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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2011

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET ("GEM") OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock 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.

This announcement for which the directors of Hua Xia Healthcare Holdings Limited (the "Company") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the "GEM Listing Rules") for the purpose of giving information with regard to Hua Xia Healthcare Holdings Limited. The directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

* *For identification purposes only*

On behalf of the Company and its subsidiaries (collectively referred to as the "Group"), the board of directors (the "Board") are pleased to present the audited financial results for the year ended 31 March 2011 together with the audited comparative figures for the year ended 31 March 2010 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2011

	Notes	**2011** ***HK$'000***	2010 *HK$'000*
Turnover	5	**1,490,868**	179,765
Cost of sales		**(1,301,278)**	(115,381)
Gross profit		**189,590**	64,384
Other revenue	5	**10,611**	1,337
Other income	6	**733**	461
Selling and distribution expenses		**(60,498)**	(22,277)
Administrative expenses		**(61,451)**	(52,914)
Impairment loss on goodwill		**–**	(171,422)
Loss on early redemption of promissory note		**(9,681)**	–
Gain/(loss) on disposal of subsidiaries		**955**	(23,185)
Profit/(loss) from operations	6	**70,259**	(203,616)
Finance costs	7	**(11,508)**	(1,297)
Profit/(loss) before taxation		**58,751**	(204,913)
Taxation	8	**(21,541)**	(1,723)
Profit/(loss) for the year		**37,210**	(206,636)
Other comprehensive income/(loss), net of tax			
Exchange differences on translating foreign operations		**9,548**	(201)
Other comprehensive income/(loss) for the year, net of tax		**9,548**	(201)
Total comprehensive income/(loss) for the year		**46,758**	(206,837)
Dividends	10	**–**	–

	Notes	**2011**	2010
		HK$'000	*HK$'000*
Profit/(loss) attributable to:			
Owners of the Company		**31,456**	(211,283)
Non-controlling interests		**5,754**	4,647
		37,210	(206,636)
Total comprehensive income/(loss) attributable to:			
Owners of the Company		**39,408**	(211,456)
Non-controlling interests		**7,350**	4,619
		46,758	(206,837)
Earnings/(loss) per share attributable to the owners of the Company			
– basic	9	**HK3.03 cents**	HK(43.50) cents (restated)
– diluted	9	**HK3.01 cents**	HK(43.50) cents (restated)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2011

	Notes	2011 HK$'000	2010 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment		**31,438**	43,438
Prepaid lease payments		**32,551**	32,268
Investment properties		**6,045**	5,586
Goodwill		**788,068**	788,068
		858,102	869,360
Current assets			
Inventories		**110,204**	95,154
Trade and other receivables and deposits	11	**314,949**	241,136
Derivative financial instruments		**432**	96
Pledged bank deposits		**13,809**	17,274
Cash and bank balances		**77,227**	59,712
		516,621	413,372
Total assets		**1,374,723**	1,282,732
EQUITY			
Capital and reserves attributable to the owners of the Company			
Share capital		**591,219**	466,423
Reserves		**245,773**	237,561
		836,992	703,984
Non-controlling interests		**39,706**	32,858
Total equity		**876,698**	736,842
LIABILITIES			
Current liabilities			
Trade and other payables	12	**240,221**	250,748
Bank borrowings		**49,194**	47,310
Amounts due to non-controlling shareholders		**551**	719
Tax payable		**9,309**	2,254
		299,275	301,031
Non-current liabilities			
Promissory note		**194,183**	240,482
Convertible note		**3,969**	3,741
Deferred taxation		**598**	636
		198,750	244,859
Total liabilities		**498,025**	545,890
Total equity and liabilities		**1,374,723**	1,282,732
Net current assets		**217,346**	112,341
Total assets less current liabilities		**1,075,448**	981,701

