



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)

First Quarterly Report

2011/2012

*For identification purpose only

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

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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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This report, for which the directors (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 the Company. The directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief the information contained in this report 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 report misleading.

HIGHLIGHTS

- The Group has recorded a total turnover of approximately HK\$389.831 million for the three months ended 30 June 2011 as compared to a total turnover of approximately HK\$344.782 million recorded in the corresponding period in 2010, representing a significant increase of about 13.07%.
- The Group has recorded profit attributable to owners of the Company for the three months ended 30 June 2011 of approximately HK\$10.376 million as compared to the profit attributable to owners of approximately HK\$16.278 million recorded in the corresponding period in 2010, representing a decrease of about 36.26%.
- The basic and diluted earnings per share of the Company for the three months ended 30 June 2011 were approximately HK0.878 cents and HK0.850 cents respectively (2010 (restated): approximately HK1.725 cents and HK1.705 cents for the basic and the diluted earnings per share).
- The directors do not recommend the payment of a dividend for the three months ended 30 June 2011 (2010: Nil).

FIRST QUARTERLY RESULTS (UNAUDITED)

The board of directors (the “Board”) of Hua Xia Healthcare Holdings Limited (the “Company”) is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the three months ended 30 June 2011, together with the unaudited comparative figures for the corresponding period in year 2010, as follows:

Condensed Consolidated Statement of Comprehensive Income

For the three months ended 30 June 2011

	Notes	Three months ended 30 June	
		2011 HK\$'000 (unaudited)	2010 HK\$'000 (unaudited)
Turnover	3	389,831	344,782
Cost of sales		(335,754)	(294,357)
Gross profit		54,077	50,425
Other income		1,388	5,469
Selling and distribution costs		(8,305)	(6,569)
Administrative expenses		(25,734)	(25,423)
Profit from operations		21,426	23,902
Finance costs		(4,068)	(1,945)
Profit before taxation		17,358	21,957
Taxation	4	(5,269)	(4,150)
Profit for the period		12,089	17,807
Other comprehensive income:			
Exchange differences arising on translating foreign operations		1,764	1,944
Other comprehensive income for the period, net of tax		1,764	1,944
Total comprehensive income for the period		13,853	19,751

		Three months ended	
		30 June	
		2011	2010
		HK\$'000	HK\$'000
	Notes	(unaudited)	(unaudited)
Profit for the period attributable to:			
Owners of the Company		10,376	16,278
Non-controlling interests		1,713	1,529
		<u>12,089</u>	<u>17,807</u>
Total comprehensive income attributable to:			
Owners of the Company		13,720	19,561
Non-controlling interests		133	190
		<u>13,853</u>	<u>19,751</u>
Dividends	7	<u>–</u>	<u>–</u>
Earnings per share			
– Basic	5	<u>HK0.878 cents</u>	<u>HK1.725 cents</u> (restated)
– Diluted	5	<u>HK0.850 cents</u>	<u>HK1.705 cents</u> (restated)

NOTES TO THE CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

For the three months ended 30 June 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 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 ("HK\$"), 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 services, healthcare and hospital management services in the People's Republic of China (the "PRC").

2. Basis of preparation and principal accounting policies

The condensed consolidation financial results for the three months ended 30 June 2011 have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term 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 unaudited condensed consolidated financial results have been prepared under the historical cost except for certain financial instruments, which are measured at fair value.

The accounting policies adopted in preparing the unaudited condensed consolidated financial results for the three months ended 30 June 2011 are consistent with those used in the preparation of the annual financial statements for the year ended 31 March 2011 (the "2010/2011 Financial Statements"), except for the amendments and interpretations of HKFRSs ("New HKFRSs") issued by HKICPA which have become effective in this period as detailed in notes to the 2010/2011 Financial Statements. The directors of the Company believe that the application of the other new and revised standards, amendments or interpretations has no material impact on the condensed consolidated financial results for the period.

Certain comparative amounts have been stated to confirm with the current period's presentation and accounting treatment.

