



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)

THIRD QUARTERLY RESULTS ANNOUNCEMENT FOR THE NINE MONTHS ENDED 31 DECEMBER 2011

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 announcement 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 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 purpose only

ANNOUNCEMENT OF THIRD QUARTERLY RESULTS FOR THE NINE MONTHS ENDED 31 DECEMBER 2011

HIGHLIGHTS

- The Group has recorded total turnover of approximately HK\$1,363.529 million for the nine months ended 31 December 2011 as compared to a total turnover of approximately HK\$1,096.365 million recorded in the corresponding period in year 2010, representing a significant increase of about 24.37%.
- Profit attributable to owners of the Company was approximately HK\$32.424 million (2010: net profit approximately HK\$43.562 million).
- Profit from operations was approximately HK\$66.853 million for the nine months ended 31 December 2011 (2010: approximately HK\$70.753 million), a 5.51% decrease. This was related to approximately HK\$5.291 million of one-off vendor's compensation for guaranteed profit was recognized in corresponding period in year 2010. By excluding the effect of guaranteed profit, the Group recorded an increase in profit from operations of about 2.12% compared to the same period last year.
- The basic and diluted earnings per share were approximately HK2.742 cents and HK2.658 cents respectively (2010 (restated): basic and diluted earnings per share approximately HK3.691 cents and 3.655 cents respectively).
- The directors do not recommend the payment of a dividend (2010: Nil).

THIRD QUARTERLY RESULTS

The board of directors (the “Board”) of the Company is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the three months and nine months ended 31 December 2011, together with the unaudited comparative figures for the corresponding periods in 2010 as follows:

Condensed Consolidated Statement of Comprehensive Income

For the three months and nine months ended 31 December 2011

	Notes	Three months ended		Nine months ended	
		31 December		31 December	
		2011	2010	2011	2010
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Turnover	3	534,368	388,988	1,363,529	1,096,365
Cost of sales		<u>(471,795)</u>	<u>(334,042)</u>	<u>(1,194,634)</u>	<u>(939,176)</u>
Gross profit		62,573	54,946	168,895	157,189
Other income		1,755	710	4,410	7,989
Selling and distribution costs		(6,970)	(6,532)	(22,702)	(18,335)
Administrative expenses		(30,125)	(24,993)	(83,750)	(76,090)
Profit from operations		27,233	24,131	66,853	70,753
Finance costs		(3,446)	(2,178)	(10,472)	(6,337)
Profit before taxation		23,787	21,953	56,381	64,416
Taxation	4	(6,940)	(6,003)	(18,572)	(16,055)
Profit for the period		16,847	15,950	37,809	48,361
Other comprehensive income:					
Exchange differences arising on translating foreign operations		1,760	2,750	8,513	6,928
Other comprehensive income for the period, net of tax		1,760	2,750	8,513	6,928
Total comprehensive income for the period		18,607	18,700	46,322	55,289

Condensed Consolidated Statement of Comprehensive Income

For the three months and nine months ended 31 December 2011

	Notes	Three months ended		Nine months ended	
		31 December		31 December	
		2011	2010	2011	2010
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Profit for the period					
attributable to:					
Owners of the Company		14,961	14,492	32,424	43,562
Non-controlling interests		1,886	1,458	5,385	4,799
		16,847	15,950	37,809	48,361
Total comprehensive income					
attributable to:					
Owners of the Company		16,618	18,493	39,841	54,656
Non-controlling interests		1,989	207	6,481	633
		18,607	18,700	46,322	55,289
Dividends	5	–	–	–	–
Earnings per share					
– Basic (<i>cents</i>)	6	1.265	1.226	2.742	3.691
			(restated)		(restated)
– Diluted (<i>cents</i>)		1.223	1.214	2.658	3.655
			(restated)		(restated)