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2011

	Attributable to the owners of the Company										
	Share capital HK$'000	Share premium HK$'000	Special reserve HK$'000 (Note (a))	Translation reserve HK$'000	Share-based payment reserve HK$'000	Convertible note reserve HK$'000	Statutory reserve HK$'000 (Note (b))	(Accumulated losses)/ retained profits HK$'000	Sub total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
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
Exchange difference on translation of financial statements of overseas subsidiaries	–	–	–	(173)	–	–	–	–	(173)	(28)	(201)
Net income recognised directly in equity	–	–	–	(173)	–	–	–	–	(173)	(28)	(201)
Loss for the year	–	–	–	–	–	–	–	(211,283)	(211,283)	4,647	(206,636)
Total comprehensive (loss)/income for the year	–	–	–	(173)	–	–	–	(211,283)	(211,456)	4,619	(206,837)
Release upon disposal of subsidiaries	–	–	–	(537)	–	–	–	–	(537)	–	(537)
Issue of share option	–	–	–	–	5,617	–	–	–	5,617	–	5,617
Equity component of convertible note	–	–	–	–	–	(1,410)	–	4,448	3,038	–	3,038
Deferred tax related to convertible note	–	–	–	–	–	(501)	–	–	(501)	–	(501)
Share options cancelled	–	–	–	–	(4,045)	–	–	4,045	–	–	–
Issue of convertible preference shares	241,667	338,333	–	–	–	–	–	–	580,000	–	580,000
At 31 March 2010 and 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
Exchange difference on translation of financial statements of overseas subsidiaries	–	–	–	7,952	–	–	–	–	7,952	1,596	9,548
Net income recognised directly in equity	–	–	–	7,952	–	–	–	–	7,952	1,596	9,548
Profit for the year	–	–	–	–	–	–	–	31,456	31,456	5,754	37,210
Total comprehensive income for the year	–	–	–	7,952	–	–	–	31,456	39,408	7,350	46,758
Release upon disposal of subsidiaries	–	–	–	(30)	–	–	–	–	(30)	(502)	(532)
Adjustment on right issue of shares	48,333	(48,333)	–	–	–	–	–	–	–	–	–
Exercise of shares options	1,290	344	–	–	(344)	–	–	–	1,290	–	1,290
Issue of share options	–	–	–	–	5,981	–	–	–	5,981	–	5,981
Share options cancelled	–	–	–	–	(66)	–	–	66	–	–	–
Issue of right shares	75,173	18,041	–	–	–	–	–	–	93,214	–	93,214
Transfer to statutory reserve	–	–	–	–	–	–	5,871	(5,871)	–	–	–
Expenses related to issue of right shares	–	(6,855)	–	–	–	–	–	–	(6,855)	–	(6,855)
Share premium cancellation	–	(446,547)	–	–	–	–	–	446,547	–	–	–
At 31 March 2011	**591,219**	**190,250**	**(6,735)**	**15,111**	**11,801**	**2,537**	**7,158**	**25,651**	**836,992**	**39,706**	**876,698**

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.

NOTES TO THE FINANCIAL STATEMENTS

31 March 2011

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.

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 the following new and revised standards, amendments and interpretations issued by the Hong Kong Institute of Certified Public Accountant (the "HKICPA").

HKFRSs (Amendments)	Amendments to HKFRS 1 to HKFRS 5 as a part of Improvements to HKFRSs issued in 2008
HKFRSs (Amendments)	Annual Improvements to HKFRSs issued in 2009
HKFRS1 (Amendment)	Additional Exemptions for First-time Adopters
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions
HKFRS 3 (Revised)	Business Combinations
HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKAS 28 (as revised in 2008)	Investment in Associates
HKAS 32 (Amendment)	Classification of Right Issues
HKAS 39 (Amendment)	Eligible Hedged Items
HK(IFRIC) – Int 17	Distributions of Non-cash Assets to Owners
HK – Int 5	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

Amendments to HKFRS 2 Share-based Payment – Group Cash-settled Share-based Payment Transactions

The application of these new and revised standards and interpretations has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements. The impact of the application of the new and revised standards and interpretations is discussed below.

The amendments clarify the scope of HKFRS 2, as well as the accounting for group cash-settled share-based payment transactions in the separate (or individual) financial statements of an entity receiving the goods or services when another group entity or shareholder has the obligation to settle the award.

HKFRS 3 (as revised in 2008) Business Combinations

HKFRS 3 (as revised in 2008) has been applied in the current year prospectively to business combinations of which the acquisition date is on or after 1 January 2010 in accordance with the relevant transitional provisions. Its application has affected the accounting for business combinations in the current year.

The impact of the application of HKFRS 3 (as revised in 2008) is as follows:

(i) HKFRS 3 (as revised in 2008) allows a choice on a transaction-by-transaction basis for the measurement of non-controlling interests at the date of acquisition (previously referred to as 'minority' interests) either at fair value or at the non-controlling interests' share of recognised identifiable net assets of the acquiree.

