211
Impairment loss recognised	202,547
At 31 March 2009 and 1 April 2009	234,758
Impairment loss recognised	171,422
At 31 March 2010	406,180
Carrying value	
At 31 March 2010	788,068
At 31 March 2009	206,585

Notes:

(a) At the end of reporting period, the Group assessed the recoverable amount of goodwill, and determined that goodwill associated with the Group's provision of general hospital and healthcare services in PRC was impaired by approximately HK$171,422,000 (2009: HK$202,547,000). The recoverable amount of the operations was assessed by reference to value in use. A discount factor of 9.71% per annum was applied in the value in use model.

Particulars regarding impairment testing on goodwill are disclosed in Note 11 to the financial statements.

(b) During the year ended 31 March 2010, the Group received cash compensation of approximately HK$7,764,000 from vendors under profit guarantee pursuant to the sales and purchase agreements.

11. Impairment testing on goodwill

For the purpose of impairment testing, goodwill set out in Note 10 has been allocated to the following cash generating units (CGUs). The carrying amount of goodwill (net of accumulated impairment losses) as at 31 March 2010 is allocated as follows:

	The Group	
	2010	**2009**
	HK$'000	*HK$'000*
Provision of general hospital services in PRC	2,899	206,585
Pharmaceutical wholesale and distribution and pharmaceutical retail chain business in PRC	785,169	–
	788,068	206,585

Provision of general hospital services in PRC

The recoverable amount of this CGU is determined based on a value in use calculation which uses cash flow projections based on financial budgets approved by management and a discount rate of 9.71% per annum. Cash flow projections during the budgeted period are based on the same expected gross margins throughout the budget period. The cash flows beyond the budgeted period have been extrapolated using a steady 3% per annum growth rate by reference to market rate. This growth rate does not exceed the long-term average growth rate for the market. Management believes that any reasonably possible change in the key assumptions on which recoverable amount is based would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of this CGU. Management determined the budgeted gross margin based on past performance and its expectations for the market development.

Pharmaceutical wholesale and distribution and pharmaceutical retail chain business in PRC

The recoverable amount of this CGU is determined based on a value in use calculation which uses cash flow projections based on financial budgets approved by management and a discount rate of 9.63% per annum. Cash flow projections during the budgeted period are based on the same expected gross margins throughout the budget period. The cash flows beyond the budgeted period have been extrapolated using a steady 3% per annum by reference to market rate. This growth rate does not exceed the long-term average growth rate for the market. Management believes that any reasonably possible change in the key assumptions on which recoverable amount is based would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of this CGU. Management determined the budgeted gross margin based on past performance and its expectations for the market development.

12. Interests in subsidiaries

	The Company	
	2010	**2009**
	HK$'000	*HK$'000*
Unlisted shares, at costs	376,265	376,265
Less: Impairment loss recognised	(267,575)	–
	108,690	376,265
Financial guarantee contract	3,410	746
	112,100	377,011

The advance to a subsidiary is unsecured, interest free and has no fixed terms of repayment.

The amounts due from/(to) subsidiaries are unsecured, interest free and have no fixed terms of repayment.

The carrying amounts of the investment in subsidiaries are reduced to their recoverable amounts which are determined by reference to the estimation of future cash flows expected to be generated from the respective subsidiaries.

Details of the Company's principal subsidiaries at 31 March 2010 are set out in Note 43 to the consolidated financial statements.

13. Inventories

	The Group	
	2010	**2009**
	HK$'000	*HK$'000*
Finished goods	95,154	3,696

14. Trade and other receivables and deposits

	The Group		The Company	
	2010	**2009**	**2010**	**2009**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade receivables	126,226	2,135	–	–
Deposits paid	181	181	170	170
Prepayments	30,429	13,228	162	108
Prepaid lease payments	1,126	972	–	–
Other receivables	83,174	1,759	50	1
	241,136	18,275	382	279

Payment terms with customers from the pharmaceutical wholesale and distribution and pharmaceutical retail chain business are mainly on credit. Invoices are normally payable from 30 to 90 days of issuance. Payment terms with customers from general hospital and healthcare and hospital management services are normally payable from 0 to 30 days. The following is an aged analysis of trade receivables at the end of the reporting period:

	The Group	
	2010	**2009**
	HK$'000	*HK$'000*
0 to 90 days	116,670	1,382
91 to 180 days	7,217	542
181 to 365 days	985	106
Over 365 days	3,447	1,701
	128,319	3,731
Less: Allowance for doubtful debts	(2,093)	(1,596)
	126,226	2,135

Trade receivables disclosed above include amounts which are past due at the end of the reporting period but against which the Group has not recognised an allowance for doubtful receivables because there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral or other credit enhancements over these balances nor does it have a legal right of offset against any amounts owed by the Group to the counterparty.

Ageing of past due but not impaired

	The Group	
	2010	**2009**
	HK$'000	*HK$'000*
Overdue by:		
1 to 90 days	7,217	542
91 to 180 days	985	106
Over 180 days	1,354	105
Total	9,556	753

Movements in the allowance for doubtful debts

	The Group	
	2010	**2009**
	HK$'000	*HK$'000*
At 1 April	1,596	215
Exchange realignment	8	–
Impairment losses recognised on receivables	489	1,381
At 31 March	2,093	1,596

Ageing of impaired trade receivables

	The Group	
	2010	**2009**
	HK$'000	*HK$'000*
Over 365 days	2,093	1,596

15. Derivative financial instruments

The Group and the Company

	Redemption option contract
	HK$'000
At 1 April 2008	514
Fair value changes	(511)
At 31 March 2009 and 1 April 2009	3
Fair value changes	93
At 31 March 2010	96

Notes:

The fair values of derivative financial instruments are estimated using Black-Scholes option pricing model.

16. Share capital

	Number of share	Amount
		HK$'000
Authorised:		
Ordinary shares		
Ordinary shares of HK$0.05 each 0.05		
– at 1 April 2008	5,000,000,000	250,000
– increase in authorised share capital *(Note (a))*	5,000,000,000	250,000
Ordinary shares of HK$0.05 each		
– at 31 March 2009 and 1 April 2009	10,000,000,000	500,000
– increase in authorised share capital *(Note (b)*	12,000,000,000	600,000
– at 31 March 2010	22,000,000,000	1,100,000
Non-voting convertible preference shares		
Non-voting convertible preference shares 0.05 of HK$0.05 each		
– at 1 April 2008, 31 March 2009 and 1 April 2009	–	–
– increase in authorised share capital *(Note (b))*	8,000,000,000	400,000
– at 31 March 2010	8,000,000,000	400,000

	Number of share	Amount HK$'000
Issued and fully paid:		
Ordinary shares		
Ordinary shares of HK$0.05 each		
– at 1 April 2008	1,798,044,795	89,902
– issue of new shares on subscription *(Note (c))*	899,022,397	44,952
– bonus issue of shares *(Note (c))*	1,798,044,794	89,902
– at 31 March 2009, 1 April 2009 and 31 March 2010	4,495,111,986	224,756
Non-voting convertible preference shares		
Non-voting convertible preference shares of HK$0.05 each		
– at 1 April 2008, 31 March 2009 and 1 April 2009	–	–
– Shares issued as consideration for acquisition *(Note (d))*	4,833,333,333	241,667
– at 31 March 2010	4,833,333,333	241,667

Notes:

(a) Pursuant to the ordinary resolution passed by the shareholders in the extraordinary general meeting held on 16 February 2009, the authorised share capital of the Company increased from HK$250,000,000 divided into 5,000,000,000 ordinary shares of HK$0.05 each to HK$500,000,000 divided into 10,000,000,000 ordinary shares of HK$0.05 each.

(b) Pursuant to the ordinary resolution passed by the shareholders in the extraordinary general meeting held on 3 March 2010, the authorised share capital of the Company from HK$500,000,000 divided into 10,000,000,000 ordinary shares of HK$0.05 each to HK$1,500,000,000 by the creation of an additional 12,000,000,000 ordinary shares and 8,000,000,000 non-voting convertible preference shares.

(c) On 12 March 2009, the Company issued 899,022,397 offer shares by an open offer at a subscription price of HK$0.05 per offer share on the basis of one offer share for every two shares held on record date and 1,798,044,794 bonus shares in the proportion of two bonus shares for every offer share taken up under the open offer. The proceeds of approximately HK$44,952,000 will be used to finance future investments in the promising healthcare sector in the PRC, business development of the Group and towards general working capital.

(d) The preference shares are non-voting shares and nonredeemable. The holders of the preference shares are entitled to receive the same dividends as the holders of ordinary shares. In addition, the holders of the preference shares have the right to convert any preference share into the Company's ordinary shares at any time at the conversion price at the rate of 1 to 1 each. The conversion price will be subject to adjustments only upon occurrence of certain dilutive events.

All the shares issued during the year rank pari passu with the then existing shares in all respects.

17. Reserves

The Company

	Share premium HK$'000	Share-based payment reserve HK$'000	Contributed surplus HK$'000	Convertible note reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 April 2008	425,169	4,658	1,452	24,693	(129,994)	325,978
Bonus issue of shares	(89,902)	–	–	–	–	(89,902)
Release upon redemption of convertible notes	–	–	–	(20,245)	19,424	(821)
Loss for the year	–	–	–	–	(15,644)	(15,644)
At 31 March 2009 and 1 April 2009	335,267	4,658	1,452	4,448	(126,214)	219,611
Issue of share options	–	5,617	–	–	–	5,617
Equity component of convertible notes	–	–	–	(1,410)	4,448	3,038
Deferred tax related to convertible notes	–	–	–	(501)	–	(501)
Issue of convertible preference shares	338,333	–	–	–	–	338,333
Share options cancelled	–	(4,045)	–	–	4,045	–
Loss for the year	–	–	–	–	(332,382)	(332,382)
At 31 March 2010	673,600	6,230	1,452	2,537	(450,103)	233,716

(a) The contributed surplus of the Company represents the difference between the aggregate net assets of the subsidiaries acquired by the Company under the group reorganisation in 2001 and the nominal amount of the Company's shares issued for the acquisition.

(b) The Company had no distributable reserves as at 31 March 2010 (2009: HK$209,053,000). Under the Companies Law (Revised) Chapter 22 of the Cayman Islands, the share premium account of the Company is available for paying distributions or dividends to shareholders subject to the provisions of its Memorandum and Articles of Association and provided that immediately following the distribution or dividend the Company is able to pay its debt as they fall due in the ordinary course of business. In accordance with the Company's Articles of Association, dividends shall be distributed out of the retained profits or other reserves, including the share premium account, of the Company.

18. Trade and other payables

	The Group	
	2010	**2009**
	HK$'000	*HK$'000*
Trade payables	169,112	12,453
Bill payables	28,660	–
Accruals and other payables	52,976	18,154
	250,748	30,607

The following is an aged analysis of trade payables at the end of the reporting period:

	The Group	
	2010	**2009**
	HK$'000	*HK$'000*
0 to 90 days	101,448	5,687
91 to 180 days	46,001	6,271
181 to 365 days	11,177	82
Over 365 days	10,486	413
	169,112	12,453

Bill payables were secured by certain pledged bank deposits.

19. Bank borrowings

	The Group	
	2010	**2009**
	HK$'000	*HK$'000*
Bank borrowings	47,310	–
Secured *(Note (a))*	35,910	–
Unsecured *(Note (b))*	11,400	–
	47,310	–

	The Group	
	2010	**2009**
	HK$'000	*HK$'000*
Carrying amount repayable:		
On demand or within one year	47,310	–
More than one year, but not exceeding two years	–	–
More than two years, but not exceeding five years	–	–
More than five years	–	–
Less: Amounts due within one year shown under current liabilities	(47,310)	–
	–	–

Notes:

(1) The secured bank borrowings were secured by land and buildings owned by independent third party and bear interest ranged from 3.24% to 6.11% per annum. The weighted average effective interest rate on the secured bank borrowings is 4.8% per annum.