Unaudited Consolidated Statement of Changes in Equity

For the nine months ended 31 December 2011

	Share capital	Share premium	Special reserve	Translation reserve	Share-based payment reserve	Convertible note reserve	Capital reserve	Statutory surplus reserve	Accumulated (losses)/retained profits	Total	Non-controlling 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	HK\$'000
	(Note (a))		(Note (b))					(Note (c))				
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
Issue of shares	124,796	(30,291)	-	-	-	-	-	-	-	94,505	-	94,505
Issuing expenses	-	(6,573)	-	-	-	-	-	-	-	(6,573)	-	(6,573)
Offset accumulated losses with share premium	-	(446,547)	-	-	-	-	-	-	446,547	-	-	-
Profit for the period	-	-	-	-	-	-	-	-	43,562	43,562	4,799	48,361
Transfer to reserve	-	-	-	1,165	-	-	-	-	-	1,165	279	1,444
At 31 December 2010	<u>591,219</u>	<u>190,189</u>	<u>(6,735)</u>	<u>8,354</u>	<u>6,230</u>	<u>2,537</u>	<u>-</u>	<u>1,287</u>	<u>43,562</u>	<u>836,643</u>	<u>37,936</u>	<u>874,579</u>
At 1 April 2011	591,219	190,250	(6,735)	15,110	11,801	2,537	-	7,158	25,651	836,991	39,706	876,697
Profit for the period	-	-	-	-	-	-	-	-	32,424	32,424	5,385	37,809
Issue of share options	-	-	-	-	1,343	-	-	-	-	1,343	-	1,343
Capital reduction	(579,395)	-	-	-	-	-	579,395	-	-	-	-	-
Exchange difference on translation of financial statements of overseas subsidiaries	-	-	-	7,417	-	-	-	-	-	7,417	1,096	8,513
Transfer to reserve	-	-	-	-	-	-	-	1,639	(1,639)	-	-	-
At 31 December 2011	<u>11,824</u>	<u>190,250</u>	<u>(6,735)</u>	<u>22,527</u>	<u>13,144</u>	<u>2,537</u>	<u>579,395</u>	<u>8,797</u>	<u>56,436</u>	<u>878,175</u>	<u>46,187</u>	<u>924,362</u>

Notes:

- (a) Pursuant to the ordinary resolution passed by the shareholders in the annual general meeting held on 10 August 2011 and approval from the Court of Cayman Island effective on 19 October 2011, the par value of ordinary shares and non-voting convertible preference shares was reduced from HK\$0.5 to HK\$0.01 each. Total credit of approximately HK\$579.395 million arising from the capital reduction were credited to the capital reserve account of the Company.

As at 31 December 2011, the total issued share capital of the Company was approximately HK\$11.824 million (2010: approximately HK\$591.219 million) divided into 910,938,264 ordinary shares and 271,500,000 non-voting convertible preference shares (2010: 672,438,264 ordinary shares and 510,000,000 non-voting convertible preference shares) of HK\$0.01 each (2010: HK\$0.5 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.

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

For the three months and nine months ended 31 December 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 consolidated financial results for the nine months ended 31 December 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 results for the nine months ended 31 December 2011 are consistent with those used in the preparation of the annual financial statements for the year ended 31 March 2011.

Certain comparative amounts have been restated 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 and provision of general hospital services.

	Three months ended		Nine months ended	
	31 December		31 December	
	2011	2010	2011	2010
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Turnover				
Pharmaceutical wholesale and distribution and pharmaceutical retail chain businesses	499,907	368,254	1,264,147	1,014,212
Provision of general hospital services	34,461	20,734	99,382	82,153
	<u>534,368</u>	<u>388,988</u>	<u>1,363,529</u>	<u>1,096,365</u>

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 and provision of general hospital services in the PRC (2010: approximately 25%).

5. Dividends

The directors do not recommend the payment of a dividend for the nine months ended 31 December 2011 (2010: Nil).

6. Earnings per share

The calculation of basic earnings per share for the three months ended 31 December 2011 was based on the net profit of approximately HK\$14.961 million (2010: approximately HK\$14.492 million) and on the weighted average number of 1,182,438,264 shares (2010 (restated): 1,182,088,265 shares).

The calculation of basic earnings per share for the nine months ended 31 December 2011 was based on the net profit of approximately HK\$32.424 million (2010: approximately HK\$43.562 million) and on the weighted average number of 1,182,438,264 shares (2010 (restated): 1,180,261,598 shares).