(ii) HKFRS 3 (as revised in 2008) changes the recognition and subsequent accounting requirements for contingent consideration. Previously contingent consideration was recognised at the acquisition date only if payment of the contingent consideration was probable and it could be measured reliably; any subsequent adjustments to the contingent consideration were always made against the cost of the acquisition. Under the revised standard, contingent consideration is measured at fair value at the acquisition date;

subsequent adjustments to the consideration are recognised against the cost of acquisition only to the extent that they arise from new information obtained within the measurement period (a maximum of 12 months from the acquisition date) about the fair value at the acquisition date. All other subsequent adjustments to contingent consideration classified as an asset or a liability are recognised in profit or loss.

(iii) HKFRS 3 (as revised in 2008) requires the recognition of a settlement gain or loss when the business combination in effect settles a pre-existing relationship between the Group and the acquiree. HKFRS 3 (as revised in 2008) requires acquisition-related costs to be accounted for separately from the business combination, generally leading to those costs being recognised as an expense in profit or loss as incurred, whereas previously they were accounted for as part of the cost of the acquisition.

Amendments to HKAS 1 Presentation of Financial Statements (as part of Improvements to HKFRSs issued in 2009)

The amendments to HKAS 1 clarify that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or non-current.

Amendments to HKAS 7 Statement of Cash Flows (as part of Improvements to HKFRSs issued in 2009)

The amendments to HKAS 7 specify that only expenditures that result in a recognised asset in the statement of financial position can be classified as investing activities in the statement of cash flows.

HKAS 27 (as revised in 2008) Consolidated and Separate Financial Statements

The application of HKAS 27 (as revised in 2008) has resulted in changes in the Group's accounting policies for the Group's changes in ownership interests in subsidiaries of the Group.

Specifically, the revised standard has affected the Group's accounting policies regarding changes in the Group's ownership interests in its subsidiaries that do not result in loss of control. In prior years, in the absence of specific requirements in HKFRSs, increases in interests in existing subsidiaries were treated in the same manner as the acquisition of subsidiaries, with goodwill or a bargain purchase gain being recognised, when appropriate; for decreases in interests in existing subsidiaries that did not involve a loss of control, the difference between the consideration received and the adjustment to the non-controlling interests was recognised in profit or loss. Under HKAS 27 (as revised in 2008), all such increases or decreases are dealt with in equity, with no impact on goodwill or profit or loss.

When control of a subsidiary is lost as a result of a transaction, event or other circumstance, the revised standard requires the Group to derecognise all assets, liabilities and non-controlling interests at their carrying amounts and to recognise the fair value of the consideration received. Any retained interest in the former subsidiary is recognised at its fair value at the date control is lost. The resulting difference is recognised as a gain or loss in profit or loss.

These changes have been applied prospectively from 1 January 2010 in accordance with the relevant transitional provisions.

In addition, under HKAS 27 (as revised in 2008), the definition of non-controlling interests has been changed. Specifically, under the revised standard, non-controlling interests is defined as the equity in a subsidiary not attributable, directly or indirectly, to a parent.

Hong Kong Interpretation 5 Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

Hong Kong Interpretation 5 *Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause* ('HK Int 5') clarifies that term loans that include a clause that gives the lender the unconditional right to call the loans at any time ('repayment on demand clause') should be classified by the borrower as current liabilities. The Group has applied HK Int 5 for the first time in the current year. HK Int 5 requires retrospective application.

In order to comply with the requirements set out in HK Int 5, the Group has changed its accounting policy on classification of term loans with a repayment on demand clause. In the past, the classification of such term loans were determined based on the agreed scheduled repayment dates set out in the loan agreements. Under HK Int 5, term loans with a repayment on demand clause are classified as current liabilities. The application of HK Int 5 has had no material impact on the amounts reported for the current and prior years.

HK (IFRIC) – Int 17 Distributions of Non-cash Assets to Owners

The Interpretation provides guidance on the appropriate accounting treatment when an entity distributes assets other than cash as dividends to its shareholders.

Improvements to HKFRSs issued in 2009

Except for the amendments to HKAS 1, HKAS 7 and HKAS 17 as described earlier, the application of Improvements to HKFRSs issued in 2009 has not had any material effect on amounts reported in the consolidated financial statements.