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 services, healthcare and hospital management services during the period. The analysis of the Group's turnover for the periods is as follows:

	Three months ended	
	30 June	
	2011	2010
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Turnover		
Pharmaceutical wholesale and distribution and pharmaceutical retail chain businesses	357,040	313,285
Provision of general hospital services	32,688	31,098
Provision of healthcare and hospital management services	103	399
	389,831	344,782

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 (2010: 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 services, healthcare and hospital management services in the PRC (2010: approximately 25%).

5. Earnings per share

The calculation of basic earnings per share for the three months ended 30 June 2011 was based on the profit attributable to owners of the Company of approximately HK\$10.376 million (2010: approximately HK\$16.278 million) and on the weighted average number of 1,182,438,264 shares (2010 (restated): 943,758,813 shares). The weighted average number of ordinary shares for the period ended 30 June 2010 was adjusted for the effect of the Rights Issue and Share Consolidation.

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 2011, 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.

	Three months ended	
	30 June	
	2011	2010
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Profit attributable to owners of the Company	10,376	16,278
Interest expense on convertible note (net of tax)	105	32
Profit for the purpose of diluted earnings per share	<u>10,481</u>	<u>16,310</u>
	2011	2010
		(restated)
Weighted average number of ordinary shares in issue	1,182,438,264	943,758,813
Adjustments for assumed exercise of share options	46,796,793	9,368,364
Adjustments for assumed conversion of convertible note	3,421,053	3,421,053
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>1,232,656,110</u>	<u>956,548,230</u>
	2011	2010
		(restated)
Diluted earnings per share	<u>HK0.850 cents</u>	<u>HK1.705 cents</u>

6. Capital and reserve (unaudited)

	Attributable to owners of the Company										
	Share capital HK\$'000 (Note (a))	Share premium HK\$'000	Special reserve HK\$'000 (Note (b))	Translation reserve HK\$'000	Share-based payment reserve HK\$'000	Convertible note reserve HK\$'000	Statutory surplus HK\$'000 (Note (c))	Accumulated (losses)/ profits HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
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
Exchange difference on translation of financial statement of overseas subsidiaries	-	-	-	31	-	-	-	-	31	263	294
At 30 June 2010	<u>466,423</u>	<u>673,600</u>	<u>(6,735)</u>	<u>7,220</u>	<u>6,230</u>	<u>2,537</u>	<u>1,287</u>	<u>(430,269)</u>	<u>720,293</u>	<u>34,650</u>	<u>754,943</u>
At 1 April 2011	591,219	190,250	(6,735)	15,111	11,801	2,537	7,158	25,651	836,992	39,706	876,698
Profit for the period	-	-	-	-	-	-	-	10,376	10,376	1,713	12,089
Exchange difference on translation of financial statement of overseas subsidiaries	-	-	-	1,764	-	-	-	-	1,764	410	2,174
At 30 June 2011	<u>591,219</u>	<u>190,250</u>	<u>(6,735)</u>	<u>16,875</u>	<u>11,801</u>	<u>2,537</u>	<u>7,158</u>	<u>36,027</u>	<u>849,132</u>	<u>41,829</u>	<u>890,961</u>

Notes:

- (a) As at 30 June 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: 4,495,111,986 ordinary shares and 4,833,333,333 non-voting convertible preference shares) of HK\$0.5 each (2010: 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 2011 (2010: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

For the three months ended 30 June 2011, the Group recorded a turnover on business operations of approximately HK\$389.831 million (2010: approximately HK\$344.782 million), representing a significant increase of about 13.07% compared to the same period last year. The rise in turnover was mainly driven from retail, wholesale and distribution of pharmaceutical products in PRC.

Other income amounted to approximately HK\$1.388 million (2010: approximately HK\$5.469 million) for the three months ended 30 June 2011. The decrease was due to approximately HK\$5.291 million of one-off vendor's compensation was recorded during the same period of last year while no such compensation income was recognised during the three months period ended 30 June 2011. For details, please refer to the Company's announcement dated 18 June 2010.