(2) The unsecured bank borrowings bear interest at 5.4% per annum. The weighted average effective interest rate on the unsecured bank borrowings is 5.4% per annum.

20. Amounts due to minority shareholders

Amounts due to minority shareholders are unsecured, interest free and have no fixed terms of repayment.

21. Convertible note

(a) On 25 November 2005, the Company entered into a placing agreement with an independent placing agent, Hantec Capital Limited (the "Placing Agent"), to place on a best endeavours basis of certain unsecured convertible notes in the aggregate principal amount of more than HK$15,000,000 and up to HK$20,000,000 to placees (the "Placing Agreement").

On 11 January 2006, completion of the Placing Agreement took place. An aggregate principal amount of HK$18,000,000 (the "Convertible Notes 1") have been placed through the Placing Agent and issued by the Company to 13 independent placees (the "Notes Holder"). The Convertible Notes 1 matures at the third anniversary of the issue date.

The Convertible Notes 1, if fully subscribed for and issued, are convertible into a total of approximately 67,164,179 new ordinary shares of the Company at the initial conversion price of HK$0.268 per ordinary share (subject to adjustments).

On 11 April 2006, the Company completed the issue of 172,465,166 rights shares. Pursuant to the terms of the Convertible Notes 1, the conversion prices of the Convertible Notes 1 were adjusted accordingly. The new conversion price per share and the number of conversion shares after the rights issue subject to the Convertible Notes 1 was 86,956,521 shares exercisable at HK$0.207 each.

On 16 February 2007, the Company completed the open offer of 355,523,083 offer shares. Pursuant to the terms of the Convertible Notes 1, the conversion prices of the Convertible Notes 1 were adjusted accordingly. The new conversion price per share and the number of conversion shares after the open offer subject to the Convertible Notes 1 was 33,816,425 shares exercisable at HK$0.161 each.

The Convertible Notes 1 contains two components, liability and equity elements. The equity element is presented in equity heading "Convertible note reserve". The effective interest rate of the liability component is 6.73%.

The fair value of the liability component was calculated using a market interest rate for an equivalent nonconvertible bond. The residual amount, representing the value of the equity conversion component, was included in shareholders' equity in convertible note reserve.

The Convertible Notes 1 recognised in the consolidated statement of financial position was calculated as follows:

	The Group and the Company
	HK$'000
Face value of Convertible Notes 1 issued on 11 January 2006	18,000
Equity component	(499)
Liability component on initial recognition at 11 January 2006	17,501
Transaction costs	(827)
Amortised cost on initial recognition 11 January 2006	16,674
Interest expense	246
Interest payable	(158)
Amortised cost at 31 March 2006 and at 1 April 2006	16,762
Interest expense	623
Interest payable	(406)
Converted into Company's shares	(14,651)
Amortised cost at 31 March 2007 and at 1 April 2007	2,328
Interest expense	160
Interest payable	(100)
Amortised cost at 31 March 2008 and at 1 April 2008	2,388
Interest expense	191
Interest payable	(79)
Repayment during maturity	(2,500)
Amortised cost at 31 March 2009	–

Convertible Notes 1 were fully repaid during the year ended 31 March 2009.

Interest expense on the convertible note is calculated using the effective interest method by applying the effective interest rate of 6.73% to the liability component.

(b) On 9 May 2007, the Group acquired the entire issued share capital of Hero Vision at a consideration of HK$157,300,000, the consideration of HK$33,000,000 were satisfied by the issue of convertible note (the "Convertible Notes 2"). The Convertible Notes 2 matured at the second anniversary of the issue date. During the year ended 31 March 2010, the maturity date of Convertible Notes 2 was extend from 8 May 2009 to 9 May 2017. The conversion price share was HK$0.211.

The Convertible Notes 2 contains three components, redemption option, liability and equity elements. The equity element is presented in equity heading "Convertible note reserve". The effective interest rate of the liability component is 10.97%.

The fair value of the liability component was calculated using a market interest rate for an equivalent nonconvertible bond. The residual amount, representing the value of the equity conversion component, was included in shareholders' equity in convertible note reserve.

The Convertible Notes 2 recognised in the consolidated statement of financial position was calculated as follows:

	The Group and the Company
	HK$'000
Fair value of Convertible Notes 2 issue on 9 May 2009	54,750
Less: Derivative financial instruments	514
Equity component	(25,125)
Liability component on initial recognition and amortised cost at 9 May 2007	30,139
Interest expense	1,828
Interest payable	(593)
Amortised cost at 31 March 2008 and at 1 April 2008	31,374
Interest expense	1,631
Interest payable	(506)
Redemption during the year	(26,030)
Amortised cost at 31 March 2009	6,469
Interest expense	31
Extinguishment of convertible note	(6,500)
Liability component recognised	3,462
Interest expense	337
Interest payable	(58)
At 31 March 2010	3,741

As at 31 March 2010, the outstanding principal amount of Convertible Notes 2 was HK$6,500,000 (2009: HK$6,500,000). Principal amount of HK$26,500,000 was repaid during the year ended 31 March 2009.

Interest expense on the convertible note is calculated using the effective interest method by applying the effective interest rate of 10.97% to the liability component.

22. Promissory note

On 8 March 2010, the Company issued promissory note in a principal amount of HK$290,000,000 due on 7 March 2020. Promissory note were issued for acquiring the entire issued share capital of Nurture Fit Limited and bear interest at 1% per annum, payable semi-annually in arrears. The effective interest rate is 3%.

	The Group and the Company
	HK$'000
At 1 April 2008, 31 March 2009 and 1 April 2009	–
Fair value of promissory note issued on 8 March 2010	240,211
Interest expense	453
Interest payable	(182)
At 31 March 2010	240,482

23. Share option scheme

(a) Pre-listing share options

Pursuant to the pre-listing share option scheme adopted by the Company on 20 April 2002, the Company may grant options at HK$1 per offer to any directors, employees, consultants, and advisors of the Company or its subsidiaries, for the primary purpose of providing incentives to them, to subscribe for shares in the Company. All of these options have duration of 10 years from and including 10 May 2002 subject to the terms of the scheme.

Details of the movements in the number of share options during the year under the Company's prelisting share options scheme which are exercisable in three equal trenches from 10 November 2002, 10 May 2003 and 10 May 2004, respectively, to 9 May 2012 at an exercise price of HK$0.245 (2009: HK$0.245) per share are as follows:

	Number of share options			
Type of participants	Outstanding at 31 March 2009	Adjustment during the year	Outstanding at 31 March 2010	Date of grant
Former advisor of the Group	1,371,056	–	1,371,056	25 April 2002
Former employee of the Group	910,314	–	910,314	25 April 2002
Total	2,281,370	–	2,281,370	
Weighted average exercise price	HK$0.245	–	HK$0.245	

The pre-listing share options outstanding at 31 March 2010 had weighted average remaining contractual life of 2.07 years.

(b) Post-listing share options

Pursuant to the post-listing share option scheme also adopted by the Company on 20 April 2002, the Company may grant options at HK$1 per offer to any directors, employees, any supplier of goods or services, any customers, any person or entity that provides research, development or other technical support or any shareholder of the Group or any investee or any holder of any securities issued by any member of the Group or any investee, for the primary purpose of providing incentives to them, to subscribe for shares in the Company. The total number of shares in respect of which options may be granted under the post-listing share option scheme shall not exceed 10% of the issued share capital of the Company from time to time. No participant shall be granted an option, if exercise in full, would result in the total number of shares already issued under all the options granted to him or her that are for the time being subsisting and unexercised in any 12-month period would exceed 1% of the total number of shares in issue. The exercise price of the share will be determined at the higher of the average of closing prices of the shares on the Stock Exchange on the five trading days immediately preceding the date of grant of the options; the closing price of the shares on the Stock Exchange on the date of grant; and the nominal value of the shares. The share options are exercisable for a period not later than 10 years from the date of grant.

Details of the movements in the number of share options during the year are as follows:

	Number of share options								
Type of participants	Outstanding at 31 March 2009	Granted during the year	Exercised during the year	Adjustment during the year	Cancelled during the year	Outstanding and exercisable at 31 March 2010	Date of grant	Exercise price per share	Exercise period
Directors									
Mr. Yung Kwok Leong	5,403,475	–	–	–	(5,403,475)	–	13 July 2006	HK$0.376	13 July 2006 to 12 July 2016
	9,666,667	–	–	–	(9,666,667)	–	21 March 2007	HK$0.306	21 March 2007 to 20 March 2017
	17,000,000	–	–	–	–	17,000,000	30 March 2009	HK$0.05	30 September 2009 to 29 March 2019
Mr. Zheng Gang	17,000,000	–	–	–	–	17,000,000	30 March 2009	HK$0.05	30 September 2009 to 29 March 2019
	–	27,000,000	–	–	–	27,000,000	18 March 2010	HK$0.117	23 March 2010 to 22 March 2015
Mr. Chen Jin Shan	11,468,600	–	–	–	(11,468,600)	–	13 July 2006	HK$0.376	13 July 2006 to 12 July 2016
	6,500,000	–	–	–	(6,500,000)	–	21 March 2007	HK$0.306	21 March 2007 to 20 March 2017
	17,000,000	–	–	–	–	17,000,000	30 March 2009	HK$0.05	30 September 2009 to 29 March 2019
	–	20,000,000	–	–	–	20,000,000	18 March 2010	HK$0.117	23 March 2010 to 22 March 2015

Type of participants	Number of share options: Outstanding at 31 March 2009	Granted during the year	Exercised during the year	Adjustment during the year	Cancelled during the year	Outstanding and exercisable at 31 March 2010	Date of grant	Exercise price per share	Exercise period
Dr. Jiang Tao	11,468,600	–	–	–	(11,468,600)	–	13 July 2006	HK$0.376	13 July 2006 to 12 July 2016
	6,500,000	–	–	–	(6,500,000)	–	21 March 2007	HK$0.306	21 March 2007 to 20 March 2017
	8,000,000	–	–	–	–	8,000,000	30 March 2009	HK$0.05	30 September 2009 to 29 March 2019
	–	15,000,000	–	–	–	15,000,000	18 March 2010	HK$0.117	23 March 2010 to 22 March 2015
Mr. Huang Jiaqing (appointed on 30 July 2009)	10,000,000	–	–	–	–	10,000,000	30 March 2009	HK$0.05	30 September 2009 to 29 March 2019
	–	3,000,000	–	–	–	3,000,000	18 March 2010	HK$0.117	23 March 2010 to 22 March 2015
Mr. Weng Jiaxing (appointed on 26 March 2010)	–	19,000,000	–	–	–	19,000,000	18 March 2010	HK$0.117	23 March 2010 to 22 March 2015
	120,007,342	84,000,000	–	–	(51,007,342)	153,000,000			
Employees and consultants of the Group	32,310,575	–	–	–	(21,283,075)	11,027,500	13 July 2006	HK$0.376	13 July 2006 to 12 July 2016
	27,127,650	–	–	–	(27,127,650)	–	24 July 2006	HK$0.372	24 July 2006 to 23 July 2016
	131,500,000	–	–	–	(110,666,667)	20,833,333	21 March 2007	HK$0.306	21 March 2007 to 20 March 2017
	102,000,000	–	–	–	–	102,000,000	30 March 2009	HK$0.05	30 September 2009 to 29 March 2019
	–	194,000,000	–	–	–	194,000,000	18 March 2010	HK$0.117	23 March 2010 to 22 March 2015
	412,945,567	278,000,000	–	–	(210,084,734)	480,860,833			
Weighted average exercise price	HK$0.215	HK$0.117	–	–	HK$0.331	HK$0.107			

The post-listing share options outstanding at 31 March 2010 had weighted average remaining contractual life of 6.52 years.