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

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2010[1]
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets[5]
HKAS 24 (Revised)	Related Party Disclosures[3]
HKAS 27 (2011)	Separate Financial Statemants[6]
HKAS 28 (2011)	Investments in Associates and Joint Ventures[6]
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 – Disclosures for First-time Adopters[2]
HKFRS 1 (Amendment)	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters[4]
HKFRS 7 (Amendments)	Disclosure – Transfer of Financial Assets[4]
HKFRS 9	Financial Instruments[6]
HKFRS 10	Consolidated Financial Statements[6]
HKFRS 11	Joint Arrangement[6]
HKFRS 12	Disclosure of Interests in Other Entities[6]
HKFRS 13	Fair Value Measurement[6]
HK(IFRIC) – Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement[3]
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments[2]

1 Effective for annual periods beginning on or after 1 July 2010 or 1 January 2011, as appropriate
2 Effective for annual periods beginning on or after 1 July 2010
3 Effective for annual periods beginning on or after 1 January 2011
4 Effective for annual periods beginning on or after 1 July 2011
5 Effective for annual periods beginning on or after 1 January 2012
6 Effective for annual periods beginning on or after 1 January 2013

HKFRS 9 Financial Instruments introduces new requirements for the classification and measurement of financial assets and will be effective from 1 January 2013, with earlier application permitted. The standard requires all recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement to be measured at either amortised cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at fair value. The application of HKFRS 9 will affect the classification and measurement of the Group's financial assets.

Under HKFRS 9, all recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement are subsequently measured at either amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.

In relation to financial liabilities, the significant change relates to financial liabilities that are designated as at fair value through profit or loss. Specifically, under HKFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in presented in other comprehensive income, unless the presentation of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss.

HKFRS 9 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

The directors anticipate that HKFRS 9 that will be adopted in the Group's consolidated financial statements for the annual period beginning 1 April 2013 and that the application of the new standard may have a significant impact on amounts reported in respect of the Groups' financial assets. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

The amendments to HKFRS 7 Disclosures – Transfer of Financial Assets interest the disclosure requirements for transactions involving transfers of financial assets. These amendments are intended to provide greater transparency around risk exposures when a financial asset is transferred but the transferor retains some level continuing exposure in the asset. The amendments also require disclosures when transfers of financial assets are not evenly distributed throughout the period.

The directors of the Company anticipate that the application of the other new and revised standards, amendments and interpretations will have no material impact on the results and the financial position of the Group.

HKAS 24 Related Party Disclosures (as revised in 2009) modifies the definition of a related party and simplifies disclosures for government-related entities.

The disclosure exemptions introduced in HKAS 24 (as revised in 2009) do not affect the Group because the Group is not a government-related entity. However, disclosures regarding related party transactions and balances in these consolidated financial statements may be affected when the revised version of the standard is applied in future accounting periods because some counterparties that did not previously meet the definition of a related party may come within the scope of the standard.

HK(IFRIC) – Int 19 provides guidance regarding the accounting for the extinguishment of a financial liability by the issue of equity instruments. To date, the Group has not entered into transactions of this nature. However, if the Group does enter into any such transactions in the future, HK(IFRIC) – Int 19 will affect the required accounting. In particular, under HK(IFRIC) – Int 19, equity instruments issued under such arrangements will be measured at their fair value, and any difference between the carrying amount of the financial liability extinguished and the fair value of equity instruments issued will be recognised in profit or loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"), which is a collective term that includes all applicable Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations (the "Interpretations") issued by the Hong Kong Institute of Certified Public Accountants (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").

The measurement basis used in the preparation of the consolidated financial statements is historical cost except for certain financial assets (including derivative financial instruments), financial liabilities and investment properties that are measured at fair value.