Selling and distribution expenses for the three months ended 30 June 2011 amounted to approximately HK\$8.305 million (2010: approximately HK\$6.569 million), climbing about 26.43%. The increase was related to the marketing and promotional expenses incurred in PRC.

Administrative expenses for the three months ended 30 June 2011 amounted to approximately HK\$25.734 million (2010: approximately HK\$25.423 million) which is similar with both periods.

The Group reported a profit attributable to owners of the Company of approximately HK\$10.376 million for the three months ended 30 June 2011 (2010: approximately HK\$16.278 million), representing a decrease of about 36.26% compared to the same period last year. The decrease was mainly due to no vendor's compensation for shortfall of guaranteed profit recognised in current period.

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 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 three months ended 30 June 2011 was approximately HK\$357.04 million (2010: approximately HK\$313.285 million).

General hospital services

During the three months ended 30 June 2011, the Group operates two general hospitals in Chongqing and Jiaxing and manages one general hospital in Zhuhai city which is 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 total turnover contributed by these general hospitals for the three months ended 30 June 2011 was approximately HK\$32.688 million (2010: approximately HK\$31.098 million).

Healthcare and hospital management services

The Group provides healthcare management, training and consultancy services to hospitals in the PRC, including advising on management strategies, operations and business modelling, 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 the three months ended 30 June 2011 was approximately HK\$0.103 million (2010: approximately HK\$0.399 million).

Future Prospects

The management of the Group will continue to rely on its two core businesses model (i.e. general hospital operations and pharmaceutical distribution and retail businesses) for growth potential. The Group will actively look for further development opportunities made available by the healthcare reform and the rapid economic growth.

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 the solid development of hospital management systems and well-trained professionals. At the same time, we should see further cost efficiency in our hospitals to maximise profitability while we continue to look for growth opportunities.

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

On 5 July, 2011, the Company proposed a capital reorganisation, pursuant to which a issued share capital of the Company will be reduced by HK\$0.49 per Existing Ordinary Share by cancelling an equivalent amount of paid-up capital per Existing Ordinary Share so that the par value of each New Ordinary Share in issue will be HK\$0.01 and the relevant amount of issued capital hereby cancelled be made available for issue of New Ordinary Shares. Besides, HK\$0.49 per Existing Convertible Preference Share (the "Existing CP Share") by cancelling an equivalent amount of paid-up capital per Existing CP Share so that the par value of each New CP Share in issue will be HK\$0.01 and the relevant amount of issued share capital hereby cancelled be made available for issue of New CP Shares; and each of the unissued Shares in the exiting authorized but unissued share capital of the Company shall be sub-divided into 50 shares of a nominal value of HK\$0.01 each. Details of the transactions are set out in the Company's announcement and circular dated 5 July 2011 and 12 July 2011 respectively.

The capital reorganisation had been approved by shareholders during the annual general meeting held on 10 August 2011.

Save as disclosed above, there was no other significant event took place subsequent to the end of the reporting period.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

Disclosure of Interests

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

As at 30 June 2011, 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 Securities and Futures Ordinance ("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 Kwok Leong	Corporate interest (Note 1)	120,960,500	Long	17.99%
	Personal interest (Note 2)	581,546,875	Long	86.48%
Mr. Weng Jiaxing	Personal interest	1,406,250	Long	0.21%
Mr. Zheng Gang	Personal interest	2,000,000	Long	0.30%

Note 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 Kwok Leong.