Notes:

(i) The Group recognises the fair value of share options granted as an expense in the consolidated statement of comprehensive income when they were granted with a corresponding increase being recognised in sharebased payment reserve. The employee share-based payment reserve is transferred to share capital and share premium, together with the exercise price, when the option holder exercises its rights. As a transitional provision, the cost of share option granted after 7 November 2002 and had not yet vested on 1 January 2005 were expensed retrospectively in the consolidated statement of comprehensive income of the respective periods. During the year ended 31 March 2010, approximately HK$5,617,000 share-based payment expenses were recognised.

(ii) Share options granted under the pre-listing share options scheme are not expensed as the options were all granted and vested before 7 November 2002 and not subject to requirements of HKFRS 2.

(iii) The estimated fair value of each option granted on 7 July 2005, 13 July 2006, 24 July 2006, 21 March 2007, 30 March 2009 and 18 March 2010 are approximately HK$0.0299, HK$0.0226, HK$0.0188, HK$0.0384, range from HK$0.012 to HK$0.021 and range from HK$0.036 to HK$0.062 respectively.

The fair values were calculated using the Binomial option pricing model. The inputs into the model were as follows:

	Share option grant date					
Date of grant	**7 July 2005**	**13 July 2006**	**24 July 2006**	**21 March 2007**	**30 March 2009**	**18 March 2010**
Stock asset price	HK$0.102	HK$0.83	HK$0.82	HK$0.51	HK$0.03	HK$0.098
Exercise price	HK$0.079	HK$0.627	HK$0.62	HK$0.51	HK$0.05	HK$0.117
Expected volatility	10.23%	57.06%	44.89%	119.62%	100.13%	95.53%
Risk-free rate	3.130%	3.984%	3.830%	3.682%	1.62%	1.68%
Expected dividend yield	0%	0%	0%	0%	0%	0%

The volatility measured at the standard deviation of expected share price returns is based on statistical analysis of daily prices over the one year immediately preceding the grant date. The above calculation is based on the assumption that there is no material difference between the expected volatility over the whole life of the options and the historical volatility of the shares set out as above.

Because the Binomial option pricing model requires the input of highly subjective assumptions, including the volatility of share price, changes in subjective input assumptions can materially affect the fair value estimate.

(iv) On 12 March 2009, the Company completed the open offer. Pursuant to the terms of the pre-listing and postlisting share options schemes, the exercise prices of the share options were adjusted accordingly. The new exercise price per share and the number of shares subject to the outstanding share options after the open offer under the pre-listing and post-listing share option schemes are 2,281,370 shares exercisable at HK$0.245 each and 60,651,250 shares exercisable at HK$0.376 each (granted on 13 July 2006), 27,127,650 shares exercisable at HK$0.372 each (granted on 24 July 2006) and 154,166,667 shares exercisable at HK$0.306 (granted on 21 March 2007) respectively.

(v) As at 31 March 2010, 262,760,833 share options are exercisable.

(vi) In accordance with the term's of share-based arrangement, the share options granted on 30 March 2009 are exercisable in the following manner:

(a) up to 40% of the share options granted to each grantee shall be exercisable on or after 30 September 2009 to 30 March 2010;

(b) up to further 30% of the share options granted to each grantee shall be exercisable on or after 31 March 2010 to 30 March 2011; and

(c) all the remaining 30% of the share options granted to each grantee shall be exercisable on or after 31 March 2011 to 30 March 2012, and in each case, not later than 29 March 2019.

(vii) In accordance with the term's of share-based arrangement, the share options granted on 18 March 2010 are exercisable in the following manner:

(a) up to 40% of the share options granted to each grantee shall be exercisable on or after 23 March 2010 to 22 March 2011;

(b) up to further 20% of the share options granted to each grantee shall be exercisable on or after 23 March 2011 to 22 March 2012;

(c) up to further 20% of the share options granted to each grantee shall be exercisable on or after 23 March 2012 to 22 March 2013; and

(d) all the remaining 20% of the share options granted to each grantee shall be exercisable on or after 23 March 2013 to 22 March 2014, and in each case, not later than 22 March 2015.

24. Turnover and other revenue

Turnover represents the aggregate of the net amounts received and receivable from third parties in connection with the retail and wholesale and distribution of pharmaceutical products, provision of general hospital services and healthcare and hospital management services. An analysis of the Group's turnover and other revenue is as follows:

	2010	**2009**
	HK$'000	*HK$'000*
Turnover:		
Retail of pharmaceutical products	9,784	–
Wholesale and distribution of pharmaceutical products	43,071	–
Provision of general hospital services	125,360	155,719
Provision of healthcare and hospital management services	1,550	14,368
	179,765	170,087
Other revenue:		
Interest income	532	422
Sundry income	805	–
	1,337	422

25. Loss from operations

Loss from operations has been arrived at after charging:

	2010	2009
	HK$'000	*HK$'000*
Directors' remuneration *(Note 26)*	2,374	2,380
Other staff' s retirement benefits scheme contributions	3,047	2,604
Other staff costs	25,682	11,637
	31,103	16,621
Auditors' remuneration	1,050	1,048
Provision for impairment losses of trade and other receivables	489	1,381
Cost of goods sold	53,625	–
Amortisation of prepaid lease payments	977	962
Depreciation of property, plant and equipment – owned by the Group	11,200	10,629
Loss on disposal of property, plant and equipment	28	10
Operating lease rentals in respect of land and buildings	5,378	6,211
Change in fair value derivative financial instruments	–	511
Loss on disposal of subsidiaries	23,185	3,856
Impairment loss on goodwill	171,422	202,547

and after crediting:

Other income:

	2010	2009
Net exchange gain	230	2,085
Change in fair value derivative financial instruments	93	–
Reversal of trade and other payables	138	–
	461	2,085

26. Directors' remuneration

The remuneration of every director for the year ended 31 March 2010 and 2009 are set out below:

	Fees		Salaries and other benefits		Performance related incentive payments		Retirement benefits scheme contributions		Total	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Executive Directors										
Yung Kwok Leong ("Mr. Yung")	–	–	708	708	–	–	12	12	720	720
Shum Ngai Pan (retired on 30 July 2009)	–	–	57	171	–	–	3	9	60	180
Chen Jin Shan	–	–	60	60	–	–	–	–	60	60
Jiang Tao	–	–	360	360	–	–	–	–	360	360
Zheng Gang	–	–	748	748	–	–	12	12	760	760
Weng Jiaxing (appointed on 26 March 2010)	–	–	4	–	–	–	–	–	4	–
Huang Jioqing (appointed on 30 July 2009)	–	–	80	–	–	–	–	–	80	–
	–	–	2,017	2,047	–	–	27	33	2,044	2,080
Non-Executive Director										
Wong Yu Man, James	–	–	114	114	–	–	6	6	120	120
Independent Non- Executive Directors										
Hsu William Shiu Foo (retired on 30 July 2009)	35	60	–	–	–	–	–	–	35	60
Wong Ka Wai, Jeanne	60	60	–	–	–	–	–	–	60	60
Yu Chai Mei (retired on 30 July 2009)	35	60	–	–	–	–	–	–	35	60
Hu Shanlian (appointed on 30 July 2009)	40	–	–	–	–	–	–	–	40	–
Lu Chuanzhen (appointed on 30 July 2009)	40	–	–	–	–	–	–	–	40	–
	210	180	–	–	–	–	–	–	210	180
	210	180	2,131	2,161	–	–	33	39	2,374	2,380

During the year, no emoluments were paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors has waived any emoluments during the year.

27. Employees' emoluments

The five highest paid employees during the year included three (2009: three) directors. Details of whose remuneration are set out in note 26 to the consolidated financial statements.

For the year ended 31 March 2010, the details of the remuneration of the remaining two non-directors, highest paid employee are as follows:

	2010	**2009**
	HK$'000	*HK$'000*
Basic salaries and allowances	1,146	2,140
Retirement benefits scheme contributions	24	39
	1,170	2,179

None of the above five highest paid individuals received emoluments in excess of HK$1 million.

During the year, no emoluments were paid by the Group to the non-director, highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

28. Finance costs

	2010	**2009**
	HK$'000	*HK$'000*
Interest on:		
– bank borrowings wholly repayable within five years	476	–
Imputed interest on convertible note	368	1,822
Imputed interest on promissory note	453	–
	1,297	1,822

29. Taxation

No provision for Hong Kong Profits Tax has been made in the consolidated financial statements as the Group incurred a taxation loss for the year. Provision on profits assessable elsewhere has been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	2010	**2009**
	HK$'000	*HK$'000*
Current taxation:		
Provision for the year		
– PRC	1,769	12,228
Deferred tax recognised during the year	(46)	–
	1,723	12,228

The charge for the year is reconciled to the loss before taxation per the consolidated statement of comprehensive income as follows:

For the year ended 31 March 2010

	Hong Kong		**PRC**		**Total**	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*
(Loss)/profit before taxation	(214,137)		9,224		(204,913)	
Tax at applicable income tax rate	(35,333)	(16.5)	2,306	25.0	(33,027)	(16.1)
Tax effect of expenses and income not deductible or taxable for tax purposes	32,107	15.0	(537)	(58)	31,570	15
Tax effect of tax losses not recognised	3,180	1.5	–	–	3,180	1.5
Tax charge and effective tax rate for the year	(46)	–	1,769	19.2	1,723	0.8

For the year ended 31 March 2009

	Hong Kong		PRC		Total	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*
Loss before taxation	(223,134)		44,902		(178,232)	
Tax at applicable income tax rate	(36,817)	(16.5)	11,226	25.0	(25,591)	(14.4)
Tax effect of expenses and income not deductible or taxable for tax purposes	33,748	15.1	1,002	2.2	34,750	19.5
Tax effect of tax losses not recognised	3,069	1.4	–	–	3,069	1.7
Tax charge and effective tax rate for the year	–	–	12,228	27.2	12,228	6.8

30. Loss attributable to owners of the company

For the year ended 31 March 2010, net loss of approximately HK$332,382,000 (2009: HK$15,644,000) has been dealt with in the consolidated financial statements of the Company.

31. Loss per share

The calculation of the basic and diluted loss per share attributable to owners of the Company is based on the following data:

	2010	**2009**
	HK$'000	*HK$' 000*
Loss attributable to owners of the Company	(211,283)	(200,548)

	2010	2009
Weighted average number of ordinary shares in issue	4,495,111,986	1,938,440,073
Weighted average number of preference shares in issue	305,402,930	–
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	4,800,514,916	1,938,440,073

The calculation of diluted loss per share did not assume the exercise of the convertible notes and share options existed at 31 March 2010 and 2009 as the exercise of the convertible notes and share options would reduce loss per share, therefore anti-dilutive.

32. Dividends

The directors do not recommend the payment of any dividend in respect of the year ended 31 March 2010 (2009: Nil).

33. Pledged assets

At 31 March 2010, certain bank deposits, prepaid lease payments (Note 7) and investment properties (Note 8) of the Group were pledged as collateral for certain banking facilities granted to the Group and independent third party.

At 31 March 2009, certain bank deposits of the Group were pledged as collateral for certain banking facilities.

At 31 March 2010 and 31 March 2009, the Company had not pledged any assets at the end of the reporting period.

34. Acquisition of subsidiaries

On 13 November 2009, a wholly owned subsidiary of the Company, Timely Hero Enterprises Limited, entered into an agreement Mr. Yung, a director of the Company, to acquire 100% of the entire issued share capital of Nurture Fit Limited and all obligations, liabilities and debts owing or incurred by Nurture Fit Limited and its subsidiaries to Mr. Yung, for a total contracted consideration of HK$600,000,000. The aggregate amount of goodwill arising as a result of the acquisition is approximately HK$785,169,000. The acquisition was completed on 8 March 2010.