4. SEGMENT INFORMATION

Information reported internally to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided. 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

2011

	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*
Turnover					
External sales	114,140	1,289	1,375,439	–	1,490,868
Inter-segment sales	–	–	–	–	–
Total turnover	114,140	1,289	1,375,439	–	1,490,868
Inter-segment sales are charged at arm's length					
Results					
Segment results	14,647	(285)	76,812	–	91,174
Unallocated other revenue					5,292
Unallocated other income					336
Unallocated corporate expenses					(17,817)
Loss on early redemption of promissory note					(9,681)
Gain on disposal of subsidiaries					955
Profit from operations					70,259
Finance costs					(11,508)
Profit before taxation					58,751
Taxation					(21,541)
Profit for the year					37,210

Segment assets and liabilities

2011

	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$'000	Consolidated HK$'000
Assets				
Segment assets	154,833	4,960	1,203,473	1,363,266
Unallocated corporate assets				11,457
Consolidated total assets				1,374,723
Liabilities				
Segment liabilities	21,687	73	272,857	294,617
Promissory note				194,183
Convertible note				3,969
Deferred taxation				598
Unallocated corporate liabilities				4,658
Consolidated total liabilities				498,025

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	1,540	–	2,848	–	4,388
Depreciation	7,068	149	3,501	470	11,188
Amortisation of prepaid lease payments	982	–	161	–	1,143
(Gain)/loss on disposal of property, plant and equipment	(15)	(19)	191	–	157
Provision for impairment loss of trade and other receivables	211	174	1,497	–	1,882

Segment revenue and results

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*
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$'000*	Consolidated *HK$'000*
Assets				
Segment assets	134,114	4,884	1,120,907	1,259,905
Unallocated corporate assets				22,827
Consolidated total assets				1,282,732
Liabilities				
Segment liabilities	14,794	406	278,934	294,134
Promissory note				240,482
Convertible note				3,741
Deferred taxation				636
Unallocated corporate liabilities				6,897
Consolidated total liabilities				545,890

	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

The accounting policies of the reportable segments are the same as the Group's accounting policies. Segment results represent the profit/(loss) generated by each segment without allocation of finance costs, gain/(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 performance.

For the purposes of monitoring segment performance and allocating resources between segments:

- all assets are allocated to reportable segments other than corporate assets. Goodwill is allocated to reportable segments.

- all liabilities are allocated to reportable segments other than promissory note, convertible note and deferred taxation.

Geographical information

The Group's operations are mainly located in Hong Kong and the 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	
	2011	2010
	HK$'000	*HK$'000*
Hong Kong	**–**	–
PRC	**1,490,868**	179,765
	1,490,868	179,765

The following is an analysis of the carrying amount of non-current assets analysed by the geographical area in which the assets are located:

	Carrying amount of non-current assets*	
	2011	2010
	HK$'000	*HK$'000*
Hong Kong	**1,262**	1,734
PRC	**856,840**	867,626
	858,102	869,360

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

Information about major customers

For the years ended 31 March 2011 and 2010, no single customer contributed 10% or more to the Group's turnover.

5. 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 and healthcare and hospital management services. An analysis of the Group's turnover and other revenue is as follows:

	2011	2010
	HK$'000	*HK$'000*
Turnover:		
Retail of pharmaceutical products	**150,549**	9,784
Wholesale and distribution of pharmaceutical products	**1,204,580**	43,071
Provision of general hospital services	**114,140**	125,360
Provision of healthcare and hospital management services	**1,289**	1,550
Advertising income	**20,310**	–
	1,490,868	179,765
Other revenue:		
Interest income	**3,540**	532
Rental income	**314**	19
Compensation income	**5,291**	–
Sundry income	**1,466**	786
	10,611	1,337

6. PROFIT/(LOSS) FROM OPERATIONS

Profit/(loss) from operations has been arrived at after charging:

	2011	2010
	HK$'000	*HK$'000*
Directors' remuneration	**2,700**	2,374
Share-based payment expenses	**5,981**	5,617
Other staff's retirement benefits scheme contributions	**6,359**	3,047
Other staff costs	**46,944**	25,682
	61,984	36,720
Auditors' remuneration	**900**	1,050
Provision for impairment losses of trade and other receivables	**1,882**	489
Cost of goods sold	**1,280,906**	53,625
Amortisation of prepaid lease payments	**1,143**	977
Depreciation of property, plant and equipment		
– owned by the Group	**11,188**	11,200
Loss on disposal of property, plant and equipment	**157**	28
Operating lease rentals in respect of land and buildings	**14,592**	5,378
Loss on early redemption of promissory note	**9,681**	–
Loss on disposal of subsidiaries	**–**	23,185
Impairment loss on goodwill	**–**	171,422

and after crediting:

Other income:

	2011	2010
Net exchange gain	**–**	230
Change in fair value of investment properties	**231**	–
Change in fair value of derivative financial instruments	**336**	93
Reversal of trade and other payables	**166**	138
	733	461

7. FINANCE COSTS

	2011	2010
	HK$'000	*HK$'000*
Interest on:		
– bank borrowings wholly repayable within five years	**4,387**	476
– imputed interest on convertible note	**417**	368
– imputed interest on promissory note	**6,704**	453
	11,508	1,297

8. 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.