Diluted earnings per share was calculated by adjusting the weighted average number of shares outstanding to assume conversion of all dilutive potential ordinary shares. For the three months and nine months ended 31 December 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 the 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 31 December 2011 <i>HK\$'000</i> (Unaudited)	Nine months ended 31 December 2011 <i>HK\$'000</i> (Unaudited)
Profit attributable to owners of the Company	14,961	32,424
Interest expense on convertible note (net of tax)	<u>105</u>	<u>315</u>
Profit for the purpose of diluted earnings per share	<u><u>15,066</u></u>	<u><u>32,739</u></u>
Weighted average number of ordinary shares in issue	1,182,438,264	1,182,438,264
Adjustments for assumed conversion of convertible note	3,421,053	3,421,053
Adjustments for assumed exercise of share options	<u>45,713,836</u>	<u>45,970,986</u>
Weighted average number of shares for the purpose of diluted earnings per share	<u><u>1,231,573,153</u></u>	<u><u>1,231,830,303</u></u>
	Three months ended 31 December 2011	Nine months ended 31 December 2011
Diluted earnings per share	<u><u>HK1.223 cents</u></u>	<u><u>HK2.658 cents</u></u>

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

For the nine months ended 31 December 2011 (the “period under review”), the Group recorded a turnover on business operations of approximately HK\$1,363.529 million (2010: approximately HK\$1,096.365 million), representing a significant increase of 24.37% compared to the same period last year. The rise in turnover was mainly driven by the sales from the pharmaceutical wholesale and distribution and pharmaceutical retail chain businesses in the PRC.

Selling and distribution expenses for the period under review amounted to approximately HK\$22.702 million (2010: approximately HK\$18.335 million), a 23.82% increase. This was related to the marketing and promotional expenses incurred in PRC.

Administrative expenses amounted to approximately HK\$83.750 million (2010: approximately HK\$76.090 million), rising about 10.07%.

Profit from operations was approximately HK\$66.853 million for the nine months ended 31 December 2011 (2010: approximately HK\$70.753 million), a 5.51% decrease. This was related to approximately HK\$5.291 million of one-off vendor’s compensation for guaranteed profit was recognized in corresponding period in year 2010. By excluding the effect of guaranteed profit, the Group recorded an increase in profit from operations of about 2.12% compared to the same period last year.

The Group recorded a profit attributable to owners of the Company of approximately HK\$32.424 million for the period under review (2010: approximately HK\$43.562 million), representing a decrease of about 25.57% compared to the same period last year. The decrease was mainly due to no vendor’s compensation for shortfall of guaranteed profit recognized 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 store numbers and comprehensive competitiveness as ranked by the independent associations in PRC. The Group continues to allocate resources and 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 nine months ended 31 December 2011 was approximately HK\$1,264.147 million (2010: approximately HK\$1,014.212 million).

General hospital services

During the nine months ended 31 December 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 management envisions more diversified hospital services readily available to satisfy various needs of the public in the next few years, from the common illness treatments to the care of special and difficult disease. Therefore we will continue to allocate our resources to develop those services either from our existing hospitals or through collaboration. The total turnover contributed by these general hospitals for the nine months ended 31 December 2011 was approximately HK\$99.382 million (2010: approximately HK\$82.153 million).

Future Prospects

The management of the Group will continue to adapt to the changing business environments through effective and efficient measures and 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 rapid economic growth and the 12th Five-Year-Plan which calls for more aggressive healthcare reform and government spending.

With the Group's accurate market positioning, in 2012, our hospitals will benefit tremendously from the outcomes of the 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 improvement on the operation efficiency in our hospitals to maximize profitability while we continue to look for growth opportunities.

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 31 December 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	13.28%
	Personal interest (Note 2)	408,046,875	Long	44.79%
Mr. Weng Jiaxing	Personal interest	1,406,250	Long	0.15%
Mr. Zheng Gang	Personal interest	2,000,000	Long	0.22%

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 408,046,875 shares represent (i) the 136,546,875 shares beneficially owned by Mr. Yung Kwok Leong, and (ii) the 271,500,000 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
	1 January 2012 to 31 December 2013	HK\$0.16	2,000,000	Long
Mr. Weng Jiaying	23 March 2010 to 22 March 2015	HK\$1.12	1,980,282	Long
	1 January 2012 to 31 December 2013	HK\$0.16	6,700,000	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
	1 January 2012 to 31 December 2013	HK\$0.16	6,700,000	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
	1 January 2012 to 31 December 2013	HK\$0.16	1,000,000	Long
Mr. Chen Jin Shan	30 September 2009 to 29 March 2019	HK\$0.50	1,704,000	Long
	23 March 2010 to 22 March 2015	HK\$1.12	2,084,507	Long
	1 January 2012 to 31 December 2013	HK\$0.16	6,700,000	Long
Dr. Wong Yu Man	1 January 2012 to 31 December 2013	HK\$0.16	1,000,000	Long