	Acquiree's carrying amount before combination and fair value
	HK$'000
Net assets acquired:	
Property, plant and equipment	13,191
Investment properties	5,586
Prepaid lease payments	4,238
Inventories	88,954
Trade and other receivables and deposits	195,596
Pledged bank deposits	14,095
Cash and bank balances	19,301
Tax payables	(1,285)
Borrowings	(41,040)
Trade and other payables	(243,594)
Net assets	55,042
Goodwill arising on acquisition *(Note 10)*	785,169
	840,211
Total consideration at fair value satisfied by:	
Cash	20,000
Promissory note	240,211
Non-voting convertible preference shares	580,000
Total consideration at fair value	840,211
Net cash outflow arising on acquisition:	
Cash consideration paid	(20,000)
Cash and bank balances acquired	19,301
	(699)

Notes:

(i) If the acquisition had been completed on 1 April 2009, total Group turnover for the year would have been approximately HK$602,086,000, and loss for the year would have been approximately HK$247,483,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of turnover and results of the Group that actually would have been achieved had the acquisition been completed on 1 April 2009, nor is it intended to be a projection of future results.

(ii) The subsidiaries acquired during the year contributed approximately HK$52,855,000 to the Group's turnover and profit after tax of approximately HK$2,379,000 for the year.

(iii) Goodwill arose in the business combination because the cost of the combination included a control premium paid to acquire Nurture Fit Limited. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development and the assembled workforce of Nurture Fit Limited. These benefits are not recognised separately from goodwill as the future economic benefits arising from them cannot be reliably measured.

35. Disposal of subsidiaries

(a) On 29 January 2010, the Company entered into a sale and purchase agreement that the Company agreed to sell the entire issued share capital of Direct Way Group Limited for a total consideration of HK$4,500,000. The disposal was completed on 29 January 2009.

Summary of the effects of the disposal of subsidiaries are as follows:

	HK$'000
Net assets disposed of:	
Property, plant and equipment	6,556
Trade and other receivables and deposits	522
Inventories	195
Cash and bank balances	511
Tax payables	(3)
Trade and other payables	(3,741)
	4,040
Attributable goodwill	12,500
	16,540
Release of translation reserve	(457)
Loss on disposal	(11,583)
	4,500

	HK$'000
Satisfied by:	
Cash	4,500

Net cash inflow arising on disposal:

Cash consideration	4,500
Cash and bank balances	(511)
Net inflow of cash and cash equivalents	3,989

For the period from 1 April 2009 to the date of disposal, the above subsidiaries were engaged in provision of general hospital services. The turnover contributed by the subsidiaries was approximately HK$6,309,000 and loss of approximately HK$2,691,000 has recognised in the Group's loss for the year ended 31 March 2010.

(b) On 29 January 2010, the Company entered into a sale and purchase agreement that the Company agreed to sell the entire issued share capital of Smart Peak Limited for a total consideration of HK$2,000,000. The disposal was completed on 29 January 2009.

Summary of the effects of the disposal of subsidiaries are as follows:

	HK$'000
Net assets disposed of:	
Property, plant and equipment	2,716
Trade and other receivables and deposits	1,397
Inventories	248
Cash and bank balances	505
Trade and other payables	(591)
Amount due to a director	(2,508)
Amount due to a minority shareholder	(76)
Tax payables	(9)
	1,682
Attributable goodwill	12,000
	13,682
Release of translation reserve	(80)
Loss on disposal	(11,602)
	2,000
Satisfied by:	
Cash	2,000
Net cash inflow arising on disposal:	
Cash consideration	2,000
Cash and bank balances	(505)
Net inflow of cash and cash equivalents	1,495

For the period from 1 April 2009 to the date of disposal, the above subsidiaries were engaged in provision of general hospital services. The turnover contributed by the subsidiaries was approximately HK$3,313,000 and loss of approximately HK$465,000 has recognised in the Group's loss for the year ended 31 March 2010.

36. Deferred taxation

The following are the major deferred tax balances recognised and movements thereon during the current and prior year:

Deferred tax liabilities:

	Convertible notes
	HK$'000
At 1 April 2008, 31 March 2009 and 1 April 2009	181
Charge to equity for the year	501
Credited to consolidated statement of comprehensive income for the year	(46)
At 31 March 2010	636

The following is the analysis of the deferred tax balances for financial reporting purposes:

	2010	**2009**
	HK$'000	*HK$'000*
Deferred tax assets	–	–
Deferred tax liabilities	(636)	(181)
	(636)	(181)

At the end of the reporting period, the Group and the Company has unutilised tax losses of approximately HK$67,493,000 (2009: HK$64,313,000) and HK$19,545,000 (2009: HK$19,207,000) respectively available to set off against future assessable profits. No deferred tax asset has been recognised in respect of the unutilised tax losses due to the unpredictability of future profits streams. These tax losses may be carried forward indefinitely.

37. Operating lease commitments

The Group were committed to make the following future minimum lease payments in respect of land and buildings rented under non-cancellable operating leases which fall due as follows:

	The Group	
	2010	**2009**
	HK$'000	*HK$'000*
Within one year	13,933	5,081
In the second to fifth years inclusive	35,719	18,263
Over five years	13,601	19,777
	63,253	43,121

38. Commitments

The Group and the Company had no sign if icant commitments at the end of the reporting period.

39. Contingent liabilities

	The Company	
	2010	**2009**
	HK$'000	*HK$'000*
Guarantees given to bank, in respect of banking facilities utilised by subsidiaries	10,000	10,000

40. Retirement benefits scheme

The Group operates a Mandatory Provident Fund Scheme (the "Scheme") for all qualifying employees in Hong Kong. The assets of the Scheme are held separately from those of the Group in funds under the control of trustee. The Group contributes 5% of relevant payroll costs to the Scheme, which contribution is matched by employees.

The employees of the Company's PRC subsidiaries are members of the state-managed retirement benefits scheme operated by the PRC government. The Company's PRC subsidiaries are required to contribute a certain percentage of their payroll to the retirement benefits scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefits scheme is to make the required contributions under the scheme.

41. Significant related party transactions

In addition to the transactions and balances detailed elsewhere in the financial statements, during the year, the Group had entered into the following significant transaction with related parties:

(a) Key management personnel

Remuneration for key personnel management, including amount paid to the Company's directors and certain of the highest paid employee, as disclosed in Note 26 and 27, is as follows:

	2010	**2009**
	HK$'000	*HK$'000*
Short-term employee benefits	2,407	2,410

(b) On 8 March 2010, the Group acquired the entire issued share capital of Nurture Fit Limited and its subsidiaries from Mr. Yung, a director of the Company, at a consideration of HK$600,000,000 *(Note 34)*.

(c) Mr. Yung, a director of the Company, has entered into a personal guarantee agreement dated 15 June 2009 with Shanghai Pudong Development Bank amounting to approximately RMB30,000,000 to secure bills payable on behalf of the Group for a term of one year.

42. Subsequent events

On 18 June 2010, the Company announced that guaranteed profit has not been met and cash compensation of approximately HK$5,290,710 will be received from a vendor. Details please refer to the Company's announcement dated 18 June 2010.

43. Principal subsidiaries

Details of the Company's principal subsidiaries, all of which are limited liability companies, at 31 March 2010 are as follows:

Name of subsidiary	Place of incorporation/ establishment/ operations	Nominal value of issued and fully paid ordinary share/ registered capital	Percentage of equity interest attributable to the Group	Principal activities
Grandy Environmental (H.K.) Limited	Hong Kong	HK$3,010,000	100%	Manufacture and sales of environmental protection products and provision of related services
Grandy Trading and Services (H.K.) Limited	Hong Kong	HK$10,000	100%	Sales of environmental protection products
Grand Brilliant Corporation Limited	British Virgin Islands	HK$1	100%	Provision of healthcare and hospital management services
Best Boom Resources Limited	British Virgin Islands	US$1	100%	Provision of hospital management services
Day View Group Limited	British Virgin Islands	US$1,000	76%	Investment holding
Hero Vision Enterprises Limited	British Virgin Islands	US$1,573	100%	Investment holding
Merry Sky Investments Limited	British Virgin Islands	US$9,000	100%	Investment holding
Fujian Maidsen Enterprises Company Limited#	PRC	RMB40,000,000	100%	Provision of healthcare and hospital management services
Edward Hospital Company Limited#	PRC	RMB40,000,000	55%	Provision of hospital services
Jiaxing City Shuguang Western and Chinese Composite Hospital Company Limited#	PRC	RMB15,000,000	55%	Provision of hospital services
Beiyi Renzhi (Beijing) Investment Consultancy Limited#	PRC	RMB6,457,725	70.1%	Provision of healthcare and hospital management services

Name of subsidiary	Place of incorporation/ establishment/ operations	Nominal value of issued and fully paid ordinary share/ registered capital	Percentage of equity interest attributable to the Group	Principal activities
Shangrao City Xiehe Hospital Limited#	PRC	RMB3,000,000	70%	Provision of hospital services
Fujian Huihao Pharmaceutical Company Limited#	PRC	RMB30,000,000	100%	Pharmaceutical wholesale and distribution business in the PRC
Putian Medicine Company Limited#	PRC	RMB5,000,000	100%	Pharmaceutical wholesale and distribution business in the PRC
Fujian Huiming Medicine Company Limited#	PRC	RMB5,000,000	100%	Pharmaceutical wholesale and distribution business in the PRC
Fujian Huihao Sihai Pharmaceutical Chain Company Limited#	PRC	RMB15,856,000	99.29%	Pharmaceutical retail chain and distribution business in the PRC

The English transliteration of the Chinese names in this report, where indicated, is included for information only, and should not be regarded as the official English names of such Chinese names.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affect the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

44. Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of debt (which includes bill payables, bank borrowings, promissory note and convertible note), cash and cash equivalents and equity attributable to equity holders of the Company, comprising issued share capital, reserves and accumulated losses.

Gearing ratio

The gearing ratios at 31 March 2010 and 31 March 2009 were as follows:

	2010	2009
	HK$'000	*HK$'000*
Debt *(note (a))*	320,193	6,469
Cash and cash equivalents	(76,986)	(93,761)
Net debt	243,207	(87,292)
Equity *(note (b))*	703,984	327,823
Gearing ratio	0.35	N/A

Notes:

(a) Debt comprises bill payables, bank borrowings, convertible note and promissory note as detailed in notes 18, 19, 21 and 22 respectively.

(b) Equity includes all capital and reserves of the Group.

45. Financial instruments

(a) Categories of financial instruments

	2010	2009
	HK$'000	*HK$'000*
Financial assets		
Loans and receivables (including cash and cash equivalents)	318,122	112,036
Derivative financial instruments classified as fair value through profit or loss	96	3
Financial liabilities		
Amortised cost	543,000	37,616

(b) Financial risk management objectives and policies

The Group's activities expose it to a variety of financial risks: market risk (including currency risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

(i) Market risk

The Group's activities expose it primarily to the financial risks of changes in foreign exchange rates and interest rates.

Market risk exposures are measured using sensitivity analysis.

There has been no change to the Group's exposure to market risks or the manner in which it manages and measures the risk.

Foreign currency risk management

Several subsidiaries of the Group have foreign currency sales and purchases, which expose the Group to foreign currency risk. The management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arises.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	Liabilities		**Assets**	
	2010	**2009**	**2010**	**2009**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
RMB	292,527	12,423	392,108	56,126

Sensitivity analysis

The Group is mainly exposed to the effects of fluctuation in RMB.