	2011	2010
	HK$'000	*HK$'000*
Current taxation:		
Provision for the year – The PRC	**21,259**	1,769
Under provision prior year:		
– The PRC	**320**	–
Deferred tax recognised during the year	**(38)**	(46)
	21,541	1,723

9. EARNINGS/(LOSS) PER SHARE

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

	2011	2010
	HK$'000	*HK$'000*
Earnings		
Profit/(loss) for the purpose of basic and diluted earnings/(loss) per share – Profit/(loss) for the year attributable to the owners of the Company	**31,456**	(211,283)

	2011	2010 (restated)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings/(loss) per share		
– Ordinary shares in issue	**478,393,046**	454,770,480
– Preference shares in issue	**560,865,623**	30,897,614
	1,039,258,669	485,668,094
Effect of dilutive potential ordinary shares:		
– Share options issued by the Company	**5,885,568**	–
Weighted average number of ordinary shares for the purpose of diluted earnings/(loss) per share	**1,045,144,237**	485,668,094

The weighted average number of ordinary shares for the year ended 31 March 2010 was adjusted for the effect of the rights issue and share consolidation from 4,800,514,916 to 485,668,094.

The calculation of diluted earning per share did not assumed the exercise of the convertible note existed at 31 March 2011 as the exercise of the convertible note would increase earnings per share, therefore anti-dilutive.

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

10. DIVIDENDS

The directors do not recommend the payment of any dividend in respect of the year ended 31 March 2011 (2010: Nil).

11. TRADE AND OTHER RECEIVABLES AND DEPOSITS

	2011	2010
	HK$'000	*HK$'000*
Trade and bills receivables	**204,917**	126,226
Deposits paid	**181**	181
Prepayments	**42,849**	30,429
Prepaid lease payments	**1,171**	1,126
Other receivables	**65,831**	83,174
	314,949	241,136

Payment terms with customers from the pharmaceutical wholesale and distribution and pharmaceutical retain 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:

	2011	2010
	HK$'000	*HK$'000*
0 to 90 days	**187,678**	116,670
91 to 180 days	**11,433**	7,217
181 to 365 days	**5,750**	985
Over 365 days	**3,938**	3,447
	208,799	128,319
Less: Allowance for doubtful debts	**(3,882)**	(2,093)
	204,917	126,226

Trade receivables disclosed above include amounts which are past due at the end of the reporting period for 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.

12. TRADE AND OTHER PAYABLES

	2011	2010
	HK$'000	*HK$'000*
Trade payables	**184,101**	169,112
Bill payables	**26,486**	28,660
Accruals and other payables	**29,634**	52,976
	240,221	250,748

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

	2011	2010
	HK$'000	*HK$'000*
0 to 90 days	**146,183**	101,448
91 to 180 days	**21,468**	46,001
181 to 365 days	**7,224**	11,177
Over 365 days	**9,226**	10,486
	184,101	169,112

The average credit period on purchases of certain goods is 90 days.

Bill payables were secured by certain pledged bank deposits.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL HIGHLIGHTS

Summary of the results of the Group for the financial year ended 31 March 2011 is as follows:

- Total turnover was approximately HK$1,490.868 million (2010: approximately HK$179.765 million), representing about a seven-fold increase as compared to the previous year.

- Gross profit was approximately HK$189.590 million (2010: approximately HK$64.384 million), representing about a two-fold increase as compared to the previous year.

- Excluding the loss on early redemption of promissory note and the gain on disposal of subsidiaries, the operating profit was approximately HK$78.985 million as compared to an operating loss of approximately HK$9.009 million after excluding the impairment loss on goodwill and loss on disposal of subsidiaries for the previous year.

- Net profit attributable to owners of the Company was approximately HK$31.456 million as compared to a net loss attributable to owners of approximately HK$211.283 million for the previous year.

- The Board does not recommend the payment of a final dividend for the year ended 31 March 2011 (2010: Nil).

BUSINESS REVIEW

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.