Save as disclosed above, as at 31 December 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 31 December 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 (Note 1)	120,960,500	Long	Beneficial owner	13.28%
Mrs. Yung Muk Ying (Note 1)	530,707,375	Long	Interest of spouse	58.26%
Rubyland Investments Limited (Note 2)	60,000,000	Long	Beneficial owner	6.59%
Mr. Lau Kim Hung, Jack (Note 3)	66,900,000	Long	Beneficial owner	7.34%
Mrs. Chan Yiu Kam, Katie (Note 3)	66,900,000	Long	Interest of spouse	7.34%

Notes:

- (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 136,546,875 shares and 1,700,000 share options and 271,500,000 convertible preference shares beneficially held by Mr. Yung Kwok Leong in personal capacity.
- (2) The issued share capital of Rubyland Investments Limited, a company incorporated in the British Virgin Islands with limited liability, is 100% beneficially owned by Mr. Lau Kim Hung, Jack.
- (3) The 66,900,000 shares represents (i) 60,000,000 shares are held through Rubyland Investments Limited, which is beneficially owned by Mr. Lau Kim Hung, Jack and (ii) 6,900,000 shares are held through by Bountiful Resources Limited, a company incorporated in British Virgin Islands with limited liability which the entire issued share capital of which is owned by Mr. Lau Kim Hung, Jack.

By virtue of her being the spouse of Mr. Lau Kim Hung, Jack, Mrs. Chan Yiu Kam, Katie is deemed to be interested in 60,000,000 shares held by Rubyland Investments Limited and 6,900,000 shares held by Bountiful Resources Limited.

Save as disclosed above, as at 31 December 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

Pursuant to the ordinary resolution passed by the shareholders in the annual general meeting held on 10 August 2011, the Company announced that on 30 December 2011, 66,900,000 share options are offered to directors and employees of the Group, for the primary purpose of providing incentives to them, to subscribe for shares in the Company.

As at 31 December 2010, there were 111,189,064 outstanding share options, of which, 237,777 and 110,951,287 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 31 December 2011 were as follows:

(i) Pre-IPO scheme

As at 31 December 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:

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

(ii) Post-IPO share option scheme

As at 31 December 2011, there were 44,051,287 and 66,900,000 outstanding share options pursuant to the Post-IPO scheme adopted on 20 April 2002 and 30 December 2011 respectively. 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
	1 January 2012 to 31 December 2013	HK\$0.16	2,000,000
Mr. Weng Jiaxing	23 March 2010 to 22 March 2015	HK\$1.12	1,980,282
	1 January 2012 to 31 December 2013	HK\$0.16	6,700,000

Categories of grantees	Exercise period	Exercise price	Number of share options outstanding
Directors			
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
	1 January 2012 to 31 December 2013	HK\$0.16	6,700,000
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
	1 January 2012 to 31 December 2013	HK\$0.16	1,000,000
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
	1 January 2012 to 31 December 2013	HK\$0.16	6,700,000
Dr. Wong Yu Man	1 January 2012 to 31 December 2013	HK\$0.16	1,000,000
Employees and consultants of the Group	13 July 2006 to 12 July 2016	HK\$3.61	459,739
	21 March 2007 to 20 March 2017	HK\$2.94	1,042,253
	30 September 2009 to 29 March 2019	HK\$0.50	8,200,000
	23 March 2010 to 22 March 2015	HK\$1.12	19,594,366
	1 January 2012 to 31 December 2013	HK\$0.16	42,800,000
Total			<u><u>110,951,287</u></u>

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

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

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 directors throughout the nine months ended 31 December 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 nine months ended 31 December 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 nine months ended 31 December 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.

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.

REMUNERATION COMMITTEE

The remuneration committee consists of four members and was established on 3 June 2005 in compliance with the code provisions. The members include Ms. Wong Ka Wai, Jeanne, Prof. Hu Shanlian and Prof. Lu Chuanzhen, the independent non-executive directors of the Company and Mr. Zheng Gang (committee chairman), 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 nine months ended 31 December 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 were made.

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

Hong Kong, 13 February 2012

As at the date of this announcement, the executive Directors of the Company are Mr. Yung Kwok Leong, Dr. Jiang Tao, Mr. Weng Jiaying, 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.