The following table details the Group's sensitivity to a 5% increase and decrease in the Hong Kong dollars against the relevant foreign currencies. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes outstanding foreign currency denominated monetary items and foreign currency forward contracts, and adjusts their translation at the period end for a 5% change in foreign currency rates. The sensitivity analysis includes external loans as well as loans to foreign operations within the Group where the denomination of the loan is in a currency other than the currency of the lender or the borrower. A positive number below indicates an increase in profit and other equity where the Hong Kong dollars strengthen 5% against the relevant currency. For a 5% weakening of the Hong Kong dollars against the relevant currency, there would be an equal and opposite impact on the profit and other equity, and the balances below would be negative.

	Impact of RMB	
	2010	**2009**
	HK$'000	*HK$'000*
Other equity	1,324	9,207

Note:

This is mainly attributable to the exposure outstanding on receivables and payables denominated in respective currencies at the end of the reporting period.

Interest rate risk management

The Group's cash flow interest rate risk relates primarily to variable-rate borrowings. It is the Group's policy to keep its borrowings at floating rate of interests so as to minimise the fair value interest rate risk. As at 31 March 2010, the Group did no have borrowings at floating rate of interests.

The Group's exposures to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this note. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of HIBOR arising from the Group's Hong Kong dollar denominated borrowings.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for both derivatives and non-derivative instruments at the end of the reporting period. For variable-rate borrowings, the analysis is prepared assuming the amount of liability outstanding at the end of the reporting period was outstanding for the whole year. A 50 basis point increase or decrease in HIBOR is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher/ lower and all other variables were held constant, the Group's loss for the year ended 31 March 2010 would decrease/increase by approximately HK$7,000 (2009: HK$12,000). This is mainly attributable to the Group's exposure to interest rates on its variable rate borrowings during the year ended 31 March 2010.

The Group's sensitivity to interest rates has decreased during the current period mainly due to the reduction in variable rate borrowings.

(ii) Credit risk

As at 31 March 2010, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties and financial guarantees provided by the Group is arising from:

- the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position; and

- the amount of contingent liabilities in relation to the financial guarantees provided by the Group as disclosed in Note 39.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt and debt investments at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

Other than concentration of credit risk on liquid funds which are deposited with several banks with high credit ratings, the Group does not have any other significant concentration of credit risk. Trade and other receivables consist of a large number of customers, spread across diverse industries and geographical areas.

(iii) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the board of directors, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

As at 31 March 2010, the Group has available unutilised overdrafts and short and medium term bank loan facilities of approximately HK$2,000,000 (2009: HK$2,000,000) and HK$39,350,000 (2009: HK$8,000,000) respectively.

The following tables detail the Group's remaining contractual maturity for its financial liabilities which are included in the maturity analysis provided internally to the key management personnel for the purpose of managing liquidity risk. For non-derivative financial liabilities, the tables reflect the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The tables include both interest and principal cash flows.

At 31 March 2010

	Weighted average effective interest rate	Within 1 year	2 to 5 years	Over 5 years	Total undiscounted cash flows	Total carrying amount
	%	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Non-derivative financial liabilities						
Trade and other payables	–	250,748	–	–	250,748	250,748
Bank borrowings	4.9%	47,310	–	–	47,310	47,310
Amounts due to minority shareholders		719	–	–	719	719
Promissory note	3.0%	–	–	290,000	290,000	240,482
Convertible note	10.97%	–	–	6,500	6,500	3,741
		298,777	–	296,500	595,277	543,000

At 31 March 2009

	Weighted average effective interest rate	Within 1 year	2 to 5 years	Over 5 years	Total undiscounted cash flows	Total carrying amount
	%	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Non-derivative financial liabilities						
Trade and other payables	–	30,502	105	–	30,607	30,607
Amounts due to minority shareholders		540	–	–	540	540
Convertible note	6.8%	6,500	–	–	6,500	6,469
		37,542	105	–	37,647	37,616

(c) Fair value of financial instruments

The fair value of financial assets and financial liabilities are determined as follows:

(i) the fair value of financial assets and financial liabilities (including derivative instruments) with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market bid prices and ask prices respectively; and

(ii) the fair value of other financial assets and financial liabilities (including derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices or rates from observable current market transactions as input. For an option-based derivative, the fair value is estimated using option pricing model (for example, the Black-Scholes option pricing model and Binomial option pricing model).

The directors consider that the carrying amounts of financial assets and financial liabilities recorded in the consolidated financial statements approximate their fair values.

Fair value measurements recognised in the consolidated statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

1. Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

2. Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

3. Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Level 1	Level 2	Level 3	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Financial assets				
Derivative financial instruments	–	96	–	96

There were no transfers between Levels 1 and 2 in the current year.

46. Comparative

Certain comparative amounts have been reclassified/restated to conform with the current year's presentation and accounting treatment.

47. Non-cash transactions

On 8 March 2010, the Group acquired the entire issued share capital of Nurture Fit Limited and its subsidiaries at a consideration of HK$600,000,000, the consideration of HK$290,000,000 and HK$290,000,000 were satisfied by the Company's preference shares and issue of promissory note respectively.

48. Approval of financial statements

The financial statements were approved and authorised for issue by the board of directors on 25 June 2010.

3. UNAUDITED FIRST QUARTERLY RESULTS

Set out below is the unaudited financial information for the three months ended 30 June 2010 as extracted from the unaudited first quarterly report for the three months ended 30 June 2010.

There were no extraordinary or exceptional items for the three months ended 30 June 2010.

Information regarding rates of dividend paid or proposed on each class of shares and amounts absorbed thereby has not been disclosed as no dividends were paid or proposed in respect of the three months ended 30 June 2010.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the three months ended 30 June 2010

		Unaudited Three months ended 30 June	
		2010	**2009**
	Notes	*HK$'000*	*HK$'000*
TURNOVER	*3*	344,782	29,648
Cost of sales		(294,357)	(12,397)
Gross profit		50,425	17,251
Other income		5,469	7,813
Selling and distribution costs		(6,569)	(5,420)
Administrative expenses		(25,423)	(17,231)
PROFIT FROM OPERATIONS		23,902	2,413
Finance costs		(1,945)	(126)
PROFIT BEFORE TAXATION		21,957	2,287
Taxation	*4*	(4,150)	(597)
PROFIT FOR THE PERIOD		17,807	1,690
Other comprehensive income:			
Exchange differences arising on translating foreign operations		1,944	(341)
Other comprehensive income for the period, net of tax		1,944	(341)
Total comprehensive income for the period		19,751	1,349

		Unaudited Three months ended 30 June	
		2010	**2009**
	Notes	*HK$'000*	*HK$'000*
Profit for the period attributable to:			
Owners of the Company		16,278	2,133
Minority interests		1,529	(443)
		17,807	1,690
Total comprehensive income attributable to:			
Owners of the Company		19,561	1,402
Minority interests		190	(53)
		19,751	1,349
DIVIDENDS	*7*	–	–
EARNINGS PER SHARE			
– Basic *(cents)*	*5*	0.174	0.05
– Diluted *(cents)*	*5*	0.166	0.05

NOTES TO THE CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)
For the three months ended 30 June 2010

1. Corporate information

The Company was incorporated in the Cayman Islands on 28 May 2001 as an exempted company with limited liability. The shares of the Company are listed on the GEM of The Stock Exchange. The registered office of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681 GT George Town, Grand Cayman, KY1-1111, Cayman Islands. The head office and principal place of business of the Company in Hong Kong is located at 19/F., New Wing, 101 King's Road, Hong Kong.

The consolidated financial statements are presented in Hong Kong dollars, which is the functional currency of the Company.

The Company acts as an investment holding company while its subsidiaries are principally engaged in the pharmaceutical wholesale and distribution and pharmaceutical retail chain businesses, provision of general hospital and healthcare and hospital management services in the People's Republic of China (the "PRC").

2. Statement of compliance

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"), which collective term includes all applicable Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKAS") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure requirements under the Rules Governing the Listing of Securities on the GEM of the Stock Exchange.

The accounting policies adopted in preparing the unaudited condensed consolidated results for the three months ended 30 June 2010 are consistent with those followed in the preparation of the annual financial statements for the year ended 31 March 2010.

3. Turnover

Turnover represents the aggregate of net amounts received and receivable from third parties in connection with the pharmaceutical wholesale and distribution and pharmaceutical retail chain businesses, provision of general hospital and healthcare and hospital management services.

	Unaudited Three months ended 30 June 2010	
	2010	**2009**
	HK$'000	*HK$'000*
Turnover		
Pharmaceutical wholesale and distribution and pharmaceutical retail chain businesses	313,285	–
Provision of general hospital services	31,098	29,449
Provision of healthcare and hospital management services	399	199
	344,782	29,648

4. Taxation

No provision for Hong Kong profits tax has been made in the financial statements as the Group had no assessable profits derived from Hong Kong's operations during the period (2009: Nil).

Corporate income tax of approximately 25% has been provided for the profit generated from the pharmaceutical wholesale and distribution and pharmaceutical retail chain businesses, general hospital and healthcare and hospital management services in the PRC (2009: approximately 26%).

5. Earnings per share

The calculation of basic earnings per share for the three months ended 30 June 2010 was based on the profit attributable to owners of the Company of approximately HK$16.278 million (2009: approximately HK$2.133 million) and on the weighted average number of 9,328,445,319 shares (2009: 4,495,111,986 shares).

Diluted earnings per share was calculated adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. For the three months ended 30 June 2010, the Company had two categories of dilutive potential ordinary shares: convertible note and share options.

The convertible note is assumed to have been converted into ordinary shares and the profit attributable to owners is adjusted to eliminate the interest expense of convertible note less the tax effect. For the share options, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

	Unaudited Three months ended 30 June	
	2010	**2009**
	HK$'000	*HK$'000*
Profit attributable to owners of the Company	16,278	2,133
Interest expense on convertible note (net of tax)	32	32
Profit for the purpose of diluted earnings per share	16,310	2,165

	2010	**2009**
Weighted average number of ordinary shares in issue	9,328,445,319	4,495,111,986
Adjustments for assumed exercise of share options	483,142,203	244,226,937
Adjustments for assumed conversion of convertible note	30,805,687	30,805,687
Weighted average number of ordinary shares for the purpose of diluted earnings per share	9,842,393,209	4,770,144,610

	2010	**2009**
Diluted earnings per share	HK0.166 cents	HK0.05 cents

6. Capital and reserves (unaudited)

	Attributable to owners of the Company										
	Share capital	Share premium	Special reserve	Translation reserve	Share-based payment reserve	Convertible note reserve	Statutory surplus reserve	Accumulated losses	Total	Minority interests	Total equity
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Note (a))		*(Note (b))*				*(Note (c))*				
At 1 April 2009	224,756	335,267	(6,735)	7,899	4,658	4,448	1,287	(243,757)	327,823	28,239	356,062
Profit for the period	–	–	–	–	–	–	–	2,133	2,133	(443)	1,690
Transfer to reserve	–	–	–	741	–	–	–	–	741	25	766
At 30 June 2009	224,756	335,267	(6,735)	8,640	4,658	4,448	1,287	(241,624)	330,697	27,821	358,518
At 1 April 2010	466,423	673,600	(6,735)	7,189	6,230	2,537	1,287	(446,547)	703,984	32,858	736,842
Profit for the period	–	–	–	–	–	–	–	16,278	16,278	1,529	17,807
Transfer to reserve	–	–	–	31	–	–	–	–	31	263	294
At 30 June 2010	466,423	673,600	(6,735)	7,220	6,230	2,537	1,287	(430,269)	720,293	34,650	754,943

Notes:

(a) As at 30 June 2010, the total issued share capital of the Company was approximately HK$466.423 million (2009: approximately HK$224.756 million) divided into 4,495,111,986 ordinary shares and 4,833,333,333 nonvoting convertible preference shares (2009: 4,495,111,986 ordinary shares) of HK$0.05 each.

(b) Included in the special reserve amounting to approximately HK$2,935,000 of the Group represents the difference between the nominal amount of the shares issued by the Company and the aggregate amount of the share capital of a subsidiary acquired pursuant to a group reorganisation in 2001.