Note 2: The 581,546,875 shares represent (i) the 71,546,875 shares beneficially owned by Mr. Yung Kwok Leong, and (ii) the 510,000,00 convertible preference 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 Kwok Leong	30 September 2009 to 29 March 2019	HK\$0.50	1,700,000	Long
Dr. Jiang Tao	30 September 2009 to 29 March 2019	HK\$0.50	800,000	Long
	23 March 2010 to 22 March 2015	HK\$1.12	1,563,380	Long
Mr. Weng Jiaying	23 March 2010 to 22 March 2015	HK\$1.12	1,980,282	Long
Mr. Zheng Gang	30 September 2009 to 29 March 2019	HK\$0.50	800,000	Long
	23 March 2010 to 22 March 2015	HK\$1.12	2,814,084	Long
Dr. Huang Jiaqing	30 September 2009 to 29 March 2014	HK\$0.50	1,000,000	Long
	23 March 2010 to 22 March 2015	HK\$1.12	312,676	Long
Mr. Chen Jin Shan	30 September 2009 to 29 March 2019	HK\$0.50	1,700,000	Long
	23 March 2010 to 22 March 2015	HK\$1.12	2,084,507	Long

Save as disclosed above, as at 30 June 2011, none of the directors nor the chief executive of the Company had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) as 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 Rules 5.46 to 5.67 of the GEM Listing Rules.

(b) Substantial shareholders' interests and short positions in shares and underlying shares

As at 30 June 2011, other than the interests of a director or chief executive of the Company as disclosed under the heading "Directors' and chief executive's interests in shares, underlying shares and debentures" above, the interests and short positions of persons in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Long positions in shares of the Company:

Name of shareholder	Number of shares	Position	Capacity	Approximate percentage of the total issued shares
Easeglory Holdings Limited (<i>Note 1</i>)	120,960,500	Long	Beneficial owner	17.99%
Mrs. Yung Muk Ying (<i>Note 1</i>)	704,207,375	Long	Interest of spouse	104.72%
Mr. Lau Kam Shui (<i>Note 2</i>)	36,580,000	Long	Beneficial owner	5.44%
Mrs. Lau Yuk Lan (<i>Note 2</i>)	36,580,000	Long	Interest of spouse	5.44%

Note 1: The issued share capital of Easeglory Holdings Limited is 100% beneficially owned by Mr. Yung Kwok Leong, an executive director and the Chairman of the Board and Chief Executive Officer of the Company. By virtue of her being the spouse of Mr. Yung Kwok Leong, Mrs. Yung Muk Ying is deemed to be interested in 120,960,500 shares held by Easeglory Holdings Limited and 71,546,875 shares and 1,700,000 share options and 510,000,000 convertible preference shares beneficially held by Mr. Yung Kwok Leong in personal capacity.

Note 2: Mr. Lau Kam Shui is interested in 36,580,000 shares of the Company. Mrs. Lau Yuk Lan is deemed to be interested in 36,589,000 shares by virtue of her being the spouse of Mr. Lau Kam Shui.

Save as disclosed above, as at 30 June 2011, 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.

DIRECTORS' RIGHTS TO ACQUIRE SECURITIES

Apart from as disclosed under the heading "Directors' and chief executive's interests in shares, underlying shares and debentures" above, at no time since incorporation of the Company were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company or of any other body corporate granted to any directors or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company, its holding company or any of its subsidiaries a party to any arrangement to enable the directors, their respective spouse or children under 18 years of age to acquire such rights in any other body corporate.

SHARE OPTION SCHEMES

As at 30 June 2011, there were 46,796,793 outstanding share options, of which, 237,777 and 46,559,016 share options were granted pursuant to the respective Pre-IPO share option scheme and Post-IPO share option scheme. Details of the outstanding share options as at 30 June 2011 were as follows:

(i) Pre-IPO scheme

As at 30 June 2011, there were 237,777 outstanding share options pursuant to the Pre-IPO scheme adopted on 20 April 2002. A breakdown setting out the number of outstanding share options, their respective exercise price and respective exercise period under the Pre-IPO scheme was as follows:

<u>Categories of grantees</u>	<u>Exercise period</u>	<u>Exercise price</u>	<u>Number of share options outstanding</u>
Former employee and advisor of the Group	25 April 2002 to 24 April 2012	HK\$2.35	<u><u>237,777</u></u>