Results of the Group for the year ended 31 March 2011 have shown improvement in turnover compared with the previous year. Total turnover of the Group for the year was approximately HK$1,490.868 million (2010: approximately HK$179.765 million). Gross profit of the Group was approximately HK$189.590 million (2010: approximately HK$64.384 million). The increase in turnover and gross profit of the Group was from retail, wholesale and distribution of pharmaceutical products in the PRC.

Net profit attributable to owners of the Company for the year ended 31 March 2011 was approximately HK$31.456 million (2010: net loss approximately HK$211.283 million). The net profit was mainly attributable to the acquisition of the pharmaceutical wholesale and distribution and pharmaceutical retail chain business in the PRC.

Selling and distribution expenses for the year ended 31 March 2011 were approximately HK$60.498 million (2010: approximately HK$22.277 million). This increase was related to the marketing and promotional expenses as a result of the acquisition of the pharmaceutical wholesale and distribution and pharmaceutical retail chain business in the PRC.

Administrative expenses for the year ended 31 March 2011 amounted to approximately

HK$61.451 million (2010: approximately HK$52.914 million). The increases were mainly due to the increase in numbers of staff and related staff costs as a result of the acquisition of the pharmaceutical whole sale and distribution and pharmaceutical retail chain business in the PRC.

BUSINESS REVIEW AND OUTLOOK

Pharmaceutical wholesale and distribution and pharmaceutical retail chain businesses

The Group engages in the wholesale and distribution of a broad range of pharmaceutical products to hospitals, clinics and pharmacies in Fujian Province, the PRC. The Group's pharmaceutical retail chain operation is also in the leading position within Fujian Province in both retail drug store numbers and comprehensive competitiveness. The Group continues to allocate resources and to look for business opportunities to expand the pharmaceutical wholesale and distribution and retail chain businesses. The turnover contributed by the pharmaceutical wholesale and distribution and pharmaceutical retail chain businesses for the year ended 31 March 2011 was approximately HK$1,375.439 million (from 8 March to 31 March 2010: approximately 52.855 million).

General hospital and healthcare and hospital management services

As at 31 March 2011, the Group operates two general hospitals in Chongqing and Jiaxing cities and manages one general hospital in Zhuhai city which principally engaged in the provision of general hospital services including but not limited to medical wards, surgical wards, cosmetic surgery, dermatology and medical checkup and examination. The Group also provides healthcare management and training and consultancy services for hospitals. The total turnover contributed by these general hospitals and healthcare and hospital management services for the year ended 31 March 2011 was approximately HK$115.429 million (2010: approximately HK$126.91 million).

Future Prospects

The management of the Group in the 2011/2012 fiscal year will continue to rely on its two core businesses model (i.e. general hospital operations and pharmaceutical products businesses) for growth potential. The Group will also actively look for further development opportunities made available by the healthcare reform and the first year of the 12th Five Year Plan. We are optimistic towards this year and with the growth trend, we hope to bring the Company to a new level in the healthcare services industry of the PRC.

With the Group's accurate market positioning, in 2011, our hospitals will benefit tremendously from the outcomes of healthcare reform in the PRC, especially based on our solid development of hospital management systems and well-trained professionals. At the same time, we should see further cost efficiency in our hospitals to maximize profitability while we continue to look for growth opportunities.

For the new fiscal year, the Group's pharmaceutical wholesale and distribution divisions will continue to rapidly grow by taking the advantages of the favorable regional policies for the healthcare which supports the consolidation of the present scattering market. Cost controls and optimization will help us obtain much better margins while the close alliance with large pharmaceutical manufacturers for better brands will facilitate the market share increase. The Group's management is optimistic about the new fiscal year and we will continue to grow as long as we have firmly adhered to the strategies designed for the upswing in the healthcare business in the PRC.

LIQUIDITY AND FINANCIAL RESOURCES

The Group had total cash and bank balances of approximately HK$77.227 million as at 31 March 2011 (2010: approximately HK$59.712 million).

The Group recorded total current assets of approximately HK$516.621 million as at 31 March 2011 (2010: approximately HK$413.372 million) and total current liabilities of approximately HK$299.275 million as at 31 March 2011 (2010: approximately HK$301.031 million). The current ratio of the Group, calculated by dividing the current assets by the current liabilities, was approximately 1.726 as at 31 March 2011 (2010: approximately 1.373).