The decrease in special reserve amounting to approximately HK$41,580,000 of the Group represents the difference between the fair value and the contracted value of the consideration shares paid for acquisition of subsidiaries during the year ended 31 March 2007.

The increase in special reserve amounting to approximately HK$31,910,000 of the Group represents the difference between the fair value and the contracted value of consideration shares paid for acquisition of subsidiaries during the year ended 31 March 2008.

(c) As stipulated by the relevant PRC laws and regulations, the subsidiaries of the Company established in the PRC shall set aside 10% of its profit after taxation for the statutory surplus reserve fund (except where the reserve balance has reached 50% of the subsidiaries' paid-up capital). The reserve fund can only be used, upon approval by the Board and by the relevant authority, to offset accumulated losses or increase capital.

7. Dividends

The Directors do not recommend the payment of a dividend for the three months ended 30 June 2010 (2009: Nil).

4. STATEMENT OF INDEBTEDNESS

Borrowings

As at the close of business on 31 August 2010, being the latest practicable date for the purpose of this statement of indebtedness prior to the printing of this Prospectus, the Group had outstanding borrowings of approximately HK$340,459,000, details of which are set out below:

	HK$'000
Promissory Note (principal amount)	290,000
Convertible Notes (principal amount)	6,500
Bank borrowings	43,959

The principal amount of the CP Shares outstanding as at 31 August 2010 and up to the Latest Practicable Date is HK$290,000,000.

The principal amount of the Convertible Notes outstanding as at 31 August 2010 and up to the Latest Practicable Date is HK$6,500,000.

Securities and guarantees

As at 31 August 2010, certain receivables of the Group of approximately HK$14,980,000 have been pledged to a bank to secure credit facilities granted to the Group.

As at 31 August 2010, certain pledged bank deposits of the Group of approximately HK$11,008,000 have been pledged to a bank to secure credit facilities granted to the Group.

As at 31 August 2010, certain investment properties of the Group of approximately HK$5,586,000 have been pledged to a bank to secure credit facilities granted to an independent third party.

As at 31 August 2010, certain prepaid lease payment of the Group of approximately HK$3,709,000 have been pledged to banks to secure credit facilities granted to independent third parties.

Disclaimer

Save as aforesaid and apart from intra-group liabilities, at the close of business on 31 August 2010, the Group had no other outstanding mortgages, charges, debentures or other loan capital or bank overdrafts or loans or other similar indebtedness, finance lease or hire purchase commitments, liabilities under acceptance or acceptance credits, debt securities, guarantees or other material contingent liabilities. Save as aforesaid, the Directors confirm that there has been no material change to the indebtedness and contingent liabilities of the Group since 31 August 2010 and up to the Latest Practicable Date

5. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 March 2010, the date to which the latest published audited financial statements of the Group were made up.

6. WORKING CAPITAL

The Directors, after due and careful consideration, are of the opinion that, taking into consideration the financial resources available to the Group including the internally generated funds, the present bank and other facilities, the Group will have sufficient working capital for at least twelve months from the date of this Prospectus.

7. DISCLOSURE UNDER RULES 17.15 TO 17.21 OF THE GEM LISTING RULES

The Directors confirm that as at 30 June 2010, there were no circumstances which would give rise to the disclosure requirements under Rules 17.15 to 17.21 of the GEM Listing Rules.

The following is the text of a report, prepared for the sole purpose of inclusion in this Prospectus, received from the reporting accountants, HLB Hodgson Impey Cheng, Chartered Accountants, Certified Public Accountants, in respect of the unaudited pro forma statement on adjusted consolidated net tangible assets of the Group as set out in this appendix.

1. ACCOUNTANTS' REPORT ON THE UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS OF THE GROUP

HLB 國衛會計師事務所
Hodgson Impey Cheng
Chartered Accountants
Certified Public Accountants

31/F, Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

19 October 2010

The Board of Directors
Hua Xia Healthcare Holdings Limited
19/F., New Wing
101 King's Road
Hong Kong

Dear Sirs,

We report on the unaudited pro forma statement on adjusted consolidated net tangible assets (the "Unaudited Pro Forma Consolidated Net Tangible Assets") of Hua Xia Healthcare Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group"), which has been prepared by the directors of the Company for illustrative purposes only, to provide information about how the proposed rights issue of 1,503,470,662 rights shares on the basis of one rights share for every three shares held on record date at HK$0.062 per rights share (the "Proposed Rights Issue") might have affected the financial information presented, for inclusion in Section 2 of Appendix II to the prospectus dated 19 October 2010 (the "Prospectus").

The basis of preparation of the Unaudited Pro Forma Consolidated Net Tangible Assets is set out on page 135 to the Prospectus.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS OF THE COMPANY AND REPORTING ACCOUNTANTS

It is the responsibility solely of the directors of the Company to prepare the Unaudited Pro Forma Consolidated Net Tangible Assets in accordance with rule 7.31 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "GEM Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants. It is our responsibility to form an opinion, as required by rule 7.31(7) of the GEM Listing Rules, on the Unaudited Pro Forma Consolidated Net Tangible Assets and to report our opinion solely to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Consolidated Net Tangible Assets beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

BASIS OF OPINION

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 "Accountants' Reports on Pro Forma Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants. Our work consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the Unaudited Pro Forma Consolidated Net Tangible Assets with the directors of the Company. This engagement did not involve independent examination of any of the underlying financial information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Unaudited Pro Forma Consolidated Net Tangible Assets has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purposes of the Unaudited Pro Forma Consolidated Net Tangible Assets as disclosed pursuant to rule 7.31(1) of the GEM Listing Rules.

The Unaudited Pro Forma Consolidated Net Tangible Assets is for illustrative purposes only, based on the judgements and assumptions of the directors of the Company, and, because of its hypothetical nature, it does not provide any assurance or indication that any event will take place in the future and may not be indicative of the financial position of the Group as at 31 March 2010 or any future date.

OPINION

In our opinion:

a) the Unaudited Pro Forma Consolidated Net Tangible Assets has been properly compiled by the directors of the Company on the basis stated;

b) such basis is consistent with the accounting policies of the Group; and

c) the adjustments are appropriate for the purpose of the Unaudited Pro Forma Consolidated Net Tangible Assets as disclosed pursuant to rule 7.31(1) of the GEM Listing Rules.

Yours faithfully
HLB Hodgson Impey Cheng
Chartered Accountants
Certified Public Accountants
Hong Kong

2. UNAUDITED PRO FORMA STATEMENT ON ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS OF THE GROUP

The unaudited pro forma statement on adjusted consolidated net tangible assets of the Group prepared in accordance with paragraph 13 of Appendix 1B and rule 7.31 of the GEM Listing Rules is set out below to illustrate the effect of the Rights Issue on the net tangible assets of the Group as if the Rights Issue had taken place on 31 March 2010.

The unaudited pro forma statement on adjusted consolidated net tangible assets of the Group has been prepared for illustrative purposes only, and because of its hypothetical nature, it may not give a true picture of the financial position of the Group as at 31 March 2010 or at any future date.

The following unaudited pro forma statement on adjusted consolidated net tangible assets of the Group is based on the audited consolidated net tangible assets of the Group as at 31 March 2010 and adjusted to reflect the effect of the Rights Issue:

Audited consolidated net tangible assets of the Group as at 31 March 2010 *HK$'000* *Note (a)*	**Estimated net proceeds from the Rights Issue** *HK$'000* *Note (b)*	**Unaudited pro forma adjusted consolidated net tangible assets of the Group upon completion of the Rights Issue** *HK$'000* *Note (e)*	**Unaudited consolidated net tangible assets of the Group per Share as at 31 March 2010 prior to the completion of the Rights Issue**	**Unaudited pro forma adjusted consolidated net tangible assets of the Group per Share upon completion of the Rights Issue**
(84,084)	86,400	2,317	HK(1.86) cents/ Share *(Note (c))*	HK0.04 cents/ Share *(Note (d))*

Notes:

(a) The consolidated net tangible assets of the Group as at 31 March 2010 is calculated based on the capital and reserves attributable to the owners of the Company as at 31 March 2010 of approximately HK$703,984,000 after deducting goodwill of approximately HK$788,068,000 as at 31 March 2010 as extracted from the annual report of the Company for year ended 31 March 2010.

(b) The estimated net proceeds from the Rights Issue of approximately HK$86,400,000 are calculated based on 1,503,470,662 Rights Shares to be issued at the Subscription Price of HK$0.062 per Rights Shares after deducting estimated expenses of approximately HK$6,815,000.

(c) The number of Shares used for the calculation of this amount is 4,510,411,986 Shares in issue as at the Latest Practicable Date.

(d) The number of Shares used for the calculation of this amount is 6,013,882,648 which will be the total number of Shares expected to be in issue after completion of the Rights Issue representing the existing 4,510,411,986 Shares in issue as at the Latest Practicable Date and 1,503,470,662 to be issued pursuant to the Rights Issue but has not taken into account the effects of the exercise of any outstanding Share Options, conversion rights attaching to the Convertible Notes or the CP Shares.

(e) The above unaudited pro forma statement of adjusted consolidated net tangible assets of the Group has not taken into account the effects of the exercise of any outstanding Share Options, the conversion rights attaching to the Convertible Notes or the CP Shares.

1. RESPONSIBILITY STATEMENT

This Prospectus, 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 Group. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief

(a) the information contained in this Prospectus is accurate and complete in all material respects and is not misleading or deceptive; and

(b) there are no other matters the omission of which would make any statement in this Prospectus misleading.

2. SHARE CAPITAL

The authorised and issued share capital of the Company as at the Latest Practicable Date and immediately following the Rights Issue (assuming the Rights Issue becoming unconditional) will be as follows:

Authorised		*HK$*
22,000,000,000	Shares	1,100,000,000
8,000,000,000	CP Shares	400,000,000
30,000,000,000		15,000,000,000
Issued and fully paid:		
4,510,411,986	Shares as at the Latest Practicable Date	225,520,599.30
1,503,470,662	Rights Shares to be issued	75,173,533.10
6,013,882,648	Share upon completion of the Rights Issue	300,694,132.40
4,833,333,333	CP Shares	241,666,666.65

All the issued Shares rank pari passu with each other in all respects including the rights as to voting, dividends and return of capital. The Rights Shares to be allotted and issued will, when issued and fully paid, rank pari passu in all respects with the existing Shares.

As at the Record Date, the Company had 2,281,370 outstanding Pre-IPO Share Options, 465,560,833 outstanding Post-IPO Share Options (of which 230,400,00 Post-IPO Share Options (including 5,100,000 Post-IPO Share Options held by Mr. Yung) were under vesting period and not exercisable on or before the Latest Lodging Date), 30,805,687 Conversion Shares outstanding from the Convertibles Notes and 4,833,333,333 outstanding CP Shares conferring rights to convert into 4,833,333,333 Shares. Save for the Pre-IPO Share Options, Post-IPO Share Options, the Convertible Note and the CP Shares, the Company has no other outstanding warrants, options or convertible or exchangeable securities.

There are no arrangements under which future dividends will be waived or agreed to be waived.

3. DISCLOSURE OF INTERESTS

(a) Directors' interests and short positions in the securities of the Company and its associated corporations

As at the Latest Practicable Date, the interests and short positions of the directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or otherwise notified to the Company and the Stock Exchange pursuant to the required standards of dealings by directors of the Company as referred to in Rules 5.46 to 5.67 of the GEM Listing Rules, were as follows:

(i) Interests in Shares:

Name of Director	Nature of interest	Number of shares	Position	Approximate percentage of the total issued shares
Mr. Yung	Corporate interest	1,209,605,000 *(Note 1)*	Long	26.82%
	Personal interest	4,848,802,083 *(Note 2)*	Long	107.50%
Mr. Weng Jiaxing	Personal interest	14,062,500	Long	0.31%
Mr. Zheng	Personal interest	15,000,000	Long	0.33%

Notes:

1. These shares are held through Easeglory Holdings Limited, a company incorporated in the British Virgin Islands with limited liability, the entire issued share capital of which is owned by Mr. Yung.