(ii) Post-IPO share option scheme

As at 30 June 2011, there were 46,559,016 outstanding share options pursuant to the Post-IPO scheme adopted on 20 April 2002. A breakdown setting out the number of outstanding share options, their respective exercise price and respective exercise period under the Post-IPO scheme was as follows:

Categories of grantees	Exercise period	Exercise price	Number of share options outstanding
Directors			
Mr. Yung Kwok Leong	30 September 2009 to 29 March 2019	HK\$0.50	1,700,000
Dr. Jiang Tao	30 September 2009 to 29 March 2019	HK\$0.50	800,000
	23 March 2010 to 22 March 2015	HK\$1.12	1,563,380
Mr. Weng Jiaxing	23 March 2010 to 22 March 2015	HK\$1.12	1,980,282
Mr. Zheng Gang	30 September 2009 to 29 March 2019	HK\$0.50	800,000
	23 March 2010 to 22 March 2015	HK\$1.12	2,814,084

Categories of grantees	Exercise period	Exercise price	Number of share options outstanding
Directors			
Dr. Huang Jiaqing	30 September 2009 to 29 March 2014	HK\$0.50	1,000,000
	23 March 2010 to 22 March 2015	HK\$1.12	312,676
Mr. Chen Jin Shan	30 September 2009 to 29 March 2019	HK\$0.50	1,700,000
	23 March 2010 to 22 March 2015	HK\$1.12	2,084,507
Employees and consultants of the Group	13 July 2006 to 12 July 2016	HK\$3.61	1,149,346
	21 March 2007 to 20 March 2017	HK\$2.94	2,171,361
	30 September 2009 to 29 March 2014	HK\$0.50	8,420,000
	23 March 2010 to 22 March 2015	HK\$1.12	20,063,380
Total			46,559,016

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

During the three months ended 30 June 2011, there were no purchases, sales or redemptions of the Company's listed securities by the Company or any of its subsidiaries.

PRE-EMPTIVE RIGHTS

There are no provisions for the pre-emptive rights under the Company's Articles of Association or the laws of Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

COMPETING INTERESTS

None of the directors or the management shareholders (as defined in the GEM Listing Rules), and their respective associates had any interest in business which competes or may compete with the business of the Group, or have or may have any other conflicts of interest with the Group pursuant to the GEM Listing Rules.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company had adopted a code of conduct regarding directors' securities transactions on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of all directors, the directors have complied with such code of conduct and the required standard of dealings and its code of conduct regarding securities transactions by the directors throughout the three months ended 30 June 2011.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with the code provisions on Corporate Governance Practices (the "CG Code") as set out in Appendix 15 of the GEM Listing Rules for the three months ended 30 June 2011 except for the following deviations:

- (i) The code provision A.2.1 of the CG Code prescribed, among others, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual.
- (ii) No nomination committee of the Board is established.

During the three months ended 30 June 2011, 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 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/her qualifications, experience and background.

REMUNERATION COMMITTEE

The remuneration committee was established on 3 June 2005 in compliance with the code provision. The remuneration committee comprises of four members including Ms. Wong Ka Wai, Jeanne, Prof. Hu Shanlian and Prof. Lu Chuanzhen, the independent non-executive directors of the Company and Mr. Zheng Gang, the executive director of the Company.

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 of the remuneration of non-executive directors. 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.

AUDIT COMMITTEE

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 ensure the adequacy and effectiveness of the accounting and financial controls of the Group; (ii) oversee the performance of internal control systems and financial reporting process; and (iii) monitor the integrity of the financial statements and compliance with statutory and listing requirements and to oversee independence and qualifications of the external auditors. The audit committee comprises three members including Ms. Wong Ka Wai, Jeanne, Prof. Hu Shanlian and Prof. Lu Chuanzhen. All of them are the independent non-executive directors. The chairlady of the audit committee is Ms. Wong Ka Wai, Jeanne.

The Group's unaudited condensed consolidated results for the three months ended 30 June 2011 were reviewed by the audit committee, which was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosures has been made.

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

Hong Kong, 12 August 2011