DISPOSAL OF SUBSIDIARIES

On 14 September 2010, Ally Health International Limited ("Ally Health"), a wholly owned subsidiary of the Company entered into the sale and purchase agreement pursuant to which Ally Health agreed to sale the entire issued share capital of Large Forever Group Limited ("Large Forever") (a wholly owned subsidiary of the Company) to an independent third party of the Company at the consideration of HK$6.7 million. The principal asset of Large Forever is the indirect 70% interest in Shangrao City Xiehe Hospital Limited.

CONTINGENT LIABILITIES

As at 31 March 2011, 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.

FOREIGN EXCHANGE RISK

Since almost all transactions of the Group are denominated in Renminbi and Hong Kong dollars and most of the bank deposits are being kept in Renminbi and Hong Kong dollars to minimize exposure to foreign exchange risk, the directors believe that there is no significant foreign exchange risk to the Group. Therefore, the Group had not implemented any formal hedging or other alternative policies to deal with such exposure during the year.

CHARGES ON GROUP ASSETS

As at 31 March 2011, the Group had bank-borrowing outstanding balances of approximately HK$49.194 million. The Group's pledged bank deposits of approximately HK$13.809 million were used to secure banking facilities granted to the Group.

SEGMENT INFORMATION

During the year, the revenue of the Group was principally generated from: (1) provision of general hospital services; (2) provision of healthcare and hospital management service; (3) pharmaceutical wholesale and distribution and pharmaceutical retail chain business.

CAPITAL STRUCTURE

As at 31 March 2011, the total issued share capital of the Company was approximately HK$591.219 million (2010: approximately HK$466.423 million) divided into 672,438,264 ordinary shares and 510,000,000 non-voting convertible preference shares (2010: 449,511,198 ordinary shares and 483,333,333 non-voting convertible preference shares (restated)) of HK$0.50 each.

EMPLOYEE INFORMATION

As at 31 March 2011, the Group had 1,648 (2010: 1,552) full time employees (including directors) as shown in the following table:

Location	Number of Staff
Hong Kong	17
PRC (including cities of Beijing, Chongqing, Jiaxing, Zhuhai and the Fujian Province)	1,631

For the year ended 31 March 2011, staff costs (including directors emoluments) amounted to approximately HK$56.003 million (2010: approximately HK$31.103 million). The Group remunerates its employees based on individual performance and qualification. Apart from the basic remuneration, staff benefits include the contribution to the Mandatory Provident Fund Scheme, bonus and medical coverage in Hong Kong; and basic insurance for the elderly, basic medical insurance, work injury insurance and unemployment insurance to the employees in the PRC. The Group also adopted employee share option scheme to provide eligible employees a performance incentive for continuous and improved services with the Group and to enhance their contributions to increase profits by encouraging capital accommodation and share ownership.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SHARES

During the year ended 31 March 2011, there were no purchases, sales or redemptions of the Company's listed securities by the Company or any of its subsidiaries.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has adopted the code provisions set out in the Code on Corporate Governance Practices (the "Code") as set out in Appendix 15 of the GEM Listing Rules. The Company has applied the principles in the Code and complied with the code provisions set out in the Code for the year ended 31 March 2011 except: (i) the roles of chairman and chief executive officer are not separated; and (ii) no nomination committee of the Board is established.

The roles of Chairman and Chief Executive Officer of the Company are not segregated and are exercised by the same individual. Mr. Yung Kwok Leong serves as the Chairman of the Board and Chief Executive Officer. The Board believes that vesting the roles of the Chairman and the Chief Executive Officer in the same person provides consistent and sustainable development of the Group, strong and consistent leadership in the Company's decision making and operational efficiency.

The Board does not establish a nomination committee in consideration of the size of the Group. The Board is empowered under the Company's articles of association to appoint any person as a director either to fill a casual vacancy on or as an additional member of the Board. Suitable candidates will be proposed to the Board for consideration, and the Board will review the qualifications of the relevant candidate for determining the suitability to the Group on the basis of his qualifications, experience and background.

AUDIT COMMITTEE REVIEW

The audit committee has reviewed the audited financial statements of the Group for the year ended 31 March 2011 including the accounting principles and practices adopted by the Group, and discussed the internal control and financial reporting matters during the review.

On behalf of the Board of
Hua Xia Healthcare Holdings Limited
Yung Kwok Leong
Chairman

Hong Kong, 27 June 2011

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

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