2. The 4,848,802,083 shares represent (i) the 15,468,750 shares beneficially owned by Mr. Yung, and (ii) the 4,833,333,333 CP Shares.

(ii) Interests in share options under Post-IPO share option scheme:

Name of Director	Exercise period	Exercise price	Number of share options granted	Position
Mr. Yung	30 September 2009 to 29 March 2019	HK$0.050	17,000,000	Long
Dr. Jiang Tao	30 September 2009 to 29 March 2019	HK$0.050	8,000,000	Long
	23 March 2010 to 22 March 2015	HK$0.117	15,000,000	Long
Mr. Weng Jiaxing	23 March 2010 to 22 March 2015	HK$0.117	19,000,000	Long
Mr. Zheng	30 September 2009 to 29 March 2019	HK$0.050	8,000,000	Long
	23 March 2010 to 22 March 2015	HK$0.117	27,000,000	Long
Dr. Huang Jiaqing	30 September 2009 to 29 March 2014	HK$0.05	10,000,000	Long
	23 March 2010 to 22 March 2015	HK$0.117	3,000,000	Long
Mr. Chen Jin Shan	30 September 2009 to 29 March 2019	HK$0.050	17,000,000	Long
	23 March 2010 to 22 March 2015	HK$0.117	20,000,000	Long

Save as disclosed above, as at the Latest Practicable Date, none of the Directors nor the chief executive of the Company had or was deemed to have any interests or short positions in the Shares, underlying Shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were, pursuant to rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by Directors to be notified to the Company and the Stock Exchange.

(b) Persons who have an interest or short position which is discloseable under Divisions 2 and 3 of Part XV of the SFO and substantial shareholders

So far as is known to the Directors, as at the Latest Practicable Date, the following persons (not being Directors or chief executive of the Company) had, or were deemed to have, interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or who were directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group:

Long positions in Shares of the Company:

Name of Shareholder	Number of Shares	Capacity	Approximate percentage of the total issued Shares
Easeglory Holdings Limited *(Note 1)*	1,209,605,000 (L)	Beneficial owner	26.82% (L)
Mrs. Yung Muk Ying *(Note 2)*	6,075,407,083 (L)	Interest of spouse	134.70% (L)
KGI Capital Asia Limited *(Note 2)*	1,578,651,396 (L) 1,578,651,396 (S)	Corporate interest	26.34 (L) 26.34 (S)
KGI Securities Co., Ltd. *(Note 3)*	1,578,651,396 (L) 1,578,651,396 (S)	Corporate interest	26.34 (L) 26.34 (S)
KGI Asia Limited *(Note 4)*	774,193,548 (L) 774,193,548 (S)	Corporate interest	12.92 (L) 12.92 (S)

(L) denotes Long Position

(S) denotes Short Position

Notes:

1. The issued share capital of Easeglory Holdings Limited is 100% beneficially owned by Mr. Yung. By virtue of her being the spouse of Mr. Yung, Mrs. Yung Muk Ying is deemed to be interested in 1,209,605,000 Shares held by Easeglory Holdings Limited and 15,468,750 Shares and 17,000,000 share options and 4,833,333,333 CP Shares beneficially held by Mr. Yung in personal capacity. Save as disclosed above, as at the Latest Practicable Date, the Directors of the Company were not aware of any other person (other than the Directors and chief executive of the Company) who had interests or short positions in the Shares or underlying Shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO.

2. These Shares represent the maximum number of 1,578,651,396 Rights Shares to be underwritten by KGI Capital Asia Limited pursuant to the Underwriting Agreement (defined as below).

3. KGI Securities Limited is the ultimate owner of KGI Capital Asia Limited and KGI Asia Limited.

4. KGI Asia Limited is the one of the sub-underwriters who agreed to sub-underwrite 774,193,548 Rights Shares.

Save as disclosed above, as at the Latest Practicable Date, the Directors were not aware of any other person (other than the Directors and the chief executive of the Company) who had, or was deemed to have, interests or short positions in the Shares or underlying Shares (including any interests in options in respect of such capital), which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group.

4. DIRECTORS' SERVICE CONTRACTS

Mr. Yung, the Chief Executive Officer, the executive Director and chairman of the Board has signed a letter of appointment with the Company for the monthly fee of HK$60,000 for a period of one year commencing from 1 February 2007 which will continue thereafter until terminated by either party giving to the other party not less than one month notice in writing.

Dr. Jiang Tao has been appointed as an executive Director by way of letter of appointment with the Company for a period of one year commencing from 3 January 2007 which will continue thereafter until terminated by either party giving to the other party not less than one month notice in writing. The initial remuneration of Dr. Jiang pursuant to such letter of appointment was HK$10,000 per month. Dr. Jiang's remuneration has been revised to HK$30,000 per month in November 2007.

Mr. Weng Jiaxing has been appointed as an executive Director by way of letter of appointment with the Company for the monthly fee of HK$30,000 for a period of one year commencing from 26 March 2010 which will continue thereafter until terminated by either party giving to the other party not less than one month notice in writing.

Mr. Zheng has been appointed as an executive Director by way of letter of appointment with the Company for the monthly fee of HK$60,000 for a period of one year commencing from 1 August 2007 which will continue thereafter until terminated by either party giving to the other party not less than one month notice in writing.

Dr. Huang Jiaqing has been appointed as an executive Director by way of letter of appointment with the Company for the monthly fee of HK$10,000 for a period of one year commencing from 30 July 2009 which will continue thereafter until terminated by either party giving to the other party not less than one month notice in writing.

Mr. Chen Jin Shan has been appointed as executive Directors by way of letter of appointment with the Company for the monthly fee HK$5,000 for a period of one year commencing from 25 April 2006 which will continue thereafter until terminated by either party giving to the other party not less than one month notice in writing.

Dr. Wong Yu Man, James, has been appointed as a non-executive Director by way of a letter of appointment with the Company for the monthly fee of HK$10,000 for a period of one year commencing from 20 March 2007 which will continue thereafter until terminated by either party giving to the other party not less than one month notice in writing.

Ms. Wong Ka Wai, Jeanne an independent non-executive Director, has been appointed by way of a letter of appointment with the Company for a period of one year commencing from 1 November 2007 which will continue thereafter until terminated by either party giving to the other party not less than one month's notice in writing. All the other independent non-executive Directors, namely Prof. Hu Shanlian and Prof. Lu Chuazhen, have been appointed by letters of appointment with the Company for a term of one year commencing from 30 July 2009 and will continue thereafter until terminated by either party giving to the other party not less than one month notice in writing. Each of the three independent non-executive Directors receives a monthly fee of HK$5,000.

Save as disclosed herein, none of the Directors has entered into any service contracts or proposed to enter into service contracts (excluding contracts expiring or terminating by the employer within one year without payment of any compensation other than statutory compensation).

5. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors or their respective associates had any interest in a business which competes or may compete with the business of the Group or have or may have any conflict of interests with the Group.

6. LITIGATION

As at the Latest Practicable Date, no member of the Group was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened against any member of the Group.

7. MATERIAL CONTRACTS

The following contracts were entered into by the Group (not being contracts entered into in the ordinary course of business) during the period of two years immediately preceding the date of this Prospectus and are or may be material:

(i) an underwriting agreement dated 24 December 2008 and entered into between the Company, Quam Securities Company Limited and Partners Capital Securities Limited and Mr. Yung in relation to the open offer of not less than 899,022,397 Shares and not more than 930,100,901 Shares at a subscription price of HK$0.05 per Share, payable in full on application, on the basis of one Share for every two Shares held on 16 February 2009 together with bonus issue on the basis of two (2) bonus shares for every offer share taken up under the open offer;

(ii) the loan agreement dated 14 October 2009 and entered into between Fujian Maidsen Enterprises Company Limited, a wholly-owned subsidiary of the Company, (the "Lender"), Zheng Jinqing and Zhu Min (the "Borrowers") and Zhuhai Zhongkangan Enterprises Management Limited, a wholly-owned subsidiary of the Company as confirmor ("Zhuhai Zhongkangan") in relation to the provision of a loan facility of up to RMB40 million to the Borrowers for the interest of 5% per annum;

(iii) the guarantee dated 14 October 2009 and entered into between the Borrowers, the Lender and Zhuhai Jiulong Hospital Limited pursuant to which the Borrowers shall execute a share mortgage in favor of the Lender;

(iv) the service agreement dated 14 October 2009 and entered into between Zhuhai Zhongkangan, the Borrowers and Zhuhai Jiulong Hospital Limited pursuant to which Zhuhai Zhongkangan agreed to provide hospital management service to Zhuhai Jiulong Hospital;

(v) the framework agreement dated 26 October 2009 and entered into among the Company as purchaser, Mr. Yung as vendor, Fujian Huihao Sihai Pharmaceutical Chain Company Limited, and Hui Hao (HK) Group Limited in relation to the acquisition of 1 issued share in Nurture Fit Limited and all obligations, liabilities and debts owing or incurred by Nurture Fit Limited to Mr. Yung;

(vi) the conditional sale and purchase agreement and entered into between Timely Hero Enterprises Limited, a wholly owned subsidiary of the Company, as purchaser and Mr. Yung as vendor on 13 November 2009 in relation to the acquisition of 1 issued share in Nurture Fit Limited and all obligations, liabilities and debts owing or incurred by Nurture Fit Limited to Mr. Yung at completion thereof such sale and purchase agreement;

(vii) the sale and purchase agreement dated 29 January 2010 and entered into between Ally Health International Limited and Mr. Wu Pengxiang in respect of the disposal of the entire issued share capital of Direct Way Group Limited and Smart Peak Limited for the consideration for Direct way Group Limited is HK$4,500,000 in cash and Smart Peak Limited is HK$2,000,000 in cash;

(viii) the sale and purchase agreement dated 14 September 2010 and entered into between Ally Health International Limited and Mr. Liu Zhijia in respect of the disposal of the entire issued share capital of Large Forever Group Limited for the consideration of HK$6,700,000 in cash; and

(ix) the Underwriting Agreement.

8. DIRECTORS' INTERESTS IN ASSETS/CONTRACTS AND OTHER INTERESTS

(a) As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any asset which had been acquired, or disposed of by, or leased to any member of the Group, or was proposed to be acquired, or disposed of by, or leased to any member of the Group since 31 March 2010, the date to which the latest published audited financial statements of the Group were made up.

(b) As at the Latest Practicable Date, none of the Directors was materially interested, directly or indirectly, in any contract or arrangement entered into by any member of the Group since 31 March 2010, being the date to which the latest published audited financial statements of the Company were made up, and which was significant in relation to the business of the Group.

9. EXPERT AND CONSENT

Name	**Qualification**
HLB Hodgson Impey Cheng	Chartered Accountants Certified Public Accountants

The following are the qualifications of the expert who have given its opinions and advice which are included in this Prospectus:

1. HLB Hodgson Impey Cheng has no shareholding, directly or indirectly, in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

2. HLB Hodgson Impey Cheng has given and has not withdrawn its written consent to the issue of this Prospectus, with the inclusion of the references to its name and/or its opinion or report in the form and context in which they are included.

3. HLB Hodgson Impey Cheng did not have any direct or indirect interest in any asset which had been acquired, or disposed of by, or leased to any member of the Group, or was proposed to be acquired, or disposed of by, or leased to any member of the Group since 31 March 2010, the date to which the latest published audited consolidated financial statements of the Group were made up.

10. PARTIES INVOLVED IN THE RIGHTS ISSUE AND CORPORATE INFORMATION

Registered office	Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
Head office and principal place of business in Hong Kong	19/F, New Wing 101 King's Road Hong Kong
Authorised representatives	Yung Kwok Leong 19/F, New Wing 101 King's Road Hong Kong Zheng Gang 19/F, New Wing 101 King's Road Hong Kong
Compliance officer	Yung Kwok Leong 19/F, New Wing 101 King's Road Hong Kong
Company Secretary	Lam Williamson *FCPA, CPA (Aust.)* 19/F, New Wing 101 King's Road Hong Kong

Auditors	HLB Hodgson Impey Cheng Chartered Accountants Certified Public Accountants 31/F, Gloucester Tower The Landmark 11 Pedder Street Central Hong Kong
Underwriter	KGI Capital Asia Limited 41/F, Central Plaza 18 Harbour Road Wanchai Hong Kong
Financial adviser	Mitsubishi UFJ Securities (HK) Capital, Limited 11/F, AIA Central 1 Connaught Road, Central Hong Kong
Legal advisers	*As to Hong Kong Law:* Michael Li & Co 14/F, Printing House 6 Duddell Street, Central Hong Kong *As to Cayman Islands Law:* Conyers Dill & Pearman 2901 One Exchange Square 8 Connaught Place Central, Hong Kong
Principal bankers	Standard Chartered Bank (Hong Kong) Limited 12/F, Standard Chartered bank Building 4-4A Des Voeux Road Central Hong Kong

Principal share registrar and transfer office	Butterfield Fulcrum Group (Cayman) Limited Butterfield House, 68 Fort Street P.O. Box 609, Grand Cayman KY1-1107, Cayman Islands
Hong Kong branch share registrar and transfer office	Tricor Tengis Limited 26/F, Tesbury Centre 28 Queen's Road East Wanchai Hong Kong

11. PARTICULARS OF DIRECTORS

Executive Directors

Mr. Yung, aged 45, the Chairman of the Board, being a registered economist in the Fujian Province in the PRC, has over 20 years' experience in corporate management and investment in the healthcare and environmental protection sectors in the PRC. Mr. Yung is currently the vice chairman of China Federation of Overseas Chinese Entrepreneurs, the chairman of Hong Kong Putian Co. and the honorable chairman of Hong Kong Puxian Native Association. Mr. Yung is also currently the vice chairman of the National Committee of the Health, the Health Insurance Association of Fujian and the committee member of Putian City, Fujian Committee of Chinese Political Consultative Conference. Mr. Yung was appointed as an executive Director, the Chairman of the Board and Chief Executive Officer of the Company on 2 March 2005, 29 April 2005 and 26 March 2010 respectively.

Dr. Jiang Tao ("Dr. Jiang"), aged 54, holds a doctorate degree in audiology from the Arizona School of Health Sciences, Kirksville College of Osteopathic Medicine in the United States of America (the "USA") and two master degrees in audiology and special education from Lamar University of Texas in the USA. He served as senior management in several enterprises in the USA, Canada and the PRC with over 20 years of experience in senior management, consultancy and investment in the PRC, Hong Kong, Canada and the USA. Dr. Jiang is currently the professor of Kunming Normal University in the PRC and visiting professor of Sichuan Foreign Language University in the PRC. Dr. Jiang was appointed as an executive Director and Deputy Chief Executive of the Company on 3 January 2007 and 26 March 2010 respectively.

Mr. Weng Jiaxing ("Mr. Weng"), aged 34, holds a bachelor degree in finance. Mr. Weng has over 10 years of managerial experience in retail chain, healthcare and pharmaceutical businesses. Mr. Weng was appointed as an executive Director and Deputy Chief Executive of the Company on 26 March 2010.

Mr. Zheng, aged 42, holds a master degree in business administration from Cardiff Business School in the United Kingdom and a bachelor degree in engineering from Xiamen University in the PRC. Mr. Zheng has over 15 years of management experience in finance, investment and trading. Mr. Zheng was appointed as an executive Director on 1 August 2007.

Dr. Huang Jiaqing ("Dr. Huang"), aged 59, has over 30 years of professional experience in the PRC's medical fields, including clinical, preventive and emergency medicine. Dr. Huang has served as clinical doctor, director of hospital's emergency centre, head of the sanitation and anti-epidemic department in hospital, head of the hospital and medical administration bureau in the PRC municipal government. To honour Dr. Huang's distinguished expertise in the medical fields, he enjoys government special subsidisation from the State Council of the PRC. Dr. Huang is currently the executive vice president of the Group. Dr. Huang was appointed as an executive Director on 30 July 2009.

Mr. Chen Jin Shan ("Mr. Chen"), aged 42, holds a bachelor degree in finance and accounting in the PRC. Mr. Chen has over 15 years of accounting experience in private companies. He had also been a project manager for more than 6 years in an accounting firm. He is currently an independent non-executive director of Citychamp Dartong Company Limited which is listed on the Shanghai Stock Exchange. Mr. Chen was appointed as an executive Director on 25 April 2006.

Non-executive Director

Dr. Wong Yu Man, James ("Dr. Wong"), aged 56, holds two bachelor degrees in medicine and surgery from the University of Hong Kong. Dr. Wong also holds a doctorate degree in medicine from Freiburg University in Germany. He has over 27 years of experience in medical and healthcare services in Hong Kong. Dr. Wong was appointed as the non-executive Director on 20 March 2007.

Independent non-executive Directors

Ms. Wong Ka Wai, Jeanne ("Ms. Wong"), aged 46, has over 20 years of experience in finance, accounting, taxation and corporate affairs. She is a member of the Institute of Chartered Accountants in Australia, a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants and a member of the Society of Trust and Estate Practitioners. Ms. Wong holds a bachelor degree in economics from the University of Sydney, Australia. Ms. Wong is currently the managing director of a private company providing consulting and management services, a registered Insurance Agent, as well as the chief financial officer of a local law firm and consultant of a local CPA firm. Ms. Wong is also currently an independent non-executive director and a member of the remuneration committee and the chairman of the audit committee of Phoenitron Holdings Limited which is listed on the GEM of the Stock Exchange. Ms. Wong was appointed as an independent non-executive Director on 1 November 2007.

Prof. Hu Shanlian ("Prof. Hu"), aged 73, is a professor in health economics and has a master degree in science from the London School of Tropical Medicine and Hygiene. At present, he is the director of Training Centre for Health Management and Pharmacoeconomics Research and Evaluation Centre at School of Public Health at Fudan University in the PRC. Prof. Hu is also the director of Health Development Research Centre in the Shanghai Bureau of Health. Prof. Hu also held senior positions in the National Health Economic Institution and China Network of Training and Research in Health Economics and Financing between 1991 and 2005, which were supported by the Ministry of Health of the PRC and World Bank respectively. Prof. Hu was appointed as an independent non-executive Director on 30 July 2009.

Prof. Lu Chuanzhen ("Prof. Lu"), aged 72, is a neurologist and has over 40 years of medical professional experience. Prof. Lu is currently the lifetime professor of Shanghai Huashan Hospital in the PRC and a director in the World Health Organisation's Neuroscience Research and Training Centre. Prof. Lu is also the chairman and director of the Institute of Neurology in Shanghai Medical University, the chairman of the Chinese Association of Neurology and chairman of the Shanghai association of Neurology in the Chinese Medical Society. Prof. Lu also has an international membership with New York Academy of Sciences. Prof. Lu was appointed as an independent non-executive Director on 30 July 2009.

The business addresses of the Directors and the senior management are as follows:

Mr. Yung Dr. Jiang Tao Mr. Weng Jiaxing Mr. Zheng Dr. Huang Jiaqing Mr. Cheng Jin Shan Prof. Hu Shanlian Prof. Lu Chuanghen	19/F, New Wing 101 King's Road Hong Kong
Dr. Wong Yu Man, James	G/F, 2A Hing Fat Building 11 Yu King Square, Yuen Long N.T., Hong Kong
Ms. Wong Ka Wai, Jeanne	Unit 13B, Hang Lung House 184-192, Queen's Road, Central Hong Kong
Mr. Lam Williamson	19/F, New Wing 101 King's Road Hong Kong

The Company established an audit committee on 2 November 2001 with written terms of reference in compliance with Rules 5.28 to 5.29 of the GEM Listing Rules. The primary duties of the audit committee are (i) to review the annual reports and accounts, interim and quarterly reports and give advice and comments thereon to the Directors and (ii) to review and supervise the financial reporting process and internal controls of the Group. The audit committee comprises three independent non-executive Directors, namely, Ms. Wong Ka Wai, Jeanne, Prof. Hu Shanlian and Prof. Lu Chuanzhen with Ms. Wong Ka Wai, Jeanne acting as the chairlady of the audit committee.

The Company has established a remuneration committee on 3 June 2005 in compliance with the code on corporate governance practices. The chairman of the committee is Mr. Zheng Gang, an executive director of the Company, and other members include Ms. Wong Ka Wai, Jeanne, Prof. Hu Shanlian and Prof. Lu Chuanzhen, all of them are the independent non-executive Directors. The role and function of the remuneration committee include the determination of the specific remuneration package of all executive Directors, including benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment, and making recommendations to the Board. The remuneration committee considers factors such as salaries paid by comparable companies, time commitment and responsibilities of the Directors, employment conditions elsewhere in the Group and desirability of performance-based remuneration.

12. EXPENSES

The expenses in connected with the Rights Issue, including the financial advisory fee, underwriting commission, printing, registration, translation, legal and accounting fees, are estimated to be approximately HK$6.8 million and will be payable by the Company.

13. BINDING EFFECT

The Prospectus Documents and all acceptances of any offer or application contained in such documents, are governed by and shall be construed in accordance with the laws of Hong Kong. When an acceptance or application is made in pursuance of any such documents, the relevant document(s) shall have the effect of rendering all persons concerned bound by the provisions (other than the penal provisions) of sections 44A and 44B of the Companies Ordinance.

14. DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

A copy of this Prospectus Documents and the consent letter referred to in the paragraph headed "Expert and Consent" in this appendix have been registered with the Registrar of Companies in Hong Kong pursuant to Section 342C of the Companies Ordinance.

15. GENERAL

As at the Latest Practicable Date, there was no restriction affecting the remittance of profit or repatriation of capital of the Company into Hong Kong from outside Hong Kong.

Save and except for Renminbi, the Group has no exposure to foreign exchange liabilities. The Group will have sufficient foreign exchange, generated from the operation of the PRC subsidiaries to pay forecasted or planned dividends and to meet its foreign exchange liabilities as they become due. The Company will pay its dividends, if any, in Hong Kong dollars.

The English text of this Prospectus shall prevail over the Chinese text in the case of inconsistency.

16. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the principal place of business of the Company at 19/F, New Wing, 101 King's Road Hong Kong, North Point, Hong Kong during normal business hours up to and including 4 November 2010:

(a) the memorandum and articles of association of the Company;

(b) the annual reports of the Company for the two years ended 31 March 2009 and 31 March 2010 respectively;

(c) the unaudited first quarterly report 2010/2011 of the Company for the three months ended 30 June 2010;

(d) the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group, the text of which is set out in Appendix II to this Prospectus;

(e) the letter from HLB on the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group, the text of which is set out in Appendix II to this Prospectus;

(f) the material contracts referred to in the paragraph headed "Material contracts" in this appendix;

(g) each service agreement referred to in the paragraph headed "Directors' service contracts" in this appendix;

(h) the written consents referred to in the paragraph headed "Expert and consent" in this appendix;

(i) a copy of each of the circulars issued pursuant to the requirements set out in Chapters 19 and/or 20 of the GEM Listing Rules which has been issued since 31 March 2010, the date of the latest published audited consolidated financial statements of the Group were made up; and

(j) a letter from HLB dated 19 October 2010 for the adjustments in relation to the Share Options, the Convertible Notes and the CP Shares.